

**Professor Emmanuel Saez,**  
Evans Hall 623,  
[saez@econ.berkeley.edu](mailto:saez@econ.berkeley.edu)  
**Office Hours: Mondays 12:30pm-2pm (or by appointment)**

**PUBLIC ECONOMICS 230B:  
LECTURE SCHEDULE SPRING 2010**

This course covers material on (I) labor income taxation: behavioral responses to taxes and transfers, optimal income taxation and redistribution, (II) Social Insurance, (III) Capital income taxation and redistribution.

Syllabus, reading list, papers, problem sets, and lecture slides are all posted on bspace

**Class meetings:** Mondays 10am-12pm, Room 639 Evans Hall

**Prerequisites:** First year graduate microeconomics (Economics 201A,B), First year graduate econometrics (Economics 240A), and first public sector microeconomics class 230A.

**Requirements:** Two problem sets (20% of the grade), one referee report (10% of the grade). Final examination is on Tuesday May 11, 3-6pm, (70% of the grade).

**Section I: Labor Income Taxation and Redistribution**

**IA: Theoretical Aspects: Optimal Income Taxation and Redistribution**

1	January 25	Problem of redistribution and current US income tax and transfers
2	February 1	Optimal income taxation
3	February 8	Optimal transfer programs

**IB: Empirical Aspects: Behavioral Responses to Taxes and Transfers**

4	February 22	Labor supply responses to taxation
5	March 1	Responses to welfare programs and the EITC
6	March 8	Response of taxable income to tax rates
7	March 15	Tax evasion and tax enforcement

**Section II: Social Insurance**

8	March 29	General theory of social security programs
9	April 5	Social security: retirement and savings decisions

**Section III: Capital Income Taxation and Redistribution**

10	April 12	Stylized facts on Savings and Capital Income Taxation
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11 April 19  
12 April 26

Optimal Capital Income Taxation  
Tax subsidies to savings: IRAs and 401(k)s

**230B - Public Economics II****Spring 2010****Bold: required reading****\*: reading emphasized in class****0. GENERAL REFERENCES:**

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

A. Auerbach and M. Feldstein, eds., *Handbook of Public Economics*, 4 Volumes, Amsterdam: North Holland, 1985, 1987, 2002, and 2003

L. Kaplow, *The Theory of Taxation and Public Economics*. Princeton University Press, 2008.

\* J. Mirrlees *Reforming the Tax System for the 21st Century The Mirrlees Review*, Oxford University Press, 2009.  
<http://www.ifs.org.uk/mirrleesreview/publications.php>

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

Background Reading: Most popular undergraduate textbooks in Public Economics and Taxation (Useful for a simple description of the U.S. tax system and the main government programs)

J. Gruber, *Public Finance and Public Policies*, 3rd edition, Worth Publishers, 2010.

H. Rosen, *Public Finance*, 7<sup>th</sup> edition, McGraw Hill, 2005.

J. Stiglitz, *Economics of the Public Sector*, 3<sup>rd</sup> edition, Norton, 1999.

J. Slemrod and J. Bakija. *Taxing Ourselves: A Citizen's Guide to the Debate over Taxes*. MIT Press, 2004.

References on Empirical Methods:

J. Angrist and A. Krueger, "Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments," Journal of Economic Perspectives, 15 (4) (2001), pp. 69-87

J. Angrist and Steve Pischke *Mostly Harmless Econometrics: An Empiricist's Companion*, Princeton University Press, 2009.

M. Bertrand, E. Duflo et S. Mullainathan, "How Much Should we Trust Differences-in-Differences Estimates?", Quarterly Journal of Economics (2003)

Guido Imbens, and Jeffrey Wooldridge (2007) Whats New in Econometrics? NBER SUMMER INSTITUTE MINI COURSE 2007, <http://www.nber.org/minicourse3.html>

B. Meyer, "Natural and Quasi-Experiments in Economics", *Journal of Business and Economic Statistics*, 13(2), April 1995

## **I. LABOR INCOME TAXATION AND REDISTRIBUTION**

### **NORMATIVE ASPECTS: OPTIMAL INCOME TAXATION AND REDISTRIBUTION**

#### **A. Optimal Income Taxation in the Mirrlees Model**

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.
- \* 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.

