

2450B Reading List

Part 1: Welfare Analysis and Optimal Taxation (Hendren)

Basics of Welfare Estimation

Saez, Slemrod and Giertz (2012). "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review", *Journal of Economic Literature*, 50(1)

Hendren, N (2014). *The Policy Elasticity*, NBER Working Paper

Feldstein, M. (1999). "Tax Avoidance and the Deadweight Loss of the Income Tax", *The Review of Economics and Statistics*, 81(4)

Kleven, H. J. and C. T. Kreiner (2006). "The Marginal Cost of Public Funds: Hours of Work Versus Labor Force Participation", *Journal of Public Economics*

Hicks, J. R. (1939) "The Foundations of Welfare Economics", *Economic Journal*, 49

Kaldor, N. (1939) "Welfare Propositions of Economics and Interpersonal Comparisons of Utility", *Economic Journal*, 49

Harberger, A. (1964) "The Measurement of Waste", *American Economic Review*, 54

Dahlby, B. (2008) *The Marginal Cost of Public Funds*, MIT Press

Ballard, C. L. and D. Fullerton (1992), "Distortionary Taxes and the Provision of Public Goods", *Journal of Economic Perspectives*

Optimal Income Taxation

Mirrlees, J. A. (1971) "An Exploration in the Theory of Optimal Income Taxation", *The Review of Economic Studies*, 38(2)

Diamond, P. and J. Mirrlees (1971). "Optimal Taxation and Public Production I: Production Efficiency", *American Economic Review*, 61(1)

Diamond, P. and J. Mirrlees (1971). "Optimal Taxation and Public Production II: Tax Rules", *American Economic Review*, 61(1)

Piketty, T. and E. Saez (2012) "Optimal Labor Income Taxation", NBER Working Paper

Werning, I. (2007). "Pareto efficient taxation", MIT Manuscript

Saez, E. (2001). "Using Elasticities to Derive Optimal Income Tax Rates", *Review of Economic Studies*, 68

Saez, Emmanuel (2002). "Optimal income transfer programs: intensive versus extensive labor supply responses." *The Quarterly Journal of Economics* 117.3: 1039-1073.

Diamond, Peter A., and Emmanuel Saez. "The case for a progressive tax: from basic research to policy recommendations." (2011). *Journal of Economic Perspectives*

Goolsbee, A. (2000). "What Happens When You Tax the Rich? Evidence from Executive Compensation", *Journal of Political Economy*, 108(2)

Feldstein, M. (1995). "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act", *Journal of Political Economy*, 103(3)

Diamond, Peter A. "Optimal income taxation: an example with a U-shaped pattern of optimal marginal tax rates." *American Economic Review* (1998): 83-95.

Rothschild, Casey, and Florian Scheuer. "Redistributive Taxation in the Roy Model." *The Quarterly Journal of Economics* 128.2 (2013): 623-668.

Rothschild, Casey, and Florian Scheuer. *Optimal Taxation with Rent-Seeking*. No. w17035. National Bureau of Economic Research, 2011.

Hendren, N. *The Inequality Deflator: Interpersonal Comparisons without a Social Welfare Function*. NBER Working Paper #20351

Mirrlees, James A. "Optimal tax theory: A synthesis." *Journal of Public Economics* 6.4 (1976): 327-358.

Best, Michael, and Henrik Kleven. *Optimal income taxation with career effects of work effort*. Working paper, 2013. [see appendix comparing calculus of variations and hamiltonian approach"]

Tax Jurisdictions: International/National/State/Local

Kleven, Henrik Jacobsen, Camille Landais, and Emmanuel Saez. "Taxation and International Migration of Superstars: Evidence from the European Football Market." *The American Economic Review* 103.5 (2013): 1892-1924.

Commodity Taxation

Kaplow, Louis. "On the undesirability of commodity taxation even when income taxation is not optimal." *Journal of Public Economics* 90.6 (2006): 1235-1250.

Diamond, P. and J. Mirrlees (1971). "Optimal Taxation and Public Production I: Production Efficiency", *American Economic Review*, 61(1)

Atkinson, Anthony Barnes, and Joseph E. Stiglitz. "The design of tax structure: direct versus indirect taxation." *Journal of public economics* 6.1 (1976): 55-75.

Saez, Emmanuel. "The desirability of commodity taxation under non-linear income taxation and heterogeneous tastes." *Journal of Public Economics* 83.2 (2002): 217-230.

Education

Lans Bovenberg, A., and Bas Jacobs. "Redistribution and education subsidies are Siamese twins." *Journal of Public Economics* 89.11 (2005).

Stantcheva, Stefanie. "Optimal Taxation and Human Capital Policies Over the Lifecycle." (2012).

Capital Taxation and Intergenerational Policies

Judd, Kenneth L. "The welfare cost of factor taxation in a perfect-foresight model." *The Journal of Political Economy* 95.4 (1987): 675-709.

Judd, Kenneth L. "Redistributive taxation in a simple perfect foresight model." *Journal of public Economics* 28.1 (1985): 59-83.

Chamley, Christophe. "Optimal taxation of capital income in general equilibrium with infinite lives." *Econometrica: Journal of the Econometric Society* (1986): 607-622.

