

**JANUARY 12, 2017**

**Econ 9460**

**Advanced Public Economics II (Taxation)**

**David L. Sjoquist**

**Spring 2017**

Office: 433 AYSPS  
Phone: 404.413.0246  
email: [sjoquist@gsu.edu](mailto:sjoquist@gsu.edu)  
Office Hours: By appointment  
Class Time: Thurs 4:30-7:00 PM  
Class Place: 127 Langdale Hall

Public economics examines government tax and spending policies: what do governments do, what are the effects of these actions, and whether these effects are “good” or “bad”. Economics 9460 is part of a doctoral-level sequence in public economics, and focuses upon revenue issues, particularly taxation. The course *describes* the major taxes used by national governments; it *analyzes* the impacts of taxation on the allocation of resources, i.e., economic behavior; and *evaluates* the level and distribution of economic welfare.

### **COURSE LEARNING OUTCOMES**

The student should be able to:

- describe and understand the major revenue sources (e.g., personal income tax, corporate income tax, taxes on consumption, and taxes on wealth);
- define, understand, and evaluate the principles of public finance in a federal system
- analyze the effect of alternative tax regimes on savings, labor, retirement, consumption, and investment decisions;
- define and understand the effects of taxes on the distribution of income (e.g., the theory of “tax incidence”);
- measure the incidence of direct and indirect taxes using both partial and general equilibrium models of tax incidence;
- define and understand concepts of “tax equity”, and be able to evaluate the equity of a tax and of tax systems;
- define and understand the effects of taxes on the efficiency of resource allocation (e.g., the theory of “excess burden”);
- analyze the excess burden of direct and indirect taxes using both partial and general equilibrium models of excess burden;
- define and understand the effects of taxes on revenues, and be able to derive the revenue maximizing tax rate for a particular type of tax;
- derive the conditions for optimal commodity and income taxation, including being able to analyze the trade-offs among equity, efficiency, and revenues in any tax system;
- construct and evaluate a model of tax compliance;
- able to analyze the impacts of alternative tax rate and tax administration policies on tax compliance

## **COURSE REQUIREMENTS**

The prerequisite for this course is Econ 8100.

There will be two exams (a midterm and final), both will be closed book, take home exams.

- Midterm examination worth 35 percent of the final grade will be due on March 2<sup>nd</sup>.
- A final exam worth 35 percent of the final grade will be due on April 27<sup>th</sup>.

There will be a writing assignment (paper) worth 15 percent of the final grade. Details will be discussed in class.

Three problems sets worth a total of 15 percent of the final grade will be assigned.

Discussion of assigned EMPIRICAL articles. Details will be discussed in class.

Make up exams and late papers and homework will be allowed only if permission is given prior to the scheduled exam.

## **GRADES**

Grades will be assigned as follows:

- A+: 97-100%
- A: 94-96%
- A-: 90-93%
- B+: 87-89%
- B: 84-86%
- B-: 80-83%
- C+: 77-79%
- C: 74-76%
- C-: 70-73%
- D: 0-69%

## **iCollege**

iCollege (formerly BrightSpace) will be used for the course; students are required to check iCollege for calendar updates, modifications of the syllabus, informational postings, assignments and some readings. iCollege will also be used to provide presentation materials for class. Please check iCollege before class for updates.

## **DISABILITIES**

Students who wish to request accommodation for a disability may do so by registering with the Office of Disability Services. Students may only be accommodated upon issuance by the Office of Disability Services of a signed Accommodation Plan and are responsible for providing a copy of that plan to instructors of all classes in which an accommodation is sought.

## **UNIVERSITY REGULATIONS**

Please remember that all university regulations, deadlines, and policies must be observed. In particular, students are expected to follow the GSU "Policy on Academic Honesty" (Section 409 of the Georgia State University Faculty Handbook). Also, on some date after the mid-point of the course (a date set by the Provost), students on the grade rolls but no longer taking the class will be given a grade of WF, and the last day of class that the student attended or turned in an assignment will be reported to the GSU administration.

### **COURSE EVALUATION**

Your constructive assessment of this course plays an indispensable role in shaping education at Georgia State. Upon completing the course, please take time to fill out the online course evaluation.

### **OTHER POTENTIAL TOPICS**

It is not feasible to cover all of the potential topics that might be part of this course. Some of the topics not covered in this course include: taxation and politics; deficit finance; corrective taxes; user charges; intergovernmental revenue.

### **TEXTBOOKS**

There are no required textbooks.

The following are graduate level public economics textbooks. Some chapters from some of these books have been assigned (and are available on iCollege).

Richard W. Tresch, *Public Finance: a Normative Theory*, 2<sup>nd</sup> edition, 2002

Robin Boadway and David Wildasin, *Public Sector Economics*, 2<sup>nd</sup> edition, 1984

Atkinson and Stiglitz, *Lectures in Public Finance*, 1980

Gareth D. Myles, *Public Economics*, 1995. This book can be found on line at <http://people.exeter.ac.uk/gdmyles/papers/pdfs/pubec.pdf>

Bernard Salanie, *The Economics of Taxation*, 2003.

Alan J. Auerbach and Martin Feldstein, *Handbook of Public Economics*, there are 5 volumes, 1985, 1987, 2002, 2002, 2013, denoted "Handbook of PE: I - V"

Raghendra Jha, *Modern Public Economics*, 2009; 2<sup>nd</sup> edition

Richard Musgrave, *The Theory of Public Finance*, 1959.

### **OTHER READING**

The following provide useful advice to economists (read on your own):

McCloskey, Donald, "Economical Writing," *Economic Inquiry*, April, 1985, 187-222.

Hamermesh, Daniel S., "The Young Economist's Guide to Professional Etiquette," *Journal of Economic Perspectives*, Winter, 1992, 169-179.

Thomson, William, *A Guide for the Young Economist*, MIT Press, 2001

Jacobson, Sarah, 2015. "How to Learn to Stop Worrying and Love the Job Market." *Southern Economic Journal*, 81(3), 843-863.

