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政策研究大学院大学
GRIPS
NATIONAL GRADUATE INSTITUTE FOR POLICY STUDIES

# 3RD GRIPS-KEIO MACROECONOMICS AND POLICY WORKSHOP

**February 28, 2018**

**Activities Report**

**3RD GRIPS-KEIO MACROECONOMICS AND POLICY WORKSHOP**

**Part A:** Summary of the 3rd GRIPS-KEIO Macroeconomics and Policy Workshop

**Part B:** Evaluation and Achievement

# Part A. Overview of the Workshop

## Conference program

Date: February 28, 2018 (Wednesday)
Time: 9:00 – 17:40, Venue: Room 3C, 3FL, GRIPS
Total number of attendants: 38 (Non-GRIPS participants: 25 GRIPS Students: 9, GRIPS faculty: 4)

**PROGRAM** (available at https://sites.google.com/site/gripskeio2018/ )

| | |
|---|---|
| 09:00-09:10 | **Welcome coffee** |
| 09:10-10:00 | **AMANDA MICHAUD, Indiana University Bloomington**<br>*"The Disability Option: Labor Market Dynamics with Macroeconomic Health Risks"* (joint with David Wiczer) |
| 10:00-10:15 | **Coffee break** |
| 10:15-11:05 | **SO KUBOTA, University of Tokyo**<br>*"Child care costs and stagnating female labor force participation in the U.S."* |
| 11:05-11:20 | **Coffee break** |
| 11:20-12:20 | **Keynote presentation 1**<br>**GIOVANNI GALLIPOLI, University of British Columbia**<br>*"Permanent Income Inequality" (joint with Brant Abbott)* |
| 12:20-13:30 | **Lunch** |
| 13:30-14:20 | **MINCHUL (MIN) YUM, University of Mannheim**<br>*"On the Distribution of Wealth and Employment"* |
| 14:20-14:35 | **Coffee break** |
| 14:35-15:25 | **ELENA CAPATINA, University of New South Wales**<br>*"Health Shocks and the Evolution of Consumption and Income over the Life-Cycle"* (joint with Michael Keane and Shiko Maruyama) |
| 15:25-15:40 | **Coffee break** |
| 15:40-16:30 | **SANG YOON (TIM) LEE, Toulouse School of Economics**<br>*"Horizontal and Vertical Polarization: Task-Specific Technological Change in a Multi-Sector Economy" (joint with Yongseok Shin)* |
| 16:30-16:45 | **Coffee break** |
| 16:45-17:45 | **Keynote presentation 2**<br>**JOHN B. JONES, Federal Reserve Bank of Richmond**<br>*"Couples' and Singles' Saving after Retirement"* (joint with Mariacristina De Nardi and Eric French) |
| 18:00- | Dinner (invitation only) |

## Summary of each presentation

1) Dr. Amanda Michaud gave a presentation of his paper titled "*The Disability Option: Labor Market Dynamics with Macroeconomic Health Risks*" from 09:10-10:00am in meeting room 3C. Her research tried to explain the increase in the number of people enrolling in Disability Insurance program in the US. The underlying factors example includes the change in composition, unemployment shock, etc.

2) Dr. So Kubota gave a presentation of his paper titled "*Child care costs and stagnating female labor force participation in the U.S.".* He first presented some stylized facts related to child care sector, both formal and home-care ones. He argued that the observed change in the child care has a causal effect on the female labor supply in the US. The underlying mechanism is that the child care subsidy depresses the supply of female working in home-care sector, causing the child-care costs in both formal and home-care increases.

3) Dr. MINCHUL YUM gave a presentation of his paper titled "*On the Distribution of Wealth and Employment*" from 13:30-14:20 in meeting room 3C. His research tried to explain the inverse U-shape pattern on labor supply across wealth quintile. The underlying mechanism is that the mean-tested transfer and capital income can depress the labor supply of people in the lowest and highest quintiles.

4) Dr. Elena Capatina gave a presentation of her paper titled "*The Disability Option: Labor Market Dynamics with Macroeconomic Health Risks*" from 14:35-15:25 in meeting room 3C. Her research develop a rich structural model to study the interaction between health shock and labor market outcomes. Interestingly her model incorporates human capital accumulation mechanism which is affected by health shock. She then used her model to understand the effect of health shock on income inequality.

