

Economics 2450A: Public Economics and Fiscal Policy I
Dept. of Economics, Harvard University
Fall 2019

Professors Raj Chetty and Stefanie Stantcheva
Teaching Fellow: Anthony Yu

Course Description

This is the first of two courses offered in the Public Economics sequence at Harvard in 2019-20. This course covers basic issues in the optimal design of government policies. The goal of the course is to familiarize students with basic empirical methods and theoretical models in applied microeconomics, with a focus on connecting theory to data to inform economic policy. Topics include efficiency costs and incidence of taxation, inequality and intergenerational mobility, optimal income and capital taxation, and welfare analysis in behavioral models.

Students are strongly encouraged to attend the Public Economics Seminar. The schedule of seminar speakers is available at <https://economics.harvard.edu/calendar/upcoming/seminars-events/public-policy>.

Meeting Time and Location

Mondays and Wednesdays 1:30PM-2:45PM, Littauer Center 301 (Hansen-Mason Room). Note that there will be no class on October 23 and 30; instead, a makeup class will be held on November 8, 2019 from 9AM-12PM. See schedule on next page for more details.

Course Website

<https://canvas.harvard.edu/courses/61259>

Syllabus, problem sets, problem set solutions, readings, and handouts/lecture slides will be available on the Canvas site.

Students with Documented Disabilities

Students who may need an academic accommodation based on the impact of a disability must initiate the request with the Office of Accessible Education (OAE). Professional staff will evaluate the request with required documentation, recommend reasonable accommodations, and prepare an Accommodation Letter for faculty dated in the current quarter in which the request is made. Students should contact the OAE as soon as possible since timely notice is needed to coordinate accommodations. The OAE is located at 1360 Massachusetts Avenue (<https://aeo.fas.harvard.edu>).

Economics 2450A Schedule

| Date | Instructor | Topic |
|------------------|-------------------|---|
| Wed September 4 | Raj | 1. Introduction and Overview of Themes |
| Mon September 9 | Raj | 2. Tax Incidence |
| Wed September 11 | Raj | 3. GE Incidence and Capitalization |
| Mon September 16 | Raj | 4. Efficiency Costs of Taxation |
| Wed September 18 | Raj | 5. Efficiency Costs: Applications |
| Mon September 23 | Raj | 6. Behavioral Welfare Economics |
| Wed September 25 | Raj | 7. Welfare Functions and Equality of Opportunity |
| Mon September 30 | Raj | 8. Inequality and Intergenerational Mobility |
| Wed October 2 | Raj | 9. Neighborhood Effects |
| Mon October 7 | Nathan | 10. Application to Housing Policy |
| Wed October 9 | | NO CLASS - Yom Kippur |
| Mon October 14 | | NO CLASS - Columbus Day |
| Wed October 16 | Nathan | 11. Racial Disparities in Economic Opportunity |
| Mon October 21 | Stefanie | 12. The U.S. Tax System. Optimal Tax Theory (I) |
| Wed October 23 | | NO CLASS |
| Mon October 28 | Stefanie | 13. Optimal Tax Theory (II) |
| Wed October 30 | | NO CLASS |
| Mon November 4 | Stefanie | 14. Optimal Tax Theory (III) |
| Wed November 6 | Stefanie | 15. Empirical Evidence on Response to Income Taxation |
| Fri November 8 | Stefanie | 16. Makeup class 9AM-12PM. Social Preferences: Theory and Empirical Framework Social Preferences (II) |
| Mon November 11 | | NO CLASS - Veterans Day |
| Wed November 13 | Stefanie | 17. Tax Avoidance, Evasion, and Enforcement |
| Mon November 18 | Stefanie | 18. New Dynamic Public Finance |
| Wed November 20 | Stefanie | 19. New Dynamic Public Finance (II) |
| Mon November 25 | Stefanie | 20. Capital Taxation |
| Wed November 27 | | NO CLASS - Thanksgiving |
| Mon December 2 | Stefanie | 21. Capital Taxation |

Course Requirements

1. Two problem sets: 25% of grade. They will be assigned on Oct. 7 (due Oct 16), and Nov. 18 (due Nov. 25). Problem sets are due on Canvas and no late problem sets will be accepted.
2. Replication exercise (RE): 25% of grade. Replicate a recent empirical paper related to the topics in this course. Email the paper you choose to replicate to Anthony Yu by Sep. 30. The completed exercise is due on Nov. 18. Two of the replication exercises will be selected for a presentation in section. Instructions for the assignment are posted on the course website.
3. Final examination: 50% of grade. The date will be set by the Registrar's Office later in the semester. Anthony Yu will hold a review section for the final a week before the exam.

