In this course students will study current economic research on government tax and expenditure policy and will learn to apply the tools of applied economics to public finance issues. The course will cover topics in both tax policy and expenditure policy. Tax topics will include the principles of tax policy, taxation and household decisions (including labor supply and saving), taxation and the firm (including the cost of capital), and fundamental tax reform.

Grading:

Grades for the entire course will be based 50% on the grade for the half of the course taught by Prof. Kalambokidis and 50% on the grade from the half taught by Prof. Stinson. Grades for the Kalambokidis half of the semester will be computed as follows: 40% each on two take-home quizzes (due September 30 and November 6) and 20% on a presentation to the class (details below).

Presentation:

For many areas of public finance, predictions based on theory are ambiguous. (For example, will lowering taxes on interest income lead to an increase or decrease in savings? It depends.) Resolution of these questions comes only from empirical research, including econometric studies, simulations, and experiments. Each student will make a presentation to the class that summarizes recent empirical research on any of the topics listed in the syllabus. Sources can include assigned readings, including the texts, and any other articles you find. Presentations will be approximately 30 minutes, which is not adequate for a comprehensive review of all empirical work on a topic. Therefore, we are seeking a summary of the state of knowledge, including the evidence that you find most interesting.
Early in the semester, students will choose their topics, and the presentations will be scheduled to coincide with the topics’ places in the syllabus.

Readings:

Readings will be assigned from professional journals and one required text:


Several readings are from *Tax Policy in the Real World*, edited by Joel Slemrod. This is on reserve in Waite Library.

An optional text, also on reserve in Waite Library, is:

Outline for Kalambokidis half of course:

**September 4 and 9: Taxation and Economic Efficiency**


Hindricks and Myles, Chapter 14

Slemrod and Bakija, Chapters 1-2.

Slemrod and Bakija, pp. 97-121


**September 11, 16, and 18: Tax Simplicity, Evasion and Enforcement**


Hindricks and Myles, Ch. 16.


Slemrod and Bakija, pp. 159-188.

**September 23 and 25: Taxation and Labor Supply**


Hindricks and Myles, Ch. 15.

Slemrod and Bakija, pp. 28-47 and pp. 121-127

**September 30: take-home quiz #1 due**

**October 14 and 16: Taxation and Saving**


Slemrod and Bakija, pp. 28-46, pp. 127-131

**October 21 and 23: Taxing Corporations**


Slemrod and Bakija, pp. 47-52

**October 28, 30 and November 4: Fundamental tax reform**


Slemrod and Bakija, Chapters 6-8.

**November 6: Take-home quiz#2 due**