5) Dr. SANG YOON LEE gave a presentation of his paper titled "*Horizontal and Vertical Polarization: Task-Specific Technological Change in a Multi-Sector Economy*" from 15:40-16:30pm in meeting room 3C. His research develops a new model to explain the job polarization within manufacturing sector and service sector. The underlying mechanism is that there is a routinization on the job required skills in the middle range. This lowers the jobs with the middle skills and increases the jobs in the lower and higher ends of skill ranges when each job types are complementary to each other. He then provided empirical to support his mechanism.

6) Dr. John Jones gave a presentation of his paper titled "*Couples' and Singles' Saving after Retirement* from 4.50-6.00pm in meeting room 3C. His research used a newly developed model based on his previous research to understand the risk couples and single retirees faces. His structural model is rich and can capture some salient features he documented from the data. He used his model to explain the retirees' saving behavior. One important finding is that saving for survival spouses is an important motive for saving among couple retirees.

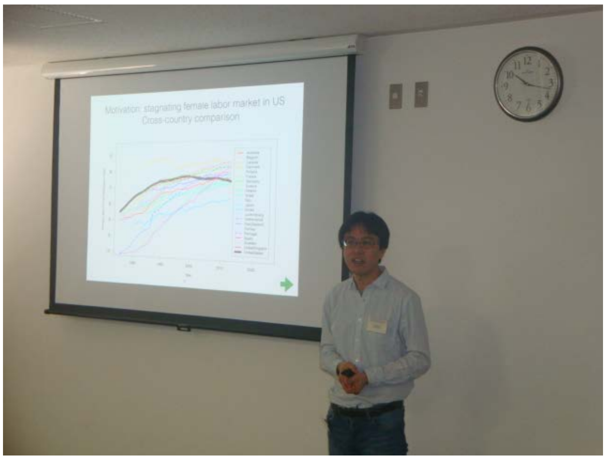
7) Dr. Giovanni Gallipoli gave a presentation of his paper titled "*Permanent Income Inequality* from 11.20-12.20pm in meeting room 3C. His research used a newly developed method to measure lifetime inequality when taking into account the future human capital wealth. Interestingly he showed that when taking into account the lifetime human capital wealth, the inequality is much lower than the inequality when looking into wealth inequality alone. However, lifetime inequality become worse overtime due to the increasing concentration of wealth.

## Pictures for the workshop



3rd GRIPS KEIO Macroeconomics Workshop

Amanda Michaud (Indiana University Bloomington)




So Kubota (University of Tokyo)

Giovanni Gallipoli (University of British Columbia)


Minchul (Min) Yum (University of Mannhaim)

Elena Capatina (University of New South Wales)

## Pictures for the workshop (Cont.)


Song Yoon (Tim Lee (Toulouse School of Economics)

John B. Jones (Federal Reserve Bank of Richmond)

Workshop participants

Discussion during coffee break

Lunch discussion

Discussion after lunch break

# Part B. Evaluation and Achievement

This year we continued the collaboration with Keio University and held the 3rd joint *GRIPS-Keio Macroeconomics and Policy Workshop* (and the 10th GRIPS International Conference of Macroeconomics and Policy). The workshop brought the world renowned scholars to Tokyo. This included Dr. John Johns from Federal Reserve Bank of Richmond, USA. (well-known researcher on topics related to pension and social insurance, and retirement) and Dr. Giovanni Gallipoli from University of British Columbia, CA. (leading researcher on topics related to inequality, human capital, and education) as our keynote speakers. There was a formal call for paper for the workshop, and many high quality papers from researchers both inside and outside Japan submitted to the workshop. Due to the high quality of the submitted papers, we decide to have five additional papers in the program, one more paper than the last year. Speakers were experts in related fields from all over the world, including Australia (Australian National University), USA (Indiana University, Bloomington), France (Toulouse School of Economics), Germany (University of Mannheim), and Japan (University of Tokyo). This conference also attracted many local experts (and students) to participate, for example researchers (and students) from U Tokyo, Hitotsubashi University, Kyoto U, Kobe University, University of Tsukuba, Tokyo International University, Bank of Japan, and Ministry of Finance, Japan Times, Daiwa Securities.

The joint international workshop has brought world famous researchers to Japan and created opportunities for local researchers to learn from and discuss with those experts from overseas. The long continuation of our conference series establishes its reputation among domestic researchers as a major annual economic conference in Tokyo. The conference has built up a close academic collaboration between GRIPS, Keio University, and domestic research institutes in Japan. The participants were from both academic and non-academic groups and the number of participants has been increased over years. More importantly, it has significantly raised both domestic and international recognition of GRIPS's research activities in both the academic and non-academic circles.

