

## **Economics 681B: Public Finance II**

William Brainard and Hanming Fang  
Syllabus and Reading List

Spring 2003

Monday, Wednesday 1:00-2:20pm  
Room 108, 28 Hillhouse Avenue

In Public Finance II (681B) we plan to cover the following topics in the field of public economics: (1). Public Goods; (2) Economic Analysis of Public Policy: Affirmative Actions, Welfare Reform and Social Security Reforms; (3) Optimal Taxation and Tax Reform; (4). Private and Social Risk and Social Discount Rate.

The selected readings for the course will consist of classical papers and recent developments in each literature. The lectures will mostly cover important classical papers. Student will be expected to make two or more presentations of recent studies. Skills in presenting and articulating one's ideas are very important for professional success in economics. We will expect active participation from everyone, not just the presenter. Students will be required to write a critical referee report on the papers the student presents in class.

Students will also be expected to either extend the short research paper written in the Fall term or write another short paper. Empirical papers, which can also be submitted for the econometrics paper requirement, are encouraged. There will also be a short oral final examination for the course.

## **0. YOUNG ECONOMIST'S GUIDE TO THE PROFESSION**

- Hamermesh, Daniel S., "The Young Economist's Guide to Professional Etiquette," *Journal of Economic Perspectives*, Vol 6, no 1, Winter 1992, 169--179.
- Thomson, William. A Guide for the Young Economist. MIT Press, 2001.

## **1. PUBLIC GOODS**

### **1.1 NEOCLASSICAL THEORY**

- Anthony Atkinson and Joseph Stiglitz (1980). *Lectures on Public Economics*, Lecture 16.
- Jean-Jacques Laffont (1988): *Fundamentals of Public Economics*. Chapter 2.
- (\*) Paul A. Samuelson (1954): "The Pure Theory of Public Expenditure", *Review of Economics and Statistics*, Vol. 36, 387-389.
- Samuelson, Paul A., "Diagrammatic Exposition of a Theory of Public Expenditures," *Review of Economics and Statistics*, 1955, 350--356.
- Samuelson, Paul A., "Pure Theory of Public Expenditure and Taxation," in Margolis and Guitton, eds., *Public Economics*, Macmillian, 1969, 492--517.
- (\*) Lindahl, E., "Just Taxation --- A Positive Solution," in Musgrave and Peacock, ed., *Classics in the Theory of Public Finance*, Macmillian, 1958, 168--176.
- Foley, Duncan, "Lindahl's Solution and the Core of an Economy with Public Goods," *Econometrica*, 1970, 38, pp. 66--72.

### **1.2. STATIC MODELS OF PRIVATE PROVISION OF PUBLIC GOODS**

- (\*) Theodore Bergstrom, Lawrence Blume and Hal Varian (1986), "On the Private Provision of Public Goods", *Journal of Public Economics*, 29(1), February, pp. 25-49.
- Theodore Bergstrom, Lawrence Blume and Hal Varian (1992), "Uniqueness of Nash Equilibrium in Private Provision of Public Goods: An Improved Proof", *Journal of Public Economics*, 49(3), December, pp. 391-92.
- Douglas Bernheim (1986), "On the Voluntary and Involuntary Provision of Public Goods", *American Economic Review*, Vol 76, pp789-793.
- James Andreoni (1998), "Toward a Theory of Charitable Fund-Raising", *Journal of Political Economy*, 106(6), December, pp. 1186-1213.
- Andreoni, James, "Giving with Impure Altruism: Applications to Charity and Ricardian Equivalence," *Journal of Political Economy*, December, 1989, 1447--1458.
- Andreoni, James, "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving," *Economic Journal*, 100, 1990.
- Romano, Richard and Huseyim Yildirim, "Why Charities Announce Donations: A Positive Perspective." *Journal of Public Economics*, v 81, 2001, 423—448.
- John Morgan (2000), "Financing Public Goods by means of Lotteries", *Review of Economic Studies*, October, pp.761-784.

