

## 14.472: Public Finance II: MIT Fall 2020

### Instructor:

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### Teaching assistant:

Jonathan Cohen ([jpcohen@mit.edu](mailto:jpcohen@mit.edu))

**Lectures:** Monday/Wednesday, 2:30 pm-4:00pm, virtual

**Recitation:** Friday, 12-1, location TBD

**Course description:** The course focuses on government expenditures, specifically social insurance, and redistributive programs. Key topics include theoretical and empirical analysis of insurance market failures, the optimal design of social insurance programs, and the optimal design of redistributive programs.

The department offers two graduate public finance courses: 14.471 (Public Finance I) and 14.472 (Public Finance II). Broadly speaking, 471 focuses on taxation while 472 focuses on expenditures. They may be taken in either order. Students who want to have public finance as a major field must take both 14.471 and 14.472.

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 10-12 short written response papers due at 9 am on the day of each lecture. These written response papers should be 1-2 pages and briefly summarize the paper's contributions as well as identify any flaws in the paper or questions that you may have. You are encouraged to think constructively, such as proposing additional data or tests that could address your concerns or alternative settings in which the methodology could be applied. These written responses count for 15% of the grade.
2. Required readings: To try to improve class discussion / facilitate participation in the on-line forum, there will often be additional required readings to complete prior to class. You will need to upload one paragraph (graded for completion only) by 1pm of the day of the class on a reading required for that class. The paragraph should identify a portion of the paper you had difficulty understanding along with your current interpretation of it. This will be 5% of the grade.
3. Problem Sets: There will be one problem set that counts for 10% of the grade.
4. 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 20% of the grade.
5. Class participation: Active class participation is key for a successful learning experience. It will also count for 10% of the grade.
6. Final Exam: There will be a closed book 3 hour exam during finals week which will cover the entire course material and be worth 40% of the grade.

### **Zoom norms:**

Teaching (and learning) on Zoom is challenging, and we are all on the relatively steep part of the learning curve. I very much want this class to be informative, interesting and engaging, and I welcome any/all real-time suggestions for how to improve the experience.

As a start, please observe the following norms for lecture:

1. Camera on
2. Mute upon entry and when not speaking
3. Raise hand to speak or feel free to interrupt at any point
4. You will not be able to privately message other people except for Jon
5. It is difficult to stay engaged with a video, so please don't be shy about interacting with questions and comments! Your classmates (and I!) will all appreciate it.

### **Course scheduling:**

- There will be no lecture Monday September 28 (Yom Kippur) but there will instead be a lecture during section on Friday October 2 (12-1).
- Dmitry Taubinsky (visiting from UC Berkeley) will give two guest lectures on behavioral public finance (currently scheduled for October 19 and 21)

**14.472 Home Page:** There is a 14.472 site (<https://canvas.mit.edu/courses/3464>) on Canvas. Links for all of the required readings are included on the course website. All assignments should be submitted under the “Assignments” tab. Zoom links for lectures and recitations will be posted here. The Canvas page also links to Piazza (<https://piazza.com/mit/fall2020/14472>), which will be used for class discussion. Feel free to post questions on class materials, readings, or general research topics. Jon will respond, though you are highly encouraged to interact with classmates on the forum.

**Readings: Students are required to read the papers in bold before class. This is essential for the classroom lecture and discussion to be effective. Readings in *italics* are *highly* recommended for all students, especially those planning to have public finance as a major field.**

**Office Hours:** By appointment.

### **Useful introductory / background texts:**

J. Gruber, Public Finance and Public Policy, 5<sup>th</sup> 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.

## **PART I: SOCIAL INSURANCE**

### **I. Introduction: Why Have Social Insurance?**

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

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

## **II. Empirical analysis of asymmetric information in insurance markets**

### Ila. Theory : Adverse Selection and Moral Hazard

Azevedo Eduardo and Daniel Gottlieb. 2017. "Perfect Competition in Markets with Adverse Selection". *Econometrica* 85(1): 67-105.

**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. 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.b Detecting asymmetric information

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.