In addition to the call for paper and call for participants, we also use various channels to outreach researchers who might be interested in the conference. This includes email circulation, publically accessible conference program website, and GRIPS's event announcement. The following picture is the screenshot from GRIPS's website.

We hope our good effects can be maintained and enlarged by the continuing support from GRIPS' Policy Research Center and by the extended cooperation with more universities in Japan in the next year.

Full Version

Admission

Japanese

GRIPS 政策研究大学院大学 NATIONAL GRADUATE INSTITUTE FOR POLICY STUDIES

Menu

News & Events

## Events Information

2018.2.28[Wed]

### GRIPS-KEIO Macroeconomic and Policies Workshop

The GRIPS will stage its 10th International Conference of Macroeconomics and Policy on Feb 28th, 2018, in Tokyo. This marks the third annual conference GRIPS and Keio jointly organize.
We intend to provide a forum in Asia for local and international researchers to present their work in related fields, to share research ideas, to discuss related policy issues/implications. We also hope that the conference will be a nice and permanent platform for research cooperation.
Please see the detailed information through the link below.

Keynote speakers:
John Jones (Federal Reserve Bank of Richmond)
Giovanni Gallipoli (University of British Columbia)

■Entry
Please fill out the Pre-registration form from below [Entry]
The deadline : 10 February, 2018

| | |
|---|---|
| Date / Time | 28 February, 2018 9 : 00-18 : 00 |
| Venue | Meeting Room 3C (3rd floor) |
| Fee | Free |
| Language | English |

About Entry

Events Information

- News & Announcements
- News Archives
- Events & Symposiums
- Events & Symposiums Archives
- GRIPS FORUM
- GRIPS FORUM Archives
- Seminars
- Seminars Archives
- Statesmen's Program
- Training Program

Print out PAGE TOP

# Appendix

# Material for each seminar

# The Disability Option: Labor Market Dynamics with Macroeconomic and Health Risks

Amanda Michaud David Wiczer*

Indiana University Federal Reserve Bank of St. Louis

This Version: September 27, 2017

Most Recent Version.

(Preliminary. Please do not cite)

**Abstract**

In recent decades, Social Security Disability Insurance (SSDI) claims have risen rapidly. We evaluate the importance of changing macroeconomic conditions in shaping this trend. Our quantitative framework considers that economic conditions interact with individuals' health status in their decisions to apply for SSDI. Crucially, these factors are correlated through the nature of work: multiple sectors differentially expose workers to health and economic risks. Decomposing factors driving SSDI growth in a calibrated model, we find the secular deterioration of economic conditions concentrated in populations with high health risks accounts for about half of the increase in SSDI claims predicted by the model, about a third overall.

*

E-mail: ammichau@indiana.edu or wiczerd@stls.frb.org. Michaud thanks FRB of Atlanta & FRB of Kansas City for hospitality and support for this project. The views expressed herein are those of the authors and do not necessarily reflect the views of the Federal Reserve System, the Boards of Governors, or the regional Federal Reserve Banks.

# Child care costs and stagnating female labor force participation in the US*

So Kubota†

February 25, 2018

**Very Preliminary**
**under major revision**

**Abstract**

The female labor force participation rate in the United States leveled off around 1990 and began to decrease in the late 1990s. This paper shows that structural changes in the child care market play a substantial role. I first provide new estimates of long-term trends in the child care market using the Survey of Income and Program Participation. The hourly price rose by 32%, hours of daycare used declined by 27%, and parents shifted their child care arrangements from market care to non-monarket family/relative care. In the child care supply side, there was a drastic decline in the number of home-based child care workers such as family daycare providers, babysitters, nannies, etc. This paper argues that the massive increase in child care subsidies for low-income families, which was supposed to stimulate child care demand, unexpectedly pushed down the home-based supply. The home-based workers are also mainly low-income working mothers; hence, the subsidies might distort their incentives. I provide its supportive evidence, simple model and its quantitative extension to capture the channel in detail. I also build a quantitative life-cycle model of married couples and show that the rising child care price significantly changed female labor supply and child care arrangements. I also use state-level variations and changes in child care regulations and find that it's a minor but significant factor in the price.

