

University of Wisconsin-Madison, Department of Economics
Economics 741: Public Economics

Fall 2007

<http://www.ssc.wisc.edu/~mbrown/741.htm>

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Lectures TR 11-12:15
234 Education

Economics 741 studies the literature on the effects of government taxes, expenditures, and mandates on the decision-making of individuals, families, and firms, with emphasis on both applied theory and empirics. Students will gain familiarity with the Public Economics literature and some knowledge of topics of current relevance in the field, with the goal of developing independent research programs.

Readings

The reading list offers an introduction to the literature on each of the nine topics addressed in the syllabus. Required readings are marked with **, and strongly recommended readings are marked with *. Many additional sources are listed for students who identify topics of particular interest.

Grading

PROBLEM SETS (30%): Three problem sets will be assigned during the semester. These will be collected and graded. Group work is permitted, and one problem set may be submitted by three or fewer group members. Some problems will require use of STATA and GAUSS. This software is available to students in the third floor lab. Take special care to understand all solutions to problem sets, as this will be important preparation for the final exam.

PRESENTATION (20%): At various times during the semester, class members will make presentations of roughly 30 minutes each on a topic of their choosing. Presentations will involve overviews of the literature on the student's topic, which must relate to government activities and their influence on individual or firm-level decisions. It is intended that these literature surveys support students' field paper research. Presentation of original research is encouraged but not required. Students will be expected to provide hard copy of presentation slides, and the final exam will include questions drawn from the information in some of the student presentations.

FINAL EXAM (50%): There will be an in-class, open-note final examination during the examination period. The date of the exam will be determined by the class later in the semester.

Class web site

The syllabus, problem sets and some rough lecture notes will be posted on the class web site, which you can link to from www.ssc.wisc.edu/~mbrown/741.htm.

Field paper

Students in the public economics field must submit a field paper by August 2008. Public economics field advisors are Jane Cooley, Karl Scholz, Bobbi Wolfe, and me. If you intend to

submit a paper to the public field then now is the time to begin to identify a public faculty member who can advise your paper.

Journal abbreviations

AER	American Economic Review
EMA	Econometrica
JEP	Journal of Economic Perspectives
JPE	Journal of Political Economy
NTJ	National Tax Journal

BPEA	Brookings Papers on Economic Activity
JEL	Journal of Economic Literature
JHR	Journal of Human Resources
JPubE	Journal of Public Economics
QJE	Quarterly Journal of Economics

Lecture Topics

I. Tax Incidence and Mandate Incidence

Tax Incidence

** Fullerton, D. and G. Metcalf, "Tax Incidence," in A. Auerbach and M. Feldstein, eds., *Handbook of Public Economics*, Vol. 4, Amsterdam: Elsevier, 2002.

Kotlikoff, L. and L. Summers, "Tax Incidence," *Handbook of Public Economics*, v2, 1987.

Fullerton, D. and G. Heutel, "The General Equilibrium Incidence of Environmental Taxes," *Journal of Public Economics* (forthcoming).

Cutler, D., "Tax Reform and the Stock Market: An Asset Price Approach," AER December 1988 1107-1117.

Atkinson, A. B. and J. E. Stiglitz, *Lecture on Public Economics*, McGraw Hill 1980, Ch. 6.

Diamond, P., "Tax Incidence in a Two-Good Model," JPubE 1978.

Harberger, A., "The Incidence of the Corporate Income Tax," JPE June 1962.

Lang, M. H. and D. Shackelford, "Capitalization of Capital Gains Taxes: Evidence from Stock Price Reactions to the 1997 Rate reduction," JPubE April 2000, 69-85.

McClure, C. "General Equilibrium Incidence Analysis: The Harberger Model After 10 Years," JPubE February 1975.

Life Cycle Incidence

** Fullerton, D. and D. Rogers, *Who Bears the Lifetime Tax Burden?* (Washington: Brookings Institution, 1993), Ch 1.

Poterba, J. "Lifetime Incidence and the Distributional Burden of Excise Taxes," AER 79 (May 1989), 325-330.