**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>

Panhans, Matthew. 2019. "Adverse Selection in ACA Exchange Markets: Evidence from Colorado." *American Economic Journal: Applied Economics*. April. Volume 11 (2): 1-36.

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

Wagner, Katherine. 2020. "Adaptation and Adverse selection in Markets for Natural Disaster Insurance."  
<https://www.krhwagner.com/papers/Adaptation%20and%20Adverse%20Selection%20in%20Markets%20for%20Natural%20Disaster%20Insurance%20-%20Katherine%20Wagner.pdf>

## II.c 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

Cabral, Marika, Can Cui, and Michael Dworsky. 2019. "What is the Rationale for an Insurance Coverage Mandate? Evidence from Worker's Compensation Insurance." NBER Working Paper 26103. [http://www.marikacabral.com/CabralCuiDworsky\\_WorkersComp.pdf](http://www.marikacabral.com/CabralCuiDworsky_WorkersComp.pdf)

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

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

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.**

Geruso, Michael, Timothy Layton, Grace McCormack, Mark Shepard. 2019. "The Two Margin Problem in Insurance Markets." Working Paper.  
[https://scholar.harvard.edu/files/mshepard/files/GerusoLaytonMcCormackShepard\\_TwoMarginsSelection.pdf](https://scholar.harvard.edu/files/mshepard/files/GerusoLaytonMcCormackShepard_TwoMarginsSelection.pdf)

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

Marone, Victoria and Adrienne Sabety. 2020. "Should there be Vertical Choice in Health Insurance Markets?"  
[https://victoriamarone.github.io/files/Marone\\_JMP\\_Vertical\\_Choice.pdf](https://victoriamarone.github.io/files/Marone_JMP_Vertical_Choice.pdf)

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

## II.d Welfare Analysis without Revealed Preference

### II.d.1 Theory: Why might demand not reveal value

**Hendren, N. Forthcoming. "Measuring ex-ante welfare in insurance markets". *Review of Economic Studies*. <https://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.d.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 Loewenstein 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.

Ericson, Keith and Justin Sydnor. 2018. "Liquidity constraints and the value of insurance." NBER Working Paper 24993.

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**

Handel, B.R., Kolstad, J.T. and Spinnewijn, J., 2019. Information frictions and adverse selection: Policy interventions in health insurance markets. *Review of Economics and Statistics*, 101(2), pp.326-340.

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.e 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.

Fischer, Torben, Markus Frolich, and Andreas Landmann. 2018. "Adverse Selection in Low-Income Health Insurance Markets: Evidence from an RCT in Pakistan." <http://ftp.iza.org/dp11751.pdf>

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

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

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.

### **III. 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 (Sections 3 and 4)

#### III.a Theory: Optimal UI Benefits and Levels

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, Camille Landais and Johannes Spinnewijn. 2020. "Choice in Insurance Markets: A Pigouvian Approach to Social Insurance Design." NBER Working Paper 27842.

**Schmieder, Johannes and Till von Wachter. 2017. "The Effects of Unemployment Insurance Benefits: New Evidence and Interpretation" *Annual Review of Economics*. [http://www.econ.ucla.edu/tvwachter/papers/annualreview\\_UI\\_wp\\_2016\\_08\\_15.pdf](http://www.econ.ucla.edu/tvwachter/papers/annualreview_UI_wp_2016_08_15.pdf)**

Kolsrud, J., Landais, C., Nilsson, P. and Spinnewijn, J., 2018. The optimal timing of unemployment benefits: Theory and evidence from Sweden. *American Economic Review*, 108(4-5), pp.985-1033.

#### III.b Empirics I: WTP for insurance ("benefit" side of optimal insurance calculation)

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

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.

Fadlon, I. and Nielsen, T.H., 2019. Household labor supply and the gains from social insurance. *Journal of public economics*, 171, pp.18-28.

Ganong, P. and Noel, P., 2019. Consumer spending during unemployment: Positive and normative implications. *American Economic Review*, 109(7), pp.2383-2424.