*I am extremely grateful to Richard Rogerson for crucial advice, support, and encouragement. I thank Mark Aguiar, Susumu Cato, Janet Currie, Marc Fleurbaey, Ryo Jinnai, Greg Kaplan, Nobuhiro Kiyotaki, Kazushige Matsuda, Ezra Oberfield, Chang Sun, and seminar participants at Princeton, Sungkyunkwan, U Tokyo, Koc, Instanbul Techinical, Bogazici, Hitotsubashi, GRIPS for their helpful comments. I also thank Daphna Bassok, Maria Fitzpatrick, Erica Greenberg, and Susanna Loeb for sharing their child care regulation data.

†Graduate School of Public Policy, The University of Tokyo. Tel.: +81-3-5428-0428. Email: gkubotaso@gmail.com Web: http://sites.google.com/site/gkubotaso/

# Permanent Income Inequality

**PRELIMINARY AND INCOMPLETE**

**Brant Abbott**
Queen's University
abbottbrant@gmail.com

**Giovanni Gallipoli**
University of British Columbia
gallipol@mail.ubc.ca

THIS DRAFT: FEBRUARY 25, 2018

**Abstract.** We estimate the level and evolution of inequality in assets, human capital wealth and permanent income. Our definition of the latter variable does not rely on a specific utility function and imposes no restrictions on income processes. We characterize the distribution of human wealth using nonparametric identification results that allow for state-dependent stochastic discounting and unobserved heterogeneity. Accounting for the value of human capital delivers a different view of inequality. We find that (i) in 2016 the top 10% shares of total wealth and permanent income were roughly 1/3 lower than the corresponding share of assets; (ii) between 1989 and 2016 the top 10% shares of total wealth and permanent income grew significantly faster than the corresponding share of asset wealth. Hence, human wealth has had a mitigating influence on overall inequality but this mitigating effect has declined over time. We show that households at the top of the assets distribution have not increased their share of human wealth. Instead, higher concentration of permanent income is due to the growing importance of assets in lifetime wealth portfolios.

**JEL Classification**: D3, G1, I24, E21, J01
**Keywords**: Inequality, Earnings, Wealth, Human Capital

# On the Distribution of Wealth and Employment

Minchul Yum*

January 2018

**Abstract**

In the United States, the employment rate is nearly flat across wealth quintiles with the exception of the first quintile. Correlations between wealth and employment are close to zero or moderately positive. However, incomplete markets models with a standard utility function counterfactually generate a strongly negative relationship between wealth and employment. Using a fairly standard incomplete markets model calibrated to match the distribution of wealth, I find that government transfers and capital income taxation increase the (non-targeted) correlations between wealth and employment substantially, bringing the model closer to the data. As the model's fit with the distribution of wealth and employment improves, I find that the precautionary motive of labor supply is mitigated, thereby raising aggregate labor supply elasticities substantially.

**Keywords**: Wealth distribution; employment; government transfers; capital income taxation; aggregate labor supply elasticity

**JEL codes**: E24, E21, J22

*Department of Economics, University of Mannheim, Germany, e-mail: minchul.yum@uni-mannheim.de. I am grateful to Timo Boppart, Patrick Pintus, and Arnau Valladares-Esteban for their constructive discussions. I also thank Klaus Adam, Florin Bilbiie, Michael Burda, Antoine Camous, Sebastian Findeisen, Jordi Gali, Youngsoo Jang, Tom Krebs, Dirk Krueger, Per Krusell, Dmitry Matveev, Kjetil Storesletten, Nicola Pavoni, Michele Tertilt, and seminar participants at the European Winter Meeting of the Econometric Society at Barcelona GSE, 8th ifo Conference on Macroeconomics and Survey Data, Sogang University, NorMac 2017, Asian Meeting of the Econometric Society in Hong Kong, Madrid Workshop in Quantitative Macroeconomics, Humboldt University of Berlin, T2M conference in Lisbon, the PSE/Banque de France/Fondation France-Japon-EHESS workshop and the University of Mannheim for helpful comments. An earlier version of the paper was circulated under the title of "On the Distribution of Wealth and Labor Force Participation."

# Health Shocks and the Evolution of Consumption and Income over the Life-Cycle*

Elena Capatina, Michael Keane, Shiko Maruyama

December 19, 2017

**Abstract**

This paper studies the effects of health on earnings dynamics and on consumption inequality over the life-cycle. We build and calibrate a life-cycle model with idiosyncratic health, earnings and survival risk where individuals make labor supply and asset accumulation decisions, adding two novel features. First, we model health as a complex multi-dimensional concept. We differentiate between functional health and underlying health risk, temporary vs. persistent health shocks, and predictable vs. unpredictable shocks. Second, we study the interactions between health and human capital accumulation (learning-by-doing). These features are important in allowing the model to capture the degree to which, and the pathways through which, health impacts earnings and consumption patterns. They are also very important in estimating the value of health insurance and social insurance. A key finding is that health shocks account for roughly half of the growth in offer wage inequality over the life cycle. Eliminating health shocks leads to a 5.5% decline in the variance of the present value of earnings across all individuals.

