

14.472: Public Finance II: MIT Spring 2018.

Instructor:

Amy Finkstein (afink@mit.edu), E52-442

Teaching assistant:

Sophie Sun (lsun20@mit.edu)

Lectures: Monday/Wednesday, 1:00 pm-2:30pm, E52-432

Recitation: Friday, 12-1, E51-395 (when held)

Course description: The course focuses on government expenditures – particularly social insurance – and on government policies designed to correct market failures and/or redistribute resources. Key topics include theoretical and empirical analysis of insurance market failures, the optimal design of social insurance programs, and the design of redistributive programs.

The department offers three public finance courses: 14.471 (Public Finance I), 14.472 (Public Finance II), and 14.473 (Public Policy in Health Economics). Students who wish to take generals in public finance must take the two required public finance courses (14.471 and 14.472). 14.473 is not required for taking the general exam in public finance but will be featured on the exam. 14.473 will not be offered in Spring 2018

The course pre-requisites include the MIT first year graduate micro sequence (previously or in parallel) or equivalent coursework.

Course requirements:

1. Written response papers: There will be short written response papers due at 9 am on the day of each lecture. These written response papers should be 1-2 pages and should summarize the paper that will be discussed in class, as well as identify any flaws in the paper or questions that you may have. These written responses count for 20% of the grade.
2. Problem Sets: There will be two problem sets that together will count for 15% of the grade.
3. Research proposal: There will be one assignment to pose a question motivated by the class and to design a randomized evaluation that could answer it. This will count for 15% of the grade.
4. Final Exam: There will be a closed book 3 hour exam during finals week which will cover the entire course material and be worth 50% of the grade.

Course scheduling: Peter Diamond will give a guest lecture on 2/28. Louis Kaplow will give a guest lecture on 4/11. There will be no lecture on 4/18.

14.472 Home Page: There is a 14.472 site (stellar.mit.edu/S/course/14/sp18/14.472/) on stellar. Links for all of the required readings are included on the course website.

Readings: Students are required to read the papers in **bold** (for the longer review papers, only a light read is necessary). Readings in *italics* are highly recommended.

Office Hours: By appointment.

Useful introductory / background texts:

J. Gruber, Public Finance and Public Policy, 5th edition (New York: Worth Publishers, 2016) *relevant chapters are 12-17 – We have posted these on the course web site.*

Moffitt, Robert (ed). 2016. "Economics of Means-Tested Transfer Programs in the United States, Volume II." University of Chicago Press.

I. Introduction: Why Have Social Insurance?

P. Diamond, "Social Security" Presidential Address to the AEA annual meetings, January 2004, American Economic Review, March 2004.

Einav, Liran and Amy Finkelstein. 2011. "Selection in Insurance Markets: Theory and Empirics in Pictures." *Journal of Economic Perspectives* (Vol 25 (1): 115-138).

M. Feldstein, "Rethinking Social Insurance" Presidential Address to the AEA annual meetings, January 2005, American Economic Review, March 2005.

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

II. Empirical analysis of asymmetric information in insurance markets

*Chetty, Raj and Amy Finkelstein. 2013. "Social Insurance: Connecting Theory to Data". In *Handbook of Public Economics*, Vol. 5: 111-193 (Read Through Section 2)*

II.a Detecting asymmetric information

Abbring, Jaap, Pierre-Andre Chiappori, and Jean Pinquet (2003), "Moral hazard and Dynamic Insurance Data." *Journal of the European Economic Association* 1(4): 767-820.

Cawley, John and Tomas Philipson. "An empirical examination of information barriers to trade in insurance." *American Economic Review*, 1999, 89 (4), pp.827-846.

Cardon, James H. and Igal Hendel. "Asymmetric Information in Health Insurance: Evidence from the National Medical Expenditure Survey." *RAND Journal of Economics*, 2001, 32 (3), pp. 408-427.

Cutler, David M., Amy Finkelstein, and Kathleen McGarry (2008), "Preference Heterogeneity and Insurance Markets: Explaining a Puzzle of Insurance," *American Economic Review Papers and Proceedings* 98(2): 157-162.

D. Cutler and S. Reber, "Paying for Health Insurance: The Trade-off Between Competition and Adverse Selection," *Quarterly Journal of Economics* 113(2), May 1998, pp.433-466.