L. Kaplow, L., 2006. "On the undesirability of commodity taxation even when income taxation is not optimal" *Journal of Public Economics*.

Henrik Kleven, Claus Kreiner, and E. Saez "The Optimal Income Taxation of Couples," Econometrica, 2009.

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

G. Mankiw and M. Weinzierl "The Optimal Taxation of Height: A Case Study of Utilitarian Income Redistribution" *AEJ: Economic Policy* forthcoming, 2009.

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

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 Economics Studies*, 68, 2001, 205-229, Sections 1-3, and 5.**

B. Salanie, *The Economics of Taxation*, Cambridge: MIT Press, 2003, Chapter 4.

J. Stiglitz, "Pareto Efficient and Optimal Taxation and the New New Welfare Economics", in A. Auerbach and M. Feldstein, Volume 2, 991-1041.

## **B. The Design of Optimal Transfer Programs**

**G. Akerlof, "The Economics of Tagging as Applied to the Optimal Income Tax", *American Economic Review*, 68(1), March 1978, 8-19.**

A.B. Atkinson, "Income Maintenance and Social Insurance," in A. Auerbach and M. Feldstein, eds., Handbook of Public Economics Volume 2 (Amsterdam: North Holland, 1987), 779-908.

T. Besley and S. Coate, "Public Provision of Private Goods and the Redistribution of Income", *American Economic Review*, 81(4), September 1991, 979-984.

\* T. Besley and S. Coate, "Workfare versus Welfare: Incentives Arguments for Work Requirements in Poverty-Alleviation Programs", *American Economic Review*, 82(1), March 1992, 249-261.

S. Coate, "Altruism, the Samaritan's Dilemma, and Government Transfer Policy", *American Economic Review*, 85(1), March 1995, 46-57.

S. Coate, S. Johnson, and R. Zeckhauser, "Pecuniary Redistribution through In-Kind Programs", *Journal of Public Economics*, 55(1), September 1994, 19-40.

Herwig Immerwoll, Henrik Kleven, and Claus Kreiner, and E. Saez "Welfare Reform in European Countries: A Micro-Simulation Analysis", *Economic Journal*, 117(1), 2007, 1-44.

\* D. Lee and E. Saez "Optimal Minimum Wage in Competitive Labor Markets," NBER Working Paper No. 14320, September 2008.

A. Nichols and R. Zeckhauser, "Targeting Transfers Through Restrictions on Recipients", *American Economic Review*, 72(2), May 1982, 372-377.

**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, 2003, Chapter 8.

\* H. Varian, "Redistributive Taxation as Social Insurance," *Journal of Public Economics*, 14 (1980), 49-68.

R. Zeckhauser "Optimal Mechanisms for Income Transfer" *AER*, 61(3), June 1971

### C. Optimal Taxes and Behavioral Economics

G. Becker and K. Murphy, 1988, "A theory of Rational Addiction", *Journal of Political Economy*, 96(4), 675-700.

- \* Douglas Bernheim and Antonio Rangel, "Addiction and Cue-Triggered Decision", *American Economic Review*, 2004, 94(5):1558-90.
- \* Douglas Bernheim and Antonio Rangel, "Beyond Revealed Preference: Choice-Theoretic Foundations for Behavioral Welfare Economics," *Quarterly Journal of Economics*, 2009

B. D. Bernheim and A. Rangel, "Behavioral Public Economics: Welfare and Policy Analysis with Non-Standard Decision Makers," in P. Diamond and H. Vartiainen, *Economic Institutions and Behavioral Economics* (Princeton: Princeton University Press, 2007), 7-77.

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

T. O'Donoghue and M. Rabin, 2005. "Optimal Sin Taxes", Working Paper, UC Berkeley.

## EMPIRICAL ASPECTS: BEHAVIORAL RESPONSES TO TAXES AND TRANSFERS

### A. Labor Supply Responses to Taxation

#### Classical Studies:

- \* O. Ashenfelter and M. Plant. (1990) "Non-Parametric Estimates of the Labor Supply Effects of Negative Income Tax Programs," *Journal of Labor Economics*, 8.1 (January), S396-S415.
- \* Francine D. Blau, Lawrence M. Kahn "Changes in the Labor Supply Behavior of Married Women: 1980-2000", NBER Working Paper No. 11230, March 2005

