

PA683: Tax Policy – Spring, 2010
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PA683: TAX POLICY

A Preliminary Sketch

I am scheduled to teach PA683 during the Spring semester of 2010. The following notes are intended to provide some information about this course for students who are planning their program of study, or for those who may advise them.

Before going further, please note that I have not yet prepared the syllabus for PA683, and I am not as yet able to provide full details about the course requirements, subject matter, readings, etc.

1. *Pre-requisites, economics background.* The course will use tools of economic analysis such as have been taught in courses like PA652, which is a pre-requisite for PA683. Students who have studied economics in more advanced courses, such as PA750 or graduate-level micro in the Department of Economics, will certainly also be sufficiently well prepared to take this class. A primary audience for the course is MPA students in the Martin School, and I will not assume that these students have economics or math backgrounds beyond the pre-requisite level. That means, for instance, that I won't use calculus (except perhaps in small ways, from time to time). Some of the readings may use more advanced methods but, for the most part, only in incidental ways. In short, the course will focus on the economic analysis of policy, but the emphasis throughout will be on applications and on policy.

2. *Ph.D. students.* Although the course will be taught at a level that is accessible to MPA students, MPP and (I believe) Ph.D. students will also be able to take the class for credit if desired.¹ Ph.D. students will be expected to do additional reading and to submit additional written work, over and above meeting the course requirements common to all students.

¹For Ph.D. students, this may entail registering under a different number, with details to be worked out later. Please consult with your graduate program director to verify that taking PA683 is acceptable. I suggest that interested Ph.D. students register now under the PA683 number and we can deal with any administrative complications at a later date.

3. *Course requirements.* Grades will be based on quizzes (probably several of them), a midterm exam, and other written work, most likely in the form of one or more term papers. I may require in-class oral presentations based on this written work. The writing requirements for Ph.D. students will exceed those for the MPA/MPP students, probably involving the writing of two different papers, each with a strong research focus.

4. *Subject matter.* Substantively, the course will include an overview of fundamental ideas in public economics, including public expenditure theory, the efficiency implications of tax policy, and the problem of distributional equity in taxation. These provide a framework for the analysis of major elements of national and subnational tax systems in the US and elsewhere, including personal and business income taxation, retail sales and value-added taxes, property taxes, and others. The economic effects of taxes – on labor markets, investment, and economic performance – will be central concerns. We will also examine deficit financing and debt policy and intergovernmental fiscal relations.

Because taxes are needed to finance expenditures, we will need to pay at least some attention to some major areas of expenditure policy. For instance, in view of the importance of education spending in state and local budgets, and for state-local transfers, the study of tax policy at the state and local levels requires at least some attention to education policy. Similarly, we will also discuss health care financing (including the financing of programs such as Medicare and Medicaid) and other age-related expenditure programs such as Social Security.

I expect to devote significant attention to some of the administrative and legal issues in tax policy. As one example, the taxation of multi-state (and multinational) firms raises serious questions of a legal nature, including matters of constitutional interpretation, that have been the subject of important litigation. Accounting issues also figure prominently in this area. The same is true with respect to topics like the taxation of remote sales. In these and other areas of policy, economic, legal, administrative, and accounting considerations are often very much intertwined.

If time permits – this is more of a hope than an expectation – I would also like to spend some time discussing tax policy issues in an international context.

6. *Readings.* Most of the readings will be drawn from academic journal articles in economics and related fields and from academic and government research reports and policy memoranda. Students will also become familiar with major sources of statistical information about government finances.

PA683 and PA754. As some students may be aware, I am also scheduled to teach a Ph.D.-level course in public economics during the spring semester,

PA754.² There will be some degree of overlap in the general subject matter of PA683 and PA754. However, the latter course will utilize more advanced analytical methods, including the standard tools of Ph.D. level microeconomic theory. Students who take PA754 may still wish to take PA683, provided of course that this is approved by their advisers, but, as noted above, Ph.D. students should expect to do considerable additional reading and independent research in PA683.

Want more details?

In the past, I have taught a special topics course on “State and Local Tax Policy”, PA795 in Martin-School-qspeak, which ultimately became the basis for the creation of PA683. I have copies of the syllabus and reading list from the Spring, 2004 PA795 class which I am willing to share upon request, and these can provide an illustration of how I will likely approach PA683.

Be aware, however, that the syllabus for the upcoming semester will differ substantially from that of PA795. For instance, I expect to discuss some entirely new topics in the coming semester, such as the current financial and fiscal crisis and its consequences for tax policy. (Alas, in the Spring of 2004, I did not foresee this crisis, and accordingly the old syllabus does not devote any attention to the tax policy implications of recessions.) Furthermore, when the course was offered in the past, it was called “State and Local Tax Policy”. I am sure that subnational (aka “state and local”) government tax policy will figure prominently in the next offering of the course, but I also expect to devote some attention to tax policy at the national level.

Thus, while the old syllabus and reading list may be of some use to prospective PA683 students, they are imprecise guides, at best, to the upcoming class. I certainly reserve the right to revise them freely as I prepare for PA683.

²Note that PA754 is typically offered only in alternate years. There is therefore a substantial probability that it will not be offered again until Spring, 2012. PA754 is part of a two-course sequence in public economics that Ph.D. economics students may elect as a specialization. It is also sometimes taken by Martin School Ph.D. students with interests in public economics.