Finding and Conducting Research in Economics

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Speakers

- Dr. Bryan Buckley, Lecturer of Economics
- Dr. Isaac Dilanni, Lecturer of Economics
- Megan Lindgren, Economics Student
- Nick Melrose, Academic Advisor
Topics

• How to develop a research topic
• How to read and academic article
• How to write an academic article
• How to maximize ECON 399 experience
• Student perspective on ECON 399
How do I find a Research Topic?

- Attend seminars and department events
- Read the newspaper (current events)
- Talk to instructors and grad students
  - Get to know your instructors and TAs (take their classes, ask questions, visit office hours)
- Read social science journals
- Read industry and trade journals
How to Read an Academic Article
General Setup

- Abstract
- Introduction
- Literature Search
- Theory
- Data
- Empirics
- Conclusion
Some Tips

• Read Abstract and Conclusion First
• Read 1st sentence of each paragraph.
• Focus on Empirics last.
Questions to Keep in Mind

• What is the researcher’s question?
• How do they answer their question?
• How does their question/results relate to other articles?
• What are the strengths/weaknesses of their work?
Environmental Health Risks and Housing Values: Evidence from 1,600 Toxic Plant Openings and Closings

Regulatory oversight of toxic emissions from industrial plants and understanding about these emissions' impacts are in their infancy. Applying a research design based on the openings and closings of 1,600 industrial plants to rich data on housing markets and infant health, we find that: toxic air emissions affect air quality only within 1 mile of the plant; plant openings lead to 11 percent declines in housing values within 0.5 mile or a loss of about $4.25 million for these households; and a plant's operation is associated with a roughly 3 percent increase in the probability of low birthweight within 1 mile.
Example:

Are Health Insurance Markets Competitive?
By Leemore S. Dafny

American Economic Review 100 (September 2010)
Abstract

I. The US Health Insurance Industry
   A. Key Facts
   B. Prior Research

II. Data
   A. The LEHID Data
   B. Study Sample

III. Do Profitable Firms Pay More for Health Insurance
   A. Main Analysis
   B. Alternative Explanations
   C. Robustness and Extensions

IV. Interpreting the Results: Combining Intuition and Bargaining Theory
   A. Practitioner Intuition
   B. A Bargaining Model

V. The Relationship between Plan Switching and Employer Profits

VI. Discussion and Conclusions
Abstract

To gauge the competitiveness of the group health insurance industry, I investigate whether health insurers charge higher premiums, ceteris paribus, to more profitable firms. Such "direct price discrimination" is feasible only in imperfectly competitive settings. Using a proprietary national database of health plans offered by a sample of large, multisite firms from 1998-2005, I find firms with positive profit shocks subsequently face higher premium growth, even for the same health plans. Moreover, within a given firm, those sites located in concentrated insurance markets experience the greatest premium increases. The findings suggest health care insurers are exercising market power in an increasing number of geographic markets.
Introduction

The United States stands virtually alone among leading industrialized nations in its heavy and increasing reliance on the private insurance sector to intermediate health care for its residents.¹ The assumption underlying this system is that fierce competition among private insurers yields more efficient outcomes, broadly writ (Alain C. Enthoven 1978). However, a comprehensive survey on the state of competition in health care appearing in the 1999 Journal of Economic Perspectives concludes there is "little empirical evidence on competitive conduct by health insurance firms" (Martin S. Gaynor and Deborah Haas-Wilson 1999). A 2004 report on the same by the Federal Trade Commission and the Department of Justice finds most experts believe the market is highly competitive (with the vocal exception of groups representing physicians), although new research on the subject is scarce and plagued by data and identification issues (see Dennis P. Scanlon, Michael Chernew, and Woolton Lee 2006 for a thorough review).² Meanwhile, continued faith in competitive markets is manifest in the rapid increase in outsourcing of public insurance to the private sector (Mark G. Duggan 2004, Duggan and Fiona Scott Morton 2008), as well as limited antitrust enforcement during two decades of extensive insurer consolidation. Only three combinations have been challenged by the Department of Justice, and these only in select markets.³
Introduction

The United States stands virtually alone among leading industrialized nations in its heavy and increasing reliance on the private insurance sector to intermediate health care for its residents.1

This study evaluates whether and where local insurance markets are competitive by testing for evidence of conduct that can occur only in imperfectly competitive markets.