**R. Blundell, A. . Duncan and C. Meghir, "Estimating Labor Supply Responses Using Tax Reforms," *Econometrica* 66 (July 1998), 827-862.**

- \* R. Blundell and T. Macurdy. (1999) " Labor supply: a review of alternative approaches," in the *Handbook of Labor Economics*, Vol. 3A, O. Ashenfelter and D. Card, eds. Amsterdam: Elsevier Science or Institute for Fiscal Studies Working Paper W98/18 available at: <http://www.ifs.org.uk/staff/bm180899.pdf>

**Raj Chetty, John N. Friedman, Tore Olsen, Luigi Pistaferri (2009) "The Effect of Adjustment Costs and Institutional Constraints on Labor Supply Elasticities: Evidence from Denmark", Working Paper.**

- \* N. Eissa "Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment" NBER Working Paper 5023, 1995.

J. Hausman "Taxes and Labor Supply", in A. Auerbach and M. Feldstein, eds, *Handbook of Public Finance*, Vol I, North Holland 1987.

J. Heckman "What Has Been Learned About Labor Supply in the Past Twenty Years?", *American Economic Review*, Vol. 83, No. 2, Papers and Proceedings (May, 1993), 116-121.

**Guido W. Imbens, Donald B. Rubin, Bruce I. Sacerdote, "Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery ", AER, 2001 (pp. 778-794)**

M. Killingsworth and J. Heckman. (1986) "Female Labor Supply: A Survey," *Handbook of Labor Economics*, vol. 1, chapter 2.

Peter Kuhn, Fernando Lozano "The Expanding Workweek? Understanding Trends in Long Work Hours Among U.S. Men, 1979-2004", NBER Working Paper No. 11895, 2005.

T. Lemieux, B. Fortin, and P. Fréchet (1994), "The Effect of Taxes on Labor Supply in the Underground Economy," *American Economic Review*, 84, 231-254.

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

C. Meghir and D. Phillips "Taxes and Labor Supply", IFS Working Paper, *The Mirrlees Review: Reforming the Tax System for the 21st Century*, Oxford University Press, 2009.

- \* T. Mroz (1987) "The Sensitivity of An Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions," *Econometrica*, 55.4 (July), 765-799.

J. Pencavel. (1986) "Labor Supply of Men: A Survey," *Handbook of Labor Economics*, vol. 1, chapter 1.

**Saez, Emmanuel "Do Taxpayers Bunch at Kink Points?" August 2009, forthcoming *American Economic Journal: Economic Policy***

### **Labor Supply and Behavioral Economics**

- \* Camerer, Colin, Linda Babcock, George Loewenstein and Richard Thaler (1997), "Labor Supply of New York City Cabdrivers: One Day at a Time", *Quarterly Journal of Economics*; 112(2), 407-41.

H. Farber "Is Tomorrow Another Day? The Labor Supply of New York City Cab Drivers", *Journal of Political Economy*, 2005, vol. 113(1), 46-82.

- \* E. Fehr, and L. Goette (2003) "Do Workers Work more when Wages are High? Evidence from a randomized Field Experiment, IEW Working Paper # 125.

L. Friedberg (2000) "The Labor Supply Effects of the Social Security Earnings Test." *Review of Economics and Statistics* 82(1), 48-63.

- \* M. Kimball and M. Shapiro (2004) "Labor Supply: Are the Income and Substitution Effects both Large or Both Small?", University of Michigan mimeo.

Liebman, J. and R. Zeckhauser (2003) "Schmeduling", Harvard University mimeo.

E. Luttmer "Neighbors as Negatives: Relative Earnings and Well-Being," *Quarterly Journal of Economics*, 120(3), 963-1002, August 2005.

Oettinger, Gerald S. (1999), An Empirical Analysis of the Daily Labor Supply of Stadium Vendors, *Journal of Political Economy*; 107(2), 360-92.

### **Recent Macro-Economic Studies of Labor Supply and Taxes**

A. Alesina, E. Glaeser, and B. Sacerdote, "Work and Leisure in the U.S. and Europe: Why So Different?," NBER Macroeconomics Annual 2005, D. Acemoglu and K. Rogoff, eds., 1-64.