Not required, but I recommend that you read the relevant chapters of an undergraduate public finance textbook in order to give you an overview of taxes and an introduction to the theory of taxation. Here are three good choices:

Harvey S. Rosen and Ted Gayer, *Public Finance*, 2013, 10<sup>th</sup> edition.

Jonathan Gruber, *Public Finance and Public Policy*, 2016 5<sup>th</sup> edition.

Joseph E. Stiglitz and Jay Rosengard, *Economics of the Public Sector*, 2015, 4<sup>th</sup> edition.

Not required, but for a more extensive "overview" of the U.S. tax system see Slemrod and Bakija, *Taxing Ourselves: A Citizen's Guide to the Debate Over Taxes*, 4<sup>th</sup> edition, 2008.

The following are some sources for data on taxation and expenditures:

- IMF: Government Finance Statistics (CD-ROM), and International Financial Statistics Yearbook
- World Bank publish data on taxes (and expenditures) for most countries.  
<http://databank.worldbank.org/data/home.aspx>
- EY provides detailed summary of tax systems for most countries. The following is a link to the entire list of reports: <http://www.ey.com/gl/en/services/tax/global-tax-guide-archive>
- U.S. Federal tax revenue and expenditure data can be obtained from the Congressional Budget Office, the Tax Policy Center, and the Tax Foundation.
- U.S. state and local government data can be obtained from the Government Finances Division of the U.S. Bureau of the Census and the Tax Policy Center.

## **READING LIST**

Assigned readings that cannot be found online will be posted on iCollege (previously known as BSPACE), and are so noted.

Assigned readings marked with an \* should be read but not “studied.”

The course syllabus provides a general plan for the course; deviations may be necessary.

Changes to the required readings are likely to be made during the semester.

### **1. Introduction**

#### **ASSIGNED**

\*Slemrod, Joel and Jon Bakija (2008), “An Overview of the U.S. Tax System”, Chapter 2 of *Taxing Ourselves: A Citizen’s Guide to the Debate Over Taxes*, 4<sup>th</sup> edition. (iCOLLEGE)

\*Musgrave, Richard, Chapter 1, “A Brief History of Fiscal Doctrine,” *Handbook of PE: I*, sections 1, 3, 4, 5, and 7 (iCOLLEGE)

Richardson, James A. and W. Bartley Hildreth (1999), “Economic Principles of Taxation”, Chapter 3 of Hildreth-Richardson Handbook. pp. 21-27 (iCOLLEGE)

\*Tridimas, George and Stanley Winer (2005), “The Political Economy of Government Size,” *European Journal of Political Economy*, vol. 21: 643-666.

#### **RECOMMENDED**

Joint Tax Committee, *Overview of the Federal Tax System as in Effect for 2015*. Available at <https://www.jct.gov/publications.html?func=startdown&id=4763>

Tresch, “Introduction to Normative Public Sector Theory,” pp 3-13.

Atkinson and Stiglitz, “Introduction, Role of Government,” pp 3-10.

Myles, “Introduction,” pp. 3-8.

#### **REFERENCES/OTHER**

Gelles, Ann J. (1999), “Legal and Constitutional Foundations of Taxation”, Chapter 2 of Hildreth-Richardson Handbook.

### **2. Equity/Fairness**

#### **ASSIGNED**

Tresch, Chapter 11, “Applying First-Best Principles of Taxation—What to Tax and How” (pp 331-361)

only). (iCOLLEGE)

Musgrave, Richard A. (1976), "ET, OT, and SBT," *Journal of Public Economics* 6 (1/2), 3-16.

#### RECOMMENDED

Blum, W. J. and H. Kalven (1953), *The Uneasy Case for Progressive Taxation* (Chicago, IL: The University of Chicago Press). [Or "The Uneasy Case for Progressive Taxation." Spring 1952 *University of Chicago Law Review*, 19(3): 417-520.]

Musgrave, Richard A. (1959), *The Theory of Public Finance*, Chapters 4, 5, and 10 (New York, NY: McGraw-Hill Book Company).

Kaplow, Louis (1989), "Horizontal Equity: Measures in Search of a Principle", *National Tax Journal*, 42 (2): 139-154.

Young, Peyton (1990). "Progressive Taxation and Equal Sacrifice", *American Economic Review*, 80 (1), 253-266.

Feldstein, Martin, (1976). "On the Theory of Tax Reform." *Journal of Public Economics*, 6 (1/2): 77-104.

Tresch, Chap 4, "Social Welfare Policy Analysis," especially pages 334-338 and 349-361.

#### REFERENCES/OTHER

Atkinson and Stiglitz, Lecture 11, "Introduction to Part Two-Normative Analysis," especially pages 339-341 and 350-356.

Boadway and Wildasin, Chapter 10, "The Normative Analysis of Taxation: Equity Aspects," especially pages 258-260 and 266-277.

Okun, Arthur M. (1975), *Equality and Efficiency: The Big Tradeoff* (Washington, D.C.: The Brookings Institution).

Myles, chapter 3 "Topics in Measurement." "Measurement of Income" pp. 60-61 "Equivalence Scales" pp 61-70, "Measuring Inequality" pp 70-88, and "Poverty" pp 88-95.

Congressional Budget Office (June 2016). *The Distribution of Household Income and Federal Taxes, 2013*

Center for Budget Policy and Priorities (September 30, 2016). *A Guide to Statistics on Historical Trends in Income Inequality*.

Atkinson, A., F. Alvaredo, T. Piketty, E. Saez, and G. Zucman *World Wealth and Income Database*

Atkinson, A., T. Piketty and E. Saez (2011). "Top Incomes in the Long Run of History." *Journal of Economic Literature* 49(1): 30-71.

Chetty, Raj, Nathan Hendren, Patrick Kline, and Emmanuel Saez (2014). “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States,” *Quarterly Journal of Economics*, 129(4): 1553-1623.