Collaboration Policy

You are encouraged to consult with your classmates as you work on problem sets. However, after discussions with peers, make sure that you work through the problem yourself and ensure that any answers you submit for evaluation are the result of your own effort. In addition, you must list the names of students with whom you have collaborated on problem sets.

In contrast, all work on the replication exercise should be entirely your own. You must use appropriate citation practices to acknowledge the use of books, articles, websites, lectures, discussions, etc., that you used to complete the replication exercise.

Professor Chetty's Office Hours: E-mail Maddie Marino <mjmarino@g.harvard.edu> to schedule an appointment.

Professor Stantcheva's Office Hours: E-mail Michael O'Neil <michael_oneil@fas.harvard.edu> to schedule an appointment.

Teaching Fellow: Anthony Yu <ayu@g.harvard.edu>

Section and Office Hours: Time and location to be determined through a survey administered during first week of class. Sections will focus on solving models and helping students work through the details of the results and methods discussed in class.

Readings

For Raj's part, a short list of required readings is presented on the next page. These readings illustrate the key methods and concepts in each section and it is important that you understand them well. A complete list of readings that includes references for all the papers discussed in class as well as additional reading for students who want to explore a topic in greater depth follows this short list.

For Stefanie's part, the reading list of each lecture will be at the back of each slide set. Strongly recommended readings are in bold. The other readings are those to that can be read at your leisure.

Lecture slides

Slides and videos for previous versions of the course (prepared jointly with Gregory A. Bruich) are at: <http://www.rajchetty.com/index.php/lecture-videos>

The slides that have been posted should be used as a general guide rather than as a comprehensive list of the material that will be covered in this year's course. We will post updated slides shortly before each lecture on the course website.

Required Readings for Lectures 1-11

PART I. Tax Incidence and Efficiency

1. R. Chetty, A. Looney, and K. Kroft. "[Salience and Taxation: Theory and Evidence.](#)" *American Economic Review* 99(4): 1145-1177, 2009. Section V.C.
2. L. Kotlikoff and L. Summers. "[Tax Incidence,](#)" in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 2, 1043-1092. Amsterdam: North Holland, 1987. Sections 0, 1, 2.2.1-2.2.3, 2.3, 3.1, and 4.4.
3. A. Auerbach, "[The Theory of Excess Burden and Optimal Taxation](#)", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 1, 61-127. Amsterdam: North Holland, 1985. Sections 1, 2, 3.1, and 4.
4. R. Chetty, "[Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods.](#)" *Annual Review of Economics* 1: 451-488, 2009. Sections 2 and 6.

PART II. Behavioral Welfare Economics

5. B.D. Bernheim, A. Rangel, "[Beyond Revealed Preference: Choice-Theoretic Foundations for Behavioral Welfare Economics,](#)" *Quarterly Journal of Economics*, 124(1), February 2009, 51-104.
6. E. Farhi, X. Gabaix, "[Optimal Taxation with Behavioral Agents,](#)" Mimeo, 2017.
7. B. Frey and A. Stutzer, "[What Can Economists Learn from Happiness Research?](#)" *Journal of Economic Literature* 40, June 2002, pp. 402-435.

PART III: Inequality and Intergenerational Mobility

1. R. Chetty and N. Hendren, "The Impacts of Neighborhoods on Intergenerational Mobility [I \(Childhood Exposure Effects\)](#) and [II \(County Level Estimates\)](#)," NBER Working Papers No. 23001-23002, 2017.
2. R. Chetty, D. Grusky, M. Hell, N. Hendren, R. Manduca, and J. Narang, "[The Fading American Dream: Trends in Absolute Income Mobility Since 1940,](#)" *Science* 356 (6336): 398-406, 2017.