- \* L. Ohanian, A. Raffo, and R. Rogerson, "Long-Term Changes in Labor Supply and Taxes: Evidence from OECD Countries, 1956-2004," NBER Working Paper 12786, 2006, *Journal of Monetary Economics*, 2008.

E. Prescott, "Why Do Americans Work So Much More Than Europeans?," *Federal Reserve Bank of Minneapolis Review*, July 2004, 2-13. (NBER WP 10316)

E. Prescott, "Nobel Lecture: The Transformation of Macroeconomic Policy and Research," *Journal of Political Economy* 114 (April 2006), 203-235.

R. Rogerson "Taxation and Market Work: Is Scandinavia an Outlier?" *Economic Theory* 32 (2007), 59-85.

R. Rogerson and J. Wallenius, "Micro and Macro Elasticities in a Life Cycle Model with Taxes," NBER Working Paper 13017, April 2007, forthcoming *Journal of Economic Theory*.

### **B. Responses to Welfare Programs and the EITC**

- \* David H. Autor, Susan Houseman, "Do Temporary Help Jobs Improve Labor Market Outcomes for Low-Skilled Workers? Evidence from Random Assignments" NBER Working Paper No. 11743, 2005.



M. Bane and D. Ellwood (1994), *Welfare Realities: From Rhetoric to Reform*, Harvard University Press: Cambridge.

Marianne Bitler, Jonah Gelbach, Hylary Hoynes, "What Mean Impacts Miss: Distributional Effects of Welfare Reform Experiments," NBER working paper No. 10121, November 2003, revised August 2005.

R. Blank, "Evaluating Welfare Reform in the U.S." Journal of Economic Literature. Vol 40:4, December 2002, 1105-66.

**R. Chetty and E.Saez "Information and Behavioral Responses to Taxation: Evidence from an Experiment with EITC Clients at H&R Block", Working Paper, January 2009**

Dynarski, Susan. "Does Aid Matter? Measuring the Effect of Student Aid on College Attendance and Completion." American Economic Review 93.1 (March 2003): 279-288.

N. Eissa and H. Hoynes, "The Earned Income Tax Credit and the Labor Supply of Married Couples", *Journal of Public Economics*, Volume 88, Issues 9-10, Pages 1931-1958, August 2004.

**N. Eissa and J. Liebman, "Labor Supply Response to the Earned Income Tax Credit", Quarterly Journal of Economics 111 (1996), 605-637**

J. Grogger "The Effects of Time Limits, the EITC, and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families", *Review of Economic and Statistics*, 2005.

J. Grogger and C. Michalopoulos, "Welfare Dynamics under Time Limits," *Journal of Political Economy*, 2003, 111.

J. Hotz and K. Scholz, "The Earned Income Tax Credit", in *Means-Tested Transfer Programs in the United States*, R. Moffitt (ed.), The University of Chicago Press and NBER, 2003, 141-197

\* Lawrence F. Katz, Jeffrey R. Kling and Jeffrey B. Liebman "Moving to Opportunity in Boston: Early Results of a Randomized Mobility Experiment", Quarterly Journal of Economics 116 (May 2001), 607-54.

W. Kopczuk, and C. Pop-Eleches (2005), "Electronic Filing, Tax Preparers, and Participation in the Earned Income Tax Credit", NBER Working Paper No.

A. Krueger and B. Meyer, "Labor Supply Effects of Social Insurance", NBER Working Paper 9014 (2002) or *Handbook of Public Economics*, volume 4, 2003.

\* B. Meyer (2004) "Has Welfare Reform Reduced Consumption of Low Income Single Mothers: Evidence from the Consumer Expenditure Survey", Mimeo Northwestern University.

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

Charles Michalopoulos, Philip K. Robins and David Card, When financial work incentives pay for themselves: evidence from a randomized social experiment for welfare recipients, *Journal of Public Economics*, Volume 89, Issue 1, January 2005, Pages 5-29.

C. Murray (1984), *Loosing Ground: American Social Policy, 1950-1980*, Basic Books: New York.

Moffitt, Robert. “Incentive Effects of the U.S. Welfare System: A Review.” *Journal of Economic Literature* 30 (March 1992): 1-61.