Using a proprietary panel database on fully insured health plans offered by a sample of large, multisite employers between 1998 and 2005,1 find firms with positive profit shocks subsequently face larger premium increases, even for the same health plans.

To determine why insurance carriers are able to extract higher prices from profitable firms in concentrated insurance markets, I combine insights from field interviews with a model of bilateral bargaining, as large employers and insurers bargain annually over insurance contracts.

Returning to the data, I find no support for (i): conditional on the same profit shock, firms in markets with fewer insurance carriers are more likely to switch carriers, suggesting switching costs do not increase more for profitable employers in these markets.
Conclusion

The US health care system relies heavily on private insurance companies to manage health care consumption and payments to providers. Private insurers' share of health expenditures in the United States stood at 35 percent in 2000, more than twice that of the next-highest share (15 percent in The Netherlands). In 2007, expenditures by private insurers were estimated at $676 billion, up from $295 billion in 1993. Although advocates of the private insurance system usually appeal to the virtues of competition, to date there is little empirical evidence to support the assumption of robust competition among insurance carriers.

Prior studies are limited by poor data quality, inaccurate measures of competition (typically limited to a broad measure of HMO activity), a lack of exogenous variation in these measures, and inappropriate market definitions.

With the benefit of high-quality micro panel data on a large sample of fully insured group health plans, I find insurers have sufficient market power to negotiate higher premiums disproportionately for firms experiencing positive profit shocks. This result stands in stark contrast to that predicted in the competitive setting, where private insurers vying for each contract bid down the premium until it has no relation to the employer's willingness to pay. Indeed, I find this de facto price discrimination is most pronounced in markets with a small number of insurance carriers. Additional analyses reveal employers are less willing to switch insurers after they experience positive profit shocks, a phenomenon that affords incumbent insurers the opportunity to negotiate larger price increases where competition is scarce. Collectively, the results challenge the assumption that US health insurance markets are highly competitive.
How to Write an Academic Article
Some Tips

- Read at least 20 published papers
- Use the citations of one paper to find other papers related to your topic.
- Start a file on each paper you read.
Some Tips

• Keep notes on your summary of the paper:
  – General and Specific Subject
  – Research Question
  – Method
  – Results
General Setup

• Abstract
• Introduction
• Literature Search
• Theory
• Data
• Empirics
• Conclusion
Some Tips

- Outline your paper according to the usual fashion
  - Write the first sentence of each paragraph
Prominent ECON Journals

- Quarterly Journal of Economics
- American Economic Review
- Review of Economic Studies
- Journal of Monetary Economics
- Journal of Econometrics

http://www.library.illinois.edu/sshel/economics/econgui.html
Opportunities for Campus Research

• Independent Study (ECON 199 or 399)
• Work with Faculty
• Illinois in Washington
• Office of Undergraduate Research
• ECON Undergraduate Research Symposium
Independent Study: Next Steps

- Get to know the faculty
  - Take their classes, read their research/papers, know their interests, etc.
  - If they are not familiar with you, your work, your dedication, they are not likely to oversee you
- Come up with project plan and evaluation
  - You should have ideas about your interest(s) and how you may go about studying this area, and what has already been research on the topic
  - Have these in mind before you approach faculty
- Meet with faculty member
- Meet with ECON adviser
- Enroll in ECON 199 or 399
  - ECON 399 - Juniors who took ECON 302
- Participate in the Undergrad Research Symposium
Undergraduate Research Symposium

- Showcase work from classes/independent study
- Present in a variety of formats
- Great practice (how to talk about your work)
- Opportunity for future collaboration/networking
- Feedback for future directions
I have research experience, what next?

• Keep track of daily tasks throughout experience
• Tailor experience to specific job/grad program
  – ‘How did this research experience make me a stronger candidate?’
• Talk to others about your research
• Add to your LinkedIn and Resume/CV