### **1.3. DYNAMIC VOLUNTARY PROVISION OF PUBLIC GOODS**

- (\*) Varian, Hal R., "Sequential Provision of Public Goods," *Journal of Public Economics*, 1994, 53, 165--86.
- (\*) Anat Admati and Motty Perry (1991), "Joint Projects without Commitment", *Review of Economic Studies*, 58, pp 259-276.
- Leslie Marx and Steven Matthews (2000), "Dynamic Voluntary Provision of Public Goods", *Review of Economic Studies*, April 2000, p.327-358.

## 1.4 EXPERIMENTAL AND ECONOMETRIC STUDIES.

### *Experimental Studies*

- J. Andreoni. An Experimental Test of the Public Goods Crowding-Out Hypothesis. *American Economic Review* 83 (5), 1317-27, 1993.
- Ledyard, John O., "Public Goods: A Survey of Experimental Research" in J.H. Kagel and A.E. Roth, eds., *Handbook of Experimental Economics*, Princeton, 1995.
- Marwell, G. and Ruth Ames, "Economists Free Ride --- Does Anyone Else?" *Journal of Public Economics*, 1981, 295--310.
- Isaac, Mark and James Walker, "Group Size Hypothesis of Public Goods Provision: Experimental Evidence," *Quarterly Journal of Economics*, 1988.
- Andreoni, James, "An Experimental Test of the Public Goods Crowding Out Hypothesis," *American Economic Review*, December 1993.
- Andreoni, James, "Cooperation in Public Goods Experiments: Kindness or Confusion?," *American Economic Review*, September 1995, 85, 891--904.
- John Morgan and Martin Sefton (2000). Funding Public Goods with Lotteries: An Experiment, *Review of Economic Studies*, October.
- Palfrey, Thomas R. and Jeffrey E. Prisbey, "Anomalous Behavior in Public Goods Experiments: How Much and Why?," *American Economic Review*, v. 87(5), 829--846.
- Palfrey, Thomas R. and Jeffrey E. Prisbey, "Altruism, Reputation and Noise in Linear Public Goods Experiments," *Journal of Public Economics*, v. 61, 1997, March 1996, 409--427.

### *Econometric Studies*

- Clotfelter, Charles T., "The Impact of Tax Reform on Charitable Giving: A 1989 Perspective," in J. Slemrod, ed., *Do Taxes Matter? The Impact of the Tax Reform Act of 1986*, MIT Press, 1990.
- Randolph, William, "Dynamic Income, Progressive Taxes, and the Timing of Charitable Contributions," *Journal of Political Economy*, August 1995, 103, 709--738.
- Kingma, Bruce, "An Accurate Measure of the Crowd-out Effect, Income Effect, and Price Effect for Charitable Contributions," *Journal of Political Economy*, October 1989.
- Payne, Abigail, , "Does the Government Crowd-Out Private Donations? New Evidence from a Sample of Non-Profit Firms," *Journal of Public Economics*, v.69 (3), 1998, 323--345.
- Andreoni, J. and Abigail Payne, "Government Grants to Private Charities: Do They Crowd Out Giving or Fundraising?" working paper, 2001.
- Berry, Steven T. and Joel Waldfogel, "Public Radio in the United States: Does it Correct Market Failure or Cannibalize Commercial Stations?," *Journal of Public Economics*, v.71, February 1999, 189--211.

## 1.5 PREFERENCE REVELATION AND IMPLEMENTATION.

- Laffont, Chapter 5, "Incomplete Information in Public Economics."
- (\*) Groves T. and J. Ledyard, "Optimal Allocation of Public Goods: A Solution to the Free Rider Problem," *Econometrica*, 45, 1977, 783--810.
- Chen, Yan and Charles Plott, "The Groves-Ledyard Mechanism: An Experimental Study of Institutional Design," *Journal of Public Economics*, v.59(3), 1997, 335-364.
- Chen, Yan and Fang-Fang Tang, "Learning and Incentive-Compatible Mechanisms for Public Goods Provision: An Experimental Study," *Journal of Political Economy*, June 1998, v. 106 (3), 633--662.