Kopczuk, Wojciech, Emmanuel Saez, and Jae Song (2010). “Earnings Inequality and Mobility in the United States: Evidence from Social Security Data since 1937,” *Quarterly Journal of Economics* 125(1): 91-128.

Piketty, Thomas and Emmanuel Saez (2003). “Income Inequality in the United States, 1913-1998”, *Quarterly Journal of Economics*, 118(1): 1-39.

### **3. Personal Income Tax: Design Issues and Structure**

#### **ASSIGNED**

No assigned reading

#### **RECOMMENDED**

Goode, Richard (1977), “The Economic Definition of Income”, in *Comprehensive Income Taxation* Joseph A. Pechman, ed. Pp. 1-36. (Washington, D.C.: The Brookings Institution).

Due, John F. (1977). “Personal Deductions”, in *Comprehensive Income Taxation*, in Joseph A. Pechman (ed). Washington, D.C.: The Brookings Institution.

Rogers, Diane Lim (1999). “Federal Income Tax Policy: Issues of Distribution and Equity,” Chapter 24 of Hildreth-Richardson Handbook.

#### **REFERENCES/OTHER**

Goode, Richard (1976). *The Individual Income Tax*, Chapters 2, 5, 6, 7, and 9 Washington, D.C.: The Brookings Institution.

Messere, Ken, Flip de Kim, and Christopher Heady (2003). chapter 6, “The Personal Income Tax,” in *Tax Policy: Theory and Practice in OECD Countries*, (Oxford: Oxford University Press).

Pechman, Joseph (1987). Chapter 4, “The Individual Income Tax.” *Federal Tax Policy*, 5<sup>th</sup> edition. Brookings Institution.

Lewbel, Arthur and Krishna Pendaukur, December 2006. “Equivalence Scales.” *The New Palgrave Dictionary of Economics*, 2<sup>nd</sup> edition. <https://www2.bc.edu/~lewbel/palequiv.pdf>

### **4. Income Tax Incentives - Introduction**

#### **ASSIGNED**

\*Gravelle, Jane G. (1999), “Federal Tax Policy: Tax Provisions as Incentives”, Chapter 22 (pp 529-547) of Hildreth- Richardson Handbook (iCOLLEGE).

## RECOMMENDED

Slemrod, Joel (1990), "The Economic Impact of the Tax Reform Act of 1986", in Slemrod (ed), *Do Taxes Matter?*, pp 1-12.

Moffitt, Robert (1992), "Incentive Effects of the U.S. Welfare System", *Journal of Economic Literature*, 30 (1), 1-61.

Auerbach, Alan J. and Joel Slemrod (1997), "The Economic Effects of the Tax Reform Act of 1986", *Journal of Economic Literature*, 35 (2), 589-632.

## **5. Labor Supply**

### ASSIGNED

Hausman, Jerry A. (1985), "Taxes and Labor Supply," Sections 1– 4 of Chapter 4 in *Handbook of PE: I. (COLLEGE)*

**(EMPIRICAL)** Eissa, Nada (1995). "Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment." NBER Working Paper 5023.

### RECOMMENDED

Saez Emmanuel (2010). "Do Taxpayers Bunch at Kink Points?" *American Economic Journal: Economic Policy* 2(3): 180-212.

Keane, Michael (2011). "Labor Supply and Taxes: A Survey." *Journal of Economic Literature*, 59(4), 961-1075

McClelland, Robert and Shannon Mok (2012). "A Review of Recent Research on Labor Supply Elasticities." Congressional Budget Office, Working Paper 2012-12.

### REFERENCES/OTHER

Meghir, Costas and David Phillips (2010). "Labour Supply and Taxes." *Dimensions of Tax Design: The Mirrlees Review*, pp. 202-274. Available at: <http://www.ifs.org.uk/publications/mirrleesreview/>

Blundell, R., and T. MaCurdy. "Labor Supply: A Review of Alternative Approaches." In *Handbook of Labor Economics*. Vol 3. Edited by A. Ashenfelter, and D. Card. North Holland, 1999, pp. 1569–1695.

Pencavel, John (1986). "Labor Supply of Men: A Survey." In *Handbook of Labor Economics*. Vol 1. Edited by A. Ashenfelter, and D. Layard. North Holland, pp. 3-102.

MaCurdy, Thomas, David Green, and Harry Paarsch (1990). "Assessing Empirical Approaches for Analyzing Taxes and Labor Supply." *Journal of Human Resources* 25(3): 415-490.

Mroz, Thomas (1987). "The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions." *Econometrica* 55(4): 765–99.



Moffitt, Robert (1986). "The Econometrics of Piecewise-Linear Budget Constraints: A Survey and Exposition of the Maximum Likelihood Method." *Journal of Business & Economic Statistics* 4(3): 317-328.

Moffitt, Robert (1986). "The Econometrics of Kinked Budget Constraints." *Journal of Economic Perspectives* 4(2): 119-139.

## 6. Earned Income Tax Credit

### ASSIGNED

\*Qiana Torres Flores (Updated by Jessica Hathaway) (January 2016) "Tax Credits for Working Families: Earned Income Tax Credit (EITC)" National Conference of State Legislatures, available at [http://www.ncsl.org/Portals/1/Documents/Labor/workingfamilies/EITC\\_Jan2016Update\\_FINAL.pdf](http://www.ncsl.org/Portals/1/Documents/Labor/workingfamilies/EITC_Jan2016Update_FINAL.pdf)

(EMPIRICAL) Eissa, N., and J. Liebman (1996). "Labor Supply Response to the Earned Income Tax Credit." *Quarterly Journal of Economics* 111(2): 605–37.

### RECOMMENDED

Hotz, V. Joseph and John Karl Scholz (2003). "The Earned Income Tax Credit." In Robert Moffitt (ed), *Means-Tested Transfer Programs in the United States*, University of Chicago Press. [Chapter is available from NBER]

Nichols, Austin and Jesse Rothstein (2015). "The Earned Income Tax Credit (EITC)." NBER Working Paper 21211.

