

**ECONOMICS 510**  
**ECONOMICS OF TAXATION**  
**Fall 2016**

<http://classes.igpa.uiuc.edu/jgiertz/ECON510/econ510.htm>

**Instructor:** J. Fred Giertz, Professor of Economics

**Time and Location:** 4:00-5:50 p. m., Tuesday and Thursday, Room 119 David Kinley Hall

**Text:** Rosen and Gayer, Public Finance, 10th edition and Burman and Slemrod, Taxes in America: What Everyone Needs to Know

**Supplementary Reading:**

Hindriks and Myles, Intermediate Public Economics, MIT Press (HM) (On Reserve=Business and Economics Library)

Shome, Tax Policy Handbook, IMF (S) Selected contents available on Google books website.

Tax Analysts, The VAT Reader (available on line)

**Catalogue Description:** Economics of Taxation

Credit: 4 hours.

Theoretical and empirical analysis of the impact of taxation on the economic system; topics include tax equity and excess burden, incentive effects of taxation, tax incidence, structure of major types of taxes (income, consumption, and wealth), normative tax analysis, and taxation in developing economies.

Prerequisite: ECON 302 or ECON 500 or equivalent.

**Office:**

Institute of Government and Public Affairs, 229 IGPA

1007 W. Nevada

217 244-4822

**E-mail:** [jgiertz@uiuc.edu](mailto:jgiertz@uiuc.edu)

**Office Hours:** By appointment

**Daily Class Schedule:** <http://classes.igpa.uiuc.edu/jgiertz/ECON510/Schedule510.htm>

**Course Outline:** (See daily schedule for additional readings)

**I. Introduction and Review**

Overview, Rosen and Gayer, Ch. 1-3.

HM, Chs. 1 and 3.

**II. Market Failure--Brief Overview**

Public Goods, Rosen and Gayer, Ch. 4.

Externalities, Rosen and Gayer, Ch. 5. (Pigouvian taxes, environmental taxes, cap and trade)

Nordhaus' Review of Stern Report

**III. Principles of Taxation**

Rosen and Gayer, Ch. 14-16.

Burman and Slemrod, entire book to be read over the first several weeks.

Shome, pp. 3-24, 25-29, 30-34, 35-45, and 59-61. (Shome-Table of Contents)

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#### **IV. Income Taxation**

Rosen and Gayer, Ch. 17-18.

HM, Ch. 15.

Shome, pp. 50-54, 117-133.

Piketty and Saez, Progressive is the U.S. Federal Tax System? Journal of Economic Perspective, Winter 2007

Mankiw, Weinzierl, and Yagan, Journal of Economic Perspective, Fall 2009

Diamond and Saez, The Case for a Progressive Tax: From Basic Research to Policy

Recommendations

S. Giertz, "The Elasticity of Taxable Income," in Tax Policy Lessons from the 2000s.

Keane, Labor Supply and Taxes: A Survey, Journal of Economic Literature, December 2011

#### **V. Business Taxes**

Corporate Taxation and Business Taxation, Rosen and Gayer, Ch. 19.

Shome, pp. 134-148, 149-168, 181-184.

Bird, Why Tax Corporations?

#### **VI. Consumption and Wealth Taxes**

Consumption, Rosen and Gayer, Ch. 21.

HM. Ch. 14

Shome, pp. 71-74, 75-79, 80-81, 82-86, 86-99, and 169-176.

Hines, Taxing Consumption and Other Sins, Journal of Economic Perspective, Winter 2007

Graetz, Tax Reform Unraveling, Journal of Economic Perspective, Winter 2007

Viard, Capital Income Taxation: Reframing the Debate

Zodrow, Who Pays the Property Tax?

#### **VII. Special Topics**

Avoidance and Evasion, HM, Ch. 16.

Auerbach, Tax Reform in 21st Century

Slemrod, Cheating Ourselves: The Economics of Tax Evasion, Journal of Economic Perspective, Winter 2007

Fiscal Competition, Rosen and Gayer, Ch. 22, HM, Chs. 17-18, Shome, 185-187 and 247-253.

Financial Transaction Taxes, The Tobin Tax: A Review of the Evidence

#### **Examinations:**

There will be three examinations in the course including the final exam. Each exam (including the final) will be counted equally. The exams will consist of multiple choice, essay, and problem questions. Study questions will be provided to help prepare for the exams. Plus and minus grade options will be used in the class.

The two midterm exams will be given in early October and early November. (Dates to be determined.) The final examination will be at 7:00--10:00 p.m., Friday, December 16 in the regular classroom.

#### **Project:**

Each student will work on a project dealing with a tax policy topic. The project will consist of a presentation to the class on an approved tax topic near the end of the term.

#### **Grading:**

Plus and minus grade options will be used in the class. The course grade will be based on the following: Exam grades: 75 percent (25 percent for each exam) and Class project: 25 percent.