

Econ 451 - Economics of Taxation

Autumn 2016

Instructor: Dennis O'Dea
Lecture: 8:30-10:40 Savery 264
Office: 340 Savery Hall
E-mail: odea@uw.edu
Webpage: <https://canvas.uw.edu>
Office Hours: Immediately after lecture and by appointment

Textbook

Recommended: Public Finance (10th Edition) by Rosen and Gayer.

Course Objectives

The purpose of this course is to provide an introduction to the theory and practice of the taxation from both normative and positive points of view. In this course we focus on the revenue side of government, with a major emphasis on the programs of the US Federal government. Topics include tax incidence, labor and capital taxation and some specific expenditure programs in the US. We will rely on applied microeconomics in this course. PBAF 516 (Microeconomic Policy Analysis) and ECON 300 (Intermediate Microeconomics) are appropriate preparation courses.

Exams and Grades

Problems are an essential tool to learning microeconomics and therefore I will distribute four problems sets throughout the term. They will be due on Thursdays/Wednesdays - see the schedule on Canvas for each date. You are encouraged to work together on them, but each of you must turn in your own answers in your own words. These will account for 30% of your grade.

There will be a midterm and final exam. Each exam, including the final, accounts for 35% of your grade. Tests are closed book. However, you will be allowed to bring one page of notes (front and back) as a reference. Condensing your notes into this two-page study guide is a good way to prepare for the exams.

Grade Scheme

A tentative grade scheme is presented here; the percentages in the left hand column are not certain, and may be adjusted, but only in the downward direction, i.e. a score of 90 will certainly be at least at A-, and may be better.

| Percentage | Letter Grade Equivalent | Numeric Grade-Point |
|------------|-------------------------|----------------------------|
| 94-100 | A | 3.9-4.0 |
| 90-93 | A- | 3.5-3.8 |
| 87-89 | B+ | 3.2-3.4 |
| 84-86 | B | 2.9 -3.1 - Expected Median |
| 80-83 | B- | 2.5-2.8 |
| 77-79 | C+ | 2.2-2.4 |
| 74-76 | C | 1.9-2.1 |
| 70-73 | C- | 1.5-1.8 |
| 67-69 | D+ | 1.2-1.4 |
| 64-66 | D | 0.9-1.1 |
| 60-63 | D- | 0.7-0.8 |
| Below 60 | F | 0.0-0.6 |

Student Athletes

If you are a student athlete, inform me a.s.a.p. of interferences with your commitments as an athlete (especially conflicts with exam dates). You will be expected to bring in a letter from the athletics department. The sooner you notify me, the better that I will be able to accommodate you.

Academic Accommodations

The University of Washington is committed to providing access and reasonable accommodation in its services, programs, activities, education and employment for individuals with disabilities. For information or to request disability accommodation contact: Disability Resources for Students (Seattle campus, matriculated students) at (206) 543-8924/V, (206) 543-8925/TTY, (206) 616-8379 (FAX), or e-mail at uwdss@uw.edu

Academic Integrity

The student conduct code of the University of Washington requires students to practice "high standards of academic and professional honesty and integrity." In addition, the academic standards of the College of Arts and Sciences specify that students may be dismissed for academic cheating, lying, or plagiarism. You can receive a failing grade for writing a plagiarized paper. Or, you may receive an incomplete until the case is brought before the College Disciplinary Committee. For more information, see the Statement of Academic Responsibility in the UW Bachelor's Degree Handbook. Please also talk to your teachers about any reading, researching, or writing difficulties you may have in this course. If you are unsure whether a specific use of material constitutes plagiarism, ask!

Class Conduct

Class atmosphere will be quite relaxed; I encourage you to interrupt me with questions about the material. Just a few guidelines:

- Arriving a few minutes late is tolerated as long as you make an effort to minimize the disturbance for other students.
- Eating and drinking in class should be reduced to a minimum. It is not forbidden, but please make sure that you are not disturbing others with noise and enticing aromas.
- Turn off or silence all cell phones or don't even bring them. Certainly texting and the like are not allowed.

- If you cannot make it to class for whatever reason, make sure that you know what happened during the lecture that you missed. It is your responsibility, and nobody else's, to do so!
- If you have to leave a class early, inform me in advance. It is rude to simply walk out in the middle of a lecture.
- If you make an appointment with me, keep it, or at least notify me a.s.a.p. that you cannot make it.

Class Schedule

1. Introduction
2. Tools
 - (a) Utility, Indifference Curves, Lagrangian Methods=
 - (b) Partial Equilibrium Analysis=
3. Tax incidence
 - (a) Surplus, Efficiency
 - (b) Excess burden of Taxation
 - (c) Long run vs. Short run
 - (d) Specific vs ad valorem
4. Labor Supply
 - (a) Model of Labor-Leisure tradeoff
 - (b) Incentive Effects
5. Capital Taxation
 - (a) Model of Intertemporal Substitution
 - (b) Incentive effects
 - (c) Corporate Taxation
6. Tax reform