Rothstein, Jesse (2010). "Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax Incidence." *American Economic Journal: Economic Policy* 2(21): 177-208.

Meyer, B. (2002). "Labor Supply at the Extensive and Intensive Margins: The EITC, Welfare, and Hours Worked." *American Economic Review* 92(2): 373–9.

## 7. Saving

### ASSIGNED

Atkinson and Stiglitz, Chapter 3, "Taxation, Saving, and Decisions Over Time." (iCOLLEGE)

(EMPIRICAL) Gelber, Alexander (2011). "How do 4019k)s Affect Saving? Evidence from Changes in 4019k) Eligibility." *American Economic Journal: Economic Policy* 3(4): 103-122.

### RECOMMENDED

Bernheim, D., "Taxation and Saving," in, *Handbook of P.E.: III*, Chapter 18, or NBER Working Paper No. 7061, 1999.

Browning, Martin and Annamaria Lusardi (1996). "Household Saving: Micro Theories and Micro Facts." *Journal of Economic Literature* 34(4): 1797-1855.

Summers, Lawrence H. (1981), "Capital Taxation and Accumulation in a Life Cycle Growth Model," *American Economic Review*, 71, 533-544.

### REFERENCES/OTHER

Thaler, Richard H. and Shlomo Benartzi, 2004, "Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving." *Journal of Political Economy*, 112, S164-S187.

## **8. Labor in a Life Cycle Model**

### ASSIGNED

MaCurdy, Thomas. (1981) "An Empirical Model of Labor Supply in a Lifecycle Setting." *Journal of Political Economy* 89 (6): 1059–85.

### RECOMMENDED

Heckman, James. 1974). "Life Cycle Consumption and Labor Supply: An Explanation of the Relationship between Income and Consumption over the Life Cycle." *American Economic Review* 64(1): 188-194.

## **9. Other Effects of Personal Income Taxes**

### ASSIGNED

Clotfelter, Charles (1985). *Federal Tax Policy and Charitable Giving*. University of Chicago Press. Pages 34-48. (iCOLLEGE)

(**EMPIRICAL**) Dowd, Tim, Robert McClelland, and Athiphat Muthitacharoen (2015). "New Evidence on the Tax Elasticity of Capital Gains", *National Tax Journal* 68 (3): 511-544.

### RECOMMENDED

Bakija, Jon and Bradley Heim (2011). "How Does Charitable Giving Respond to Incentives and Income? New Estimates from Panel Data." *National Tax Journal*, 64 (2, Part 2): 615-650.

Burman, Leonard E. and William Randolph (1994), "Measuring Permanent Responses to Capital Gains Tax Changes in Panel Data," *American Economic Review* 84: 794-809.

Hanson, Andrew (2012). "Size of Home, Homeownership, and the Mortgage Interest Deduction." *Journal of Housing Economics* 21: 195-210.

Woodbury, S. A. (1983), "Substitution Between Wage and Nonwage Benefits", *The American Economic Review* 73(1): 166-182.

Long, James and Frank Scott, Jr. (1984). "The Impact of the 1981 Tax Act on Fringe Benefits and Federal Tax Revenues." *National Tax Journal* 37(2): 185-194.

Berliant, Marcus and Paul Rothstein (2003). "Possibility, Impossibility, and History in the Origins of the Marriage Tax." *National Tax Journal* 56(2): 303-317.

## **10. Taxes and Physical Investment**

### **ASSIGNED**

Boadway and Wildasin. Chapter 11, section 5 only. (iCOLLEGE)

Hassett, Keven and Glenn Hubbard (1997). "Tax Policy and Investment." in *Fiscal Policy: Lessons from the Literature*, A. Auerbach (ed.), pages 339-385, MIT Press. Available from NBER (1996) as working paper 5683.

### **RECOMMENDED**

Auerbach, Alan J. (1983), "Taxation, Corporate Financial Policy, and the Cost of Capital," *Journal of Economic Literature*, 21, 905-940.

Chirinko, Robert S. 2002; "Corporate Taxation, Capital Formation, and the Substitution Elasticity between Labor and Capital." *National Tax Journal* 55(2): 339-55.

Chirinko, Robert (1986), "Business Investment and Tax Policy", *National Tax Journal*, 39 (2), 137-155.

Hassett, Keven and Glenn Hubbard (2002). "Tax Policy and Business Investment." Chap 20 in *Handbook of P.E.:* III.

### **REFERENCES/OTHER**

Chirinko, Robert S.; Fazzari, Steven M.; Meyer, Andrew P. (1999). "How Responsive Is Business Capital Formation to Its User Cost? An Exploration with Micro Data." *Journal of Public Economics* 74(1): 53-80

Edgerton, J. "Investment, Accounting, and the Salience of the Corporate Income Tax," Federal Reserve Board Working Paper, 2012. Available at:  
<http://www.federalreserve.gov/pubs/feds/2011/201120/201120pap.pdf>

House, C. and M. Shapiro, "Temporary Investment Tax Incentives: Theory with Evidence from Bonus Depreciation," *American Economic Review* 98 (2008), 737-768.

## **11. Taxes and Corporate Financing**

### **ASSIGNED**

Buschman, Robert (2012). Chap IV. "Theoretical Background." *A New Look at the 'Old View': Endogenous Discounting, Taxation, and Corporate Financial Decisions*. Ph.D. Dissertation, Georgia State University. (iCOLLEGE)

(EMPIRICAL) Yagan, Danny (2015). "Capital Tax Reform and the Real Economy: The Effects of the 2003 Dividend Tax Cut." *American Economic Review* 105(10): 3531-3563.

### RECOMMENDED

Myles, section 4.2 of Chapter 8. *Public Economics* (iCOLLEGE)

Auerbach, Alan (2002). "Taxation and Corporate Financial Policy." Chap 19 in *Handbook of P.E.: III*, or NBER Working Paper No. 8203.

Zodrow, George R. (1991), "On the 'Traditional' and 'New' Views of Dividend Taxation", *National Tax Journal*, 44 (4), 497-509.

