

Economics 241: Public Economics
Dept. of Economics, Stanford University
Fall 2016

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Teaching Assistant Rodrigo Carril

Course Description

This is the first of three courses offered in the Public Economics sequence at Stanford in 2016-17. 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, income, capital, and corporate taxation, taxation in developing economies, welfare analysis in behavioral models, equality of opportunity, and education policy.

The Winter quarter of the sequence (Econ 242) will be taught by Caroline Hoxby. Topics include estimating behavioral responses to taxation, externalities, public goods, the theory of local public economics, and fiscal federalism.

The Spring quarter of the sequence (Econ 243) will be co-taught by Rebecca Diamond and Petra Persson, with guest lectures by Mark Duggan. Topics include theoretical and empirical issues in unemployment insurance, disability insurance, health insurance, and urban economics.

Students should also consider taking Econ 244 (Insurance Economics) during the Winter quarter for further coverage of issues in the economics of insurance markets.

Students are strongly encouraged to attend the Public Economics Seminar (Econ 341) on Tuesdays (usually 3:30-5:00PM, but check the schedule). The schedule of seminar speakers is available at: <https://economics.stanford.edu/events/seminars/public-economics-and-environmental-economics-seminar>.

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 563 Salvatierra Walk (<https://oae.stanford.edu/>).

Economics 241: Schedule

Part I: Tax Incidence and Efficiency

Tuesday, September 27	1	Introduction and Overview of Themes
Thursday, September 29	2	Tax Incidence
Tuesday, October 4	3	GE Incidence and Capitalization
Thursday, October 6	4	Efficiency Costs
Tuesday, October 11	5	Efficiency Cost Applications
Thursday, October 13	6	Behavioral Welfare Econ. [PS 1 assigned]

Part II: Optimal Taxation and Inequality

Tuesday, October 18	7	Commodity Taxation [choose RE paper]
Thursday, October 20	8	Income Taxation
Tuesday, October 25	9	MB Capital Taxation [PS 1 due]
Thursday, October 27	10	MB Retirement Savings
Tuesday, November 1	11	Welfare Functions and Eq. of Opportunity
Thursday, November 3	12	MB Dynamic Taxation
Tuesday, November 8	13	MB Fiscal Stimulus [PS 2 assigned]
Thursday, November 10	14	Inequality and Intergenerational Mobility

Part III: Taxation in Developing Countries

Tuesday, November 15	15	MB Tax Structures in Developing Countries
Thursday, November 17	16	MB Tax Evasion and Enforcement [PS 2 due]

Tuesday, November 22	NO CLASS
Thursday, November 24	NO CLASS

Part IV: Corporate Taxation

Tuesday, November 29	17	Payouts and Investment
Thursday, December 1	18	Finance and Organizational Form [RE due]

Part V: Education Policy and the Production of Public Goods

Tuesday, December 6	19	Education Production Functions
Thursday, December 8	20	Optimal Personnel Evaluation

***MB** denotes lectures given by Michael Best; the remaining lectures will be given by Raj Chetty.

Course Requirements

1. Two problem sets: 25% of grade. They will be assigned on Oct. 13 (due Oct. 25), and Nov. 8 (due Nov. 17). Problem sets are due in class and solutions will be posted on the due date, so 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 Rodrigo Carril by Tuesday, October 18. The completed exercise is due on Thursday, December 1. Two of the replication exercises will be selected for a presentation in section, which Profs. Chetty and Best will attend. Instructions for the assignment are posted on the course website.
3. Final examination: 50% of grade. The date set by the Registrar's Office is Wednesday, December 14, 8:30-11:30. Rodrigo Carril will hold a review section for the final exam the 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 Marguerite Skogstrom <mskogst1@stanford.edu> to schedule an appointment.

Teaching Assistant: Rodrigo Carril <rcarril@stanford.edu>

Section: Time and place TBD.

Sections will focus on solving models and helping students work through the details of the results and methods discussed in class.

Office hours: TBD. E-mail Rodrigo if the office hours time does not work for you or if you want to discuss questions regarding the course at other times.

Readings

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.

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

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. Optimal Taxation

5. E. Saez, "[Using Elasticities to Derive Optimal Income Tax Rates](#)", *Review of Economic Studies*, 68, 2001, 205-229. Sections 1-3 and 5.
6. 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.
7. A. Atkinson and J. Stiglitz, "[The Design of Tax Structure: Direct versus Indirect Taxation](#)", *Journal of Public Economics* 1976
8. E. Saez, E. & S. Stantcheva, "[A Simpler Theory of Optimal Capital Taxation](#)", Mimeo, UC Berkeley & Harvard

PART III: Taxation in Developing Countries

9. R. Gordon & W. Li, "[Tax Structures in Developing Countries: Many Puzzles and a Possible Explanation](#)" *Journal of Public Economics*, 2009, 93, 855-866
10. J. Slemrod, "[Cheating Ourselves: The Economics of Tax Evasion](#)", *Journal of Economic Perspectives*", 2007, 21, 25-48

PART IV: Corporate Taxation

11. R. Chetty and E. Saez, "[Dividend and Corporate Taxation in an Agency Model of the Firm](#)," *American Economic Journal: Economic Policy* 2(3), August 2010, 1-31.
12. D. Yagan, "[Capital Tax Reform and the Real Economy: The Effects of the 2003 Dividend Tax Cut](#)," *American Economic Review* 105(12), 2015, 3531-3563.
13. A. Auerbach. "[A Modern Corporate Tax](#)," Center for American Progress, 2010.