Mandate Incidence

** Summers, L., "Some Simple Economics of Mandated Benefits," AER May 1989, 177-189.

** Gruber, J. "The Incidence of Mandated Maternity Benefits," AER June 1994, 622-641.

Gruber, J. and A. Krueger, "The Incidence of Mandated Employer-Provided Insurance: Lessons from Workers' Compensation Insurance," Tax Policy and the Economy, D. Bradford (ed.), NBER and MIT Press, 1991, 111-143.

Fullerton, D. and G. Heutel, "The General Equilibrium Incidence of Environmental Mandates," 2006.

II. Taxation and Labor Supply

Government-induced irregularities in the budget constraint, individual decision-making and estimation issues

** Moffitt, Robert, "The Econometrics of Kinked Budget Constraints," JEP Spring 1990 119-139.

Blomquist, S., M. Eklof and W. Newey, "Tax Reform Evaluation Using Nonparametric Methods: Sweden 1980-1991," JPubE 79 (2001), 543-568.

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

Bosworth, B. and G. Burtless, "Effects of Tax Reform on Labor Supply, Investment and Saving," JEP 6 (1992), 3-25.

Hausman, J., "Labor Supply," in *How Taxes Affect Economic Behavior*, H. Aaron and J. Pechman (eds), Washington: Brookings, 1981.

Hausman, J., "The Econometrics of Nonlinear Budget Sets," EMA November 1985.

Hausman, J. and J. Poterba, "Household Behavior and the tax Reform Act of 1986," JEP 1 (1987), 101-119.

Heckman, J., "Comment," in Feldstein (ed) Behavioral Simulations in Tax Policy Analysis (Chicago: University of Chicago Press), 1982, 70-82.

MaCurdy, T., "Work Disincentive Effects of Taxes: A Reexamination of Some Evidence," AER 80 (1992), 243-249.

MaCurdy, T., D. Green and H. Paarsch, "Assessing Empirical Approaches for Analyzing Taxes and Labor Supply," JHR Summer 1990.

Mroz, T., "The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions," EMA July 1987, 765-800.

Ziliak, J. and T. Kniesner, "Estimating Life Cycle Labor Supply Tax Effects," JPE, April 1999, 326-359.

The Earned Income Tax Credit

** Hotz, J. and J. 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.

Dickert, S., S. Houser and J. K. Scholz, "Taxes and the Poor: A Micro-Simulation Study of the Implicit and Explicit Taxes," NTJ 47 91994), 76-97.

Eissa, N. and J. Leibman, "Labor Supply Responses to the Earned Income Tax Credit," QJE 111(2) (1996), 605-637.

Hotz, J., C. Mullin and J. K. Scholz, "The Earned Income Tax Credit and Labor Market Participation of Families on Welfare," mimeo, UCLA Department of Economics.

Meyer, B. and D. Rosenbaum, "Making Single Mothers Work: Recent Tax and Welfare Policy and its Effects," NTJ 53 (2000), 1027-1061.

Scholz, J. K., "The Earned Income Tax Credit: Participation, Compliance and Anti-Poverty Effectiveness," NTJ 1994, 59-81.

III. Social Experiments and the Evaluation of Treatment Effects

** Mandatory notes will be distributed on this subject. They draw heavily on notes from W. van der Klaauw, P. Todd and the following references:

Besley, T. and A. Case, "Unnatural Experiments? Estimating the Incidence of Endogenous Policies," NBER Working Paper #4956, 1994.

Burtless, G., "The Case for Randomized Field Trials in Economic and Policy Research," JEP Spring 1995, 63-84.

Goldberger, A., "Selection Bias in Estimating Treatment Effects: Some Formal Illustrations," Discussion Paper 123-72, IRP University of Wisconsin, 1972.

Hahn, J., P. Todd and W. Van der Klaauw, "Identification and Estimation of Treatment Effects with a Regression-Discontinuity Design," EMA 2000.

Heckman, J. J. and J. A. Smith, "Assessing the Case for Social Experiments," JEP, Spring 1995, 85-110.

Heckman, J.J. and R. Robb, "Alternative Methods for Evaluating the Impact of Interventions", in J. Heckman and B. Singer eds., Longitudinal Analysis of Labor Market Data (Cambridge: Cambridge University Press, 1985).