Bradford, David (1981). "The Incidence and Allocation Effects of a Tax on Corporate Distributions." *Journal of Public Economics* 15: 1-22.

Stiglitz, Joseph E. (1973), "Taxation, Corporate Financial Policy, and the Cost of Capital," *Journal of Public Economics* 2: 1-34.

Auerbach, Alan (1979). "Wealth Maximization and the Cost of Capital." *Quarterly Journal of Economics* 93(3): 433-446.

King, Mervyn (1974). "Taxation and the Cost of Capital." *Review of Economic Studies* 41(1): 21-35.

Sørensen, Peter (1995). "Changing Views of the Corporate Income Tax." *National Tax Journal* 48(2): 279-294.

### REFERENCES/OTHER

Chetty and Saez, "Dividend Taxes and Corporate Behavior: Evidence from the 2003 Dividend Tax Cut," *Quarterly Journal of Economics*, 120(3), August 2005, 791-833.

Poterba, James M. and Lawrence H. Summers (1983), "Dividend Taxes, Corporate Investment, and 'Q'", *Journal of Public Economics*, 22 (2), 135-167.

Mackie-Mason, Jeffrey (1990), "Do Taxes Affect Corporate Financing Decisions?", *Journal of Finance*, 45 (5), 1471-1493.

Gentry, William M. (1994), "Taxes, Financial Decisions, and Organization Form: Evidence from Publicly Traded Partnerships", *Journal of Public Economics*, 53 (2), 223-244.

Grubert, Harry and John Mutti (2000), "Do Taxes Influence Where U.S. Corporations Invest?" *National Tax Journal*, 53 (4, Part 1), 825-839.

## **12. Economics Efficiency (Welfare Loss)**

### ASSIGNED

Tresch, "The Second-Best Theory of Taxation in One-Consumer Economies with Linear Production Technology", chapter 13 in *Public Finance: A Normative Theory*: pp 399-425 only. (iCOLLEGE)

### RECOMMENDED

Diamond, Peter and Daniel McFadden (1974). "Some Uses of the Expenditure Function in Public Finance." *Journal of Public Economics* 3: 3-21.

Auerbach, Alan J. (1985), "The Theory of Excess Burden and Optimal Taxation," Chapter 2 in *Handbook of PE: I.*: 61-86. (iCOLLEGE)

Ballard, Charles L., John B. Shoven, and John Whalley (1985), "General Equilibrium Computations of the Marginal Welfare Costs of Taxes in the United States," *American Economic Review*, 75, 128-138.

Chetty, Raj. A. Looney, and K. Kroft (2009). "Salience and Taxation: Theory and Evidence." *American Economic Review* 99(4): 1145-1177.

Tresch, "The Second-Best Theory of Taxation with General Production Technologies and Many Consumers", chap 14, pp 447-458.

## **13. Taxes and Taxable Income**

### ASSIGNED

Tresch, "The Second-Best Theory of Taxation in One-Consumer Economies with Linear Production Technology", chapter 13: pp 425-428 only. (iCOLLEGE)

(EMPIRICAL) Heim, Bradley T. (2009). The Effect of Recent Tax Changes on Taxable Income: Evidence from a New Panel of Tax Returns." *Journal of Policy Analysis and Management* 28(1): 147-63.

### RECOMMENDED

Feldstein, Martin (1999), "Tax Avoidance and the Deadweight Loss of the Income Tax," *Review of Economics and Statistics* 81(4): 674-680.

Feldstein, Martin (1995) "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act," *Journal of Political Economy* 103(3): 551-572.

Saez, Emmanuel, Joel Slemrod, and Seth Giertz (2009) "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review", *Journal of Economic Literature* 50(1): 3-50.

Chetty, Raj. (2009). "Is the Taxable Income Elasticity Sufficient to Calculate Deadweight Loss? The Implications of Evasion and Avoidance." *American Economic Journal: Economic Policy* 1(2): 31-52.

Weber, Caroline E. (2014). "Toward Obtaining a Consistent Estimate of the Elasticity of Taxable Income Using Difference-in-Differences." *Journal of Public Economics* 117: 90-103.

## REFERENCES/OTHER

Fullerton, Don (1982), "On the Possibility of an Inverse Relationship Between Tax Rates and Tax Revenues," *Journal of Public Economics* 19(1): 3-22.

Gruber, Jonathan and Emmanuel Saez, (2002) "The Elasticity of Taxable Income: Evidence and Implications," *Journal of Public Economics* 84: 1-32.

Saez, Emmanuel (2004) "Reported Incomes and Marginal Tax Rates, 1960-2000: Evidence and Policy Implications", NBER working paper 10273.

Slemrod, Joel (1995), "Income Creation or Income Shifting? Behavioral Responses to the Tax Reform Act of 1986," *American Economic Review* 85 (2): 175-180.

## **14. Tax Incidence**

### ASSIGNED

Fullerton and Metcalf (2002). "Tax Incidence" in *Handbook of PE-IV*, pp. 1788-1823. (iCOLLEGE)

(EMPIRICAL) Alm, James, Edward Sennoga, and Mark Skidmore (2009), "Perfect Competition, Urbanization, and Tax Incidence in the Retail Gasoline Market", *Economic Inquiry* 47(1): 118-134.

### RECOMMENDED

McLure, Charles E. (1975), "General Equilibrium Incidence Analysis", *Journal of Public Economics*, 4, 125-161.

Mieszkowski, Peter M. (1967), "On the Theory of Tax Incidence", *Journal of Political Economy*, 75, 250-262.

Diamond, Peter (1978), "Tax Incidence in a Two-good Model", *Journal of Public Economics*, 9 (2), 283-299.

Kotlikoff, Laurence J. and Lawrence H. Summers (1987), "Tax Incidence", Chapter 16 in *Handbook of Public Economics*, Volume 2.

Harberger, Arnold C. (1962), "The Incidence of the Corporation Income Tax," *Journal of Political Economy*, 70, 215-240.