- Varian, Hal R., "A Solution to the Problem of Externalities and Public Goods When Agents are Well Informed," *American Economic Review*, December 1994, 84, 1278-1293.
- (\*) George J. Mailath and Andrew Postlewaite (1990), "Asymmetric Information Bargaining Problems with Many Agents", *Review of Economic Studies*, 57(3), July, pp. 351-67.
- Rafael Rob (1989), "Pollution Claim Settlements under Private Information", *Journal of Economic Theory*, 47, 307-333.

## 1.6 LOCAL PUBLIC GOODS

### ***Theoretical Issues: The Tiebout Hypothesis***

- (\*) Cornes and Sandler. *The Theory of Externalities, Public Goods and Club Goods*, 1997. Chapters 11 and 12, On Club Goods.
- (\*) Tiebout, C., "A Pure Theory of Local Public Expenditures," *Journal of Political Economy*, 1956, 416--424.
- Stiglitz, Joseph E., "The Theory of Local Public Goods Twenty-five Years After Tiebout: A Perspective," in G.R. Zodrow, ed., *Local Provision of Public Services: The Tiebout Hypothesis After 25 Years*, Academic Press (New York), 1983.
- (\*) Bewely, T., "A Critique of Tiebout's Theory of Local Public Expenditures," *Econometrica*, 1982, 713--737.
- Scotchmer, Suzanne, "Public Goods and the Invisible Hand", in Quigley and Smolensky, eds., *Modern Public Finance*, Harvard Univ:Boston, 1994.
- Scotchmer, Suzanne and Myrna H. Wooders, "Competitive Equilibrium and the Core in Club Economies with Anonymous Crowding," *Journal of Public Economics*, 1987, 34, 59--73.
- (\*) Epple, Dennis and Allen Zelenitz, "The Implications of Competition Among Jurisdictions: Does Tiebout Need Politics?" *Journal of Political Economy*, 1981, 1197--121.
- Oates, Wallace E., and Robert M. Schwab, "Economic Competition Among Jurisdictions: Efficiency Enhancing or Distortion Inducing?" *Journal of Public Economics*, v 25, 1988, 333--354.
- Nechyba, Tom, "Local Property and State Income Taxes: The Role of Interjurisdictional Competition and Collusion," *Journal of Political Economy*, v.105, 1997, 351--384.

### ***Empirical Issues of local public finance and education***

- Bergstrom, T. C. and R. Goodman, "Private Demands for Public Goods," *American Economic Review*, 1973.
- Bergstrom, T. C., D. Rubinfeld, and P. Shapiro, "Micro-based Estimates of Demand Functions for Local Public School Expenditures," *Econometrica*, Vol. 50, September 1982, 1185--1205.
- Oates, W.E. (1969): "The Effects of Property Taxes and Local Public Spending on Property Value: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis, *Journal of Political Economy*.
- Gramlich, E and Rubinfeld (1982): "Micro Estimates of Public Spending Demand Functions and Tests of the Tiebout and Median-Voter Hypothesis," *Journal of Political Economy*, 536-560.
- Gyourko, Joseph and Joseph Tracy (1991): "The Structure of Local Public Finance and the Quality of Life", August, *Journal of Political Economy*, 774-806.
- Bergstrom, Roberts, Rubinfeld, and Shapiro, "A Test for Efficiency in the Supply of Public Education," *Journal of Public Economics*, 1988, Vol. 35, 289--307.

- Epple, Dennis, and Holger Sieg, "Estimating Equilibrium Models of Local Jurisdictions," *Journal of Political Economy*, 1999, 107(4), 645-681.
- Levinson, Arik, "NIMBY Taxes Matter: The Case of Hazardous Waste Disposal Taxes," *Journal of Public Economics*, 1999, 74.
- Hines, James and Thaler, Richard, "Anomalies: The Flypaper Effect," *Journal of Economic Perspectives*, Fall 1995, 9, 217--227.
- Randall Reback, 2002. [Capitalization under School Choice Programs: Are the Winners Really the Losers?](#) University of Michigan.
- Hoxby, Caroline M. "The Productivity of Schools and Other Local Public Goods Producers," *Journal of Public Economics*, October 1999, 1-31.
- Hoxby, Caroline M. "Does Competition Among Schools Benefit Students or Taxpayers?" *American Economic Review*, December 2000, 1209-1238.
- Epple, D. and R.E. Romano, "Competition Between Private and Public Schools, Vouchers, and Peer-Group Effects," *American Economic Review*, v.88 (1), March 1998, 33--62.
- Epple, D. and R.E. Romano, "Ends Against the Middle: Determining Public Service Provision When There Are Private Alternatives," *Journal of Public Economics*, v.62(3), November 1996, 297--325.
- Epple, D. and R.E. Romano, "Public Provision of Private Goods," *Journal of Political Economy*, v.104 (1), February 1996, 57--84.