Heckman, J.J., H. Ichimura, and P. Todd, "Matching as an Econometric Evaluation Estimator: Evidence from Evaluating a Job Training Programme", *REStud* 64 (1997), 605-54.

Imbens, G. and J. Angrist, "Identification of Local Average Treatment Effects," *EMA* 62 (1994), 467-475.

Manski, C.F., "Nonparametric Bounds on Treatment Effects", *AER Papers and Proceedings* 80 (1990), 319-323.

Meyer, B., "Natural and Quasi-Experiments in Economics," *Journal of the Business and Economic Statistics*, 13(2) (1995), 151-61.

IV. Higher Education Finance

- ** Van der Klaauw, W., (2002) "Estimating the Effect of Financial Aid Offers on College Enrollment: A Regression-Discontinuity Approach," *International Economic Review* 43(4).
 - ** Brown, M., J. K. Scholz, and A. Seshadri (2007), "A New Test of Borrowing Constraints for Education," working paper.
 - * Keane, M. P. and K. I. Wolpin (2001), "The Effect of Parental Transfers and Borrowing Constraints on Educational Attainment," *IER* 42(November), 1051-1103.
 - * Carneiro, P. and J. Heckman (2002), "The Evidence on Credit Constraints in Post-Secondary Schooling," *EJ* 112, 705-734.
- Kane, T. J. (1994), "College Entry by Blacks since 1970: The Role of College Costs, Family Background, and the Returns to Education," *JPE* 102(5).
- Kane, T. J. (2003), "A Quasi-Experimental Estimate of the Impact of Financial Aid on College-Going," NBER working paper 9703.
- Cameron, S. V. and C. Taber, "Estimation of Educational Borrowing Constraints Using Returns to Schooling," *JPE* 2004, 112(1) p1.
- Dynarski, S. (2003) "Does Aid Matter? Measuring the Effects of Student Aid on College Attendance and Completion," *AER* 93(1).
- Lochner, L. and A. Monge (2002), "Human Capital Formation with Endogenous Credit Constraints," working paper.
- Shea, J. (2000), "Does Parents' Money Matter?" *JPE* 77 (August), 155-184.

Sauer, R. M. (2004), "Educational Financing and Lifetime Earnings," REStud 71(4), 11189-1216.

Stinebrickner, R. and T. R. Stinebrickner (2003), "Working During School and Academic Performance," JOLE 21(2), 449-472.

V. Expenditure Programs for the Poor

** Keane, M. and R. Moffitt, "A Structural Model of Multiple Welfare Program Participation and Labor Supply," IER 39, 553-589, 1998.

Welfare

Besley, T. and S. Coate, "Workfare Versus Welfare: Incentive Arguments for Work Requirements in Poverty Alleviation Programs," AER, 1992.

Blank, R. M. and P. Ruggles, "When Do Women Use Aid to Families with Dependent Children and Food Stamps?," JHR Winter 1996, 57-89.

Knox, V., C. Miller and L. A. Gennetian, "Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program," Manpower Demonstration Research Corporation, September 2000.

Moffitt, R., "Incentive Effects of the U.S. Welfare System: A Review," EMA, March 1996, 295-332.

Moffitt, R., "The Effects of Welfare on Marriage and Fertility," in Welfare, the Family and Reproductive Behavior, R. Moffitt (ed), National Academy Press, 50-97.

Medicaid

Gruber, J., "Medicaid," in *Means-Tested Transfer Programs in the United States*, R. Moffitt (ed.), The University of Chicago Press and NBER, 2003, 15-77.

Food Stamps

Gundersen, C. and J. Ziliak. "The Role of Food Stamps in Consumption Stabilization." *Journal of Human Resources*, v38, 1051-1079. 2003.

Currie, J., "U.S. Food and Nutrition Programs," in *Means-Tested Transfer Programs in the United States*, R. Moffitt (ed.), The University of Chicago Press and NBER, 2003, 199-289.

Daponte, B. O., S. Sanders and L. Taylor, "Why Do Low-Income Households Not Use Food Stamps? Evidence from an Experiment," JHR Summer 1999, 612-628.

Ziliak, J., C. Gundersen, and D. Figlio. "Food Stamp Caseloads Over the Business Cycle." *Southern Economic Journal*, v69(4), 903-919. 2003.