Chiappori, Pierre-Andre. 2000. *Econometric Models of Insurance under Asymmetric Information*. In Georges Dionne, ed. *Handbook of Insurance Economics*. London: Kluwer.

Chiappori, Pierre-Andre and Bernard Salanie. "Testing for Asymmetric Information in Insurance Markets." *Journal of Political Economy*, 2000, 108 (1), pp. 56-78.

Chiappori, Pierre-Andre, Bruno Jullien, Bernard Salanie, and Francois Salanie. "Asymmetric Information in Insurance: General Testable Implications." *Rand Journal of Economics*, 37, no. 4 (2006): 783-798.

Finkelstein, Amy and Kathleen McGarry. 2006. "Multiple Dimensions of Private Information: Evidence from the Long-Term Care Insurance Market." *American Economic Review* September, 938 – 958.

Finkelstein, Amy and James Poterba. "Adverse Selection in Insurance Markets: Policyholder Evidence from the U.K. Annuity Market." *Journal of Political Economy*, 2004, 112(1), pp. 193-208.

Finkelstein, Amy and James Poterba. "Testing for Adverse Selection with 'Unused Observables'." *Journal of Risk and Insurance*, December 2014, Vol 81 (4): 709-734.

Fang, Hanming, Michael Keane, and Dan Silverman (2008), "Sources of Advantageous Selection: Evidence from the Medigap Insurance Market," *Journal of Political Economy* 116(2): 303-350.

He, Daifeng. 2009. "The Life Insurance Market: Asymmetric Information Revisited," *Journal of Public Economics*, Vol. 93: 1090-1097

Karlan, Dean and Jonathan Zinman. 2009. "Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment," *Econometrica*, Vol. 77, No. 6: 1993–2008

Landais, Camille, Arash Neoei, Peter Nilsson, David Seim and Johannes Spinnewijn. 2017. "Risk-based Selection in Unemployment Insurance: Evidence and Implications." <http://econ.lse.ac.uk/staff/clandais/cgi-bin/Articles/selectionUI.pdf>

Shepard, Mark. 2016. "Hospital Network Competition and Adverse Selection: Evidence from the Massachusetts Health Insurance Exchange." NBER Working Paper 22600.

II.b Welfare consequences of asymmetric information

Bundorf, Kate M., Jonathan Levin, and Neale Mahoney, 2012, "Pricing, Matching and Efficiency in Health Plan Choice," *American Economic Review* 102(7): 3214-3248

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

Einav, Liran, Amy Finkelstien and Jonathan Levin. 2010. "Beyond Testing: Empirical Models of Insurance Markets". *Annual Review of Economics* (2): 311-336.

Einav, Liran, Amy Finkelstein and Paul Schrimpf. 2010. "Optimal Mandates and the Welfare Cost of Asymmetric Information: Evidence from the U.K. Annuity Market." *Econometrica* 78(3): 1031-1092.

Einav, Liran, Amy Finkelstein and Mark Cullen. 2010. "Estimating Welfare in Insurance Markets Using Variation in Prices." *Quarterly Journal of Economics* 123 (3): 877-921.

Mahoney, Neale and E. Glen Weyl. (2017). "Imperfect Competition in Selection Markets." *Review of Economics and Statistics* 99 (4): 637-651.

Veiga, Andre and E. Glen Weyl. 2016. "Product Design in Selection Markets" *Quarterly Journal of Economics* 131 (2): 1007-1056.

II.c Welfare Analysis without Revealed Preference

II.c.1 Theory: Why might demand not reveal value

Hendren, Nathan. 2017. "Measuring Ex-Ante Welfare In Insurance Markets." Working Paper. Most recent version: <http://scholar.harvard.edu/files/hendren/files/exantewtp.pdf>

Spinnewijn, Johannes. 2017. "Heterogeneity, Demand for Insurance, and Adverse Selection.", *American Economic Journal: Economic Policy*, 9(1):308-43.

II.c.2. Empirics: incorporating "behavioral economics" into welfare analysis of insurance markets

Abaluck, Jason and Jonathan Gruber. 2011. "Choice Inconsistencies Among the Elderly: Evidence from Plan Choice in the Medicare Part D program" *American Economic Review* 101(4): 1180-1210.

Bhargava, Saurabh, George Lowenstein and Justin Sydnor. 2017. "Choose to Lose: Health Plan Choices from a Many with Dominated Option" *Quarterly Journal of Economics*. 132(3): 1319-1372.

