BERKELEY ECONOMICS 230: GRADUATE PUBLIC ECONOMICS
Reading List

Danny Yagan

Lecture 1. Optimal Capital Taxation

Akerman Gaarder Mogstad. "The Skill Complementarity of Broadband Internet." QJE. 2013.

Altonji, J., F. Hayashi, and L. Kotlikoff ``Is the Extended Family Altruistically Linked? Direct Tests Using Micro Data", American Economic Review, Vol. 82, 1992, 1177-98.

Altonji, J., F. Hayashi and L. Kotlikoff ``Parental Altruism and Inter Vivos Transfers: Theory and Evidence", Journal of Political Economy, Vol. 105, 1997, 1121-66.

Ashenfelter and Jurajda. "Cross-country Comparisons of Wage Rates: The Big Mac Index." Working Paper. 2001.

Atkinson, A.B. and A. Sandmo ``Welfare Implications of the Taxation of Savings", Economic Journal, Vol. 90, 1980, 529-49.

Atkinson, A.B. and J. Stiglitz ``The design of tax structure: Direct versus indirect taxation'', Journal of Public Economics, Vol. 6, 1976, 55-75.

Atkinson, A.B. and J. Stiglitz Lectures on Public Economics, Chap 14-4 New York: McGraw Hill, 1980.

Aura, S. ``Does the Balance of Power Within a Family Matter? The Case of the Retirement Equity Act", Journal of Public Economics, Vol. 89, 2005, 1699-1717.

Banks J. and P. Diamond ``The Base for Direct Taxation", IFS Working Paper, The Mirrlees Review: Reforming the Tax System for the 21st Century, Oxford University Press, 2009.

Bernheim, B. D., A. Shleifer, and L. Summers ``The Strategic Bequest Motive", Journal of Political Economy, Vol. 93, 1985, 1045-76.

Carroll, C. ``Why Do the Rich Save So Much?", NBER Working Paper No. 6549, 1998.

Chamley, C. ``Optimal Taxation of Capital Income in General Equilibrium with Infinite Lives'', Econometrica, Vol. 54, 1986, 607-622.

Chari and Kehoe. "Optimal Fiscal and Monetary Policy" Handbook of Macroeconomics. 1999.

Christiansen, Vidar and Matti Tuomala ``On taxing capital income with income shifting'', International Tax and Public Finance, Vol. 15, 2008, 527-545.

Cowen, Tyler and Parfit, Derek. "Against the Social Discount Rate." In Peter Laslett and James Fishkin, editors, Philosophy, Politics, and Society, sixth series. New Haven: Yale University Press, 1992, 144-161.

Diamond, P. and J. Spinnewijn ``Capital Income Taxes with Heterogeneous Discount Rates'', NBER Working Paper, No. 15115, 2009.

Farhi E. and I. Werning ``Progressive Estate Taxation'', Quarterly Journal of Economics, Vol. 125, 2010, 635-673.

Farhi E. and I. Werning ``Capital Taxation: Quantitative Explorations of the Inverse Euler Equation,'' forthcoming Journal of Political Economy 2011.

Feldstein, M. ``The Welfare Cost of Capital Income Taxation'', Journal of Political Economy, Vol. 86, 1978, 29-52.

Feldstein and Horioka. "Domestic Saving and International Capital Flows." Economic Journal. 1980.

Finkelstein A. and J. Poterba, ``Adverse Selection in Insurance Markets: Policyholder Evidence from the U.K. Annuity Market'', Journal of Political Economy, Vol. 112, 2004, 183-208.

Finkelstein A. and J. Poterba, ``Selection Effects in the United Kingdom Individual Annuities Market'', The Economic Journal, Vol. 112, 2002, 28-50.

Giglio, Maggiori, Stroebel. "Very Long-Run Discount Rates." QJE. 2015.

Golosov, M., N. Kocherlakota and A. Tsyvinski ``Optimal Indirect and Capital Taxation'', Review of Economic Studies, Vol. 70, 2003, 569-587.

Golosov, M. and A. Tsyvinski ``Designing Optimal Disability Insurance: A Case for Asset Testing'', Journal of Political Economy, Vol. 114, 2006, 257-279.