Housing

Currie, J. and A. Yelowitz, "Are Public Housing Projects Good for Kids?" JPubE, January 2000, 99-124.

VI. Social Insurance

Theory

Akerlof, G., "The Market for Lemons," QJE 84(3) 1970, 488-500.

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

Atkeson, A. and P. J. Kehoe, "Social Insurance and Transition," IER, 37(2) (May, 1996), 377-401.

Feldstein, M., "Social Insurance," *Public Policy* 25 (1977), 81-115.

Pauly, M., "Overinsurance and Public Provision of Insurance: The Role of Moral Hazards & Adverse Selection," QJE 88(1) (1974), 44-62

Rothschild, M. and J. Stiglitz, "Equilibrium in Competitive Insurance Markets," QJE 91 (1976), 629-649.

Shavell, S., "On Moral Hazard and Insurance," QJE 93 (1979), 541-562.

Wilson, C., "The Nature of Equilibrium in Markets with Adverse Selection," *Bell Journal of Economics* (Spring 1980), 108-130.

Wilson, C., "A Model of Insurance Markets with Incomplete Information," JET 16 (1977), 167-207.

Social Insurance and Saving

** Hubbard, R. G., J. Skinner and S. Zeldes, "Precautionary Saving and Social Insurance," JPE 103 (April), 360-399.

** S. Coate, "Altruism, the Samaritan's Dilemma, and Government Transfer Policy," AER 1995.

M. Brown, "Mandatory Retirement Saving and the Efficiency Consequences of Transfers to the Elderly," working paper, 2005.

Labor income (and health) risk: Unemployment and Disability Insurance

Atkeson, A. and R. Lucas, "Efficiency and Equality in a Simple Model of Unemployment Insurance," JET 66 (1995), 64-68.

Autor, D. and M. G. Duggan, "The Rise in Disability Reciprocity and the Decline in Unemployment," QJE 2003.

Cullen, J. B. and J. Gruber, "Spousal Labor Supply as Insurance: Does Unemployment Insurance Crowd Out the Added Worker Effect?," *Journal of Labor Economics*, 18(3) 2000, 546-572.

Engen, E. and J. Gruber, "Unemployment Insurance and Precautionary Saving," NBER Working Paper 5252, 1995.

Feldstein, M., "Temporary Layoffs in the Theory of Unemployment," JPE 84 (1976), 937-958.

Topel, R., "On Layoffs and Unemployment Insurance," AER 73 (1983), 541-559.

Gruber, J., "Disability Insurance Benefits and Labor Supply," JPE 108 (2000), 1162-1183.

Halpern, J. and J. Hausman, "Choice Under Uncertainty: A Model of Applications for the Social Security Disability Program," JpubE 31 (1986), 131-162.

McGarry, K., "Factors Determining Participation of the Elderly in SSI," JHR 31 (1996), 331-358.

Longevity risk: Social Security

Theory

** Eckstein, Z., M. Eichenbaum and D. Peled, "Uncertainty and the Welfare Enhancing Properties of Annuity Markets and Social Security," JPubE 26, 1985.

** Feldstein, M., "The Optimal Level of Social Security Benefits," QJE May 1985, 300-320.

Bernheim, D., "The Economic Effects of Social Security: Towards a Reconciliation of Theory and Measurement," JpubE 1987, 273-304.

Diamond, P., "A Framework for Social Security Analysis," JPubE 1977, 285-298.

Diamond, P. and J. Hausman, "A Model of Social Insurance with Variable Retirement," JPubE 10 (1978), 295-336.

Feldstein, M., "Should Social Security Be Means Tested?," JPE 1987, 464-484.

Mitchell, O., J. Poterba, M. Warshawsky and J. Brown, "New Evidence on the Money's Worth of Individual Annuities," AER, 2002.

Savings, retirement timing, Social Security and Medicare

Rust, J. and C. Phelan, "How Social Security and Medicare Affect Retirement Behavior in a World of Incomplete Markets," EMA 65(4) (1996), 781-831.

Burtless, G., "Social Security, Unanticipated Benefit Increases, and the Timing of Retirement," *REStud* 1986, 781-805.