Barseghyan, Levon, Jeffrey Prince, and Joshua Teitelbaum. 2011. "Are Risk Preferences Stable across Contexts? Evidence from Insurance Data." *American Economic Review*, 101(2): 591-631.

Barseghyan, Levon, Francesca Molinari, Ted O'Donoghue, and Joshua Teitelbaum. "The Nature of Risk Preferences: Evidence from Insurance Choices." *American Economic Review* 103, no. 6 (2013): 2499-2529.

Cohen, Alma and Liran Einav. 2007. "Estimating Risk Preferences from Deductible Choice" *American Economic Review*. June: 745-788

Einav, Liran, Amy Finkelstein, Iuliana Pascu and Mark Cullen. 2012. "How General Are Risk Preferences? Choices under Uncertainty in Different Domains." *American Economic Review* 102(6): 2606-2638.

Handel, Benjamin and Jonathan Kolstad. 2014. "Health Insurance for Humans: Information Frictions, Plan Choice and Consumer Welfare." *American Economic Review*, 105:8, August 2015, 2449-2500. <https://www.aeaweb.org/articles?id=10.1257/aer.20131126> .

Handel, Benjamin. 2013. "Adverse selection and Inertia in Health Insurance Markets: When Nudging Hurts" *American Economic Review* vol. 103 (7), 2013, 2643-2682

Kling, Jeffrey, Sendhil Mullainathan, Eldar Shafir, Lee Vermeulen, and Marian Wrobel. 2012 "Comparison Friction: Experimental Evidence from Medicare Drug Plans." *Quarterly Journal of Economics*, 127:1

Polyakova, Maria. 2016. "Regulation of insurance with adverse selection and switching costs: Evidence from Medicare Part D." *American Economic Journal: Applied Economics*, Vol 8, No. 3, July 2016, 165-195.

Sydnor, Justin. 2010. "(Over)insuring modest risks" *American Economic Journal: Applied Economics*, October: 177-199

II.d Analysis of insurance markets in the absence of the market

Brown, Jeffrey and Amy Finkelstein. 2008. "The Interaction of Public and Private Insurance: Medicaid and the Long-Term Care Insurance Market." *American Economic Review* 98 (3): 1083 – 1102.

Goda, Gopi Shah. 2011. "The Impact of State Tax Subsidies for Private Long-Term Care Insurance on Coverage and Medicaid Expenditures," *Journal of Public Economics* 95(7), pp. 744-757

Hendren, Nathaniel. 2013. Private Information and Insurance Rejections. *Econometrica* 81(5) : 1713-1762

Hosseini, R. (2015). Adverse Selection in the Annuity Market and the Role for Social Security. *Journal of Political Economy*, 123, 941-984.

Mahoney, Neale. "Bankruptcy as Implicit Health Insurance." (2015) *American Economic Review*, Vol. 105, No. 2, February 2015, 710-746.

{ Bonus Topic Time Permitting} II.e Social Insurance for Non Idiosyncratic (Aggregate) or Non-Independent (Reclassification) Risks

Cutler, David. 1996. "Why Don't Markets Insure Long-Term Risk?" http://scholar.harvard.edu/files/cutler/files/ltc_rev.pdf

Cochrane, John. "Time Consistent Health Insurance." *Journal of Political Economy* 1995, 103 (3), pp. 445-473.

Finkelstein, Amy, Kathleen McGarry and Amir Sufi. 2005 "Dynamic Inefficiencies in Insurance Markets: Evidence from long-term care insurance." *American Economic Review Papers and Proceedings* 95:224-228.

Froot, Kenneth. 1999. "The Limited Financing of Catastrophe Risk: An Overview." In *The Financing of Catastrophe Risk*, Froot (ed) pp1-22. University of Chicago Press.

*Handel, Benjamin, Igal Hendel, and Michael D. Whinston (2015) "Equilibria in Health Exchanges: Adverse Selection vs. Reclassification Risk" *Econometrica*. vol 83(4): 1261-1313 (lead article)*

Handel, Benjamin, Igal Hendel, and Michael D. Winston. 2017. "The Welfare Effects of Long-Term Health Insurance Contracts." NBER Working Paper 23624. <https://eml.berkeley.edu/~bhandel/wp/DynamicInsurance.pdf>

Hendel Igal and Alessandro Lizzeri. "The role of commitment in dynamic contracts: evidence from life insurance" *Quarterly Journal of Economics*. February 2003, 118(1) pp. 299-327.