Reading List

| | |
|--|-----------|
| Tax Incidence and Efficiency | 6 |
| Tax Incidence..... | 6 |
| Partial Equilibrium Incidence | 6 |
| General Equilibrium Incidence | 7 |
| Capitalization and the Asset Price Approach..... | 7 |
| Mandated Benefits | 8 |
| Excess Burden..... | 8 |
| Theory..... | 8 |
| Applications..... | 9 |
| Optimal Taxation | 10 |
| Introduction to the Theory of Commodity Taxation | 10 |
| Introduction to the Theory of Income Taxation | 10 |
| Capital Taxes & Mixed Taxation | 11 |
| Retirement Savings..... | 12 |
| Dynamic Taxation..... | 13 |
| Behavioral Welfare Economics and Applications | 14 |
| Choice-Based Welfare Analysis | 14 |
| The measurement of “experienced utility” | 14 |
| Applications involving taxation | 15 |
| Applications involving addiction..... | 15 |
| Applications involving household saving..... | 16 |
| Applications involving energy | 16 |
| Corporate Taxation | 17 |
| Payout and Corporate Profits Taxes..... | 17 |
| Tax Incentives for Investment | 18 |
| Taxation and Capital Structure..... | 18 |
| Organizational Form and International Taxation | 19 |
| Inequality and Intergenerational Mobility | 20 |
| Education Policy and the Production of Public Goods | 20 |
| Motives for Government Intervention..... | 20 |
| Education Production Functions | 21 |
| Personnel Policy | 21 |
| BACKGROUND READING AND REFERENCES | 23 |

Bold readings within each subsection are strongly encouraged and will be covered at length in the course; * indicates other recommended readings that will be discussed in class. Additional readings are provided for those who wish to explore a literature further, e.g. for the replication exercise.

Tax Incidence and Efficiency

Tax Incidence

Partial Equilibrium Incidence

A. Atkinson and J. Stiglitz. *Lectures on Public Economics*, New York: McGraw Hill, 1980. Chapter 6.

R. Chetty, A. Looney, and K. Kroft. “[Salience and Taxation: Theory and Evidence.](#)” *American Economic Review* 99(4): 1145-1177, 2009. Section V.C.

L. Kotlikoff and L. Summers. “[Tax Incidence.](#)” in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 2, 1043-1092. Required reading: Sections 0, 1, 2, 3.1, and 4.4.

B. Salanie. *The Economics of Taxation*, Cambridge: MIT Press, 2003, Chapter 1.

E.G. Weyl and M. Fabinger, “[Pass-Through as an Economic Tool.](#)” *Journal of Political Economy*, 121(3): 528-583, 2013.

Empirical Applications

J. Adda and F. Cornaglia. “[Taxes, Cigarette Consumption and Smoking Intensity.](#)” *American Economic Review*, 96(4): 1013—1028, 2006.

T. Besley and H. Rosen. “[Sales Taxes and Prices: An Empirical Analysis.](#)” *National Tax Journal* 52, (1999).

J. Doyle and K. Samphantharak. “[\\$2.00 Gas! Studying the Effects of a Gas Tax Moratorium.](#)” *Journal of Public Economics*, April 2008.

W. Evans, J. Ringel, and D. Stech. “[Tobacco Taxes and Public Policy to Discourage Smoking.](#)” in *Tax Policy and the Economy*, vol. 13, ed. J. Poterba, MIT Press: Cambridge, 1999.

Goolsbee, Austan, Michael F. Lovenheim, and Joel Slemrod. 2010. “[Playing with Fire: Cigarettes, Taxes, and Competition from the Internet.](#)” *American Economic Journal: Economic Policy*, 2(1): 131–54

S. F. Hamilton, “[Excise Taxes with Multiproduct Transactions.](#)” *American Economic Review*, vol. 99(1), pages 458-71, March 2009.

Hastings, Justine, and Ebonya Washington. 2010. “[The First of the Month Effect: Consumer Behavior and Store Responses.](#)” *American Economic Journal: Economic Policy*, 2(2): 142–62.

R. Kerschbamer and G. Kirchsteiger, 2000. “[Theoretically robust but empirically invalid? An experimental investigation into tax equivalence.](#)” *Economic Theory*, 16: 719-734.

J. Poterba. “[Lifetime Incidence and the Distributional Burden of Excise Taxes.](#)” *American Economic Review* 79 (May 1989), 325-330.

J. Rothstein. “[Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax Incidence.](#)” *American Economic Journal: Economic Policy*, 2(1), February 2010, 177-208.

General Equilibrium Incidence

A. Auerbach, "[Who Bears the Corporate Tax? A Review of What We Know](#)," in J. Poterba ed., *Tax Policy and the Economy*, Volume 20 (2006), p. 1–40.

