

Revised: Sept. 6, 2018

Public Finance, Taxes & Means-Tested Transfers
ECON 881.30 & 881.31 – Fall 2018

Instructors:

Juan Carlos Suárez Serrato
235 Social Sciences
Office Hours: Wed 3-4PM
jc@jcsuarez.com

V. Joseph Hotz
243 Social Sciences
Office Hours: Mon, 3-5 p.m.
hotz@econ.duke.edu

Location and Meeting Times:

1:25-2:40PM at Social Sciences 111.

Course Description:

This course introduces students to the field of public finance at the PhD level. The course gives students a summary of classic topics in public finance, a critical overview of recent contributions, and addresses practical methodological issues with the goal of fostering students' research. The topics covered include the design of taxation, unemployment insurance, and government spending, as well as the effects of public intervention on economic behavior including labor supply and firm investment.

Grading:

1.	Class Participation and Reading Comments	20%
2.	Problem Sets (6)	25%
3.	Class Project and Presentation	15%
4.	Midterm and Final Exams	20% Each

Posting Comments on Readings

All students are expected to read all of the papers and actively participate in each class. To facilitate this, *all students are expected to post their comments and questions on the readings by 5:00 p.m. the day before each class.* These comments will be posted to the *Forum section of the Sakai course website.* They may include observations about empirical or theoretical methods, suggestions for applications of models with different data, or identification strategies that can be used to identify these models. The comments may also include questions about the material in the papers. Since comments will be visible to everyone else, we also encourage students to interact, commenting/responding/etc. to the comments of their course mates. But, to be clear, the comments should reveal that the student has read the papers. Furthermore, they should not be summaries of the articles. Try to keep one's comments and interactions concise and try to bring your own ideas and insights to these postings.

Problem Sets

6 problem sets will be assigned to help students attain a better grasp of the material discussed in class and to help them develop their own analytic skills. They will cover a mix of empirical and theoretical content. Completion of the empirical content of these problem sets requires knowledge of STATA. When submitting solutions to the problem sets, students should include do files, log files, tables, and discussion of results.

Research Proposal

The final assignment is a research proposal outlining a project (about 5-6 pages) that applies the concepts developed in the course. The project should focus on answering an important question and should include a model, data to be used, and a potential identification strategy. Students will present their proposal during the last class meeting. Students are encouraged to meet with the instructors to discuss their projects early in the course.

Midterm and Final Exams

The exams are intended as rehearsals for the field exams. The midterm exam will be held in class. The Final exam will cover the material and will be take-home.

University Policies

Grading: <http://registrar.duke.edu/faculty-staff/grading>

Disabilities: <http://access.duke.edu/students/faculty.php>

Absences: <http://trinity.duke.edu/undergraduate/academic-policies/class-attendance-and-missed-work>

Student Feedback

We would like to continue improving the course and welcome student feedback in person or via email. If you would rather send an anonymous comment, we encourage you to do so by filling out this anonymous form: http://www.jcsuarez.com/teaching_comments.html.

Class Material

The course is mostly based on published and working research papers. We will complement this material with background readings from books. Below, we provide additional useful references:

On public economics:

- Auerbach and M. Feldstein, *Handbook of Public Economics: Volumes 1 -5* (Amsterdam: North Holland, 1985, 1987, 2002, 2003,2013).
<http://www.sciencedirect.com/science/handbooks/15734420>
- Anthony B. Atkinson & Joseph E. Stiglitz *Lectures on Public Economics*, Updated Edition, Princeton University Press, 2015.
- L. Kaplow. *The Theory of Taxation and Public Economics*. Princeton University Press, 2008.
- J. Laffont, *Fundamentals of Public Economics* (Cambridge: MIT Press, 1988).
- J. Gruber. *Public Finance and Public Policy*

On taxes and transfers and their effects on labor supply and related outcomes:

- B. Salanié. (2011). *The Economics of Taxation*, 2nd ed., Cambridge: MIT Press.
<http://site.ebrary.com.proxy.lib.duke.edu/lib/dukelibraries/detail.action?docID=10521948>
- Piketty, T. and E. Saez. (2007). "How Progressive is the U.S. Federal Tax System? A Historical and International Perspective," *Journal of Economic Perspectives*, 21(1): 3–24.
- Burman, L. and J. Slemrod (2013). *Taxes in America: What Everyone Needs to Know*. Oxford University Press.
- Pencavel, J. (1986). "Labor Supply of Men: A Survey," in *Handbook of Labor Economics*, Vol. 1.
- Killingsworth, M. and J. Heckman. (1986). "Labor Supply of Women," in Ashenfelter and

Layard (eds.) [Handbook of Labor Economics](#), Vol. 1.

