

Economics 150

Public Finance: Taxation

Fall Term, 2003

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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.

Note: I will not be able to make the lecture on October 2. Instead, I propose holding an extra class on the evening of October 1, in Sequoyah 244, from 7:00PM to 8:20 PM.

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, October 14

Week 4: Personal income tax

Overview

Rosen, ch. 15

Effects on labor supply

Behavioral response to deductible items

Rosen, pp. 487-504, 413-417

Week 10: Consumption taxes

Rosen, ch. 19

SB, ch. 8