Coile, C. and J. Gruber, "Social Security and Retirement," NBER Working Paper #7830, 2000.

Gustman, A. L. and T. L. Steinmeier, "Retirement in Dual-Career Families: A Structural Model," *Journal of Labor Economics* 18(3), 2000.

Dwyer, D. and J. Hu, "Expectations and Realizations of Retirement: The Role of Poor Health on Work Transitions," *Pension Research Council Conference Volume*, forthcoming.

Fields, G. and O. Mitchell, "Economic Determinants of the Optimal Retirement Age: An Empirical Investigation," *JHR* 19 (1984), 245-262.

Gruber, J. and D. Wise, "Social Security Programs and Retirement Around the World: Introduction and Summary," in J. Gruber and D. Wise (eds), Social Security and Retirement Around the World (Chicago: University of Chicago Press), 1999, 1-36.

Stock, J. and D. Wise, "Pensions, the Option Value of Work, and Retirement," *EMA* 58 (1990), 1151-1180.

Social Security Reform

Aaron, H. and R. Reischauer, Countdown to Reform: The Great Social Security Debate, Washington, DC: Brookings Institution, forthcoming.

Feldstein, M., "The Missing Piece in the Policy Analysis: Social Security Reform," *AER* 86 (1996), 1-14.

Feldstein, M., Privatizing Social Security, Chicago: University of Chicago Press, 1998.

Feldstein, M. and E. Rangelova, "Individual Risk in an Investment-based Social Security System," NBER Working Paper 8074, 2001.

Kotlikoff, L., K. Smetters and J. Wallises, "Social Security: Privatization and Progressivity." *AER* (May 1998).

Mitchell, O., R. Meyers and H. Young (eds), Prospects for Social Security Reform (Philadelphia: Pension Research Council and University of Pennsylvania Press), forthcoming.

Health risk: Medicare

Feldstein, M. S. "An Econometric Model of the Medicare System," *QJE* 85(1) (1971), 1-20.

Coyte, P. C., "The Economics of Medicare: Equilibrium within the Medical Community," *Journal of Labor Economics*, 1(3) (1983), 264-285.

Newhouse, J. P., "Policy Watch: Medicare," *JEP* 10(3) (1996), 159-167.

VII. Taxation and Saving

Attanasio, O., "A Cohort Analysis of Saving Behavior by U.S. Households," JHR Summer 1998, 575-609.

Boskin, M., "Taxation, Saving, and the Rate of Interest," JPE April 1978, 3-27.

Hall, R., "Intertemporal Substitution in Consumption," JPE April 1988.

Summers, L., "Capital Taxation and Accumulation in a Life Cycle Growth Model," AER 1981.

Saving Incentives

** Engen, E.M., W. G. Gale and J. K. Scholz, "The Illusory Effects of Saving Incentives," JEP Fall 1996, 113-138.

** Poterba, J., S. Venti and D. Wise, "How Retirement Saving Programs Increase Saving," JEP Fall 1996, 91-112.

Gale, W. G. and J. K. Scholz, "IRAs and household Saving," AER December 1994

Scholz, J. K., A. Seshadri, and S. Khitatrakun, "Are Americans Saving 'Optimally' for Retirement?" <http://www.ssc.wisc.edu/~scholz/Research/Optimality.pdf>

Venti, S. and D. Wise, "Have IRAs Increases U.S. Saving? Evidence from Consumer Expenditure Surveys," QJE 1990, 661-698.

Capital Gains

** Burman, L. and W. Randolph, "Measuring Permanent Responses to Capital Gains Tax Changes in Panel Data," AER 1995.

Auten, G., and C. Clotfelter, "Permanent vs. Transitory Tax Effects and the Realization of Capital Gains," QJE 97 (1982), 613-632.

Poterba, J., "How Burdensome are Capital Gains Taxes?" JPubE 33(2) (1987), 153-172.

Stiglitz, J., "Some Aspects of Capital Gains Taxation," JPubE 21 (1983), 257-294.

Risk-taking

Bulow, J. and L. Summers, "The Taxation of Risky Assets," JPE 92(1984), 20-39.

Feldstein, M., "Personal Taxation and Portfolio Composition: An Econometric Analysis," EMA, 1976.