- Blundell, R. and T. MaCurdy, (1999). "Labor Supply: A Review of Alternative Approaches," in [Handbook of Labor Economics](#), Vol. 3A, O. Ashenfelter & D. Card, Eds., Elsevier, pp. 1599-1695.
- Blundell, R., T. MaCurdy & C. Meghir (2007). "Labor Supply Models: Unobserved Heterogeneity, Non-Participation & Dynamics," [Handbook of Econometrics](#), Vol. 6A, J. Heckman and E. Leamer, eds. Elsevier Press: 4668-4775.
- Meghir, C. and D. Phillips (2010). "[Labour Supply and Taxes](#)," in *Dimensions of Tax Design: The Mirrlees Review*, J. Mirrlees, S. Adam, et al., New York: Oxford University Press, 202-274.
- Keane, M. (2011a). "Labor Supply & Taxes: A Survey," *Journal of Economic Literature*, 49(4): 961–1075.

On the effects of social and mean-tested programs on labor supply and other outcomes:

- Moffitt, R. (1992). "Incentive Effects of the U. S. Welfare System: A Review," *Journal of Economic Literature*," 30, pp. 1-61.
- Moffitt, R. (2002). "Welfare Programs and Labor Supply" in *Handbook of Public Economics*, Vol. 4, A. Auerbach and M. Feldstein, Eds., Elsevier, pp. 2393-2430.
- Moffitt, R. (2003). "The Negative Income Tax and the Evolution of U.S. Welfare Policy." *Journal of Economic Perspectives*." 17(3): 119-140.
- Moffitt, R. (2003). *Means-Tested Transfer Programs in the United States*, University of Chicago Press.
- Moffitt, R. (2016). *Economics of Means-Tested Transfer Programs in the United States*. Vols. 1 & 2, University of Chicago Press. Papers from Vol. 1 [here](#) and Vol. 2 [here](#).
- Chan, M.K. and Moffitt R.A. (2018). "Welfare Reform and the Labor Market," *Annual Review of Economics*, 10: 347-81, Section 3.1.

On applied econometrics:

- *Mostly Harmless Econometrics: An Empiricist's Companion* by Angrist and Pischke
- *Microeconometrics Using Stata* by Cameron and Trivedi
- *Discrete Choice Methods with Simulation* by Train
<http://eml.berkeley.edu/books/choice2.html>
- Imbens, G. and J. Wooldridge (2007) What's New in Econometrics: NBER Summer Institute Mini-Course. Available at: <http://www.nber.org/minicourse3.html>

On economic analysis:

- *Economics and Consumer Behavior* by Angus Deaton, John Muellbauer
- *Optimization in Economic Theory* by Avinash K. Dixit
- *Microeconomic Analysis* by Hal Varian

Tentative Course Schedule

NOTE: Readings with *'s in schedule below should be read before class and will be discussed.

Class Meeting: 1. August 27, 2018. Instructor: Juan Carlos Suarez Serrato.

Topic: Introduction, Role for Public Intervention, and Excess Burden

Anthony B. Atkinson & Joseph E. Stiglitz "Lectures on Public Economics, Updated Edition," Princeton University Press, 2015. Chapter 1 <http://press.princeton.edu/chapters/s10493.pdf>

Jean-Jacques Laffont, "Public economics yesterday, today and tomorrow," *Journal of Public Economics* 86 (2002) 327–334 <http://www.sciencedirect.com/science/article/pii/S0047272701001888>

Sections 1 and 2 of Auerbach, Alan and James Hines. 2002. "Taxation and Economic Efficiency." In: A. Auerbach and M. Feldstein (eds.): *Handbook of Public Economics*, Vol. 3, pp. 1347-1421. [http://dx.doi.org/10.1016/S1573-4420\(02\)80025-8](http://dx.doi.org/10.1016/S1573-4420(02)80025-8)

Sections 1 and 2 of Chetty, Raj. 2009. "Sufficient statistics for welfare analysis: a bridge between structural and reduced-form methods." *Annual Review of Economics* 1:451-488. <http://dx.doi.org/10.1146/annurev.economics.050708.142910>

Class Meeting: 2. August 29, 2018. Instructor: Juan Carlos Suarez Serrato.

