

Economics 150

Public Finance: Taxation

Winter Term, 2003

Professor Roger Gordon
Department of Economics
Office: Economics 316
Tel: 534-4848
Email: rogordon@ucsd.edu
Web: <http://www.econ.ucsd.edu/~rogordon>
Office hours: Tuesday 1:00 - 4:00

Course Goals: The overall objective of this course is to provide an overview of the existing tax structure in the United States, its distributional and efficiency effects, the wide range of behavioral responses to existing taxes, and the trade-offs faced when considering various reform proposals.

Prerequisite: Intermediate Micro, or permission of instructor

Exams: There will be two in-class midterm exams, each counting for 25% of the final grade. The dates are listed below. The final exam will count for the remaining 50% of the final grade. Grading will be on a curve.

The midterms can raise your numerical grade but cannot lower it: I will use the maximum of your score on the final, your weighted score using in addition either midterm, or your weighted score using in addition both midterms, to determine the final ranking. There will be no make-up exams for these midterms. If you cannot take either or both midterm exams, then your final grade will be based on those exams that you do take.

Readings: The basic readings for the course come from:

Rosen: Harvey Rosen, *Public Finance*, sixth edition, and
SB: Joel Slemrod & Jon Bakija, *Taxing Ourselves*, second edition

Lectures: The lectures are an integral part of the course, and will go well beyond the required readings.

Course Outline

Week 1:

Overview of taxation

SB, ch. 2

Tax incidence

Rosen, ch. 12

Week 2: Efficiency vs. Equity

Efficiency costs of taxes

Rosen, Ch. 13, 14 to 311

Equity considerations

Rosen, pp. 311-324

SB, ch. 3

Week 3: Other considerations in tax policy

Effects on growth

SB, ch. 4

Administrative costs, enforcement problems

Rosen, pp. 324-332

SB, ch. 5

Midterm exam, January 23

Week 4: Personal income tax

Overview

Rosen, ch. 15

Effects on labor supply

Rosen, pp. 374-82

Week 5: Personal income tax (continued)

Effects on savings behavior and portfolio choice

Rosen, pp. 383-397

Stiglitz, "The General Theory of Tax Avoidance," *National Tax Journal*, 1985, pp. 325-37.

Behavioral response to deductible items

Clotfelter, "The Impact of Tax Reform on Charitable Giving: A 1989 Perspective," NBER Working Paper No. 3273.

Week 6:

Payroll taxes/unemployment insurance taxes

Feldstein and Samwick, "Social Security Rules and Marginal Tax Rates," *National Tax Journal*, 1992, pp. 1-22.

Week 7:

Corporate income tax:

Rosen, pp. 398-4013

Midterm exam, February 20

Week 8: Debt finance

Rosen, ch. 18

Week 9: Fiscal Federalism

Rosen, pp. 487-504, 413-417

Week 10: Consumption taxes

Rosen, ch. 19
SB, ch. 8