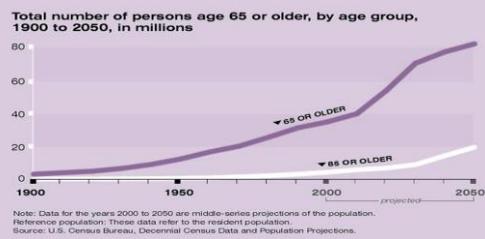


CHAPTER 21 LECTURE – ISSUES

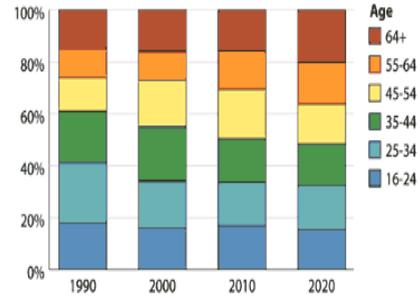
Aging (Ageing)

- In the U.S., persons 65 years or older number more than 12% of the population—that is close to one in every eight Americans.
- The median age in 1850 was 18.9. Now it is about 37.
- The growth of the older population in the U.S. has contributed to a variety of economic issues.



1

Age Distribution USA

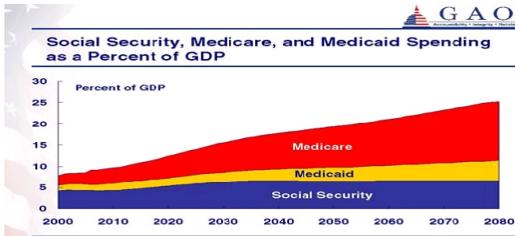


Source: Monthly Labor Review; Study commissioned by Microsoft, conducted by Forrester Research, Inc., 2003

2

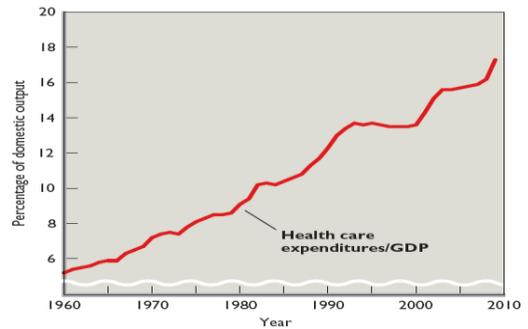
Concerns About Social Security

- The money raised from the social security tax is used to purchase government bonds to pay for general government expenditures.
- The amount paid into the social security system by an individual is far less than the amount received by that individual in retirement benefits.



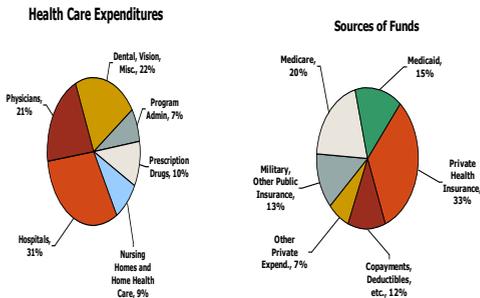
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Healthcare Spending



4

More US Health Care Data

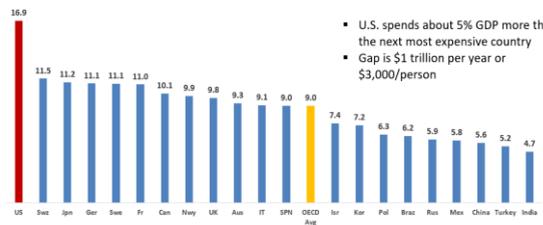


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More US Health Care Data

U.S. Healthcare Costs are High Relative to Other Countries

2015 Healthcare Expenses (% GDP)



Source: OECD Health Statistics 2016
<http://stats.oecd.org/index.aspx?DataSetCode=SHR>

6

CHAPTER 21 LECTURE – ISSUES

Health Economics

- Government spending on healthcare, through programs like Medicare and Medicaid, constitutes 45% of the total spending.
- **Medicare** is a federal healthcare program for the elderly and the disabled.
- **Medicaid** is a joint federal-state program that pays for health care for poor families, the neediest elderly, and disabled persons.