Golosov, Mikhail, Maxim Troshkin, and Aleh Tsyvinski 2011. ``Optimal Dynamic Taxes." Princeton Working Paper

Golosov, M., A. Tsyvinski and I. Werning ``New Dynamic Public Finance: a User's Guide" NBER Macro Annual 2006.

Gordon, R.H. and J. Slemrod ``Are ``Real" Responses to Taxes Simply Income Shifting Between Corporate and Personal Tax Bases?," NBER Working Paper, No. 6576, 1998.

Judd, K. ``Redistributive Taxation in a Simple Perfect Foresight Model", Journal of Public Economics, Vol. 28, 1985, 59-83.

Kaplow, L. ``On the undesirability of commodity taxation even when income taxation is not optimal", Journal of Public Economics, Vol.90, 2006, 1235-1260.

Karabarbounis and Nieman. "The Global Decline of the Labor Share." QJE 2013.

King, M. ``Savings and Taxation", in G. Hughes and G. Heal, eds., Public Policy and the Tax System (London: George Allen Unwin, 1980), 1-36.

Kocherlakota, N. ``Wedges and Taxes'', American Economic Review, Vol. 94, 2004, 109-113.

Kopczuk, Wojciech and Joseph Lupton 2007. ``To Leave or Not to Leave: The Distribution of Bequest Motives," Review of Economic Studies, 74(1), 207-235.

Kopczuk, Wojciech and Joel Slemrod, ``The Impact of the Estate Tax on the Wealth Accumulation and Avoidance Behavior of Donors", in William G. Gale, James R. Hines Jr., and Joel B. Slemrod (eds.), Rethinking Estate and Gift Taxation, Washington, DC: Brookings Institution Press, 2001, 299-343.

Kotlikoff, L. ``Intergenerational Transfers and Savings", Journal of Economic Perspectives, Vol. 2, 1988, 41-58.

Kotlikoff, L. and L. Summers ``The Role of Intergenerational Transfers in Aggregate Capital Accumulation", Journal of Political Economy, Vol. 89, 1981, 706-732.

Kuziemko, Ilyana, Michael I. Norton, Emmanuel Saez, and Stefanie Stantcheva ``How Elastic are Preferences for Redistribution? Evidence from Randomized Survey Experiments," NBER Working Paper No. 18865, 2013.

Light, Audrey and Kathleen McGarry. ``Why Parents Play Favorites: Explanations For Unequal Bequests," American Economic Review, 2004, v94(5,Dec), 1669-1681.

Mankiw. “The Savers-Spenders Theory of Fiscal Policy.” AER Papers and Proceedings. 2000.

Modigliani, F. ``The Role of Intergenerational Transfers and Lifecyle Savings in the Accumulation of Wealth'', Journal of Economic Perspectives, Vol. 2, 1988, 15-40.

Norton, M. and D. Ariely ``Building a Better America--One Wealth Quintile at a Time'', Perspectives on Psychological Science 2011 6(9).

Piketty, T. ``On the Long-Run Evolution of Inheritance: France 1820-2050'', Quarterly Journal of Economics, 126(3), 2011, 1071-1131.

Piketty, Thomas, Gilles Postel-Vinay and Jean-Laurent Rosenthal, ``Inherited vs. Self-Made Wealth: Theory and Evidence from a Rentier Society (1872-1927),'' Explorations in Economic History, 2014.

Piketty, T. and E. Saez ``A Theory of Optimal Inheritance Taxation'', Econometrica, 81(5), 2013, 1851-1886.

Piketty, T. and G. Zucman ``Capital is Back: Wealth-Income Ratios in Rich Countries, 1700-2010'', Quarterly Journal of Economics, 2014

Piketty, T. and G. Zucman ``Wealth and Inheritance in the Long-Run'', Handbook of Income Distribution, Volume 2, Elsevier-North Holland, 2014

Pirttila, Jukka and Hakan Selin, ``Income shifting within a dual income tax system: evidence from the Finnish tax reform,'' Scandinavian Journal of Economics, 113(1), 120-144, 2011.