Hendren, Nathan. 2017. "Measuring Ex-Ante Welfare In Insurance Markets." Working Paper. Most recent version: <http://scholar.harvard.edu/files/hendren/files/exantewtp.pdf>

Hirshleifer, Jack. "The Private and Social Value of Information and the Reward to Inventive Activity," *American Economic Review*. September 1971, 61(4), pp. 561-574.,

III. Moral hazard (focus on health insurance)

Einav, Liran and Amy Finkelstein. 2017. "Moral Hazard in Health Insurance: What We Know and How We Know It. NBER Working Paper 24055.

III.a Existence – and a brief foray into RCTs

Aron-Dine, Aviva, Liran Einav and Amy Finkelstein. 2013. "The RAND Health Insurance Experiment, Three Decades Later" *Journal of Economic Perspectives* 27(1): 197-222

Ehrlich, Isaac, and Gary S. Becker (1972). "Market Insurance, Self-Insurance, and Self-Protection." *Journal of Political Economy* 80(4), 623-648.

Card, David, Carlos Dobkin, and Nicole Maestas 2008. "The Impact of Nearly Universal Insurance Coverage on Health Care Utilization: Evidence from Medicare," *American Economic Review*. <http://people.ucsc.edu/~cdobkin/Papers/Medicare.pdf>

Feeney, Laura et al. 2015. "Using Administrative Data for Randomized Evaluations." <https://www.povertyactionlab.org/sites/default/files/documents/AdminDataGuide.pdf>

W. Manning, et al., "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment," *American Economic Review*, 77(3), June 1987, pp. 251-277.

Newhouse, Joseph and the Insurance Experiment Group. *Free for All? Lessons from the RAND Health Insurance Experiment*. Harvard University Press, 1993.

Shigeoka, Hitoshi. 2014. "The Effect of Patient Cost Sharing on Utilization, Health, and Risk Protection." *American Economic Review*, 104(7): 2152-84.

III.b Nature of Moral Hazard

Aron-Dine, Aviva, Liran Einav and Amy Finkelstein. 2015. "Moral hazard in health insurance: do dynamic incentives matter?" *Review of Economics and Statistics*, October: 97 (4): 725-741.

Brot-Goldberg, Zarek, Amitabh Chandra, Benjamin Handel, and Jonathan Kolstad. 2017. "What Does a Deductible DO? The Impact of Cost-Sharing on Health Care Prices, Quantities and Spending Dynamics." *Quarterly Journal of Economics*, 132(3): 1261-1318.

Einav, Liran, Amy Finkelstein, Paul Schrimpf, Stephen Ryan and Mark Cullen. 2013. "Selection on moral hazard in health insurance." *American Economic Review* 103(1): 178-219.

Einav, Liran, Amy Finkelstein and Paul Schrimpf, 2015 "The Response of Drug Expenditure to Non-Linear Contract Design: Evidence from Medicare Part D." *Quarterly Journal of Economics*, 2015, 130 (2), 841-899.

Einav, Liran, Amy Finkelstein, and Paul Schrimpf. 2017. "Bunching at the kink: implications for spending responses to health insurance contracts." *Journal of Public Economics*, February: 146: 27-40.

IV. Optimal Provision of Social Insurance Benefits

Chetty, Raj and Amy Finkelstein. 2013. "Social Insurance: Connecting Theory to Data". *Handbook of Public Economics*, Vol. 5: 111-193 (Read Sections 3 and 4)

IV.a Theory: Optimal Level of UI

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

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

Hendren, Nathaniel. 2016. "The Policy Elasticity," *Tax Policy and the Economy* 30

IV.b Empirics: Optimal Level of Unemployment Insurance:

P. Anderson and B. Meyer, "Unemployment Insurance Takeup Rates and the After-Tax Value of Benefits," *Quarterly Journal of Economics*, 112(3), Aug. 1997, pp. 913-937.

D. Blau and P. Robins, "Job Search, Wage Offers, and Unemployment Insurance," *Journal of Public Economics*, 29(2), March 1986, pp. 173-197.

Bronchetti, E. "Worker's Compensation and Consumption Smoothing." *Journal of Public Economics*, 2012, 96: 495-508.