Gravelle, J., and K. Smetters. "Who Bears the Burden of Corporate Taxation in an Open Economy?" NBER Working Paper No. 8280, May 2001.

Auerbach, "Who Bears the Corporate Tax? A Review of What We Know" NBER Working Paper 11686, October 2005.

## REFERENCES/OTHER

Cutler, D. "Tax Reform and the Stock Market: An Asset Price Approach," *American Economic Review*, 78(5), December 1988, 1107-1117, esp. Sections I-III.

Fullerton, Don and Diane Lim Rogers (1991), "Lifetime Versus Annual Perspective on Tax Incidence" *National Tax Journal* 44 3): 277-287.

Suits, Daniel (1977). "Measurement of Tax Progressivity." *American Economic Review* 67(4): 747-52.

Kiefer, Donald (1984). "Distributional Tax Progressivity Indices." *National Tax Journal* 37(4): 497-513.

## 15. Optimal Taxation

### ASSIGNED

Auerbach, Alan and James Hines (2002), Chapter 21 "Taxation and Economic Efficiency", *Handbook in PE: III*: pp 1361-1384. (iCOLLEGE)

### RECOMMENDED

Tresch, "The Second-Best Theory of Taxation in One-Consumer Economies with Linear Production Technology", chapter 13: pp 429-445.

Tresch, "The Second-Best Theory of Taxation with General Production Technologies and Many Consumers", chap 14: pp 458-483.

Jha, "Aspects of Income Taxation" chap 14, pp 328-358.

Myles, "Commodity Taxation" chap 4, pp. 99-130.

Myles, "Income Taxation" chap 5, pp. 131-166.

Diamond, Peter and Emmanuel Saez (2011), "The Case for a Progressive Tax: From Basic Research to Policy Recommendations," *Journal of Economic Perspectives*, 25(4): 165-190.

Mankiw, N.G., M. Weinzierl, and D. Yagan (2009), "Optimal Taxation in Theory and Practice", *The Journal of Economic Perspectives*, 23 (4), 147-174.

Boadway, Robin (2012). *From Optimal Tax Theory to Tax Policy*. MIT Press.

Salanie, *The Economics of Taxation*, Chapters 3, 4, 5, and 8.

Sheshinski, Eytan (1972). "The Optimal Linear Income-tax." *Review of Economic Studies* 39(3): 297-302.

### REFERENCES/OTHER

- Piketty, Thomas and Emmanuel Saez (2013). “Optimal Labor Income Taxation” in Alan J. Auerbach, Raj Chetty, Martin Feldstein and Emmanuel Saez (ed) *Handbook of Public Economics* Volume 5, pp. 391-474. Available as NBER working paper 18521.
- Samuelson, Paul (1986), “Theory of Optimal Taxation”, *Journal of Public Economics*, 30, 137-143.
- Diamond, Peter A. and James A. Mirrlees (1971), "Optimal Taxation and Public Production, Part I and II," *American Economic Review*, 61, 8-27 and 261-278.
- Mirrlees, James A. (1971). “An Exploration in the Theory of Optimal Income Taxation”, *Review of Economic Studies*, 38: 175-208.
- Diamond, Peter A. (1975), “A Many-person Ramsey Tax Rule”, *Journal of Public Economics*, 1975, 335-342.
- Atkinson, Anthony B. and Joseph E. Stiglitz (1976), “The Design of Tax Structure: Direct Versus Indirect Taxation”, *Journal of Public Economics*, 6, 55-76.
- Mirrlees, James A. (1976), “Optimal Tax Theory: A Synthesis”, *Journal of Public Economics*, 6, 327-358.
- Auerbach, Alan J. (1985), “The Theory of Excess Burden and Optimal Taxation”, Chapter 2 in *Handbook of Public Economics*, Volume 1.
- Stern, Nicholas (1987), “The Theory of Optimal Commodity and Income Taxation: An Introduction”, Chapter 2 in *The Theory of Taxation for Developing Countries*, David Newbery and Nicholas Stern, eds. (New York, NY: Oxford University Press).
- Stiglitz, Joseph E. (1987), “Pareto Efficient and Optimal Taxation and the New New Welfare Economics”, Chapter 15 in *Handbook of Public Economics*, Volume 2.
- Saez, Emmanuel (2001), “Using Elasticities to Derive Optimal Income Tax Rates”, *Review of Economics Studies*, 68, 205-229.
- Piketty, T., E. Saez, and S. Stantcheva (2011), “Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities”, NBER Working Paper 17616.
- Corlett, W. J. and D. C. Hague (1953-54). “Complementarity and the Excess Burden of Taxation.” *Review of Economic Studies* 21(1): 21-30.
- Scheuer, Florian and Ivan Werning (2016). “Mirrlees meets Diamond-Mirrlees: Simplifying Nonlinear Income Taxation.” MIT working paper.
- Sandmo, Agnar (1976). “Optimal Taxation: An Introduction to the Literature.” *Journal of Public Economics* 6:37-54.

## **16. Property Tax**

### **ASSIGNED**



McCluskey, Cornia, and Walters (2013). *A Primer on Property Tax*, "Property Tax: A Situation Analysis and Overview" pp 1-26. (iCOLLEGE).

Mieszkowski, Peter M. (1972), "The Property Tax: An Excise Tax or a Profits Tax?" *Journal of Public Economics*, 1, 73-96.

### RECOMMENDED

McLure, Charles E. (1977), "The New View of the Property Tax: A Caveat", *National Tax Journal*, 30, 69-76.

Mieszkowski, Peter and George R. Zodrow (1989), "Taxation and the Tiebout Model", *The Journal of Economic Literature*, 27 (3), 1098-1146.

Mieszkowski (1972). "The property tax: an excise tax or a profits tax?" *Journal of Public Economics*, 73-96

Zodrow and Mieszkowski (1986), "The new view of the property tax: A reformulation." *Regional Science and Urban Economics*, 309-327.

Lin, Chaun (1986). "A General Equilibrium Analysis of Property Tax Incidence." *Journal of Public Economics* 29: 113-32.