7

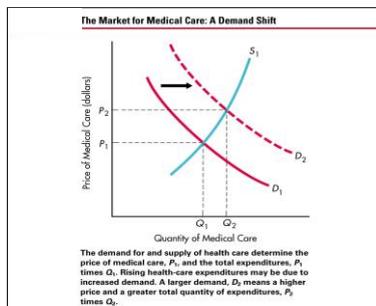
Demand Increase

- The aging of the population stimulates the demand for health care.
- The Financing Mechanism--For demand to increase, the aged must be able to pay for it. The emergence of Medicare and Medicaid in 1966 gave many elderly the ability. Rising income
- New medical technologies provide the very sick with increased opportunities for survival.
 - Defensive medicine
 - Medical ethics

8

The Market for Medical Care: Demand Shift

The demand for medical care has increased, shifting the demand curve to the right, as a result of the aging population, the financing mechanism, and the new and expensive technologies being employed.



9

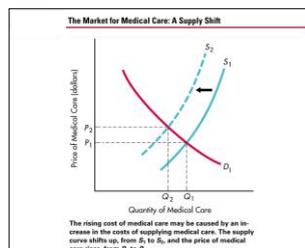
Supply

- Even if the demand curve for medical care was not shifting out rapidly, the cost of medical care could be forced up by a leftward shift of the supply curve.
- The supply curve shifts up if the cost of producing medical care is rising.
- The three largest resources in the medical industry in terms of total expenditures are hospitals, physicians, and nursing homes.

10

The Market for Medical Care: Supply Shift

Only a small fraction of the cost of hospital care is paid by patients. The bulk comes from third parties, of which the government is the most important. **Third-party payers** refers to insurance companies and government programs. Rising physician fees and the prices of drugs have also added to the rising cost of medical care.



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Economic Implications of Rising Costs

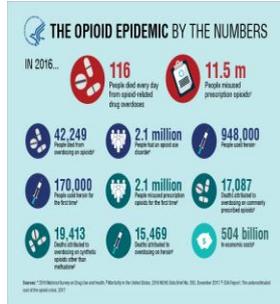
- Reduced access to care
- Labor market effects
 - Slower wage growth
 - Part-time and temporary workers
 - Outsourcing and offshoring
- Personal bankruptcies
- Impact on government budgets

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CHAPTER 21 LECTURE – ISSUES

Prescription Drugs

- Prescription drug expenditures have grown by an annual average of 15% since 2000.

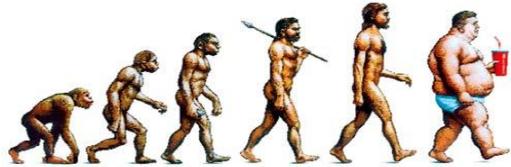


- What are some of the issues

13

Other Health Issues

- Are we healthier?
- Too much spending?
- Limited access – The uninsured



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Environment and Development: The Basic Issues

- Environmental issues affect, and are affected by, economic development
- Classic market failures lead to too much environmental degradation
- Poverty and lack of education may also lead to non-sustainable use of environmental resources



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TABLE 10.1 Principal Health and Productivity Consequences of Environmental Damage

Environmental Problem	Effect on Health	Effect on Productivity
Water pollution and water scarcity	More than 2 million deaths and billions of illnesses a year attributable to pollution; poor household hygiene and added health risks caused by water scarcity	Declining fisheries; rural household time and municipal costs of providing safe water; aquifer depletion leading to irreversible compaction; constraint on economic activity because of water shortages
Air pollution	Many acute and chronic health impacts: Excessive urban particulate matter levels are responsible for 300,000 to 700,000 premature deaths annually and for half of childhood chronic coughing; 400 million to 700 million people, mainly women and children in poor rural areas, affected by smoky indoor air	Restrictions on vehicle and industrial activity during critical episodes; effect of acid rain on forests and water bodies
Solid and hazardous wastes	Diseases spread by rotting garbage and blocked drains; risks from hazardous wastes typically local but often acute	Pollution of groundwater resources

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TABLE 10.1 Principal Health and Productivity Consequences of Environmental Damage