Card, David, Raj Chetty and Andrew Weber. 2007. "The Spike at Benefit Exhaustion: Leaving the Unemployment System or Starting a New Job?" *American Economic Review Papers and Proceedings* 97:113-118.

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

Chetty, Raj and Adam Looney. 2006. "Consumption Smoothing and the Welfare Consequences of Social Insurance in Developing Countries." *Journal of Public Economics* 90: 2351-2356,

Chetty, Raj. "Moral Hazard vs. Liquidity and the Optimal Unemployment Insurance." *Journal of Political Economy* 116(2): 173-234.

Cullen, Julie and Jonathan Gruber. "Does Unemployment Insurance Crowd Out Spousal Labor Supply?" *Journal of Labor Economics*, 18(3), July 2000. 546-572.

Dynarski, Susan and Jonathan Gruber. 1997. "Can Families Smooth Variable Earnings?" *Brookings Papers on Economic Activity* 1, 229-305.

Card, David, and Phillip B. Levine. "Extended benefits and the duration of UI spells: evidence from the New Jersey extended benefit program." *Journal of Public Economics* 78, no. 1 (2000): 107-138.
J. Gruber, *Public Finance and Public Policy*, Chapter 14

J. Gruber, "The Consumption Smoothing Benefits of Unemployment Insurance" *American Economic Review*, 87(1), March, 1997, pp. 192-205.

Hendren, Nathan. 2017. "Knowledge of Future Job Loss and Implications for Unemployment Insurance." *American Economic Review*, 107 (7): 1778-1823.

L. Katz and B. Meyer, "The Impact of the Potential Duration of Unemployment Benefits on the Duration of Unemployment," *Journal of Public Economics* 41 (February 1990), 45-72.

Kolsrud, Jonas, Camille Landais, Peter Nilsson and Johannes Spinnewijn. *Forthcomine*. "The Optimal Timing of Unemployment Benefits: Theory and Evidence from Sweden." *American Economic Review*. Most recent version: <http://personal.lse.ac.uk/spinnewi/dynamicUI.pdf>

K. Kroft and M. Notowidigdo. 2016. "Should Unemployment Insurance Vary with the Unemployment Rate? Theory and Evidence." *Review of Economic Studies*, 83(3): 1092-1124, July 2016.

Landais, Camille, Arash Neoei, Peter Nilsson, David Seim and Johannes Spinnewijn. 2017. "Risk-based Selection in Unemployment Insurance: Evidence and Implications." <http://econ.lse.ac.uk/staff/clandais/cgi-bin/Articles/selectionUI.pdf>

Krueger, Alan B., and Bruce D. Meyer. "Labor supply effects of social insurance." *Handbook of public economics* 4 (2002): 2327-2392. *[[read part on UI now; other parts later in course]]*

B. Meyer, "Unemployment Insurance and Unemployment Spells," *Econometrica*, 58(4), July 1990, pp. 757-782.

B. Meyer, "A Quasi-Experimental Approach to the Effects of Unemployment Insurance," NBER Working Paper #3159, November 1989.

B. Meyer, "Lessons from the U.S. Unemployment Insurance Experiments," *Journal of Economic Literature*, 33(1), March 1995, pp. 91-131.

Schmieder, Johannes F., Till von Wachter, and Stefan Bender. "The Effects of Extended Unemployment Insurance Over the Business Cycle: Evidence from Regression Discontinuity Estimates Over 20 Years." *The Quarterly Journal of Economics* 127, no. 2 (2012): 701-752.

Shimer, Robert, and Ivan Werning, 2007, "Reservation Wages and Unemployment Insurance." *Quarterly Journal of Economics*, Vol. 122, No 3, 1134-1185.

IV.c Empirical Evidence: Unemployment Insurance and Firm Behavior

P. Anderson and B. Meyer, "The Unemployment Insurance Payroll Tax and Interindustry and Interfirm Subsidies," in J. Poterba, ed., *Tax Policy and the Economy* 7 (1993), 111-144.

P. Anderson and B. Meyer, "The Effects of Unemployment Insurance Taxes and Benefits on Layoffs Using Firm and Individual Data." NBER Working Paper #4960, 1994.

R. Topel, "On Layoffs and Unemployment Insurance," *American Economic Review*, 73(4), September 1983, pp. 541-559.

IV.d Reform Options

M. Feldstein and D. Altman, 2007 "Unemployment Insurance Savings Accounts" *Tax Policy and the Economy* Vol 21 (2007): 35-64.