\* R. Moffitt, “Welfare Programs and Labor Supply”, in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 4, Chapter 34, Amsterdam: North Holland, 2003 or NBER Working Paper 9168 September 2002.

D Neumark et W. Wascher, “Using the EITC to Help Poor Families: New Evidence and a Comparison with the Minimum Wage”, NBER Working Paper n°7599 (2000)

P. Oreopoulos, “The Long-run Consequences of Growing Up in a Poor Neighborhood,” Quarterly Journal of Economics, Vol. 118, No. 4 (November), 2003, 1533 – 1575.

J. Rothstein, "The Mid-1990s EITC Expansion: Aggregate Labor Supply Effects and Economic Incidence" Princeton University Working Paper, August 2005.

R. Schoeni and R. Blank. “What Has Welfare Reform Accomplished? Impacts on Welfare Participation, Employment, Income, Poverty, and Family Structure.” NBER Working Paper 7627, March 2000.

### **C. The response of high incomes to taxation**

G. Break, “Income Taxes and Incentives to Work: An Empirical Study”, *American Economic Review*, 47(5), September 1957, 529-549.

D. Feenberg and J. Poterba, “Income Inequality and the Incomes of Very High Income Households: Evidence from Tax Returns”, in J. Poterba, ed., *Tax Policy and the Economy*, Volume 7, 145-177, Cambridge and London: MIT Press, 1993.

**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(3), June 1995, 551-572.**

M. Feldstein, “Behavioral Responses to Tax Rates: Evidence from the Tax Reform Act of 1986”, *American Economic Review*, 85(2), May 1995, 170-174.

A. Goolsbee, "It's Not About the Money: Why Natural Experiments Don't Work on the Rich", NBER Working Paper No. 6395, February 1998.

- \* A. Goolsbee, "What Happens When You Tax the Rich? Evidence from Executive Compensation", *Journal of Political Economy*, April 2000.
  - \* L. Lindsey, "Individual Taxpayer Response to Tax Cuts, 1982-1984: With Implications for the Revenue Maximizing Tax Rate", *Journal of Public Economics*, 33(2), July 1987 173-206.
- R. Moffitt and M. Wilhelm, "Taxation and the Labor Supply Decisions of the Affluent", NBER Working Paper No. 6621, June 1998.
- \* T. Piketty and E. Saez, "Income Inequality in the United States, 1913-1998", *Quarterly Journal of Economics*, 116, 2003, 1-39.

Pirttila, Jukka, and Hakan Selin. 2007. "Income Shifting within a Dual Income Tax System: Evidence from the Finnish Tax Reform of 1993". unpublished.

**E. Saez, "Reported Incomes and Marginal Tax Rates, 1960-2000: Evidence and Policy Implications", in J. Poterba, ed., *Tax Policy and the Economy*, Volume 18, Cambridge: MIT Press, 2004.**

**E. Saez, J. Slemrod, and S. Giertz (2009) "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review", in preparation for the *Journal of Economic Literature***

- \* E. Saez and M. Veall, "The Evolution of High Incomes in North-America: Lessons from the Canadian Evidence", *American Economic Review*, June 2005.

J. Slemrod, "High-Income Families and the Tax Changes of the 1980s: The Anatomy of Behavioral Response", in M. Feldstein and J. Poterba, eds., *Empirical Foundations of Household Taxation*, Chicago: University of Chicago Press, 1996, 169-189.

J. Slemrod, "Income Creation or Income Shifting? Behavioral Responses to the Tax Reform Act of 1986", *American Economic Review*, 85(2), May 1995, 175-180.

J. Slemrod, *Does Atlas Shrug? The Economic Consequences of Taxing the Rich*, Harvard University Press, 2000.

J. Slemrod and S. Yitzhaki, "Tax Avoidance, Evasion, and Administration", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 3, Chapter 22, Amsterdam: North Holland, 2002.

#### **D. Tax Implementation, Tax Evasion, and Tax Enforcement**

M. Allingham and A. Sandmo, "Income tax evasion: a theoretical analysis", *Journal of Public Economics* 1 (1972), 323-338.