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.**

Jager, Simon, Benjamin Schoefer and Josef Zweimuller. 2020. "Marginal Jobs and Job Surplus: A test of the efficiency of separations." <http://economics.mit.edu/files/15261>

Kolsrud, Jonas, Camille Landais, Peter Nilsson and Johannes Spinnewijn.2018. . "The Optimal Timing of Unemployment Benefits: Theory and Evidence from Sweden." *American Economic Review*108(4-5), 985-1033

**Landais, Camille and Johannes Spinnewijn. Forthcoming. "The Value of Unemployment Insurance." *Review of Economic Studies*.  
<http://personal.lse.ac.uk/spinnewi/valueUI.pdf>**

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

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

### III.c. Empirics II: Moral hazard ("cost" side of optimal insurance calculation)

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.

*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*

Audrey Guo, Jonathan Zhang. 2019. What to expect when you are expecting: Are health care consumers forward-looking? *Journal of Health Economics*, Volume 67.

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,

**Einav, L. and Finkelstein, A., 2018. Moral Hazard in Health Insurance: What We Know and How We Know It. *Journal of the European Economic Association*, 16(4), pp.957-982.**

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.**

Powell, D. and Goldman, D., 2020. Disentangling moral hazard and adverse selection in private health insurance. *Journal of Econometrics*.

Feeney, L., Bauman, J., Chabrier, J., Mehra, G. and Woodford, M., 2015. Using administrative data for randomized evaluations. J-PAL North America, Boston. <https://www.povertyactionlab.org/sites/default/files/resources/2017.02>.

Lee, David, Pauline Leung, Christopher O'Leary, Zhuan Pei, and Simon Quach. 2019. "Are Sufficient Statistics Necessary? Nonparametric Measurement of Deadweight Loss from Unemployment Insurance." NBER WP 25574. <https://www.nber.org/papers/w25574>

Krueger, Alan B., and Bruce D. Meyer. "Labor supply effects of social insurance." *Handbook of public economics* 4 (2002): 2327-2392.

### III.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/](http://www.hamiltonproject.org/papers/fundamental_restructuring_of_unemployment_insurance_wage-loss_insurance/)

Holzmann, Robert; Vodopivec, Milan. 2011. *Reforming severance pay : an international perspective*. Washington, DC: World Bank. <http://documents.worldbank.org/curated/en/977071468330895674/Reforming-severance-pay-an-international-perspective>

### IIIe. (Some) Other Social Insurance Design Questions

#### *Experience Rating / Financing*

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

Anderson, P.M., 1993. Linear adjustment costs and seasonal labor demand: evidence from retail trade firms. *The Quarterly Journal of Economics*, 108(4), pp.1015-1042.

Card, D. and Levine, P. B. (1994), Unemployment insurance taxes and the cyclical and seasonal properties of unemployment, *Journal of Public Economics* pp. 1–30.

Anderson, P. M. and Meyer, B. D. (2000), The effects of the unemployment insurance payroll tax on wages, employment, claims and denials, *Journal of Public Economics* pp. 81–106.

Johnston, Andrew. Forthcoming. "Unemployment Insurance Taxes and Labor Demand: Quasi-Experimental Evidence from Administrative Data." *American Economic Journal: Economic Policy*. <https://www.econstor.eu/bitstream/10419/216429/1/dp13117.pdf>

### **IV. Choice of Instrument**

#### *Public provision vs. mandates*

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

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

#### *Public vs. Private Provision*

Banerjee, A., Hanna, R., Kyle, J., Olken, B.A. and Sumarto, S., 2019. Private Outsourcing and Competition: Subsidized Food Distribution in Indonesia. *Journal of Political Economy*, 127(1), pp.101-137.

Clemens, J, J. Gottlieb and T. Molnar. 2015. "The Anatomy of Physician Payments: Contracting Subject to Complexity." NBER Working Paper 21642.

Einav, L., Finkelstein, A. and Polyakova, M., 2018. Private provision of social insurance: drug-specific price elasticities and cost sharing in Medicare Part D. *American Economic Journal: Economic Policy*, 10(3), pp.122-53.

