TAX POLICY
AND THE ECONOMY 14

edited by James M. Poterba

National Bureau of Economic Research
The MIT Press, Cambridge, Massachusetts
Send orders and business correspondence to:
The MIT Press
Five Cambridge Center
Cambridge, MA 02142-1407

In the United Kingdom, continental Europe, and the Middle East and Africa, send orders and business correspondence to:
The MIT Press Ltd.
Fitzroy House, 11 Chenies Street
London WC1E 7ET
ENGLAND

ISSN: 9892-8649
paperback 0-262-66164-0

Copyright Information
Permission to photocopy articles for internal or personal use, or the internal or personal use of specific clients, is granted by the copyright owner for users registered with the Copyright Clearance Center (CCC) Transactional Reporting Service, provided that the fee of $10.00 per copy is paid directly to CCC, 222 Rosewood Drive, Danvers, MA 01923. The fee code for users of the Transactional Reporting Service is: 0892-8649/00 $10.00. For those organizations that have been granted a photocopy license with CCC, a separate system of payment has been arranged.

© 2000 by the National Bureau of Economic Research and the Massachusetts Institute of Technology.
NBER BOARD OF DIRECTORS BY AFFILIATION

OFFICERS:
Carl F. Christ, Chairman
Kathleen B. Cooper, Vice Chairman
Martin Feldstein, President and Chief Executive Officer
Robert Mednick, Treasurer
Sam Parker, Chief Financial Officer

Susan Colligan, Corporate Secretary
Kelly Horak, Controller and Assistant Corporate Secretary
Gerardine Johnson, Assistant Corporate Secretary

DIRECTORS AT LARGE:
Peter C. Aldrich
Elizabeth E. Bailey
John H. Biggs
Andrew Brimmer
Carl F. Christ
Don R. Conlan
Kathleen B. Cooper
George C. Eads

Martin Feldstein
Stephen Friedman
George Hatsopoulos
Karen N. Horn
Judy C. Lewent
John Lipsky
Leo Melamed
Michael H. Moskow

Rudolph A. Oswald
Robert T. Parry
Peter G. Peterson
Richard N. Rosett
Kathleen P. Utgoff
Marina v.N. Whitman
Martin B. Zimmerman

DIRECTORS BY UNIVERSITY APPOINTMENT:
George Akerlof, California, Berkeley
Jagdish Bhagwati, Columbia
William C. Brainard, Yale
Glen G. Cain, Wisconsin
Franklin Fisher, Massachusetts Institute of Technology
Saul H. Hymans, Michigan

Marjorie B. McElroy, Duke
Joel Mokyr, Northwestern
Andrew Postlewaite, Pennsylvania
Nathan Rosenberg, Stanford
Craig Swan, Minnesota
David B. Yoffie, Harvard
Arnold Zellner, Chicago

DIRECTORS BY APPOINTMENT OF OTHER ORGANIZATIONS:
Marcel Boyer, Canadian Economics Association
Mark Drabenstott, American Agricultural Economics Association
Gail D. Fosler, The Conference Board
A. Ronald Gallant, American Statistical Association
Robert S. Hamada, American Finance Association
Robert Mednick, American Institute of Certified Public Accountants

Richard D. Rippe, National Association for Business Economics
John J. Siegfried, American Economic Association
David A. Smith, American Federation of Labor and Congress of Industrial Organizations
Josh S. Weston, Committee for Economic Development
Gavin Wright, Economic History Association

DIRECTORS EMERITI:
Moses Abramovitz
George T. Conklin, Jr.
Thomas D. Flynn
Lawrence R. Klein

Franklin A. Lindsay
Paul W. McCracken
Geoffrey H. Moore
James J. O’Leary

Bert Seidman
Eli Shapiro

Since this volume is a record of conference proceedings, it has been exempted from the rules governing critical review of manuscripts by the Board of Directors of the National Bureau (resolution adopted 8 June 1948, as revised 21 November 1949 and 20 April 1968).
CONTENTS

Introduction: James M. Poterba vii

Acknowledgments xi

THE TAXATION OF EXECUTIVE COMPENSATION 1
Brian J. Hall and Jeffrey B. Liebman

INTERNET COMMERCE, TAX SENSITIVITY, AND THE GENERATION GAP 45
Austan Goolsbee

STOCK MARKET REACTION TO CAPITAL GAINS TAX CHANGES: EMPIRICAL EVIDENCE FROM THE 1997 AND 1998 TAX ACTS 67
Douglas A. Shackelford

INTER VIVOS TRANSFERS OR BEQUESTS? ESTATE TAXES AND THE TIMING OF PARENTAL GIVING 93
Kathleen McGarry

THE FISCAL EFFECTS OF U.S. IMMIGRATION: A GENERATIONAL-ACCOUNTING PERSPECTIVE 123
Alan J. Auerbach and Philip Oreopoulos

WELFARE REFORM UNDER PRWORA: AID TO CHILDREN WITH WORKING FAMILIES? 157
Pamela Loprest, Stefanie Schmidt, and Ann Dryden Witte