C. Davidson and L. Martin, "[General Equilibrium Incidence Under Imperfect Competition: A Quantity-Setting Supergame Analysis](#)", *Journal of Political Economy*, 93(6), December 1985, 1212-1223.

P. Diamond. "[Tax Incidence in a Two-Good Model](#)," *Journal of Public Economics*, 9(3), June 1978, 283-299.

A. Harberger. "[The Incidence of the Corporation Income Tax](#)," *Journal of Political Economy*, 1962, 215-240.

L. Kotlikoff and L. Summers. "[Tax Incidence](#)," in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 2, Sections 2.2.1-2.2.3 and 2.3.

N. Stern. "[The Effects of Taxation, Price Controls, and Government Intervention in Oligopoly and Monopolistic Competition](#)," *Journal of Public Economics*, 32(2), March 1987, 133-158.

Open Economy Applications

D. Bradford, "[Factor Prices May Be Constant but Factor Returns are Not](#)," *Economic Letters*, volume 1, 1978, 199-203.

- * M. Feldstein and C. Horioka, "[Domestic Savings and International Capital Flows](#)", *Economic Journal*, 90(358), June 1980, 314-329.

L. Kotlikoff and L. Summers, "[Tax Incidence](#)", in A. Auerbach and M. Feldstein, *Volume 2, 1043-1092, Section 3.1.*

Capitalization and the Asset Price Approach

D. Cutler, "[Tax Reform and the Stock Market: An Asset Price Approach](#)," *American Economic Review*, 78(5), December 1988, 1107-1117, esp. Sections I-III.

- * J. Friedman, "[The Incidence of the Medicare Prescription Drug Benefit: Using Asset Prices to Assess Its Impact on Drug Makers](#)," Harvard Kennedy School Working Paper, 2009.

J. Gyourko and J. Tracy, "[The Structure of Local Public Finance and the Quality of Life](#)," *Journal of Political Economy*, 99(4), August 1991, 774-806.

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

D. Lyon, "[The Effect of the Investment Tax Credit on the Value of the Firm](#)," *Journal of Public Economics*, 38(2), March 1989, 227-247.

J. Poterba, "[Tax Subsidies to Owner-Occupied Housing: An Asset Market Approach](#)," *Quarterly Journal of Economics*, 99(4), November 1984, 729-752.

J. Roback, "[Wages, Rents, and the Quality of Life](#)", *Journal of Political Economy*, 1982, 1257-1276.

K. Rosen, "[The Impact of Proposition 13 on House Prices in Northern California: A Test of the Interjurisdictional Capitalization Hypothesis](#)", *Journal of Political Economy*, 90(1), February 1982, 191-200.

L. Summers, "[The Asset Price Approach to the Analysis of Capital Income Taxation](#)", *Proceedings of the National Tax Association*, 1983, 112-120.

Mandated Benefits

D. Acemoglu and J. Angrist, "[Consequences of Employment Protection? The Case of the Americans with Disabilities Act](#)," *Journal of Political Economy* 109(5) 915-957, 2001

D. Cutler, and B. Madrian, "[Labor Market Responses to Rising Health Insurance Costs: Evidence on Hours Worked](#)", *RAND Journal of Economics*, Autumn 1998, 509-530.

J. Gruber, "[The Incidence of Mandated Maternity Benefits](#)," *American Economic Review*, 84(3), June 1994, 622-641.

J. Gruber and A. Krueger "[The Incidence of Mandated Workers Compensation](#)", in D. Bradford, ed., *Tax Policy and the Economy*, Volume 5, 111-143, Cambridge, MA: MIT Press, 1991.

J. Gruber, "[The Incidence of Payroll Taxation: Evidence from Chile](#)." *Journal of Labor Economics*, 15, 1997, S73-S91.

J. Kolstad and A. Kowalski, "[Mandate-Based Health Reform and the Labor Market: Evidence from the Massachusetts Reform](#)," *Journal of Health Economics*, May 2016, 47:81-106.

C. Ruhm, "[The Economic Consequences Of Parental Leave Mandates: Lessons From Europe](#)," *Quarterly Journal of Economics* 113(1): 285-317, 1998.

