MIT Economics

ADAM SOLOMON

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DOCTORAL STUDIES

Massachusetts Institute of Technology (MIT)
PhD, Economics, Expected Completion June 2025

REFERENCES

Professor James Poterba
MIT Department of Economics
E52-444
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Professor Amy Finkelstein
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Professor Jon Gruber
MIT Department of Economics
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PRIOR EDUCATION

University of New South Wales, Sydney, Australia	2018
Bachelor of Economics (Honours)	
Bachelor of Science (Mathematics)	

LANGUAGES

English (Native), Spanish (B1)

FIELDS

Primary Field: Public Finance

Secondary Fields: Behavioral Economics, Applied Theory

RELEVANT POSITIONS

TA to Prof. Nathaniel Hendren for PhD Public Finance	2023
TA to Prof. Amy Finkelstein for PhD Public Finance	2022
Research Intern (supervised by Dr Hunt Allcott), Microsoft	2021
Research New England	2020-21
RA to Professor James Poterba, MIT	2021
TA to Professor Jon Gruber for Undergraduate Public Finance	2021
RA to Professor Richard Holden, UNSW	2017-19

FELLOWSHIPS, HONORS, AND AWARDS

Jerry A. Hausman Graduate Dissertation Fellowship	2022-23
Bradley Public Economics Fellowship	2021-23
Daniel (1972) and Gail Rubinfeld Fellowship	2020-21
MIT Presidential Fellowship	2019-20

Honours Scholarship (UNSW)	2018
University Medal in Economics (UNSW)	2018
Malcolm Chaikin Foundation Scholarship (UNSW)	2013-17
Scientia Scholarship (UNSW)	2013-17
Henry Manson Scholarship (UNSW)	2015-16

PUBLICATIONS

"The Dynamics of Majoritarian Blotto Games (with Tilman Klumpp and Kai Konrad)" *Games and Economic Behavior* 117:402-419 , 2019**.**

"Imperfect Private Information in Insurance Markets" *Review of Economics and Statistics, forthcoming.*

This paper studies imperfectly-perceived private information in insurance markets when contracts endogenously respond. Equilibrium contracts, pooling and welfare depend on the joint distribution of risk and misperception. In the Health and Retirement Study (HRS), I show that misperceptions typically co-vary with (medical, long-term care, disability and mortality) risk type: high types under-perceive their risk, low types over-perceive. I develop a general model and algorithm to estimate the equilibrium contracts, pooling and welfare impact of misperceptions that is applicable in many settings. I offer suggestive evidence from US annuity markets that contracts are distorted due to misperceptions, with welfare likely increasing.

RESEARCH IN PROGRESS

" Bundling in Insurance Markets: Theory and an Application to Long-term Care"

Every insurance contract bundles risks, and explicit bundling discounts are common. I show theoretically that bundling arises whenever correlation between risk types enables insurer "cream-skimming": the willingness-to-pay for insurance against one risk must be negatively correlated with expected costs from the other risk. I analyze long-term care insurance, in which both-spouse bundles are discounted by 20-35%. I show that cream-skimming incentives are sufficient to explain the observed discounts, and rule out standard economies-of-scale. Counterfactually, banning bundling would raise welfare by 5% by correcting separate market unraveling, while mandatory family bundling would reduce welfare by 5% as it exacerbates advantageous selection.

" Optimal Insurance Scope: Theory and Evidence from US Crop Insurance" (with Sylvia Klosin)

Distinct risks are typically insured separately. A single 'aggregate' contract that pays more when many shocks occur simultaneously, but less when positive shocks self-insure negative shocks, is welfare enhancing absent moral hazard. However, an aggregate contract discourages diversification, leading to a novel insurance-incentive trade-off. We study this in the US Federal Crop Insurance Program (FCIP), where farmers can choose the 'scope' of their policy - whether to insure each field separately, or all fields of the crop as an aggregate unit. We analyze reforms in the FCIP that changed the scope of insurance, and provide evidence for moral hazard on diversification. After a large increase in the premium subsidy for

aggregate policies, farmers moved from separate to aggregate policies, and they reduced crop diversity, reduced irrigation, farmed less land, conserved more land, and insured price risk - all reducing the diversification of risk they face. This increased the variance of farm yield by 6% to 40%, depending on the crop. We estimate that the fiscal externality from the reduction in diversification was $3-$4, which outweighed approximately $1 of increased insurance value from aggregate insurance. Conversely, after corrective reforms that de-aggregated the scope of insurance, farmers increased crop diversity. More generally, we discuss how scope has widespread relevance in insurance design.

"Self-Targeting in U.S. Transfer Programs" (with Charlie Rafkin and Evan Soltas)

Transfer receipt is voluntary and costly, generating ``self-targeting'' through selective take-up among the eligible. How does self-targeting select on need, and what are its policy implications? We show self-targeting is advantageous in eight U.S. transfers: On average, recipients have lower consumption and lifetime incomes than eligible nonrecipients with similar current incomes. Due to self-targeting, these transfers provide 50 to 75 percent more to the consumption-poorest and lifetime-poorest than would automatic transfers that are distributionally equivalent by income. Self-targeting makes automatic transfers undesirable: We estimate the social benefits of self-targeting are approximately six cents per transfer dollar, generally exceeding the social costs of ordeals.

"Projected Mortality Improvement and the Money's Worth of US Individual Annuities" (with James Poterba)

This paper presents new estimates of the money's worth of both immediate and deferred annuities that were available in the US individual annuity market in July 2020. It highlights the sensitivity of these estimates to two inputs to the valuation process: the choice of discount rate and the assumed rate of prospective mortality improvement for annuity buyers. The decline in nominal interest rates in the last two decades has coincided with a decline in the ratio of an annuity's annual payout as a fraction of its purchase price, as well as an increase in the difference between the money's worth estimates using interest rates for safe (US Treasury) and risky (corporate) bonds. In addition, projecting future mortality rates using the rate of mortality improvement observed in the US in the first decade of this century, the data underlying the most recent Society of Actuaries projections, results in much higher money's worth values than when future mortality improvement rates are assumed to follow the assumptions of the Social Security Administration Office of the Actuary. The sensitivity of these valuation calculations highlight potential challenges in designing communications about annuity products for retirement plan participants.