Topic: Tax Incidence in Partial Equilibrium

Salanie, B. (2011) *The Economics of Taxation*, Chapter 2
<https://search.library.duke.edu/search?id=DUKE005197087>

Marion, Justin and Erich Muehlegger. 2012. "Tax Incidence and Supply Conditions." *Journal of Public Economics*. 95(9):1202-1212. <http://www.sciencedirect.com/science/article/pii/S0047272711000545>

Class Meeting: 3. September 3, 2018. Instructor: Juan Carlos Suarez Serrato.

Topic: Tax Incidence in Partial Equilibrium

Summers, Lawrence H. 1989. "Some Simple Economics of Mandated Benefits." *The American Economic Review*. 79(2):177-183. <http://eml.berkeley.edu/~saez/course131/Summers89.pdf>

Gruber, Jonathan. 1994. "The Incidence of Mandated Maternity Benefits." *The American Economic Review*. 84(3):622-641. <http://www.jstor.org/stable/2118071?origin=JSTOR-pdf>

Class Meeting: 4. September 5, 2018. Instructor: Juan Carlos Suarez Serrato.

Topic: Optimal Commodity Taxation

→ Problem Set #1 Due by Start of Class

Auerbach and Hines, Section 3.

Chetty “Sufficient Statistics” Sections 3 and 6.

Chetty, Raj, Looney, Adam, and Kory Kroft. 2009. “Salience and Taxation: Theory and Evidence.” *The American Economic Review*. 99(4):1145-1177.

http://are.berkeley.edu/SGDC/Chetty_Looney_Kroft_AER_2010.pdf

Class Meeting: 5. September 10, 2018. Instructor: Juan Carlos Suarez Serrato.

Topic: Tax Incidence in General Equilibrium

Anthony B. Atkinson & Joseph E. Stiglitz, Lecture 6

Fullerton, Don and Gilbert Metcalf. 2002. “Tax Incidence.” In: A. Auerbach and M. Feldstein (eds.): *Handbook of Public Economics*, Vol. 4, pp. 1787-1872. [http://dx.doi.org/10.1016/S1573-4420\(02\)80005-2](http://dx.doi.org/10.1016/S1573-4420(02)80005-2)

Suárez Serrato, Juan Carlos and Owen Zidar. 2016. “Who Benefits From State Corporate Tax Cuts? A Local Labor Markets Approach.” *The American Economic Review*, September 2016, 106 (9), 2582-2624.

http://www.jcsuarez.com/Files/Suarez_Serrato-Zidar-Corp_Tax.pdf

Class Meeting: 6. September 12, 2018. Instructor: V. Joseph Hotz.

Topic: Trends in Taxation

Handouts on “Labor Supply Trends and Trends & Patterns in U.S. Tax Rates & Deductions.” (see course site on Sakai)

Blundell, R. and T. MaCurdy, (1999). “Labor Supply: A Review of Alternative Approaches,” in [*Handbook of Labor Economics*](#), Vol. 3A, O. Ashenfelter & D. Card, Eds., Elsevier, **Read pp. 1563-86.**

*Piketty, T. and E. Saez. (2007). “How Progressive is the U.S. Federal Tax System? A Historical and International Perspective,” *Journal of Economic Perspectives*, 21(1): 3–24.

Class Meeting: 7. September 17, 2018. Instructor: V. Joseph Hotz.

Topic: Overview of Static Models of Labor Supply

Handouts on *Static Labor Supply*.

