Essays on the Design of Public Policies and Regulations

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Private Information and Design of Unemployment Insurance

Unemployment insurance (UI) programs around the world are predominantly government-provided with universal coverage. One explanation for the dominant adoption of mandatory UI is that private knowledge about unemployment risks might lead to a selected pool of insured individuals and generate welfare losses. At the same time, mandates might have a detrimental effect on welfare because of fully restricted individual choices. This ambiguity motivates a need to consider alternative designs of UI that allow for the individual choice but restrict selection into insurance based on risks. I use institutional features of the Swedish voluntary UI system and detailed administrative data to study the optimal design of UI. To evaluate welfare under various alternative regulations, I estimate a structural model of insurance choice that captures heterogeneity in preferences and private information about future unemployment risks. The results suggest that mandating UI would unambiguously reduce welfare by on average 49% in terms of consumer surplus compared to a current system. In contrast, appropriate designs with voluntary enrollment generate large welfare gains. In particular, contracts with fixed enrollment timing and predetermined duration improve welfare by 58% - 95% in terms of the consumer surplus. A "two-part tariff" contract that fails to sufficiently restrict risk-based selection results in average consumer surplus loss of 3%.

Behavioral Responses and Design of Bequest Taxation

This paper studies the optimal design of an intergenerational wealth tax, commonly represented by either inheritance or estate taxation. Depending on the tax design, old-age individuals can react with a number of responses, ranging from adjustments of wealth accumulation and inter-vivos gifts to changes in the distribution of inheritances among heirs. We leverage a unique and appropriate setup of Swedish inheritance taxation and rich administrative data. To understand individual responses to alternative tax schemes, e.g. adjustments in wealth accumulation, bequest distributions, and the resulting welfare changes, we estimate a comprehensive structural model of wealth accumulation and bequest decisions in old age. We find that comparable inheritance and estate taxes result in sizable, but similar distortions to wealth accumulation and bequest distributions. By limiting strategic avoidance to wealth adjustments, estate taxation outperforms inheritance taxes in terms of tax revenues. Our model enables policymakers to design an intergenerational wealth tax that balances distortions, progressiveness, tax revenue and tax incidence according to their social welfare functions.

Determinants of Competition and Student Demand in Higher Education: Evidence from Australia

How consumers make their choices and how firms compete are the central questions for many markets. Despite the importance of college education choices, the evidence of how college markets function and what is the role of government interventions is limited. In this paper, we use an appealing setup and detailed administrative data from an Australian college admission system to shed light on these questions. Using variation in tuition charges and government subsidies due to changes in government priority majors, we find that students show low price sensitivity. Furthermore, we document that university programs display signs of strategic responses to monetary incentives by adjusting the admission requirements. To study alternative price regulations in college markets, we estimate a structural model of student application decisions and competition of college programs. Our findings suggest that student tuition charges and college revenues have an important effect on the number of admitted students and their distribution across programs.

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