Gordon, R. and J. Wilson, "Measuring the Efficiency Cost of Taxing Risky Capital Income," AER 79 (1989), 429-439.

Sandmo, A., "The Effects of Taxation on Savings and Risk-Taking," in Auerbach and Feldstein (eds), Handbook of Public Economics Volume 1, North Holland, 1987.

VII. Personal Bankruptcy and Consumer Credit

- ** Gropp, R., J. K. Scholz, and M. J. White, "Personal Bankruptcy and Credit Supply and Demand," QJE 112(1), Feb 1997, 217-251.

White, M. J., "Bankruptcy Reform and Credit Cards," NBER working paper 13265, 2007.

Kehoe, T. and D. Levine, "Bankruptcy and Collateral in Debt Constrained Markets," NBER working paper 12656, 2006.
- * Livshits, I., J. McGee, and M. Tertilt, "Consumer Bankruptcy: A Fresh Start," AER 2006.

Livshits, I., J. McGee, and M. Tertilt, "Accounting for the Rise in Consumer Bankruptcies," working paper, 2006.

Mateos-Planas, X. and G. Seccia, "Welfare Implications of Endogenous Credit Limits with Bankruptcy," JEDC 2006.

Chatterjee, S., D. Corbae, M. Nakajima, and J.-V. Rios-Rull, "A Quantitative Theory of Unsecured Consumer Credit with Risk of Default," University of Pennsylvania working paper, 2002.
- * Fay, S., E. Hurst, and M. J. White, "The Household Bankruptcy Decision," AER 92(3), 706-718, 2002.

VIII. Intergenerational Transfers

- ** Kotlikoff, L. and A. Spivak, "The Family as an Incomplete Annuities Market," JPE 89(2) (1981), 372-91.
- ** Altonji, J., F. Hayashi and L. Kotlikoff, "Parental Altruism and Inter Vivos Transfers: Theory and Evidence," JPE 105 (1997), 1121-1166.

Brown, M., M. Mazzocco, J. K. Scholz, and A. Seshadri, "Tied Transfers," working paper, 2006.

Bruce, Neil and Michael Waldman. 1990. "The Rotten-Kid Theorem Meets the Samaritan's Dilemma." QJE, 105 (1): 155-65.

Bruce, Neil and Michael Waldman. 1991. "Transfers in Kind: Why They Can be Efficient and Nonpaternalistic." AER, 81: 1345-51.

Coate, Stephen. 1995. "Altruism, the Samaritan's Dilemma, and Government Transfer Policy." AER, 85(1), March, 46-57.

- Lindbeck, Assar and Jorgen W. Weibull. 1988. "Altruism and Time Consistency: The Economics of Fait Accompli." *JPE*, 96: 1165-1182.
- Pollak, Robert A. 1988. "Tied Transfers and Paternalistic Preferences." *AER*, 78(2), May: 240-44.
- Brown, M., "Informal Care and the Division of End-of-Life Transfers," *JHR*, winter 2006.
- Barro, R., "Are Government Bonds Net Wealth?," *JPE*, 1974.
- Bernheim, B. D. and Bagwell, "Is Everything Neutral?," *JPE*, April 1988.
- Bernheim, B. D., A. Shleifer and L. Summers, "The Strategic Bequest Motive," *JPE* 93 (1985), 1045-1076.
- Gale, W. and M. Perozek, "Does the Estate Tax Reduce Saving?" Working Paper, Office of Tax Policy Research, University of Michigan Business School.
- Gale, W. G. and J. K. Scholz, "Intergenerational Transfers and the Accumulation of Wealth," *JEP*, 1994.
- Gale, W. G. and J. B. Slemrod, "We Tax Dead People," Working Paper, Office of Tax Policy Research, University of Michigan Business School.
- Kaplow, L., "Tax Policy and Gifts," *AEA Papers and Proceedings* 88(2), 1998, 283-288.
- Kotlikoff, L., "Intergenerational Transfers and Savings," *JEP*, Spring 1988, 41-58.
- Laitner, J. and H. Ohlsson, "Bequest Motives: A Comparison of Sweden and the United States," *JPubE* 79 (2001), 205-236.
- McGarry, K., "The Cost of Equality: Unequal bequests and Tax Avoidance," *JPubE* 79 (2001), 179-204.
- McGarry, K., "Inter Vivos Transfers and Intended Bequests," *JPubE* 73 (1999), 321-351.
- Modigliani, F., "The Role of Intergenerational Transfers and Life Cycle Saving in the Accumulation of Wealth," *JEP* 2 (1988), 15-40.
- Poterba, J., "The Estate and Gift Tax and Inter Vivos Giving in the United States," *JPubE* 79 (2001), 237-264.
- Wilhelm, M. O., "Bequest Behavior and the Effect of Heirs' Earnings: Testing the Altruistic Model of Bequests," *AER* 86 (1996), 874-892.
- Altig, David and Davis, Steven J. 1992. "The Timing of Intergenerational Transfers, Tax Policy, and Aggregate Savings," *AER*, 82(5): 1199-220.