L. Summers, "[Some Simple Economics of Mandated Benefits](#)," *American Economic Review*, 79(2), May 1989, 177-183.

Excess Burden

Theory

A. Auerbach, "[The Theory of Excess Burden and Optimal Taxation](#)," in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 1, 61-127. Amsterdam: North Holland, 1985. Sections 1, 2, 3.1, and 4.

A. Auerbach, J. Hines, "[Taxation and Economic Efficiency](#)", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 3, Chapter 21, Amsterdam: North Holland, 2002.

C. Ballard, D. Fullerton, J. Shoven, and J. Whalley, *A General Equilibrium Model for Tax Policy Evaluation*, Chicago: University of Chicago Press, 1985, Chapters 2, 3.

C. Ballard, J. Shoven, and J. Whalley., "[General Equilibrium Computations of the Marginal Welfare Cost of Taxes in the United States](#)", *American Economic Review*, March 1985, 128-138.

E. Browning, "On the marginal welfare cost of taxation." *American Economic Review* 77: 11-23, 1987.

Blomquist, Sören, Vidar Christiansen, and Luca Micheletto. 2010. "[Public Provision of Private Goods and Nondistortionary Marginal Tax Rates](#)." *American Economic Journal: Economic Policy*, 2(2): 1-27.

R. Chetty, "[Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods](#)." *Annual Review of Economics* 1: 451-488, 2009. Sections 2 and 6.

R. Chetty, A. Looney, and K. Kroft. "[Salience and Taxation: Theory and Evidence](#)." *American Economic Review* 99(4): 1145-1177, 2009. Section V.C.

- Chipman, John S. and James C. Moore. "[Compensating Variation, Consumer's Surplus and Welfare](#)." *American Economic Review*, 70(5), 1980, 933-49.
- D. Corlett and E. Hauge, "[Complementarity and the Excess Burden of Taxation](#)." *Review of Economic Studies* 21(1): 21-30, 1953
- P. Diamond and D. McFadden, "[Some Uses of the Expenditure Function in Public Finance](#)," *Journal of Public Economics* 3 (1974), 3-21.
- D. Fullerton, "[Reconciling Recent Estimates of the Marginal Welfare Cost of Taxation](#)", *American Economic Review*, 81(1), March 1991, 302-308.
- * A. Harberger, "[The Measurement of Waste](#)", *American Economic Review*, 54(3), 1964, 58-76.
- J. Hausman, "[Exact Consumers Surplus and Deadweight Loss](#)", *American Economic Review*, 71(4), September 1981, 662-676.
- J. Hausman and W. Newey, "[Nonparametric Estimation of Exact Consumers Surplus and Deadweight Loss](#)," *Econometrica* 63 (1995), 1445-1476.
- James J. Heckman, "[Building Bridges between Structural and Program Evaluation Approaches to Evaluating Policy](#)," *Journal of Economic Literature*, vol. 48(2), pages 356-98, June, 2010.
- * Nathaniel Hendren, 2016. "[The Policy Elasticity](#)," *Tax Policy and the Economy*, vol 30(1), pages 51-89.

Applications

- D. Albouy, "[The Unequal Geographic Burden of Federal Taxation](#)," *Journal of Political Economy*, vol. 117(4), pages 635-667, 08, 2009.
- A. M. Bento and Lawrence H. Goulder and Mark R. Jacobsen and Roger H. von Haefen, "[Distributional and Efficiency Impacts of Increased US Gasoline Taxes](#)," *American Economic Review*, vol. 99(3), pages 667-99, June 2009.
- * R. Chetty. "[Is the Taxable Income Elasticity Sufficient to Calculate Deadweight Loss? The Implications of Evasion and Avoidance](#)." *American Economic Journal: Economic Policy*: 1(2): 31-52, 2009.
- M. Feldstein, "[Tax Avoidance and the Deadweight Loss of the Income Tax](#)," *Review of Economics and Statistics*, 81(4), November 1999, 674-680.
- M. Feldstein, "[The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act](#)," *Journal of Political Economy* 103: 551-572, 1995.
- K. Gallagher and E. Muehlegger, 2008. "[Giving Green to Get Green: Incentives and Consumer Adoption of Hybrid Vehicle Technology](#)," *Journal of Environmental Economics and Management*, 61(1): 1-15, January 2011.
- A. Goolsbee, "[The Value of Broadband and the Deadweight Loss of Taxing New Technologies](#)," *Contributions to Economic Analysis & Policy* (B.E. Press Journals), 5(1), 2006.
- Yuriy Gorodnichenko and Jorge Martinez-Vazquez and Klara Sabirianova Peter, "[Myth and Reality of Flat Tax Reform: Micro Estimates of Tax Evasion Response and Welfare Effects in Russia](#)," *Journal of Political Economy*, vol. 117(3), pages 504-554, 06, 2009

