



## The Economics of Death: Crash Course Econ #30

Crash Course: Economics

<https://youtube.com/watch?v=AecowUb79Xk>

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Hi, I'm Adriene Hill. This is Crash Course Economics, and today we need to have a little talk about a subject that most people try to avoid: death. We're all going to die. Now, I know from our demographic analytics that most of you are young, and you're statistically likely to live quite a bit longer, but it's still gonna happen someday. And how and when we die has some significant economic impacts. So let's all listen to the Crash Course song, watch the credits, have a small existential crisis, and then we'll get down to the economics of death.

(Intro)

Let me start by pointing out that my co-host, Jacob, isn't dead. He's in Canada, where he's writing a textbook and making econ videos for his YouTube channel, ACDC Leadership and probably still wearing ACDC belt buckles every day. Now a couple of disclaimers. One, this is not Crash Course Philosophy. We're not gonna get into the moral issues surrounding death. We don't know what happens to you after you die. Although, we will talk a little about what happens to your money after you die. Two, we're gonna focus on how death and dying impact the economy of the United States. And it's not because we're American exceptionalists or something. It's because we read and write in English, and information on the U.S. is readily available to us. We know that attitudes and practices around death differ throughout the world, but most of our conversation is gonna focus on death in America. And no, Stan, not death to America, we focused on that in world history.

Alright, a little good news. On the whole, throughout the world, life expectancy at birth has been increasing. According to the United Nations, the global average life expectancy has risen from 65 years for people born between 1990 and 1995, to 70 years for those born between 2010 and 2015. But there are still some pretty big disparities. People born in Africa have a life expectancy at birth that's 12 years less than the global average. And 21 years than the number for those who live in North America, so that's not great. In the United States, life expectancy has changed dramatically in the last 50 years. Americans live longer than they used to, and more and more of them die of natural causes. Accidents and murder and violent death in general are way down. People are living longer. The Pew Research Foundation reports that by 2010 in the United States 31% of deaths were among those aged 85 and older. This was a huge change from 1968, when 12.5% of people who dies were in that age range.

It's not all roses though. I mean, this is still an episode about dying. When we look at this data by income level, the numbers look a little different. A recent study found that income levels affect life expectancy a lot. In 2010, an upper income man in the U.S. was expected to live to age 89. The same lower income man would live to 76, and the shortened life span has a big economic impact. In effect, the rich receive a lot more government benefits over the course of their lives. That 89-year-old upper income man would collect an average of \$522,000 in government benefits during his life, while the lower income man would only collect an average of \$391,000.

So, how do our on average longer lives affect the economy? Well, economic thought about this stuff varies. Some economists argue that increased life spans are, in a very basic sense, good for the economy. When people live longer, they have more years to consume stuff, contributing to economic growth. On the other hand, long life tends to come with more health problems, and memory-related illnesses have become much more prevalent. In 1968, the Centers for Disease Control and Prevention documented 293 deaths from dementia, senility, and Alzheimer's. In 2010, those illnesses accounted for more than 100,000 deaths. The CDC also reports that five million Americans suffered from Alzheimer's and dementia in 2015. And that number was projected to rise as high as

13.8 million by 2050. People with Alzheimer's can live for a long time with the disease, and they need a lot of care, which is expensive. The cost of caring for patients with Alzheimer's and dementia was \$200 billion in 2012. And those costs could rise as high as \$1 trillion by 2050. That's a lot of money.

As you'll recall from our economics of healthcare episode, the U.S. already has the highest per capita healthcare spending in the world. And end of life care accounts for a huge part of that spending. In 2012, \$50 billion of Medicare spending covered care for patients during the last two months of their lives. And that doesn't account for the cost that families absorb caring for dying family members at home. Medicare doesn't cover all the cost of home healthcare, and direct care from family members often results in lost wages.

It's also worth asking exactly what we're buying with all this money. Surveys indicate that the vast majority of people would prefer to die at home. But more than 70% of Americans die in nursing homes or hospitals. Patients end up receiving a tremendous amount of care at the end of their lives. The question we need to ask ourselves is whether that intense and expensive level of care improves life or simply prolongs suffering. The answers to those questions tend to be mixed. And here we stray into the thorny territory of medical ethics. Studies indicate that many doctors and patients are uncomfortable with the idea of having cost of care factor into end of life decisions. No one wants to be denied a course of treatment based on budget concerns. One widely agreeable option for cutting costs in end of life care has grown out of a movement meant to improve the quality of people's end of life experience. Hospice and palliative care treat patients' symptoms and manage their pain as they die, rather than performing more and more procedures in an attempt to prolong life. In 1982, the United States passed a law that allowed Medicare to cover hospice benefits for patients with terminal illnesses. While studies indicate that expanded access to hospice and palliative care do work to lower end of life costs, they're by no means a single solution to rising expenditures. For now though, let's put aside the complex mysteries of American healthcare costs and agree that dying is expensive. And we haven't even started counting what it costs to actually be dead.