Levin, Jonathan and Steven Tadelis. 2010. "Contracting for Government Services: Theory and Evidence from U.S. Cities." *The Journal of Industrial Economics* LVIII (3): 507-541.

Epple, D. and Romano, R.E., 1996. Public provision of private goods. *Journal of political Economy*, 104(1), pp.57-84.

Hart, Oliver, Andrei Shleifer and Robert Vishny. 1997. “The Proper Scope of Government: Theory and An Application to Prisons.” *Quarterly Journal of Economics*.

Cabral, Marika and Neale Mahoney. 2019. “Externalities and Taxation of Supplemental Insurance: A Study of Medicare and Medigap.” *AEJ: Applied Economics* 11(2): 33-73.

Cabral, Marika, Michael Geruso, and Neale Mahoney. 2018. “Do Larger Health Insurance Subsidies Benefit Patients or Producers? Evidence from Medicare Advantage.” *American Economic Review* 108(8), August, 2048-87.

Cutler, David M. and Jonathan Gruber, “Does Public Insurance Crowd Out Private Insurance?,” *Quarterly Journal of Economics*, 1996, 111 (2), 391–430.

Peltzman, Sam, “The Effect of Government Subsidies-in-Kind on Private Expenditures: The Case of Higher Education,” *Journal of Political Economy*, 1973, 81 (1), 1–27.

### *Regulation of Privately Provided Social Insurance*

Einav, Liran, Amy Finkelstein, Ray Kluender and Paul Schrimpf. 2016. “Beyond statistics: the economic content of risk scores.” *American Economic Journal: Applied Economics*. 8(2), April 2016.

Einav, Liran, Amy Finkelstein and Pietro Tebaldi. 2018. “Risk Adjustment vs. Subsidies in the Design of Health Insurance Exchanges.” [web.stanford.edu/~leinav/wp/riskadj.pdf](http://web.stanford.edu/~leinav/wp/riskadj.pdf)

## **PART II: REDISTRIBUTION**

### VA. Social Welfare Frameworks

*Finkelstein, Amy. 2018. “Welfare Analysis Meets Causal Inference: A Suggested Interpretation of Hendren. Lecture note.*

**Finkelstein, Amy and Nathaniel Hendren. 2020. “Welfare Analysis Meets Causal Inference.” *Journal of Economic Perspectives***

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

Hendren, N., 2020. Measuring economic efficiency using inverse-optimum weights. *Journal of Public Economics*, 187, p.104198.

**Hendren, N. and Sprung-Keyser, B., 2020. A unified welfare analysis of government policies. *The Quarterly Journal of Economics*, 135(3), pp.1209-1318.**

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

Klevin, Henrik. 2018. "Sufficient Statistics Revisited".  
[https://www.henrikkleven.com/uploads/3/7/3/1/37310663/kleven\\_sufficientstats\\_aug2018.pdf](https://www.henrikkleven.com/uploads/3/7/3/1/37310663/kleven_sufficientstats_aug2018.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.

#### VB: Instruments (Theory)

**Akerlof, George. 1978. "The Economics of "Tagging" as Applied to the Optimal Income Tax, Welfare Programs, and Manpower Planning" *American Economic Review* March: 8-19**

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

#### VC: Application: Cash vs. In-Kind

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

Cunha, J.M., De Giorgi, G. and Jayachandran, S., 2018. The price effects of cash versus in-kind transfers. *The Review of Economic Studies*, 86(1), pp.240-281.

**Lieber, E.M. and Lockwood, L.M., 2019. Targeting with In-Kind Transfers: Evidence from Medicaid Home Care. *American Economic Review*, 109(4), pp.1461-85.**

Liscow, Zachary D. and Pershing, Abigail D., Why Is So Much Redistribution In-Kind and Not in Cash? Evidence from a Survey Experiment (August 12, 2020)  
[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3672415](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3672415)

#### V.D. Application: 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.

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