Environmental Problem	Effect on Health	Effect on Productivity
Soil degradation	Reduced nutrition for poor farmers on depleted soils; greater susceptibility to drought	Field productivity losses of 0.5% to 1.5% of GNI common on tropical soils; off-site siltation of reservoirs, river-transport channels, and other hydrologic investments
Deforestation	Localized flooding, leading to death and disease	Loss of sustainable logging potential and of erosion prevention, watershed stability, and carbon sequestration provided by forests
Loss of biodiversity	Potential loss of new drugs	Reduction of ecosystem adaptability and loss of genetic resources
Atmospheric changes	Possible shifts in vector-borne diseases; risks from climatic natural disasters; diseases attributable to ozone depletion (perhaps 300,000 additional cases of skin cancer a year worldwide; 1.7 million cases of cataracts)	Sea-rise damage to coastal investments; regional changes in agricultural productivity; disruption of marine food chain

Source: World Bank, World Development Report, 1992: Development and the Environment (New York: Oxford University Press, 1992), tab. 1. Copyright 1992 by the International Bank for Reconstruction and Development/the World Bank. Reprinted with the permission of Oxford University Press, Inc.

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Ecological Economics and Environmental Economics

- Environmental (and resource) economics
 - The environment ("land") is a "factor of production"
 - There are substitutes for environmental goods and services
 - Environmental problems can be addressed by adjustments in the economic systems
- Ecological economics
 - People (and economies) are part of the environment
 - There are no substitutes for many environmental goods and services
 - Addressing environmental problems requires contribution of disciplines other than economics

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CHAPTER 21 LECTURE – ISSUES

The Poor as Both Agents and Victims of Environmental Degradation

- **Victims:**
 - The poor live in environmentally degraded lands which are less expensive because the rich avoid them
 - People living in poverty have less political clout to reduce pollution where they live
 - Living in less productive polluted lands gives the poor less opportunity to work their way out of poverty
- **Agents:**
 - The high fertility rate of people living in poverty
 - Short time horizon of the poor (by necessity)
 - Land tenure insecurity;
 - Incentives for rainforest resettlement

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Global Warming and Climate Change: Scope, Migration, and Adaptation

- The benchmark 2007 IPCC report paints a dire picture for developing economies <http://www.ipcc.ch>
- Recent reports amplify:
 - Evidence of global warming due to greenhouse gases on all 11 indicators examined
 - Impact of global warming likely hardest on the poorest
 - Agriculture harmed in tropical and subtropical areas
 - Resultant conflicts over natural resources may grow
 - Range of adverse health impacts

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Some Impacts of Climate Change in Developing Countries Identified by IPCC

- prolonged droughts, expanded desertification
- increased severity of storms with heavy flooding and erosion
- longer and more severe heat waves
- reduced summer river flow and water shortages
- decreased grain yields
- climate-induced spreading ranges of pests and disease
- lost and contaminated groundwater
- deteriorated freshwater lakes, coastal fisheries, mangroves, coral reefs
- coastal flooding
- loss of essential species such as pollinators and soil organisms,
- forest and crop fires

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Wajir residents walk past carcasses of livestock in Athibohol, North East of Nairobi, Kenya. Close to 1.4 million people in the region are in dire need of food and water, as a result of the prolonged drought. (AFP)

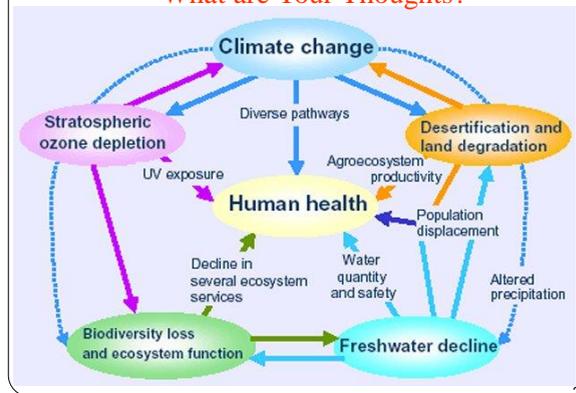
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Comparison of Three Major Environmental Worldviews



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What are Your Thoughts?



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