*Keane (2011a), “Labor Supply & Taxes: A Survey,” *Journal of Economic Literature*, 49(4): 961–1075, **Read Sects. 3.1 and 4;**

*Blundell and MaCurdy (1999), “Labor Supply: A Review of Alternative Approaches,” in *Handbook of Labor Economics*, Vol. 3, O. Ashenfelter & D. Card, Eds., Elsevier, pp. 1599-1695, **Section 4.1.**

Class Meeting: 8. September 19, 2018. Instructor: V. Joseph Hotz.

Topic: Labor Supply Responses to Taxation: Modeling Non-linear Budget Sets

*Hausman, J. A. (1981). "Labor Supply." In *How Taxes affect Economic Behavior*. H. J. Aaron and J. A. Pechman, Eds. Washington: Brookings.

or

Hausman, J. A. (1985a) "Taxes and Labor Supply," in *Handbook of Public Economics*, Vol. 1. Alan Auerbach and Martin Feldstein, Eds. Amsterdam: North-Holland.

Chan, M.K. and Moffitt R.A. (2018). "Welfare Reform and the Labor Market," *Annual Review of Economics*, 10: 347-81, Section 3.1.

Technical versions: Hausman, J. A. (1985b). "The Econometrics of Nonlinear Budget Sets," *Econometrica*, November 1985.

Blomquist, S. and W. Newey (2002). "Nonparametric Estimation with Nonlinear Budget Sets." *Econometrica* 70: 2455-2480

*MaCurdy, T., D. Green, and H. Paarsch (1990). "Assessing Empirical Approaches for Analyzing Taxes and Labor Supply," *Journal of Human Resources*, Summer 1990.

*Eklöf, M. and H. Sacklén (2000). "The Hausman-MaCurdy Controversy: Why Do the Results Differ across Studies?" *Journal of Human Resources*, 35(1): 204-220.

For Prob Set #2: Saez, Emmanuel. 2010. "Do Taxpayers Bunch at Kink Points?" *American Economic Journal: Economic Policy*. 2(3):180-212.
<https://eml.berkeley.edu/~saez/saezAEJ10bunching.pdf>

Class Meeting: 9. September 24, 2018. Instructor: V. Joseph Hotz.

Topic: Labor Supply Responses to Taxation: Natural Experiment Approaches

*Eissa, N. (1995). "Taxation and the Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment," NBER Working Paper No. 5023, February 1995.

or

Eissa, N. (1996b). "Tax Reforms and Labor Supply," *Tax Policy and the Economy*, 10: 119-151.

*Moffitt, R. A., and M. O. Wilhelm. (2000). "Taxation and the Labor Supply Decisions of the Affluent." In *Does Atlas Shrug? The Economic Consequences of Taxing the Rich*, ed. Joel Slemrod. Cambridge, MA: Harvard University Press and Russell Sage Foundation. **Read pp. 193-200.**

*Blundell, R., A. Duncan, and C. Meghir (1998). "Estimation of Labour Supply Responses using Tax Policy Reforms," *Econometrica*, 66(4): 827-861.

Class Meeting: 10. September 26, 2018. Instructor: V. Joseph Hotz.

Topic: Effects of Marginal Tax Rates on Taxable Income

→ **Problem Set #2 Due by Start of Class**

*Feldstein, M. (1995a). "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act," *Journal of Political Economy* 103, 551-72.

Feldstein, M. (1999). "Tax Avoidance and the Deadweight Loss of the Income Tax," *Review of Economics and Statistics*, 81(4): 674-80.

*Gruber, J. and E. Saez (2002). "The elasticity of taxable income: evidence and Implications," *Journal of Public Economics*. 84: 1-32.

Chetty, R. (2009). "Is the Taxable Income Elasticity Sufficient to Calculate Deadweight Loss? The Implications of Evasion and Avoidance." *American Economic Journal: Economy Policy*. 1(2): 31-52.

Heim, B. (2009). "The Effect of Recent Tax Changes on Taxable Income: Evidence from a New Panel of Tax Returns." *Journal of Policy Analysis and Management*, 9(1): 147-163.

*Saez, E., J. Slemrod and S. Giertz. (2012). "The Elasticity of Taxable Income with respect to Marginal Tax Rates: A Critical Review." *Journal of Economic Literature* 50(1): 3-50.