J. Kling, "Fundamental Restructuring of Unemployment Insurance: Wage-Loss Insurance and Temporary Earnings Loss Replacement Accounts," Hamilton Project Discussion Paper, September 2006. http://www.hamiltonproject.org/papers/fundamental_restructuring_of_unemployment_insurance_wage-loss_insurance/

V. Tagging in Social Insurance

V.1 theory

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

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

V. 2 Application: Disability Insurance

Autor, D. N Maestas, K. Mullen and A. Strand. "Does Delay Cause Decay? The Effect of Administrative Decision Time on the Labor Force Participation and Earnings of Disability Applicants". 2015. NBER Working Paper 20840

Autor, D and M Duggan. "The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding." *Journal of Economic Perspectives*, 2006.

D. Autor and M. Duggan, 2003 "The Rise in Disability Reciprocity and the Decline in Unemployment," *Quarterly Journal of Economics* 118(1).

Autor, D. A Kolstol and M Mogstad, and B. Seltzer. 2017. "Disability Receipt, Consumption Insurance and Household Labor Supply." NBER Working Paper 23466.

Benitez-Silva, Hugo, Moshe Buchinsky and John Rust. 2006. "How Large are the Classification Errors in the Social Security Disability Award Process?" <http://ms.cc.sunysb.edu/~hbenitezsilv/dice.pdf>.

J. Bound, "The Health and Earnings of Rejected Disability Insurance Applicants," *American Economic Review* 79(3), June 1989, pp. 482-503.

Chen, Susan and Wilbert van der Klaauw (2008). "The Work Disincentive Effects of the Disability Insurance Program in the 1990s." *Journal of Econometrics*, 142, pp. 757-784.

Deshpande, Manasi. 2016. "Does Welfare Inhibit Success? The Long-Term Effects of Removing Low-Income Youth from the Disability Rolls." *American Economic Review* 106 (11): 3300-3330.

Duggan, Mark, Perry Singleton, and Jae Song. "Aching to retire? The rise in the full retirement age and its impact on the social security disability rolls." *Journal of Public Economics* 91, no. 7 (2007): 1327-1350.

French, Eric, and Jae Song. "The effect of disability insurance receipt on labor supply." *American Economic Journal: Economic Policy* 6, no. 2 (2014): 291-337.

Kostal, Andreas and Magne Mogstad. 2014. "How Financial Incentives Induce Disability Insurance Recipients to Return to Work." *American Economic Review*.

J. Gruber, *Public Finance and Public Policy*, Chapter 14

J. Gruber, "Disability Insurance Benefits and Labor Supply," *Journal of Political Economy* 108(6), 2000, 1162-1183.

J. Kubik, "Incentives for the Identification and treatment of Children with Disabilities: The Supplemental Security Income Program", *Journal of Public Economics*, 73, 1999, pp. 187-215.

Maestas, Nicole, Kathleen J. Mullen, and Alexander Strand. 2013. "Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt." *American Economic Review*, 103(5): 1797-1829.

D. Parsons. 1980. "The Decline of Male Labor Force Participation." *Journal of Political Economy* February, 88: 117 – 134.

D. Parsons, "The Health and Earnings of Rejected Disability Insurance Applicants: Comment" *American Economic Review* 81(5), December 1991, pp. 1419-1426.

D. Parsons, "Self-Screening in Targeted Public Transfer Programs," *Journal of Political Economy*, 99(4), August 1991, pp. 859-876.

Von Wachter, Till, Jae Song, and Joyce Manchester. "Trends in employment and earnings of allowed and rejected applicants to the social security disability insurance program." *The American Economic Review* (2011): 3308-3329.

VI. (Some topics in) Redistribution.

VI.A1. Frameworks

Finkelstein, Amy. 2018. "Welfare Analysis Meets Causal Inference: A Suggested Interpretation of Hendren (2016, 2017). Lecture note.

Hendren, Nathaniel. 2016. "The Policy Elasticity," Tax Policy and the Economy 30

Hendren, Nathaniel. 2017. "Efficient Welfare Weights." NBER Working Paper 20351.

Kaplow, Louis. 2008. "The Theory of Taxation and Public Economics". Chapters 3; 13-15.