Saez, E. ``Optimal Capital Income Taxes in the Infinite Horizon Model'', Journal of Public Economics, 97(1), 2013, 61-74.

Saez, E. ``The Desirability of Commodity Taxation under Nonlinear Income Taxation and Heterogeneous Tastes'', Journal of Public Economics, Vol. 83, 2002, 217-230.

Scheuer. “Entrepreneurial Taxation with Endogenous Entry.” American Economic Journal: Economic Policy. 2014.

Straub and Werning. “Positive Long Run Capital Taxation: Chamley-Judd Revisited.” Working Paper. 2014.

Wilhelm, Mark O. ``Bequest Behavior and the Effect of Heirs' Earnings: Testing the Altruistic Model of Bequests," American Economic Review, 86(4), 1996, 874-892.

<u>Lecture 2. Actual Capital Taxation: Investment</u>

Abel, Andrew B. 1982. "Dynamic Effects of Permanent and Temporary Tax Policies in a q Model of Investment." Journal of Monetary Economics, 9: 353-373.

Auerbach, Alan J. 1989. "Tax Reform and Adjustment Costs: The Impact of Investment on Market Value." International Economic Review, 30(4): 939-962.

Auerbach, Alan J. 1979. "Wealth Maximization and the Cost of Capital." Quarterly Journal of Economics, 93(3): 433-46.

Auerbach, Alan, "On the Design and Reform of Capital Gains Taxes," American Economic Review 82 (May 1992), 263-267.

Auerbach, Alan and Jonathan Siegel, "Capital Gains Realizations of the Rich and Sophisticated," American Economic Review 90 (May 2000), 276-282.

Auerbach, Alan J., and Kevin A. Hassett. 1992. "Tax Policy and Business Fixed Investment in the United States." Journal of Public Economics, 47: 141-170.

Auerbach, Alan J., and Kevin A. Hassett. 2002. "On the Marginal Source of Investment Funds." Journal of Public Economics, 87: 205-232.

Bradford, David F. 1981. "The Incidence and Allocation Effects of a Tax on Corporate Distributions." Journal of Public Economics, 15(1): 1--22.

Chetty, Raj, and Emmanuel Saez. 2005. "Dividend Taxes and Corporate Behavior: Evidence from the 2003 Dividend Tax Cut." Quarterly Journal of Economics, 120(3): 791-833.

Chetty, Raj, and Emmanuel Saez. 2010. "Dividend and Corporate Taxation in an Agency Model of the Firm." American Economic Journal: Economic Policy, 2:1-31.

Hall, Robert E. and Dale W. Jorgenson. 1967. "Tax Policy and Investment Behavior." American Economic Review, 57(3): 391-414.

Hassett, Kevin A. and R. Glenn Hubbard. 2002. "Tax Policy and Business Investment." In Alan J. Auerbach and Martin Feldstein, editors, Handbook of Public Economics, 1293--1343.

House, Christopher L. and Matthew D. Shapiro. 2008. "Temporary Investment Tax Incentives: Theory with Evidence from Bonus Depreciation." American Economic Review, 98(3): 737-768.

King, Mervyn A. 1977. Public Policy and the Corporation. London: Chapman and Hall.

Poterba, James M., and Lawrence H. Summers. 1985. "The Economic Effects of Dividend Taxation." In Recent Advances in Corporate Finance, ed. Edward I. Altman and Marti G. Subrahmanyam, 227--84. Homewood, IL: Dow Jones-Irwin Publishing.

Summers, Alan J. 1989. "Taxation and Corporate Investment: A q-Theory Approach." Brookings Papers on Economic Activity, 1981(1): 67-140.

Yagan. "Capital Tax Reform and the Real Economy: The Effects of the 2003 Dividend Tax Cut." 2015.

Zucman. "Taxing across Borders: Tracking Personal Wealth and Corporate Profits." Journal of Economic Perspectives. 2014.

Zwick and Mahon. "Do Financial Frictions Amplify Fiscal Policy? Evidence from Business Investment Stimulus."

Lecture 3. Actual Capital Taxation: Savings

D. Bernheim, "Taxation and Saving", in A. Auerbach and M. Feldstein, Handbook of Public Economics, Volume 3, Chapter 18, Amsterdam: North Holland, 2002, Section 4.