- * L. Goulder and R. Williams. "[The Substantial Bias from Ignoring General Equilibrium Effects in Estimating Excess Burden, and a Practical Solution](#)," *Journal of Political Economy*, 2003, 111: 898-927.
- * J. Marion and E. Muehlegger. "[Measuring Illegal Activity and the Effects of Regulatory Innovation: Tax Evasion and the Dyeing of Untaxed Diesel](#)," *Journal of Political Economy* 116:4, p.633-666, August 2008.
- * J. Poterba, "[Taxation and Housing: Old Questions, New Answers](#)," *American Economic Review* 82(2): 237-242, May 1992.

Optimal Taxation

Introduction to the Theory of Commodity Taxation

E. Ahmad and N. Stern, "[The Theory of Reform and Indian Indirect Taxes](#)", *Journal of Public Economics*, 25(3), December 1984, 259-298.

A. Atkinson and J. Stiglitz, *Lectures on Public Economics*, New York: McGraw Hill, 1980. Chapter 12-1, 12-2, and 12-5.

A. Auerbach, "[The Theory of Excess Burden and Optimal Taxation](#)", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, 1985, Volume 1, 61-127, Section 5.

A. Auerbach and J. Hines, "[Taxation and Economic Efficiency](#)," in A. Auerbach and M. Feldstein, 2002, *Handbook of Public Economics*, Volume 3, 61-125.

T. Besley and I. Jewitt, "[Uniform Taxation and Consumer Preferences](#)", *Journal of Public Economics*, September 1995, 58, 73-84.

Boadway, Robin, and Motohiro Sato. "[Optimal Tax Design and Enforcement with an Informal Sector](#)." *American Economic Journal: Economic Policy*, 1(1): 1-27, 2009.

R. Burgess and N. Stern, "[Taxation and Development](#)", *Journal of Economic Literature*, 31(2), 1993, 762-830.

P. Diamond, "[A Many-Person Ramsey Tax Rule](#)," *Journal of Public Economics*, 4, 1975, 335-342.

P. Diamond and J. Mirrlees, "Optimal Taxation and Public Production," *American Economic Review*, 61, 1971, [8-27](#) and [261-278](#).

F. Ramsey, "[A Contribution to the Theory of Taxation](#)", *Economic Journal*, 37, 1927, 47-61.

A. Sandmo, "[Optimal Taxation in the Presence of Externalities](#)", *Swedish Journal of Economics*, 77(1), 1975, 86-98.

A. Sandmo, "[Optimal Taxation: An Introduction to the Literature](#)", *Journal of Public Economics*, 6(1-2), July-Aug 1976, 37-54.

Introduction to the Theory of Income Taxation

G. Akerlof, "[The Economics of Tagging as Applied to the Optimal Income Tax Welfare Programs, and Manpower Planning](#)," *American Economic Review*, 68(1), March 1978, 8-19.

Atkinson, A.B., Stiglitz, J.E., "[The design of tax structure: Direct versus indirect taxation.](#)" *Journal of Public Economics* 6, 1976, 55-75.

M. Brewer, E. Saez, and A. Shephard "[Means Testing and Tax Rates on Earnings](#)", IFS Working Paper, *The Mirrlees Review: Reforming the Tax System for the 21st Century*, Oxford University Press, 2009.

R. Chetty, "[Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods.](#)" *Annual Review of Economics* 1: 451-488, 2009. Section 4.

- * P. Diamond, "[Optimal Income Taxation: An Example with a U-Shaped Pattern of Optimal Marginal Tax Rates](#)", *American Economic Review*, 88, March 1998, 83-95.

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

M. Golosov, A. Tsyvinski, and I. Werning "[New Dynamic Public Finance: A User's Guide](#)," in D. Acemoglu, K. Rogoff and M. Woodford, NBER Macroeconomics Annual 2006, Volume 21, The MIT Press.

G. Laroque, 2005 "[Indirect taxation is superfluous under separability and taste homogeneity: A simple proof](#)", *Economic Letters*, 87, 141-144.