VI. B. Cash vs. In kind transfers

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

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

Cunha, Jesse, Giacomo De Giorgi, and Seema Jayachandran. forthcoming. "The Price Effects of Cash Versus In-Kind Transfers." *Review of Economic Studies* Most recent version:
<http://faculty.wcas.northwestern.edu/~sjv340/pal.pdf>

Currie, Janet and Firouz Gahvari. 2008. "Transfers in Cash and in Kind: Theory Meets the Data." *Journal of Economic Literature* 46 (2): 333-383.

Lieber, Ethan M and Lee Lockwood. 2017. "Targeting with In-kind transfers: Evidence from Medicaid Home Care." <http://leelockwood.droppages.com/IK.pdf>

VI.C. Take-up and Self-Targeting

Alatas, Vivi, Abhijit Banerjee, Rema Hanna, Benjamin Olken, Ririn Purnamasari, and Matthew Wai Poi. 2016. "Self Targeting: Evidence from a Field Experiment in Indonesia". *Journal of Political Economy*, 124 (2): 371-427.

Bettinger, Eric, Bridget Long, Phil Oreopoulos and Lisa Sanbonmatsu. 2012. "The Role of Simplification and Information: Evidence from the FAFSA Experiment." *Quarterly Journal of Economics* 127 (3): 1205-1242.

Bhargava, Saurabh and Dayand Manoli. 2015. "Psychological Frictions and the Incomplete Take-up of Social Benefits: Evidence from an IRS Field Experiment" *American Economic Review* 105(11): 3489-3529.

Bertrand, Marianne, Sendil Mullainathan, and Eldar Shafir. 2004. "A Behavioral-Economics View of Poverty." *American Economic Review Papers and Proceedings*, May 2004, 419-423.

Currie, Janet. 2006. "The Take-up of Social Benefits" in "Poverty, The Distribution of Income, and Public Policy" edited by A. Auerbach, D. Card, and J. Quigley, pp.80-148, New York: Russell Sage

Deshpande, Manasi and Yue Li. 2017. "Who Is Screened Out? Application Costs and Targeting of Disability Programs."

<https://docs.google.com/viewer?a=v&pid=sites&srcid=ZGVmYXVsdGRvbWFpbntZGVzaHBhbmRlZWVnbxneDo0M2lwMGFjNTczZThjMzFm>

Finkelstein, Amy and Matthew J. Notowidigdo. "Take-up and Targeting: Experimental Evidence from SNAP"

Mullainathan, Sendhil and Eldar Shafir. 2013. Scarcity: Why Having Too Little Means So Much. New York: Henry Holt and Company.

Shilbach, Frank, Heather Shofield and Sendhil Mullainathan. 2016. "The Psychological lives of the poor." *American Economic Review Papers and Proceedings*. May: 106(5): 435-440.

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

VI.D. Application: subsidized health insurance for low-income adults

a) What Does Subsidized Health Insurance Do?

Finkelstein, Amy, Neale Mahoney and Matthew J. Notowidigdo. "What Does (Formal) Health Insurance Do, and For Whom?" prepared for the *Annual Reviews*

Baicker K, Taubman S, Allen H, Bernstein M, Gruber J, Newhouse J, Schneider E, Wright B, Zaslabsky A, Finkelstein A. 2013. The Oregon experiment - effects of Medicaid on clinical outcomes. *New England Journal of Medicine* 386(18):1713-1722

Baicker K, Finkelstein A, Song J, Taubman S. 2014. The Impact of Medicaid on Labor Market Activity and Program Participation: Evidence from the Oregon Health Insurance Experiment. *American Economic Review Papers and Proceedings*, 104(5): 322-28

Finkelstein, Amy, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber, Joseph P. Newhouse, Heidi Allen, Katherine Baicker, and the Oregon Health Study Group. 2012. "The Oregon Health Insurance Experiment: Evidence from the First Year." *Quarterly Journal of Economics*.

Finkelstein A, Taubman S, Allen H, Wright B, Baicker K. 2016. Effect of Medicaid coverage on ED use - further evidence from Oregon's experiment. *New England Journal of Medicine* 375(16):1505-1507

Taubman, Sarah, Heidi Allen, Bill Wright, Katherine Baicker, and Amy Finkelstein. 2014. "Medicaid Increases Emergency Department Use: Evidence from Oregon's Health Insurance Experiment." *Science* 343(6168): 263-268. DOI: 10.1126/science.1246183

J-PAL Policy Briefcase. 2014. "Insuring the Uninsured."
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