Piketty, Thomas, and Emmanuel Saez. *A theory of optimal capital taxation*. No. w17989. National Bureau of Economic Research, 2012.

Golosov, Mikhail, Aleh Tsyvinski, and Ivan Werning. "New dynamic public finance: a user's guide." *NBER Macroeconomics Annual 2006, Volume 21*. MIT Press, 2007. 317-388.

Straub, Ludwig, and Iván Werning. *Positive Long Run Capital Taxation: Chamley-Judd Revisited*. No. w20441. National Bureau of Economic Research, 2014.

Farhi, E. and I. Werning. *Bequest Taxation and $r - g$* . Working paper, 2015.

Farhi, Emmanuel, and Ivan Werning. 2010. Progressive Estate Taxation, Quarterly Journal of Economics 125, no. 2: 635-673.

Kopczuk, Wojciech. *Taxation of intergenerational transfers and wealth*. Handbook of Public Economics

Optimal Social Insurance

Chetty, Raj, and Amy Finkelstein. *Social Insurance: Connecting Theory to Data*. No. w18433. National Bureau of Economic Research, 2012.

Baily, Martin Neil. "Some aspects of optimal unemployment insurance." *Journal of Public Economics* 10.3 (1978): 379-402.

Chetty, Raj. "A general formula for the optimal level of social insurance." *Journal of Public Economics* 90.10 (2006): 1879-1901.

Aguiar, Mark, and Erik Hurst. "Consumption versus expenditure." *Journal of political economy* 113.5 (2005): 919-948.

Chetty, Raj. "Moral Hazard vs. Liquidity and Optimal Unemployment Insurance." *Journal of Political Economy* (2008).

Shimer, Robert, and Ivan Werning. "Reservation wages and unemployment insurance." *The Quarterly Journal of Economics* 122.3 (2007): 1145-1185.

Finkelstein, Amy, Nathaniel Hendren, and Erzo FP Luttmer. "The Value of Medicaid: Interpreting Results from the Oregon Health Insurance Experiment." (2014).

Part 2: Motivations for Government Intervention

Adverse Selection: Benchmark Models

Akerlof, George A. "The Market For "Lemons": Quality, Uncertainty And The market Mechanism." *The Quarterly Journal Of Economics* 84.3 (1970): 488-500.

Rothschild, Michael, and Joseph Stiglitz. "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information." *The Quarterly Journal of Economics* 90.4 (1976): 629-649.

Riley, John G. "Informational equilibrium." *Econometrica: Journal of the Econometric Society* (1979): 331-359.

Wilson, Charles. "A model of insurance markets with incomplete information." *Journal of Economic Theory* 16.2 (1977): 167-207.

Miyazaki, Hajime. "The rat race and internal labor markets." *The Bell Journal of Economics* (1977): 394-418.

Netzer, Nick, and Florian Scheuer. *A game theoretic foundation of competitive equilibria with adverse selection*. No. w18471. National Bureau of Economic Research, 2012.

Hendren, Nathaniel. "Unraveling versus Unraveling: A Memo on Competitive Equilibriums and Trade in Insurance Markets."

Adverse Selection: Empirical Evidence

Chiappori, Pierre-André, and Bernard Salanie. "Testing for asymmetric information in insurance markets." *Journal of political Economy* 108.1 (2000): 56-78.

Finkelstein, Amy, and James Poterba. "Adverse selection in insurance markets: Policyholder evidence from the UK annuity market." *Journal of Political Economy* 112.1 (2004): 183-208.

Finkelstein, Amy, and James Poterba. *Testing for Adverse Selection with "Unused Observables"*. National Bureau of Economic Research, 2006.

Finkelstein, Amy, and Kathleen McGarry. "Multiple dimensions of private information: evidence from the long-term care insurance market." *American Economic Review* 96.4 (2006): 938-958.

Cutler, David M., Amy Finkelstein, and Kathleen McGarry. *Preference heterogeneity and insurance markets: Explaining a puzzle of insurance*. No. w13746. National Bureau of Economic Research, 2008.

Fang, Hanming, Michael P. Keane, and Dan Silverman. *Sources of advantageous selection: Evidence from the Medigap insurance market*. No. w12289. National Bureau of Economic Research, 2006.

Hendren, Nathaniel. "Private information and insurance rejections." *Econometrica* 81.5 (2013): 1713-1762.

Handel, Benjamin R. "Adverse selection and inertia in health insurance markets: When nudging hurts." *The American Economic Review* 103.7 (2013): 2643-2682.

Dynamic Insurance Markets

Einav, Liran, et al. *Selection on moral hazard in health insurance*. No. w16969. National Bureau of Economic Research, 2011.

Golosov, Mikhail, and Aleh Tsyvinski. "Designing optimal disability insurance: A case for asset testing." *Journal of Political Economy* 114.2 (2006): 257-279.

Hendel, Igal, and Alessandro Lizzeri. "The role of commitment in dynamic contracts: Evidence from life insurance." *The Quarterly Journal of Economics* 118.1 (2003): 299-328.

Handel, Benjamin R., Igal Hendel, and Michael D. Whinston. *Equilibria in Health Exchanges: Adverse Selection vs. Reclassification Risk*. No. w19399. National Bureau of Economic Research, 2013.