Class Meeting: 11. October 1, 2018. Instructor: V. Joseph Hotz.

Topic: Life Cycle Models of Labor Supply: Initial Advances

Handout on Life Cycle Labor Supply Models;

*MaCurdy, T. (1981). "An Empirical Model of Labor Supply in a Life Cycle Setting," *Journal of Political Economy*, 89(6): 1059-1089.

Heckman, J. and T. MaCurdy (1980). "A Life Cycle Model of Female Labour Supply." *Review of Economic Studies*, 47(1): 47-74.

*Blundell, R., T. MaCurdy & C. Meghir (2007). "Labor Supply Models: Unobserved Heterogeneity, Non-Participation & Dynamics," *Handbook of Econometrics*, Vol. 6A, J. Heckman and E. Leamer, eds. Elsevier Press: 4668-4775. **Read Section 6.1.**

*Keane (2011a), "Labor Supply & Taxes: A Survey," *Journal of Economic Literature*, 49(4): 961-1075. **Read Sects. 3.2 and 4.**

Class Meeting: 12. October 3, 2018. Instructor: N/A. Topic: Midterm #1

Class Meeting: 13. October 8, 2018. Instructor: N/A. Topic: No Class (Fall Break)

Class Meetings: 14. October 10, 2018. Instructor: V. Joseph Hotz.

Topic: Effects of Taxes on Labor Supply, Savings & Human Capital Formation

MaCurdy, T. (1983). "A Simple Scheme for Estimating an Intertemporal Model of Labor Supply and Consumption in the Presence of Taxes and Uncertainty," *International Economic Review*, June 1983, 265-289.

Ziliak, J. P. and T. J. Kniesner. (1999). "Estimating Life Cycle Labor Supply Tax Effects." *Journal of Political Economy*, 107(2): 326–59.

*Ziliak, J. P., and T. J. Kniesner. (2005). "The Effect of Income Taxation on Consumption and Labor Supply." *Journal of Labor Economics*, 23(4): 769–96.

*Keane, M. (2011a). "Labor Supply & Taxes: A Survey," *Journal of Economic Literature*, 49(4): 961–1075,
Read Section 6.3.

Imai, S. and M. P. Keane. (2004). "Intertemporal Labor Supply and Human Capital Accumulation." *International Economic Review*, 45(2): 601–41.

*Keane, M. P. (2015). "Effects of Permanent and Transitory Tax Changes in a Life-Cycle Model with Human Capital." *International Economic Review*, 56(2): 485-503.

Class Meetings: 15. October 15, 2018. Instructor: V. Joseph Hotz.

Topic: Effects of Taxes on Labor Supply, Savings & Human Capital Formation (cont.)

Readings: same as for Meeting 14.

Class Meeting: 16. October 17, 2018. Instructor: V. Joseph Hotz.

Topic: Effects of Cash- and Tax-Based Transfers Programs on Labor Supply: Intro

→ **Problem Set #3 Due by Start of Class**

*Moffitt, R. (1992). "Incentive Effects of the U. S. Welfare System: A Review," *Journal of Economic Literature*," 30, pp. 1-61.

Moffitt, R. (2002). "Welfare Programs and Labor Supply" in *Handbook of Public Economics*, Vol. 4, A. Auerbach and M. Feldstein, Eds., Elsevier, pp 2393-2430.

*Chan, M.K. and Moffitt R.A. (2018). "Welfare Reform and the Labor Market," *Annual Review of Economics*, 10: 347-81.

*Ziliak, J. (2016). "Temporary Assistance for Needy Families." In *Economics of Means-Tested Transfer Programs in the United States*, R. Moffitt, ed., [Vol. 1](#) University of Chicago Press.

Class Meeting: 17. October 22, 2018. Instructor: V. Joseph Hotz.

Topic: Effects of Tax Credits: The EITC

*Hotz, V. J. and J. K. Scholz. (2003). "The Earned Income Tax Credit," in *Means-Tested Transfer Programs in the United States*, R. Moffitt, Ed., University of Chicago Press.