## 2. PUBLIC POLICIES:

### 2.1 DISCRIMINATION AND AFFIRMATIVE ACTIONS

#### **TASTE BASED DISCRIMINATION:**

- (\*) Gary S. Becker (1957), *The Economics of Discrimination*, Chicago: University of Chicago Press.

#### **STATISTICAL DISCRIMINATION.**

- (\*) Kenneth Arrow (1973), "The Theory of Discrimination", in O. Ashenfelter and A. Rees ed., *Discrimination in Labor Markets*, Princeton, NJ: Princeton University Press, 3-33.
- (\*) Stephen Coate and Glenn C. Loury (1993), "Will Affirmative Action Policies Eliminate Negative Stereotypes?", *American Economic Review*, December, Vol 83, 1220-40.
- Glen Loury (1992). "Incentive Effects of Affirmative Action". *Annals of American Academic Political and Social Science*, Vol 523: 19-29.
- Andrea Moro and Peter Norman (2000), "Affirmative Action in a Competitive Economy", Forthcoming, *Journal of Public Economics*.

#### **LOOKING FOR EVIDENCE OF DISCRIMINATION**

- (\*) Gary Becker: "The Evidence Against Banks Doesn't Prove Bias", *Business Week*, April 19, 1993.
- Ian Ayres (2001), *Pervasive Prejudice? Unconventional Evidence of Race and Gender Discrimination*, Chicago: University of Chicago Press
- Gary Becker: "Nobel Lecture: The Economic Way of Looking at Behavior", *Journal of Political Economy*, 101(3), June 1993, pages 385-409.
- Ian Ayres and Joel Waldfogel, "A Market Test for Race Discrimination in Bail Setting", *Stanford Law Review*, May 1994: 987-1046.
- Symposia on Discrimination in Product, Credit and Labor Markets, *Journal of Economic Perspectives*, Spring 1998, including the following articles and comments by Kenneth Arrow, James Heckman and Glenn Loury.

- Ian Aryes and Peter Siegelman (1995), “Race and Gender Discrimination in Negotiation for the Purchase of a New Car”, *American Economic Review*.
- Penny Goldberg: “Dealer Price Discrimination in New Car Purchases: Evidence from the Consumer Expenditure Survey”, *Journal of Political Economy*, June 1996, pp. 622-54.
- James Heckman and Peter Siegelman, “The Urban Institute Audit Studies: Their Methods and Findings”, in *Clear and Convincing Evidence: Measurement of Discrimination in America*, edited by Michael Fix and Raymond J. Struyk, Washington: Urban Institute Press, 1993.

### ***EMPIRICAL STUDIES.***

- Audra J. Bowlus and Zvi Eckstein (2001), “Discrimination and Skill Differences in an Equilibrium Search Model,” *Forthcoming, International Economic Review*.
- (\*) John Knowles, Nicola Persico and Petra Todd, “Racial Bias in Motor-Vehicle Searches: Theory and Evidence,” *Journal of Political Economy*, February 2001.
- James Heckman and John Donohue: “Continuous vs. Episodic Change: The Impact of Affirmative Action and Civil Rights Policy On The Economic Status of Blacks”, *Journal of Economic Literature*, Vol. 29, No. 4, December, 1991, pp. 1603-1643.

