

CHINESE UNIVERSITY OF HONG KONG

DEPARTMENT OF ECONOMICS

Special Topic in Economics I - Economic Policies in Aging Societies (ECON5822)
Semester 2, 2023-24

Time and Venue:

11:30am – 2:15pm Thursday
Esther Lee Building (ELB) 303

Teacher:

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Office hours: 3:30-5:30pm Thursday

Pre-requisites

ECON5011 Microeconomic Theory / ECON5012 Microeconomic Analysis and Applications and
ECON5021 Macroeconomic Theory / ECON5022 Macroeconomic Analysis and Applications, or
equivalent courses.

Course description

The magnitude of demographic changes, including falling birth rates and rising life expectancy, has been substantial in many societies. Total fertility rate in Singapore fell from 3.07 in 1970 to a strikingly low value of 1.10 half a century later in 2020. According to the data in 2021, the average lifespan for women in Hong Kong reached a high level at 87.9 years, and the corresponding figure for men in Hong Kong was 83.2. Why do population changes of such magnitude arise, and how do they affect individual behavior of households and firms, as well as the aggregate economy? What are the appropriate (economic) policy responses to these mortality and fertility changes?

This course examines these demographic changes, their causes and consequences, and related policy issues. We first look at mortality and fertility trends in aging societies. We then study economic consequences of demographic changes and the associated policies, including the demographic dividend, saving decisions, and human capital accumulation. We also briefly examine economic causes of population changes, and the associated policies.

Course outline

A. Introduction: Mortality and Fertility Trends in Aging Societies

B. Economic Consequences of Population Aging

- Population change and economic performance: Solow model and demographic dividend
- Mortality decline and saving behavior
- Mortality decline and human capital accumulation
- Population change and post-retirement financial inadequacy
- Related policy issue: Labor shortage in an aging society
- Related policy issue: Reform of retirement income protection system
- Related policy issue: Public annuities

C. Economic Causes of Population Aging

- Causes of mortality decline
- Causes of fertility decline
- Related policy issue: Policy responses to fertility decline

Learning Outcomes:

After taking this course, students should be well-equipped to understand the impact of population changes on individual behavior and on the aggregate economy, and to explore various possible public policy solutions. They should also be familiar with using an analytical framework to understand economic causes and consequences of demographic changes.

Textbooks / Recommended Reading:

There is no textbook for this course. More detailed reading lists for individual topics will be given during the course.

Grading Policy:

There will be a mid-term examination (30%), a 3- to 5-page short essay (30%) and a final examination (40%). The test date will be March 14.

For the essay component, students are allowed to write it individually or to collaborate with another student. The deadline of submission of the essay is April 26. More information about the essay component will be given later.

Academic Honesty:

Attention is drawn to university policy and regulations on honesty in academic work, and to the disciplinary guidelines and procedures applicable to breaches of such policy and regulations. Details may be found at <http://www.cuhk.edu.hk/policy/academichonesty/>.