

## Economics 151

### Public Finance: Taxation

Spring Term, 2002

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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 and your weighted score using in addition either or 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 Rosell,  
SB: Joel Slemrod & Jon Bakija,  
Public Finance, sixth edition, and  
Taxing Ourselves, second edition

and will go well beyond the  
**Lectures:** The lectures are an integral part of the course, and 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, April 18

#### **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.

##### Corporate income tax:

Rosen, pp. 398-4013

Make-up class: May 8, 7:00 – 8:30PM, room to be announced

#### **Week 7:**

Midterm exam, May 14

No class: May 16 (replaced by May 8)



~~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