### **2.2 WELFARE REFORM**

- Moffitt, Robert, “Incentive Effects of the U.S. Welfare System: A Review,” *Journal of Economic Literature*, March 1992, 1--61.
- (\*) Besley, Tim and Stephen Coate, “Workfare versus Welfare: Incentive Arguments for Work Requirements in Poverty Alleviation Programs,” *American Economic Review*, 1992, 249--61. 62, 187—221
- (\*) Moffitt, Robert, “An Economic Model of Welfare Stigma,” *American Economic Review*, 73, 1983, 1023--1035.
- Hoynes, Hillary Williamson, “Welfare Transfers in Two-Parent Families: Labor Supply and Welfare Participation Under AFDC-UP,” *Econometrica*, 64(2), March 1996, 295-332.
- Scholz, John Karl, “The Earned Income Tax Credit: Participation, Compliance, and Anti-Poverty Effectiveness,” *National Tax Journal*, March 1994, 59--81.
- Bertrand, Luttmer and Mullainthan, “Network Effects and Welfare Culture,” *Quarterly Journal of Economics*, August 2000, 1019—1056.
- Jeff Grogger and Charles Michalopoulos (1999), “Welfare Dynamics under Term Limits”, NBER Working Paper No. 7353.
- Jeff Grogger (2000), “Time Limits and Welfare Use”, NBER Working Paper No. 7709.
- Michael P. Keane and Robert Moffitt (1998), “A Structural Model of Multiple Welfare Program Participation and Labor Supply”, *International Economic Review*, 39(3), August, pp. 553-89.
- (\*) Michael P. Keane (1995), “A New Idea for Welfare Reform”, *Federal Reserve Bank of Minneapolis Quarterly Review*, 19(2), Spring, pp. 2-28.
- Keane, M. and K. Wolpin (2001). Estimating Welfare Effects Consistent with Forward Looking Behavior, Part I: Lessons from a Simulation Exercise. *Forthcoming, Journal of Human Resources*.
- Keane, M. and K. Wolpin (2001). Estimating Welfare Effects Consistent with Forward Looking Behavior, Part II: Empirical Results. *Forthcoming, Journal of Human Resources*.
- Hanming Fang and Dan Silverman (2001), On the Compassion of Time-Limited Welfare, *forthcoming, Journal of Public Economics*.
- Bruce Meyer and Dan T. Rosenbaum (2001), Welfare, the Earned Income Tax Credit, And the Labor Supply of Single Mothers. *Quarterly Journal of Economics*, August.

## 2.3 SOCIAL SECURITY REFORMS

### ***The Role of Social Security***

- (\*) Samuelson, P.A. (1958) ``[An Exact Consumption Loan Model without the Social Contrivance of Money](#)'' *Journal of Political Economy* 66 467-482.
- (\*) Diamond, P. (1965) ``[National Debt in a Neoclassical Growth Model](#)'' *American Economic Review* 32-4 289-298.
- Barro, Robert, "Are Government Bonds Net Wealth?," *Journal of Political Economy*, 1974
- Auerbach, A. and L. Kotlikoff (1987) [Dynamic Fiscal Policy](#) Cambridge University Press.

### ***The Effects of Social Security***

- Crawford, V. and Lilien, D. (1981) ``Social Security and the Retirement Decision'' *Quarterly Journal of Economics* 3 505-534
- Peter Diamond (1977): "A Framework for Social Security Analysis". *Journal of Public Economics*, Vol. 8, No. 3, December 1977: 275-298.
- Andrew Abel: "The Effects of Investing Social Security Funds in the Stock Market When Fixed Costs Prevent Some Households from Holding Stocks," *American Economic Review*, 91, 1 (March 2001), 128-148.
- John Geanakoplos, Olivia Mitchell and Stephen Zeldes: "Would a Privatized Social Security System Really Pay a Higher Rate of Return?," *Framing the Social Security Debate. Values, Economics, and Politics*, R.D. Arnold, M. Graetz and A. Munnell, eds., National Academy of Social Insurance, 1998, pp. 137-157.
- Butler, M. (1999) ``[Anticipation Effects of Looming Public Pension Reforms](#)'' *Carnegie-Rochester Conference Series on Public Policy* 50 119-160.
- Stock, J. and D.A. Wise (1990) ``[Pensions, The Option Value of Work, and Retirement](#)'' *Econometrica* 58-5 1151-1180.
- Zeldes, S., et al, "Precautionary Saving and Social Insurance," *JPE*, Vol 103, No2, April 1995, 360-399.
- Bernheim, Doug, "Rethinking Saving Incentives," in Auerbach, ed. *Fiscal Policy: Lessons from Economic Research* (Cambridge: MIT Press, 1997) 259-313.
- Piketty, T. "Theories of Persistent Inequality and Intergenerational Mobility", In *Handbook of Income Distribution* (Ch.. 8, pp429-476) ed. by Atkinson and Bourguignon, North Holland, 2000
- Venti and Wise, "Have IRAs Increased U.S. Saving? Evidence from Consumer Expenditure Surveys," *QJE* 105 (1990). 661-698