Once we get beyond the costs associated with dying, we're still left with the costs of disposing of our bodies. Let's talk about what happens to you when you die and how much it costs in the Thought Bubble. According to the National Funeral Directors' Association, the median price for a funeral with viewing and burial in the United States was \$7,181 in 2014. The median price of a cremation and funeral was \$6,078. And while the two seem comparable, the costs of burial are quite a bit higher as that \$7,181 doesn't include a burial plot or headstone. That \$7,181 does include a bunch of stuff though. Your funeral starts with something called the basic non-declinable service fee, which should run you about \$2,000. That means for a funeral professional to even look at your body, it's gonna be two grand. And if you want any sort of funeral, you'll need to pay up. The rest of the costs of a funeral are declinable, but if you want a public funeral, you're probably gonna want to pay them. Let's add it up. The median price of transporting a body from the hospital or home to a funeral facility is \$310. Embalming will run you \$635. Use of the funeral home facilities and staff for viewing and ceremony, that'll be about \$915. The median hearse rental is \$318. Printing up memorial cards runs \$155. And the median price of a metal casket is \$2,395. Add a headstone and burial plot, which like all real estate can vary widely in price depending on what kind of neighbors you want. With everything included, the price of a funeral in the U.S. can run as high as \$15,000 or more. Thanks Thought Bubble.

All this is to say that dying in the United States is really, really expensive, even after you're dead. And funeral costs can be hard to absorb, especially when combined with the massive doctor and



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hospital bills that can be a side effect of dying. If you're lucky enough to die at an advanced age, as most people in the U.S. do, Social Security does pay out a \$255 death benefit. But that's not gonna cover your costs. That won't even get you embalmed. So what can we do to reduce some of the costs of dying. The government does take a roll in reducing the cost of death. The Federal Trade Commission regulates the funeral industry and has very strict rules about what a funeral provider can and can't charge for, and which charges are required. And a lot of changes to Medicare in recent years have looked at ways to cut costs from paying for hospice care to reimbursing doctors for discussing death with their patients.

Which takes us very nicely to what we as individuals can do to reduce some of those costs. Make a plan! Study after study recommend that the best strategy to manage expenses for end of life care and funeral expenses is planning. Doctors, funeral directors, and all manners of experts advise us to put an advanced directive in place. Write a will, make a plan for your assets, and get some life insurance. The problem is mortality is a difficult thing to think about. To quote one 17th century Frenchman, one cannot look directly at either the sun or death. Which is to say, people just don't like contemplating their own death. According to the Pew Research Foundation, in 2013, only 37% of Americans reported that they had given a "great deal of thought" to their end of life wishes for medical care. And only 33% had put their wishes in writing. But when it comes to medical costs or dying, putting advanced directives in place with doctors and loved ones can be very effective. If you don't want doctors to go to extreme and extremely expensive measures to preserve your life at all costs, make sure everybody knows about it. When you're not in a position to make these decisions for yourself, you wanna be sure that whoever's making the decisions knows what you want.

And when it comes to funerals, some of those costs can be dealt with before you're dead. Life insurance is readily available in the United States, and is a pretty straightforward way to insure that your loved ones at least aren't stuck with the bill for burying you. And what does happen to your debt when you die? Do your relatives have to pay it? Well, it all depends on the type of debt and the estate that you live in. If you die owing credit card debt, and your estate doesn't have the money to pay it off- in many circumstances, your family won't be legally obligated to pay it back. The creditor is just out the money. But that doesn't stop debt collectors from trying to get families to pay up. If you find yourself being asked to pay off a dead relative's debt, it's worth investigating the state law to find out if you really have an obligation to do so. If you do make it through all the end of life costs, and you're still solvent, you're also gonna need a plan for your assets. We don't have time to get into the realm of financial planning and estate taxes. But the good news is if you've made it this far, you're probably a good planner, or at least have gotten some good advice. The least you can do is to have a will to guide the distribution of your assets. A good financial planner can let you in on all the ways you can move your money to the areas you really love, while avoiding expenses like probate court and estate taxes. The fact is nobody likes to think about death. But get over it! There are huge economic reasons on both the societal level and on the personal level to face up to it. While a cost effective death is good for society, it may be small comfort to your family, but if everything is taken care of in advance, your family can focus on grieving rather than straightening out your finances.

Thanks for watching. See you next week when we talk about the other unavoidable: taxes.

Thanks for watching Crash Course Economics, which is made with the help of all these fine people. They're also working on coming to terms with their own mortality. You can help keep Crash Course for everyone forever by supporting the show at Patreon. Patreon is a

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