Campbell, John. 2006. "Household Finance." Journal of Finance, 61(4): 1553-1604.

G. Carroll, J. Choi, D. Laibson, B. Madrian and A. Metrick, "Optimal Defaults and Active Decisions," Quarterly Journal of Economics, 124(4), November 2009, 1639-1674.

R. Chetty, J. Friedman, S. Leth-Petersen, and T. Nielsen, "Active vs. Passive Decisions and Crowd-out in Retirement Savings: Evidence from Denmark," QJE.

Frazzini, Andrea and Owen Lamont. 2008. "Dumb money: Mutual Fund Flows and the Cross-section of Stock Returns." Journal of Financial Economics, 88: 299-322.

Johannesen and Zucman. “The End of Bank Secrecy? An Evaluation of the G20 Tax Haven Crackdown.” American Economic Journal: Economic Policy. 2014.

B. Madrian and D. Shea, "The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior", Quarterly Journal of Economics, 116(4), November 2001, 1149-1187.

J. Poterba, S. Venti, and D. Wise, "How Retirement Saving Programs Increase Saving" Journal of Economic Perspectives, 10, Fall 1996, 91-112.

Poterba, James, "Taxation Risk-Taking, and Household Portfolio Behavior," in A. Auerbach and M. Feldstein, Handbook of Public Economics, Volume 3. (Amsterdam: North Holland).

Saez and Zucman. “Wealth Inequality in the United States: Evidence from Capitalized Income Tax Data.” Working paper 2014.

Stiglitz, Joseph, "Some Aspects of the Taxation of Capital Gains", Journal of Public Economics 21 (1983), 257 294.

Yagan. “Riding the Bubble? Chasing Returns into Illiquid Assets.” Working paper. 2014.

Zucman. “The Missing Wealth of Nations: Are Europe and the U.S. Net Debtors or Net Creditors?” QJE. 2013.

<u>Lecture 4. Social Insurance</u>

D. Autor and M. G. Duggan, "The Rise In The Disability Rolls And The Decline In Unemployment," The Quarterly Journal of Economics, Vol. 118 (1) pp. 157-205, 2003.

M. Baily, "Some Aspects of Optimal Unemployment Insurance," Journal of Public Economics 10 (1978), 379-402.

Beshears, Choi, Hurwitz, Laibson, Madrian. "Optimal Illiquidity." Working paper. 2015.

R. Chetty, "A General Formula for the Optimal Level of Social Insurance," Journal of Public Economics 90, 2006, 1879-1901.

R. Chetty, "Moral Hazard vs. Liquidity and Optimal Unemployment Insurance," Journal of Political Economy 116(2), 2008, 173-234.

R. Chetty, "Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods" Annual Review of Economics 1: 451-488, 2009

R. Chetty and A. Szeidl, "Consumption Commitments and Risk Preferences" Quarterly Journal of Economics, 122(2), 2007, 831-877.

D. Card, R. Chetty, and A. Weber, "Cash-on-Hand and Competing Models of Intertemporal Behavior: New Evidence from the Labor Market," Quarterly Journal of Economics, 122(4), 2007, 1511-1560.

P. Diamond and E. Sheshinski, "Economic Aspects of Optimal Disability Benefits," Journal of Public Economics 57 (1995), 1-24.

Eckstein, Eichenbaum, and Peled. "Uncertain Lifetimes and the Welfare Enhancing Properties of Annuity Markets and Social Security" Journal of Public Economics. 1985.

Einav, Liran and Amy Finkelstein. "Selection in Insurance Markets: Theory and Empirics in Pictures," Journal of Economic Perspectives, 2011.

Feldstein. "Optimal Level of Social Security Benefits." QJE. 1985.

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.**

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

N. Maestas, K. Mullen and A. Strand, “Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt,” American Economic Review, forthcoming.

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.

Lecture 5. Local Public Finance

Albouy, David. "The Unequal Burden of Federal Taxation." JPE 2009.

Baicker, Katherine and Douglas Staiger. "Fiscal Shenanigans, Targeted Federal Health Care Funds, and Patient Mortality." QJE 2005.