## **17. Wealth Transfer Taxes**

### ASSIGNED

Kopczuk, Wojciech (2013). "Taxation of Intergenerational Transfers and Wealth" in "*Handbook of PE-V*, chapter 6. Also available from NBER as working paper 18584.

(EMPIRICAL) Kopczuk, Wojciech (2007). "Bequest and Tax Planning: Evidence from Estate Tax Returns." *Quarterly Journal of Economics* 122(4): 1801-1854

### RECOMMENDED

Gale, William and Joel Slemrod (2001). "Overview." In *Rethinking Estate and Gift Taxation: Overview*. Edited by W. Gale, J. Hines, and J. Slemrod. Brookings Institution, pp. 1–64. [Summarized in Gale and Slemrod (2001) "Rethinking the Estate and Gift Tax," Conference Report no. 5, Brookings Institution, <https://www.brookings.edu/research/rethinking-the-estate-and-gift-tax/>]

Schnellenbach, Jan (2012). The Economics of Taxing Net Wealth: A Survey of the Issues." *Public Finance and Management* 12(4) :368-400.

Kopczuk, W. "Economics of estate taxation: a brief review of theory and evidence." NBER Working Paper, no. 15741.

Boadway, Robin, Emma Chamberlain, and Carl Emmerson (2010). "Taxation of Wealth and Wealth Transfers" in James Mirrlees (editor) *Dimensions of Tax Design: Mirrlees Review*, Chap 8, pp 737-814 [Available from the Institute for Fiscal Studies.]

Auerbach, Alan J. (2008). "Taxation of wealth." *The New Palgrave Dictionary of Economics Online*.  
<[http://www.dictionaryofeconomics.com/article?id=pde2008\\_T000025](http://www.dictionaryofeconomics.com/article?id=pde2008_T000025)>  
doi:10.1057/9780230226203.1685

### REFERENCES/OTHER

Poterba, James M. (2001), "The Estate and Gift Tax and Inter Vivos Giving in the United States",  
*Journal of Public Economics*, 79 (1), 237-64

Piketty, T., and E. Saez. "A Theory of Optimal Capital Taxation." NBER Working Paper, no. 17989,  
April 2012.

Cremer, H. and Pestieau, P., "Wealth and Wealth Transfer Taxation: A Survey," IDEI working paper  
2009

Farhi, E. and Werning, I. (2007). Inequality and Social Discounting, *Journal of Political Economy*  
115(3): 365-402.

Farhi, E. and Werning, I. (2009). "Progressive Estate Taxation," *Quarterly Journal of Economics* 125(2):  
635-673.

Piketty, T. and Saez, E. (2013). "A Theory of Optimal Inheritance Taxation," *Econometrica* 81(5):  
1851-1886.

Joulifian, David (1991), "Charitable Bequests and Estate Taxes", *National Tax Journal*, 44 (2), 169-  
180.

Joulifian, David (2013). The Federal Estate Tax: History, Law, Economics. Office of Tax Analysis  
paper, available at SSRN 1579829.

Seim, David (2013). "Real or Evasion Responses to the Wealth Tax? Theory and Evidence from  
Sweden" <https://pdfs.semanticscholar.org/377b/b460360fb30d239182e6ad18ec159fd6f401.pdf>

Brühlhart, Marius, Jonathan Gruber, Matthias Krapf, and Kurt Schmidheiny (2016). "Taxing Wealth:  
Evidence from Switzerland" NBER Working Paper No. 22376.

## **18. Net Wealth Tax**

### ASSIGNED

Burbidge, John (1991). "The Allocative and Efficiency Effects of Wealth Taxes." *Canadian Public  
Policy* 17(3): 264-278.

## **19. Tax Avoidance, Evasion, and Administration**

### ASSIGNED

Allingham, Michael G. and Agnar Sandmo (1972), "Income Tax Evasion: A Theoretical Analysis,"  
*Journal of Public Economics*, 1, 323-338.

(**EMPIRICAL**)\_Alm, James, Gary H. McClelland, and William D. Schulze (1992), "Why Do People Pay Taxes?" *Journal of Public Economics*, 48, 21-38.

### RECOMMENDED

Silvani and Baer (1997). "Designing a Tax Administration Reform Strategy: Experiences and Guidelines," IMF (**iCOLLEGE**).

Kleven, Henrik Jacobsen, Claus Thustrup Kreiner, and Emmanuel Saez (2009). "Why Can Modern Governments Tax So Much? An Agency Model of Firms as Fiscal Intermediaries." NBER Working Paper No. 15218

Pomeranz, Dina (2015). "No Taxation without Information: Deterrence and Self-Enforcement in the Value Added Tax." *American Economic Review* 105(8): 2539-2569.

Kleven, Henrik (2014). "How Can Scandinavians Tax So Much?" *Journal of Economic Perspectives* 28(4): 77-98.

Besley, Timothy and Torsten Persson (2014). "Why Do Developing Countries Tax So Little?" *Journal of Economic Perspectives* 28(4): 99-120.

Slemrod, Joel and Christian Gillitzer (2014). *Tax Systems*. Cambridge, MA: MIT Press.

Coolidge, Jacqueline (2012). "Findings of Tax Compliance Cost Surveys in Developing Countries." *Journal of Tax Research* 10(2): 250-287.

Marcus, Rosemary, et al. (2013). "Income Taxes and Compliance Costs: How Are They Related?" *National Tax Journal* 66(4): 833-854.

Pomeranz, Dina (2015). "No Taxation without Information: Deterrence and Self-Enforcement in the Value Added Tax," *American Economic Review* 105(8): 2539-2569.

## **20. Tax Competition**

### ASSIGNED

Wilson, John (1986). "A Theory of Interregional Tax Competition." *Journal of Urban Economics* 19 (3): 296-315.

### RECOMMENDED

Zodrow, George and Peter Mieszkowski (1986). "Pigou, Property Taxation, and the Underprovision of Local Public Goods." *Journal of Urban Economics* 19: 356-370.

