COURSE OBJECTIVES
Economics 8211 applies economic theory to issues of taxation and tax policy. The course first
discusses basic principles of taxation. It then describes the U.S. tax structure, and analyzes the
impact of the existing and alternative tax systems on the allocation of resources and the level and
distribution of economic welfare.

COURSE REQUIREMENTS
There will be two examinations: a midterm examination worth 1/3 of the final grade, and a
comprehensive final examination also worth 1/3 of the final grade. The midterm exam will be given
after completion of Basic Principles of Taxation, (tentatively) scheduled for Monday, October 21; the
final exam is scheduled for Thursday, December 19, from 7:30 pm to 10:30 pm. Also required is an
original research paper on a public economics topic of your choice; the research paper is worth 1/3 of
the final grade. The final version will be due on the last day of class. Details of the paper will be
discussed in class.

There will also be periodic assignments. Although they will not be collected or graded, questions from
them may appear on the exams. Students are encouraged to work together on the assignments.

TEXTBOOKS
There is one required textbook:

Joel Slemrod, ed., Do Taxes Matter? The Impact of the Tax Reform Act of 1986 (Cambridge,

Also recommended (but not required) are:

denoted "Rosen."

Institution, 1987), denoted "Pechman."

Alan J. Auerbach and Martin Feldstein, Handbook of Public Economics, Volumes I and II (New

A reading packet of articles is also required.
COURSE OUTLINE

I. Basic Principles of Taxation: What is a "good" tax system?
   A. Taxation and Incentives
   B. Taxation and Fairness
   C. Taxation and Incidence
   D. Taxation and Excess Burden
   E. Taxation and Revenues
   F. Tax Administration and Compliance Costs
   G. Taxation and Politics
   H. Optimal Taxation

II. Taxes on Individual Income
   A. The Structure of the Individual Income Tax
   B. The Impacts of Income Taxation
      1. Labor Supply
      2. Saving
      3. Portfolio Choice
      4. Tax Preferences
      5. Capital Gains
      6. Tax Avoidance and Evasion
      7. Tax Treatment of the Family
      8. Inflation
      9. Tax Policy Uncertainty
      10. Income Reporting

III. Social Security: Taxation and Benefits
   A. The Structure of Social Security
   B. The Impacts of Social Security
      1. Labor Supply
      2. Savings
      3. Distribution of Income

IV. Taxes on Business Income
   A. The Structure of Corporate Income Taxation
   B. The Impacts of the Corporation Income Tax
      1. Investments and Mergers
      2. Financial Structure of the Firm
      3. Deductible Activities
      4. Incidence

V. Deficit Finance

VI. Taxes on Consumption

VII. Taxes on Wealth

VIII. The Theory of Tax Design and Tax Reform
READING LIST
All starred (*) readings are required.

I.A. Taxation and Incentives

I.B. Taxation and Fairness
Rosen, Chapter 8.
Blum, W. J. and H. Kalven (1963), The Uneasy Case for Progressive Taxation (Chicago, IL: The University of Chicago Press).

I.C. Taxation and Incidence
Rosen, Chapter 13.
I.D. Taxation and Excess Burden
Rosen, Chapter 14.

I.E. Taxation and Revenues
I.F. Tax Administration and Compliance Costs

I.G. Taxation and Politics
Rosen, Chapter 7.

I.H. Optimal Taxation
Rosen, Chapter 15.
*Auerbach (1985) in I.D.

II.A. The Structure of the Individual Income Tax

Rosen, Chapter 16.

Pechman, Chapters 4 and 7.


II.B.1. Labor Supply

Rosen, Chapters 9 and 17.


II.B.2. Saving

Rosen, Chapter 17.


Economic Literature, 22, 1576-1629.

II.B.3. Portfolio Choice
Rosen, Chapter 17 (Portfolio Composition).
*Sandmo, in II.B.2.

II.B.4. Tax Preferences
Rosen, Chapter 17.
II.B.5. Capital Gains

II.B.6. Tax Avoidance and Evasion

II.B.7. Tax Treatment of the Family


II.B.8. Inflation

II.B.9. Tax Policy Uncertainty

II.B.10. Income Reporting
III.B. The Impact of Social Security  
Rosen, Chapters 10 and 11.  

IV.A. The Structure of Corporate Income Taxation  
Rosen, Chapter 18.  
Pechman, Chapter 5.  

IV.B.1. Investments and Mergers  

IV.B.2. Financial Structure  


IV.B.3. Tax Deductible Activities


IV.B.4. Incidence


V. Deficit Finance

Rosen, Chapter 19.


VI. Taxes on Consumption
Rosen, Chapter 20.
Pechman, Chapter 6.

VII. Taxes on Wealth
Rosen, Chapters 20 and 21.
Pechman, Chapters 8 and 9.

VIII. The Theory of Tax Design and Tax Reform