Bewley, Truman. "A Critique of Tiebout's Theory of Local Public Expenditures." Econometrica 1981.

Black, Sandra. "Do Better Schools Matter? Parental Valuation of Elementary Education." QJE 1999.

Bovenberg, A. Lans and Bas Jacobs. "Redistribution and Education Subsidies are Siamese Twins." Journal of Public Economics 2005.

Cabral, Marika and Caroline Hoxby. "The Hated Property Tax: Salience, Tax Rates, and Tax Revolts." Working paper 2013.

Cellini, Stephanie, Fernando Ferreira, and Jesse Rothstein. "The Value of School Facility Investments: Evidence from a Dynamic Regression Discontinuity Design." QJE 2010.

Ferraz, Claudia and Frederico Finan. "Exposing Corrupt Politicians: The Effects of Brazil's Publicly Released Audits on Electoral Outcomes," QJE 2008.

Gordon, Roger H. 1983. "An Optimal Taxation Approach to Fiscal Federalism." Quarterly Journal of Economics 98 (4) (November 1): 567--86.

Hoxby, Caroline. "All School Finance Equalizations Are Not Created Equal." QJE 2001.

Glaeser, Edward. "Cities and Public Policy," in *Cities, Agglomeration, and Spatial Equilibrium* by Edward Glaeser, 2008. (just the first seven pages – PDF is posted in the course website zip file)

Rhode, Paul and Koleman Strumpf. "Assessing the Importance of Tiebout Sorting: Local Heterogeneity from 1850 to 1990," AER 2003.

Rosen, Kenneth T. 1982. "The Impact of Proposition 13 on House Prices in Northern California: A Test of the Interjurisdictional Capitalization Hypothesis," *Journal of Political Economy*.

Tiebout, Charles M. 1956. "A Pure Theory of Local Expenditures." Journal of Political Economy 64 (5) (October 1): 416--424.

Lecture 6. Fiscal Federalism and Place-Based Policies

Albouy, David. 2009. "The Unequal Geographic Burden of Federal Taxation." Journal of Political Economy 117 (4): 635--667.

Blanchard, Olivier Jean, and Lawrence F. Katz. 1992. "Regional Evolutions." Brookings Papers on Economic Activity 1992 (1) (January 1): 1--75.

Busso, Matias, Jesse Gregory, and Patrick Kline. 2013. "Assessing the Incidence and Efficiency of a Prominent Place Based Policy." American Economic Review 103 (2) (April): 897--947.

Farhi, Emmanuel, Gita Gopinath, and Oleg Itskhoki. 2014. "Fiscal Devaluations." Review of Economic Studies.

Farhi, Emmanuel, and Ivan Werning. 2013. "Fiscal Unions." Working Paper 18280. National Bureau of Economic Research.

Glaeser, Edward L. 2008. Cities, Agglomeration, and Spatial Equilibrium. Lindahl Lectures. Oxford: Oxford University Press.

Glaeser, Edward L., and Joshua D. Gottlieb. 2009. "The Wealth of Cities: Agglomeration Economies and Spatial Equilibrium in the United States." Journal of Economic Literature 47 (4) (December 1): 983--1028.

Kline, Patrick. 2010. "Place Based Policies, Heterogeneity, and Agglomeration." American Economic Review 100 (2) (May): 383--387.

Mills, Edwin S. 1967. "An Aggregative Model of Resource Allocation in a Metropolitan Area." The American Economic Review 57 (2) (May 1): 197--210.

Moretti, Enrico. 2011. "Local Labor Markets." In Handbook of Labor Economics, 4:1237--1313. Elsevier.

Roback, Jennifer. 1982. "Wages, Rents, and the Quality of Life." Journal of Political Economy 90 (6) (December 1): 1257--1278.

Rosen, Sherwin. 1979. "Wage-Based Indexes of Urban Quality of Life." Current Issues in Urban Economics: 74--104.

Suarez Serrato and Zidar. “Who Benefits from State Corporate Tax Cuts? A Local Labor Markets Approach.” Working paper. 2014.

Yagan, Danny. “Moving to Opportunity? Migratory Insurance over the Great Recession,” 2014 working paper.