### ***Privatizing Social Security***

- Bohn, H. (1999) ``[Should the Social Security Trust Fund Hold Equities? An Intergenerational Welfare Analysis](#)'' *Review of Economic Dynamics* 2-3 666-697.
- Feldstein, M. (ed.) (1998) [Privatizing Social Security](#) University of Chicago Press.
- Geanakoplos, J. Mithcell, O. and S. Zeldes (1999) ``[Social Security Money's Worth](#)'' manuscript, Yale University.
- Geanakoplos, J. Mithcell, O. and S. Zeldes (1999) ``[Would a Privatized Social Security System Really Pay a Higher Rate of Return?](#)'' manuscript, Yale University.
- Cooley, T. and J. Soares (1999) ``[Privatizing Social Security](#)'' *Review of Economic Dynamics* 2-3 731-755.
- Kotlikoff, L. K. Smetters, and J. Walliser (2001) ``[Finding a Way Out of America's Demographic Dilemma](#)'' NBER working paper 8258.

### 3. THEORY OF TAXATION

#### 3.1 TAX INCIDENCE

##### ***Static Tax Incidence: basic theory, incidence of capital tax, computational general equilibrium models***

- Kotlikoff and Summers, "Tax Incidence," ch 16 of Handbook.
- C. Ballard et al., General Equilibrium Computations of the Marginal Welfare Cost of Taxes in the United States., *American Economic Review*, March 1985, 128-138.
- Fullerton, King, Shoven, and Whalley, "Corporate Tax Integration in the U.S.: A General Equilibrium Approach," *AER*, 71, 1981.
- Goolsbee, A., "Investment Incentives and the After-tax Price of Capital Goods," *QJE* Feb 1998.
- Besley, T. and Rosen, H., "Sales Taxes and Prices: An Empirical Analysis," NBER WP#6667.

##### ***Dynamic Incidence: incidence in a growing economy, life cycle models, generational accounting.***

- Tobin, J., "Life Cycle Saving and Balanced Growth," *Essays in Honor of Irving Fisher*
- Feldstein, M. "Behavioral Responses to tax rates: evidence from TRA 86," NBER working paper 5000, 1995
- Feldstein, M., "The Surprising Incidence of a Tax on Pure Rent: A New Answer to an Old Question," *JPE*, 85, 1977
- Feldstein, M., "Tax Incidence in a Growing Economy with Variable Factor Supply," *QJE*, Nov. 1974
- Diamond, P., "Incidence of an Interest Income Tax," *JET* 2, 1970, 211-214

#### 3.2 Optimal Commodity Taxation and Excess Burden

- Auerbach, A., "The Theory of Excess Burden and Optimal Taxation" Handbook, chapter 2
- Feldstein, M., "The Welfare Cost of Capital Income Taxation," *JPE*, 86, 1978
- Atkinson and Stiglitz, Ch 12, "The Structure of Indirect Taxation"



- Chamley, C., “Efficient Tax Reform in a Dynamic Model of General Equilibrium,” QJE 100 (May 1985), 335-356.
- Judd, K., Optimal Taxation and Spending in General Competitive Growth Models, Journal of Public Economics. January 1999; 71(1): 1-26
- Saez, E. , Gruber, J. “The Elasticity of Taxable Income, Evidence and Implications,” J Pub Ec. 84,2002, 1-32.
- Saez, E. “ The Desirability of Commodity Taxation uinder non-Linear Income taxation and Heterogeneous Tastes,” Journal of Public Economics 83, 2002, 217-230.
- Tobin, J., ” Limiting the Domain of Inequality,” J of Law and Ec, Oct 1970
- 
- Coate, S., “Altruism, the Samaritan’s Dilemma, and Government Transfer Policy.” AER 85(1) March 1995. 46-57