Altonji, Joseph G., Fumio Hayashi, and Laurence J. Kotlikoff. 1992. "Is the Extended Family Altruistically Linked? Direct Tests Using Micro Data," *AER*, 82 (5): 1177-98.

Becker, Gary S. 1974. "A Theory of Social Interactions." *JPE*, 82: 1063-1093.

Browning, M. and P.-A. Chiappori (1998), "Efficient Intra-Household Allocations: a General Characterization and Empirical Tests," *EMA*, 66: 1241-1278.

Perozek, Maria G. 1996. "The Implications of a Dynamic Model of Altruistic Intergenerational Transfers." Mimeo, Board of Governors of the Federal Reserve.

IX. Divorce and the Economics of the Family

** Del Boca, D. and C. Flinn, "Expenditure Decisions of Divorced Mothers and Income Composition," *JHR* 1994.

** Brown, M. and C. Flinn, "Investment in Child Quality Over Marital States," mimeo, New York University, 2006.

* Nixon, L.A. (1997), "The Effect of Child Support Enforcement on Marital Dissolution," *JHR* 32, 159-181.

* Weiss, Y. and R.J. Willis (1993), "Transfers Among Divorced Couples: Evidence and Interpretation," *JOLE* 11, 629-679.

* Weiss, Y. and R. J. Willis (1997), "Match Quality, New Information and Marital Dissolution," *JOLE* 15, S293-S329.

Flinn, C. (2000), "Modes of Interaction Between Divorced Parents," *International Economic Review* 41, 545-578.

Liu, H., T. Mroz, and W. van der Klaauw, "Maternal Employment, Migration and Child Development," working paper, 2005.

Blau, D. and W. van der Klaauw, "A Demographic Analysis of the Family Structure Experiences of Children in the United States," working paper, 2006.

M. Tartari, "Divorce and the Cognitive Achievement of Children," working paper, Yale, 2006.

Gruber, J., "Is Making Divorce Easier Bad for Children? The Long Run Implications of Unilateral Divorce," NBER Working Paper #7968.

Peters, H. E., "Marriage and Divorce: Informational Constraints and Private Contracting," *AER* 76(3) (1986).

Aiyagari, S. R., J. Greenwood and N. Guner (2000), "On the State of the Union," *Journal of Political Economy* 108, 213-244.

Aiyagari, S. R., J. Greenwood and A. Seshadri, "Efficient Investment in Children," JET 102 (2002), 290-321.

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Becker, G. S., E. M. Landes and R. T. Michael (1977), "An Economic Analysis of Marital Instability," JPE 85, 1141-1187.

Brien, M. J., L. A. Lillard and S. Stern (forthcoming), "Cohabitation, Marriage and Divorce in a Model of Match Quality," IER.

Chiappori, P.-A., B. Fortin and G. Lacroix (2002), "Marriage Market, Divorce Legislation and Household Labor Supply," JPE 110, 37-72.

Friedberg, L. (1998), "Did Unilateral Divorce Raise Divorce Rates? Evidence from Panel Data," AER 88, 608-627.

Haveman, R. and B. Wolfe (1995), "The Determinants of Children's Attainments: A Review of Methods and Findings," JEL 33, 1829-1878.

Lundberg, S. and R. A. Pollak (1994), "Non-cooperative Bargaining Models of Marriage," AER Papers and Proceedings 84, 132-137.