*Keywords:* Health, Income Risk, Precautionary Saving, Health Insurance, Welfare
*JEL classification:* D91, E21, I14, I31

## 1 Introduction

The aim of this paper is to extend the life-cycle labor supply framework to include not only human capital accumulation (experience) but also health capital, and to explore the implications for life-cycle outcomes. In particular, we want to better understand the importance of health shocks as a source of earnings risk and consumption inequality. To

*We thank Dr Philip Haywood for excellent assistance in classifying health shocks based on the International Classification of Diseases (ICD) codes. This research has been supported by the Australian Research Council grant FL110100247 and by the ARC Centre of Excellence in Population Ageing Research (project number CE110001029). We have received useful comments from participants at various seminars and conferences including the briq Workshop, UNSW, IFS Conference, SAET Conference, and WAMS Workshop.

# Horizontal and Vertical Polarization: Task-Specific Technological Change in a Multi-Sector Economy*

Sang Yoon (Tim) Lee† Yongseok Shin‡

September 21, 2017

**Abstract**

We analyze the effect of technological change in a novel framework that integrates an economy's skill distribution with its occupational and industrial structure. Individuals become managers or workers based on their managerial vs. worker skills, and workers further sort into a continuum of tasks (occupations) ranked by skill content. Our theory dictates that faster technological progress for middle-skill tasks not only raises the employment shares and relative wages of lower- and higher-skill occupations among workers (*horizontal* polarization), but also raises those of managers over workers as a whole (*vertical* polarization). Both dimensions of polarization are faster within sectors that depend more on middle-skill tasks and less on managers. This endogenously leads to faster TFP growth of such sectors, whose employment and value-added shares shrink if sectoral goods are complementary (structural change). We present several novel facts that support our model, followed by a quantitative analysis showing that task-specific technological progress—which was fastest for occupations embodying routine-manual tasks but not interpersonal skills—is important for understanding changes in the sectoral, occupational, and organizational structure of the U.S. economy since 1980.

*Previously circulated as "Managing a Polarized Structural Change." The theoretical model in this paper was developed in conjunction with another project sponsored by PEDL and DFID, whose financial support (MRG 2356) we gratefully acknowledge. The paper benefited from comments and suggestions from many seminar and conference participants. We are grateful to Frederico Belo, Nancy Stokey and Jon Willis, whose conference discussions helped greatly improve the paper. We also thank Sangmin Aum for outstanding research assistance. The usual disclaimer applies.

†Toulouse School of Economics and CEPR: sylee.tim@tse-fr.eu.

‡Washington University in St. Louis, Federal Reserve Bank of St. Louis and NBER: yshin@wustl.edu.

## Couples' and Singles' Savings After Retirement


## Abstract

We model and compare the saving behavior of retired couples and singles. These households face uncertain longevity and medical expenses in the presence of means-tested social insurance and bequest motives toward spouses and other heirs. Using AHEAD data, we evaluate the relative exposure of couples and singles to various risks and the relative importance of various savings motives. We find that people who are single at age 70 live shorter lives than people of the same age in a couple. Despite their shorter lives, singles are more likely to end up in a nursing home in any given year. For this reason, singles have higher medical spending per person than people who are part of a couple. We also find that assets drop sharply, between $30,000 and $60,000, with the death of a spouse. By the time the second spouse dies, a large fraction of the wealth of the original couple has vanished, with most of the declines occurring at the times of the spouses' deaths. A large share of these wealth drops is explained by the high medical expenses at the time of death. In fact, total out-of-pocket medical spending and death expenses are approximately $20,000 during the year of death (whereas medical spending is $6,000 per year for similarly-aged people who do not die). These facts suggest that a significant fraction of all assets held in retirement are used to self-insure against the risk of high medical and death expenses.


## Citation


De Nardi, Mariacristina, Eric French, and John Bailey Jones. 2015. "Couples' and Singles' Savings After Retirement." University of Michigan Retirement Research Center (MRRC) Working Paper, WP 2015-322. Ann Arbor, MI.
http://www.mrrc.isr.umich.edu/publications/papers/pdf/wp322.pdf



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