### **3.3 Optimal Income taxation**

- Atkinson and Stiglitz ch 13,14
- Dixit, A. and Sandmo, A. “ Some Simplified Formulae for Optimal Income Taxation,” ScandJ Econ 1977
- Mirrlees, J. “ An exploration in the Theory of Optimum Income Taxation,” RES, April 1971
- Feldstein, M., “ Tax Avoidance and the Deadweight Loss of the Income Tax,” Re Ec &Stat (forthcoming)
- Goolsbee, A., “ Evidence on the high-income Laffer curve from six decades of tax reform,” BPEA Fall 1999
- Slemrod, J. “ High Income Families and Tax Changes of the 1980’s; The Anatomy of Behavioral Response,”
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- Saez, E., ‘Optimal Income Transfer Programs: Intensive Versus Extensive Labor Supply Responses’, NBER Working Paper No 7708, 2000.

### 3.4 Effects of taxes

#### *On asset prices and risk taking*

- Atkinson and Stiglitz, Ch 4.
- Cutler, David, "Tax Reform and the Stock Market: An Asset Price Approach", *American Economic Review*, 78(5), December 1988, 1107-1117.
- Poterba, Jim, "Taxation, Risk-Taking, and Household Portfolio Behavior", in Auerbach and Feldstein, Handbook of Public Economics, Vol, 3, Ch 17.
- Hubbard, Glenn, "Personal Taxation, Pension Wealth and Portfolio Composition," *Review of Economics and Statistics*, Vol. 67, #1, February 1985, pp 53-60.
- Auerbach, A. Et al, "Capital Gains Taxation and Tax Avoidance: New Evidence from Panel Data," NBER WP#6399 (1998).
- Bernheim, D. , " Tax Policy and the Dividend Puzzle", *Rand J of E* 22 ( Winter 1991), 455-476.
- Bernheim, D., Lemke,R., " Do Estate and Gift Taxes Affect the Timing of Private Transfers?"

#### *On house values*

- T. Berger, P. Englund, P. Hendershott, B. Turner, "Another Look at the Capitalization of Interest Subsidies: Evidence from Sweden", NBER Working Paper No. 6365, January 1998.

#### *Corporate behavior*

- Summers, L. " Investment, Taxation and Q," *BPEA* 1: 1981
- Auerbach, Alan, "The Tax Reform Act of 1986 and the Cost of Capital," *Journal of Economic Perspectives* 1 (1987), 73-86
- Cummins, Hassett and Hubbard, " A Reconsideration of Investment Behavior Using Tax Reforms as Natural Experiments," *BPEA* 1994:2, 1-59.
- Bernheim and Wantz, " A Tax-Based Test of the Dividend Signaling Hypothesis, " *AER* 85 ( June 1995), 532-551.

### 3.5 Tax Reform

- Bush tax proposal, NYT January 9<sup>th</sup>, 2003
- Andrews, “ A consumption Type or Cash Flow Personal Income Tax, “ Harvard Law Review 87, April 1974) 1113-1188
- Bradford, Blueprints for Basic Tax Reform ( Arlington, BA: Tax Analysts, 1984).
- Graetz ( recent proposal)
- Hall and Rabushka, The Flat Tax, 2<sup>nd</sup> edition ( Stanford: Hoover Institution Press, 1995)

#### **4. Private and Social Risk/Discounting Public Investments**

- (\*) Atkinson and Stiglitz, Ch 15 sec 4.
- (\*) Arrow and Lind, “Uncertainty and the Evaluation of Public Investments,” AER, June 1970
- (\*) Brainard and Dolbear, “Social Risk and Financial Markets,” AER Vol 61 May 1971.
- Weitzman, M. ( 2001) “Gamma Discounting” AER March 2001
- Manne, A. “General Equilibrium Modeling for Global Climate Change.” Working paper
- Cooper, R. “ International Approaches to Global Climate Change,” World Bank Research Observer, August 2000.