Hotz, V. J., C. H. Mullin, and J. K. Scholz (2011). "Examining the Effect of the Earned Income Tax Credit on the Labor Market Participation of Families on Welfare," Unpublished manuscript, Duke University.

*Blundell, R. (2006). "Earned Income Tax Credit Policies: Impacts & Optimality. The Adam Smith Lecture, 2005." *Labour Economics*. 13: 423-443.

*Nichols, A. and J. Rothstein (2016) "The Earned Income Tax Credit." In *Economics of Means-Tested Transfer Programs in the United States*, R. Moffitt, ed., [Vol. 1](#) University of Chicago Press.

Class Meeting: 18. October 24, 2018. Instructor: V. Joseph Hotz.

Topic: Effects of Cash- and Tax-Based Transfers Programs: Multiple & Overlapping Programs

*Keane, M. P., and R. Moffitt. (1998). "A Structural Model of Multiple Welfare Program Participation and Labor Supply." *International Economic Review* 39 (3): 553–589.

*Meyer, B. D., and D. T. Rosenbaum. (2001). "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers." *Quarterly Journal of Economics* 116 (3, August): 1063–1114.

*Blundell, R., M. Costas Dias, C. Meghir & J. Shaw (2016). "Female Labour Supply, Human Capital and Welfare Reform." Institute for Fiscal Studies Working Paper W16/03.

Class Meeting: 19. October 29, 2018. Instructor: V. Joseph Hotz.

Topic: Optimal Taxation

*B. Salanié (2011). *The Economics of Taxation*, 2nd ed., (Cambridge: MIT Press), **Read Chapters 4, 5 & 8.**

Saez, E. (2001). "Using Elasticities to Derive Optimal Income Tax Rates" *Review of Economic Studies*, 68, 205-229

Saez, E. (2002). "Optimal Income Transfer Programs: Intensive Versus Extensive Labor Supply Responses," *Quarterly Journal of Economics*, 117, 1039-1074.

*Diamond, P. and E. Saez. (2011). "The Case for a Progressive Tax: From Basic Research to Policy Recommendations." *Journal of Economic Perspectives*. 25(4): 165-190.

Piketty, T. and E. Saez. (2012). "Optimal Labor Income Taxation." NBER Working Paper #18521.

*Blundell, R. and A. Shephard. (2013). "Employment, Hours of Work and the Optimal Taxation of Low-Income Families." *Review of Economic Studies*. 128(2): 669-723.

Mirrlees, J. A. (1971). "An Exploration in the Theory of Optimal Income Taxation," *Review of Economic Studies*, XXXVIII: 175-208.

Brewer, M., E. Saez and A. Shephard. (2010). "Means-Testing and Tax Rates on Earnings," (with commentary) in *Dimensions of Tax Design: The Mirrlees Review*. J. Mirrlees, S. Adam et al., Eds. New York: Oxford University Press, 91-197.

*Bitler, M., H. Hoynes, and E. Kuka. (2014). "Do In-Work Tax Credits Serve as a Safety Net?" NBER Working Paper #19785.

Kopczuk, W. and D. Munroe. (2014). "Mansion Tax: The Effect of Transfer Taxes on Residential Real Estate Market, NIBER Working Paper #20084.

Class Meeting: 20. October 31, 2018. Instructor: Juan Carlos Suarez Serrato.

Topic: Externalities

Chapter 7 in Salanie

Auerbach and Hines, Section 4.

L. Linden and J. Rockoff "There Goes the Neighborhood? Estimates of the Impact of Crime Risk on Property Values from Megan's Laws," *American Economic Review* 98(3): 1103-1127, 2008.

<https://www.aeaweb.org/articles?id=10.1257/aer.98.3.1103>

Class Meeting: 21. November 5, 2018. Instructor: Juan Carlos Suarez Serrato.