N.G. Mankiw, M. Weinzierl, and D. Yagan, 2009. "[Optimal Taxation in Theory and Practice](#)," *Journal of Economic Perspectives*, vol. 23(4), pages 147-74, Fall.

J. Mirrlees, "[An Exploration in the Theory of Optimal Income Taxation](#)", *Review of Economic Studies*, 38, 1971, 175-208.

T. Piketty, "[Implementation of First-Best Allocations via Generalized Tax Schedules](#)," *Journal of Economic Theory*, vol. 61(1), October 1993, 23-41.

T. Piketty, E. Saez, and S. Stantcheva, "[Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities](#)," *American Economic Journal: Economic Policy*, vol. 6(1), 230-71, 2014.

E. Sadka, "[On Income Distribution, Incentives Effects and Optimal Income Taxation](#)", *Review of Economic Studies*, 43(2), 1976, 261-268.

E. Saez, "[Using Elasticities to Derive Optimal Income Tax Rates](#)", *Review of Economic Studies*, 68, 2001, 205-229, Sections 1-3 and 5.

- * E. Saez, "[Optimal Income Transfer Programs: Intensive Versus Extensive Labor Supply Responses](#)", *Quarterly Journal of Economics* 117 (2002), 1039-1073.

B. Salanie, *The Economics of Taxation*, Cambridge: MIT Press, 2011.

J. Slemrod, "[Optimal Taxation and Optimal Tax Systems](#)", *Journal of Economic Perspectives*, 4(1), Winter 1990, 157-178.

J. Stiglitz, "[Pareto Efficient and Optimal Taxation and the New New Welfare Economics](#)", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 2, 991-1041.

Capital Taxes & Mixed Taxation

Atkinson, A.B., Stiglitz, J.E., "[The design of tax structure: Direct versus indirect taxation.](#)" *Journal of Public Economics* 6, 1976, 55-75.

C. Chamley, "[Optimal Taxation of Capital Income in General Equilibrium with Infinite Lives](#)",

Econometrica, 1986

P. Diamond and J. Mirrlees, "Optimal Taxation and Public Production," *American Economic Review*, 61, 1971, [8-27](#) and [261-278](#).

P. Diamond and J. Spinnewijn, "[Capital Income Taxes with Heterogeneous Discount Rates](#)", *American Economic Journal: Economic Policy*, 2011, 3 (4) 52-76

E. Farhi, X. Gabaix, "[Optimal Taxation with Behavioral Agents](#)," Mimeo, 2017.

K. Judd, "[Redistributive Taxation in a Simple Perfect Foresight Model](#)", *Journal of Public Economics*, 1985

L. Kaplow, "[On the Undesirability of Commodity Taxation Even When Income Taxation is not Optimal](#)", *Journal of Public Economics*, 2006, 90 (6-7), 1235-1250

G. Laroque, 2005 "[Indirect taxation is superfluous under separability and taste homogeneity: A simple proof](#)", *Economic Letters*, 87, 141-144.

E. Saez, "[The Desirability of Commodity Taxation Under Non-Linear Income Taxation and Heterogeneous Tastes](#)", *Journal of Public Economics*, 2002, 83, 217-230

E. Saez, E. & S. Stantcheva, "[A Simpler Theory of Optimal Capital Taxation](#)", Mimeo, UC Berkeley & Harvard

L. Straub and I. Werning, "[Positive Long-Run Capital Taxation: Chamley-Judd Revisited](#)", Mimeo: MIT, 2015.

Retirement Savings

J. Banks, R. Blundell & S. Tanner, "[Is There A Retirement Savings Puzzle?](#)" *American Economic Review*, 1998, 88 (4), 769-788.

Benjamin, D., "Does 401(k) [Eligibility Increase Saving? Evidence from Propensity Score Subclassification](#)," *Journal of Public Economics* 85, 2003, 121-148.

B.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.

B.D. Bernheim, A. Fradkin, and I. Popov, "[The Welfare Economics of Default Options in 401\(k\) Plans](#)," *American Economic Review*, 105 (9), September 2015, 2798-2837.

B. D. Bernheim, J. Skinner & S. Weinberg, "[What Accounts for the Variation in Retirement Wealth Among US Households?](#)" *American Economic Review*, 2001, 91 (4), 832-857

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