Wildasin, David (1988). "Nash Equilibrium in Models of Fiscal Competition." *Journal of Public Economics* 35: 229-240.

Keen, Michael and Kai A. Konrad (2013). "The Theory of International Tax Competition and

Coordination” Chapter 5 in Auerbach, Chetty, Feldstein, and Saez (eds), *Handbook of Public Economics*, vol 5, pp. 257-328. Available from SSRN

Genschel, Philipp and Peter Schwarz (2011). “State of the Art: Tax Competition: A Literature Review.” *Socio-Economic Review* 9: 339-370.

Norregaard, John (1997). “Tax Assignment.” In Teresa Ter-Minassian (ed), *Fiscal Federalism in Theory and Practice*. Washington, DC: IMF pp 49-72.

Bird, Richard (2010). “Subnational Taxation in Developing Countries: A Review of the Literature.” World Bank, Policy Research Working Paper 5450.

Ambrosanio, Maria and Massimo Bordignon (2006). “Normative versus Positive Theories of Revenue Assignment in Federations.” In Ahmand and Brosio (eds), *Handbook of Fiscal Federalism*, Edward Elgar, pp. 306-338.

## **21. Tax Reform**

### **ASSIGNED**

TO BE DETERMINED

### **RECOMMENDED**

Altig, D., A. Auerbach, L. Kotlikoff, K. Smetters, and J. Walliser, (2001) "Simulating Fundamental Tax Reform in the United States," *American Economic Review* 91(2), 574-595.

Zodrow, George (1981), “Implementing Tax Reform”, *National Tax Journal*, 34 (4), 401-418.

Auerbach, Alan (1991), “Retrospective Capital Gains Taxation,” *The American Economic Review*, 81 (1), 167-178. (see also Tresch, pp 373-378.)

Toder, Eric and Alan Viard (2016). *A Proposal to Reform the Taxation of Corporate Income*. Report of the Tax Policy Center and the Tax Foundation. Available at:  
<http://www.taxpolicycenter.org/publications/proposal-reform-taxation-corporate-income/full>

### **REFERENCES/OTHER**

AICPA (2009). Chapters 5-9, *Tax Reform Alternatives for the 21<sup>st</sup> Century*. Available at <http://www.aicpa.org/Advocacy/Tax/DownloadableDocuments/Tax%20Reform%20Alternatives%202009.pdf>

CBO (1997). *Comparing Income and Consumption Tax Bases*. Executive Summary only. Available at <http://www.cbo.gov/sites/default/files/taxbases.pdf>

Congressional Research Service (2008). *The Flat Tax, Value-Added Tax, and National Retail Sales Tax: Overview of Issues*. Available at <https://stuff.mit.edu/afs/sipb/contrib/wikileaks-crs/wikileaks-crs-reports/RL32603.pdf>

Zodrow, G. (2007). “Should Capital Income Be Subject to Consumption-Based Taxation?” Chap 2 in

Aaron, Burman, and Steuerle (eds), *Taxing Capital Income*. (iCOLLEGE)

Goode, Richard (1980). "The Superiority of the Income Tax." In Joseph Peckman (ed), *What Should Be Taxed, Income or Expenditures*. Washington DC: Brookings Institution, 49-72.

Bradford, David (1980). "The Case for a Personal Consumption Tax," In Joseph Peckman (ed), *What Should Be Taxed, Income or Expenditures*. Washington DC: Brookings Institution.

Feldstein, Martin S. (1976), "On the Theory of Tax Reform", *Journal of Public Economics*, 6, 77-104.

Musgrave, Richard A. (1976), "ET, OT, and SBT", *Journal of Public Economics*, 6, 3-16.

Auerbach, Alan (2010). *A Modern Corporate Tax*. A report of the Center for American Progress and The Hamilton Project.

## 22. Social Security

### ASSIGNED

Diamond, Peter and Jonathan Gruber (1999). "Social Security and Retirement in the United States" chap 11, in Gruber and Wise (ed), *Social Security and Retirement around the World*. Available as NBER working paper 6097.

Feldstein, Martin and Jeffrey Liebman (2002). "Social Security." in *Handbook of PE-IV*, pp. 2245-2264. (iCOLLEGE)

### RECOMMENDED

Samuelson, Paul A. (1958), "An Exact Consumption Loan Model of Interest With or Without the Social Contrivance of Money", *The Journal of Political Economy*, 66 (6), 467-482.

Friedberg, L. "The Labor Supply Effects of the Social Security Earnings Test." *Review of Economics and Statistics*, 82 (February 2000), 48-63.

Diamond, Peter (1977), "A Framework for Social Security Analysis", *Journal of Public Economics*, 8, 275-298.

Peckman, Joseph A. (1983), *The Economic Effects of Social Security* (The Brookings Institution).

Diamond, Peter (1996), "Proposals to Restructure Social Security", *The Journal of Economic Perspectives*, 10 (3), 67-88.

Bernheim, B. Douglas (1987), "The Economic Effects of Social Security: Towards a Reconciliation of Theory and Measurement", *Journal of Public Economics*, 33 (3), 273-304.

Feldstein, Martin (1985), "The Optimal Level of Social Security Benefits", *Quarterly Journal of Economics*, 100, 300-320.

Brunner, J.K. (1996), "Transition from a Pay-as-you-go to a Fully Funded Pension System: The Case of Differing Individuals and Intragenerational Fairness", *Journal of Public Economics*, 60, 131-

146.

## **23. Behavioral**

### **ASSIGNED**

McCaffery, Edward and Jonathon Baron (2006). "Thinking About Tax." *Psychology, Public Policy, and Law* 12(1): 106-135

### **RECOMMENDED**

Chetty, Raj, A. Looney, and K. Kroft (2009), "Salience and Taxation: Theory and Evidence", *American Economic Review* 99(4): 1145-1177.

McCaffery, Edward and Joel Slemrod (eds) (2006). *Behavioral Public Finance*, Russell Sage Foundation.