**J. Andreoni, B. Erard, and J. Feinstein, "Tax Compliance," Journal of Economic Literature 36 (1998), 818-60.**

F. Cowell, Cheating the Government: The Economics of Evasion (MIT Press, Cambridge, 1990).

D. Jones, "Inertia and Overwithholding: Explaining the Prevalence of Income Tax Refunds", UC Berkeley PhD dissertation, 2009.

D. Jones, "Information, inertia and public benefit participation: Experimental Evidence from the Advance EITC," forthcoming American Economic Journal: Applied Economics.

R. Gordon and W. Li, "Tax Structure in Developing Countries: Many Puzzles and a Possible Explanation," Journal of Public Economics.(forthcoming; NBER WP 11267).

M. Keen, "VAT, Tariffs, and Withholding: Border Taxes and Informality in Developing Countries," IMF Working Paper WP/07/174.

- \* H. Kleven, M. Knudsen, C. Kreiner, S. Pedersen, and E. Saez "An Experimental Evaluation of Tax Evasion and Tax Enforcement in Denmark", Working Paper July 2009.

**H. Kleven, C. Kreiner, and E. Saez, "Why Can Modern Governments Tax So Much? An Agency Model of Firms as Fiscal Intermediaries," NBER Working Paper 15218, July 2009.**

W. Kopczuk and C. Pop-Eleches, "Electronic filing, tax preparers, and participation in the earned income tax credit", Journal of Public Economics, 91 (2007), 1351-1367.

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## **II. SOCIAL INSURANCE**

### **Overview and General References**

**M. Rothschild and J. Stiglitz, "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information", *Quarterly Journal of Economics*, 90(4): 629-650, 1976.**

- \* A. Krueger and B. Meyer, "Labor Supply Effects of Social Insurance," NBER Working Paper No. 9014, 2002.

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

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

## **SOCIAL SECURITY AND RETIREMENT DECISIONS**

### **A. Theory**

A. B. Abel, Precautionary savings and accidental bequests, American Economic Review, 1985, 75, 777-791.

A. B. Abel, Capital accumulation and uncertain lifetimes with adverse selection, Econometrica, 1986, 54, 1079-1097.

G. Demange and G. Laroque, Social security and demographic shocks, Econometrica, 1999, 67, 527-542.

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Z. Eckstein, M. Eichenbaum, and D. Peled, "Uncertain Lifetimes and the Welfare Enhancing Properties of Annuity Markets and Social Security," Journal of Public Economics 26 (1985), 303-326.

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- \* M. Feldstein, "The Optimal Level of Social Security Benefits," Quarterly Journal of Economics. May 1985.

M. Feldstein, "Should Social Security Be Means Tested?," Journal of Political Economy 95 (1987), 468-484.

M. Gertler "Government Debt and Social Security in a Life Cycle Model," NBER WP 6000, 1997

R. G. Hubbard and K. Judd, "Social Security and Individual Welfare: Precautionary Saving, Borrowing Constraints, and the Payroll Tax," American Economic Review, (September 1987), 630-646.

C. Mulligan and X. Sala-i-Martin "Social Security in Theory and Practice," NBER WP

7118-7119, 1999

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S. Schieber and J. Shoven. The Real Deal: The History and Future of Social Security, (New Haven: Yale University Press, 1999).

### **B. Consumption and Savings Effects**

A.B. Abel, "The Effects of Investing Social Security Funds in the Stock Market When Fixed Costs Prevent Some Households from Holding Stocks." American Economic Review. March 2001 91(1): pp.128-48.

**M. Aguiar and E. Hurst, "Consumption vs. Expenditure," Journal of Political Economy, 2006.**

J. Ameriks, A. Caplin, and J. Leahy, "Retirement Consumption: Insights from a Survey," NBER Working Paper 8735.

\* Attanasio, Orazio, and Agar Brugiavinni, "Social Security and Household's Saving," Quarterly Journal of Economics, Vol 118, No. 3 (August 2003), pp. 1499-1521.

\* Attanasio, Orazio and Susann Rohwedder, "Pension Wealth and Household Saving: Evidence from Pension Reforms in the United Kingdom," American Economic Review, Vol 93, No. 5 (December, 2003), pp. 1121-1157.

J. Banks, R. Blundell, and S. Tanner, "Is There a Retirement Savings Puzzle?," American Economic Review 88 (1998), 769-788.

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### **C. Labor Supply Effects**

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