Topic: Public Goods

→ **Problem Set #4 Due by Start of Class**

Anthony B. Atkinson & Joseph E. Stiglitz, Lectures 16 and 17

Black, Sandra E. 1999. "Do Better Schools Matter? Parental Valuation of Elementary Education." *The Quarterly Journal of Economics*. 114(2):577-5999. <http://qje.oxfordjournals.org/content/114/2/577.abstract>

Cellini, Stephanie Riegg, Ferreira, Fernando, and Jesse Rothstein. 2010. "The Value of School Facility Investments: Evidence from a Dynamic Regression Discontinuity Design." *The Quarterly Journal of Economics*. 125(1):215-261. <http://real.wharton.upenn.edu/~fferreir/documents/qjec.2010.125.1.pdf>

Class Meeting: 22. November 7, 2018. Instructor: Juan Carlos Suarez Serrato.

Topic: Social Insurance, Adverse Selection, and Unemployment Insurance

George A. Akerlof. 1970. "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism." *The Quarterly Journal of Economics*. 84(3):488-500. <http://www.jstor.org/stable/1879431>

Chetty "Sufficient Statistics" Section 5.

Section 1 of Chetty, Raj and Amy Finkelstein. 2013. "Motivations for Social Insurance." In: A. Auerbach and M. Feldstein (eds.): *Handbook of Public Economics*, Vol 5, pp. 114-140.

<http://economics.mit.edu/files/9425>

Gruber, Jonathan. 1997. "The Consumption Smoothing Benefits of Unemployment Insurance." *The American Economic Review*. 87(1):192-205. <http://www.jstor.org/stable/2950862>

Card, David, Chetty, Raj, and Andrea Weber. 2007. "Cash-on-Hand and Competing Models of Intertemporal Behavior." *The Quarterly Journal of Economics*. 122(4):1511-1560. <http://qje.oxfordjournals.org/content/122/4/1511.abstract>

Kroft and Notowidigdo (2016) "Should Unemployment Insurance Vary With the Unemployment Rate? Theory and Evidence" *Review of Economic Studies*, forthcoming. http://faculty.wcas.northwestern.edu/noto/research/Kroft_Notowidigdo_UI.pdf

Class Meeting: 23. November 12, 2018. Instructor: Juan Carlos Suárez Serrato
Topic: Social Insurance: Health

→ **Problem Set #5 Due by Start of Class**

Section 2 of Chetty, Raj and Amy Finkelstein. 2013.

Cullen, Mark, Einav, Liran, and Amy Finkelstein. 2010. "Estimating Welfare in Insurance Markets Using Variation in Prices." *The Quarterly Journal of Economics*. 125(3):877-921. <http://economics.mit.edu/files/6353/>

Class Meeting: 24. November 14, 2018. Instructor: Juan Carlos Suarez Serrato.
Topic: Corporate Taxation

Anthony B. Atkinson & Joseph E. Stiglitz, Lecture 5

Auerbach, Alan. 2002. "Taxation and Corporate Financial Policy." In: A. Auerbach and M. Feldstein (eds.): *Handbook of Public Economics*, Vol. 3, pp.1251-1292. [http://dx.doi.org/10.1016/S1573-4420\(02\)80023-4](http://dx.doi.org/10.1016/S1573-4420(02)80023-4)

Chetty, Raj and Emmanuel Saez. 2010. "Dividend and Corporate Taxation in an Agency Model of the Firm." *American Economic Journal: Economic Policy*. 2(3):1-31. <https://eml.berkeley.edu/~saez/chetty-saezAEJ10divtaxtheory.pdf>

Class Meeting: 25. November 19, 2018. Instructor: Juan Carlos Suarez Serrato.
Topic: Corporate Taxation

→ **Problem Set #6 Due by Start of Class**

Yagan, Danny. 2015. "Capital Tax Reform and the Real Economy: The Effects of the 2003 Dividend Tax Cut." *The American Economic Review*. 105(12):3531-3563. <https://eml.berkeley.edu/~yagan/DividendTax.pdf>

Mahon, James and Eric Zwick. (2016). "Tax Policy and Heterogeneous Investment Behavior" *American Economic Review*, 107 (1): 217-48

<https://www.aeaweb.org/articles?id=10.1257/aer.20140855>

Class Meeting: 26. November 21, 2018. Instructor: N/A. Topic: No Class (Thanksgiving)

Class Meeting: 27. November 26, 2018. Instructor: N/A. Topic: Presentations Day # 1

Class Meeting: 28. November 28, 2018. Instructor: N/A. Topic: Presentations Day # 2