PART V: Education Policy and the Production of Public Goods

14. P. Todd and K. Wolpin, "[On the Specification and Estimation of the Production Function for Cognitive Achievement](#)," *The Economic Journal*, 113(485), 2003, F3-F33, Introduction and Section I.
15. R. Chetty, J.N. Friedman, and J.E. Rockoff, "[Measuring the Impacts of Teachers I: Evaluating Bias in Teacher Value-Added Estimates](#)," *American Economic Review* 104(9): 2593-2632, 2014.

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
Behavioral Economics and Public Policy.....	10
Optimal Taxation	11
Introduction to the Theory of Commodity Taxation	11
Introduction to the Theory of Income Taxation	12
Capital Taxes & Mixed Taxation	13
Retirement Savings.....	13
Social Welfare Functions and Equality of Opportunity	14
Dynamic Taxation	15
Fiscal Stimulus and Household Spending	15
Taxation in Developing Countries	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
Education Policy and the Production of Public Goods.....	19
Motives for Government Intervention	19
Education Production Functions.....	20
Personnel Policy.....	20
BACKGROUND READING AND REFERENCES.....	22

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.

Behavioral Economics and Public Policy

- 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.
- D. Bernheim, A. Frandkin, and I. Popov, "[The Welfare Economics of Default Options in 401\(k\) Plans](#)," *American Economic Review*, 105 (9), September 2015, 2798-2837.
- D. Bernheim and D. Garrett. "[The Effects Of Financial Education In The Workplace: Evidence From A Survey Of Households](#)," *Journal of Public Economics*, 87(7-8), August 2003, 1487-1519.
- * D. Bernheim and A. Rangel, 2009. "[Beyond Revealed Preference: Choice-Theoretic Foundations for Behavioral Welfare Economics](#)," *Quarterly Journal of Economics*, 124(1): pages 51-104.
- E. Bronchetti, T. Dee, D. Huffman, and E. Magenheimer, "[When a Nudge Isn't Enough: Defaults and Saving Among Low-Income Tax Filers](#)," *National Tax Journal* 66(3), September 2013, 609 - 634.
- D. Card and M. Ransom, "[Pension Plan Characteristics and Framing Effects in Employee Savings Behavior](#)," *Review of Economics and Statistics*, 93(1), February 2011, 228-243.
- * 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, T. Nielsen and T. Olsen, "[Active vs. Passive Decisions and Crowd-Out in Retirement Savings Accounts: Evidence from Denmark](#)," *The Quarterly Journal of Economics*, Oxford University Press, vol. 129(3), pages 1141-1219.
- R. Chetty, A. Looney, and K. Kroft. "[Salience and Taxation: Theory and Evidence](#)," *American Economic Review* 99(4): 1145-1177, 2009.
- J. Choi, D. Laibson and B. Madrian "[Reducing the Complexity Costs of 401\(k\) Participation Through Quick Enrollment](#)", in D.A. Wise, *Developments in the Economics of Aging*, Chicago: University of Chicago Press, March 2009. Also available as NBER Working Paper 11979.
- J. Choi, D. Laibson, B. Madrian, and A. Metrick, "[Optimal Defaults](#)", *American Economic Review*, 93, 2003, 180-185.
- E. Duflo, W. Gale, J. Liebman and P. Orszag, E. Saez, "[Saving Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block](#)," *Quarterly Journal of Economics*, 121(4), 2006, 1311-1346.
- E. Duflo and E.Saez, "[The Role of Information and Social Interactions in Retirement Plan Decisions: Evidence from a Randomized Experiment](#)", *Quarterly Journal of Economics*, 118, 2003, 815-842.
- G. Engelhardt and A. Kumar, "[Employer Matching and 401\(k\) Saving: Evidence from the Health](#)

[and Retirement Study](#)", *Journal of Public Economics*, 91(10): 1920-1943, 2007.

- * E. Engen, W. Gale and J. Scholz, "[The Illusory Effects of Saving Incentives on Saving](#)," *Journal of Economic Perspectives*, 10(4), 1996, 113-38.

W. Gale and J. Scholz, "[IRAs and Household Saving](#)", *American Economic Review*, 84, 1994, 1233-1260.

A. Gelber, "[How do 401\(k\)s Affect Saving? Evidence from Changes in 401\(k\) Eligibility](#)," *American Economic Journal: Economic Policy*, 3:4, 2011, 103-122.

J. Gruber and B. Koszegi, 2001. "[Is Addiction Rational? Theory and Evidence](#)", *Quarterly Journal of Economics*, 116(4), 1261-1305.

J. Gruber and B. Koszegi. "[Tax Incidence when Individuals are Time-Inconsistent: The Case of Cigarette Excise Taxes](#)" *Journal of Public Economics* (2004), 88(9-10), 1959-1987.

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.

S. Mullainathan, W. Congdon, and J. Kling, "[Behavioral Economics and Tax Policy](#)" *National Tax Journal*, 62, 2009, 375-86.

- * J. Poterba, S. Venti, and D. Wise, "[How Retirement Saving Programs Increase Saving](#)" *Journal of Economic Perspectives*, 10, Fall 1996, 91-112.
- * T. O'Donoghue, and M. Rabin, 2006. "[Optimal Sin Taxes](#)," *Journal of Public Economics* 90: 1825-1849..

R. Thaler and S. Benartzi, "[Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving](#)", *Journal of Political Economy*, 112(S1), February 2004, 164-187.

S. Venti and D. Wise, "[Have IRAs Increased U.S. Saving? Evidence from Consumer Expenditure Surveys](#)", *Quarterly Journal of Economics*, 105, 1990, 661-698.

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.

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