

## Economics of Taxation (6 ECTS)

SS 2024

### Time & Venue

Lectures: Tuesdays., 14:00 – 16:00, Hs 104a Hörsaal (Garystr. 21)

Exercises: Fridays., 14:00 – 16:00, Hs 104 Hörsaal (Garystr. 21)

### 1. Introduction: Taxes matter

#### *Mandatory Literature:*

- Slides
- Supplementary content

#### *Recommended Literature:*

- Glantz, A. E. (2008). A tax on light and air: Impact of the window duty on tax administration and architecture, 1696-1851. *Penn History Review*, 15(2), 3.
- Chapter 1. in Homburg, Stefan, 2010. "Allgemeine Steuerlehre: Kapitel 1. Grundbegriffe der Steuerlehre," EconStor Books, ZBW - Leibniz Information Centre for Economics, number 92547.
- Oates, W. E., & Schwab, R. M. (2015). The window tax: A case study in excess burden. *Journal of Economic Perspectives*, 29(1), 163-180.

### 2. Concepts and Principles of Taxation

#### *Mandatory Literature:*

- Slides
- Supplementary content

#### *Recommended Literature:*

- Chapter 1. in Homburg, Stefan, 2010. "Allgemeine Steuerlehre: Kapitel 1. Grundbegriffe der Steuerlehre," EconStor Books, ZBW - Leibniz Information Centre for Economics, number 92547.
- Chapter 6. in Homburg, Stefan, 2010. "Allgemeine Steuerlehre: Kapitel 1. Grundbegriffe der Steuerlehre," EconStor Books, ZBW - Leibniz Information Centre for Economics, number 92547.
- Finanzbericht 2022, Bundesministerium der Finanzen
- OECD (2023). Revenue Statistics TAX REVENUE IN OECD COUNTRIES 1965-2022

### 3. Tax Incidence analysis

#### *Mandatory Literature:*

- Slides
- Supplementary content

#### *Recommended Literature:*

- Chapter 4. in Homburg, Stefan, 2010. "Allgemeine Steuerlehre: Kapitel 1. Grundbegriffe der Steuerlehre," EconStor Books, ZBW - Leibniz Information Centre for Economics, number 92547.

- Chapter 19. in Gruber J. (2011). Public Finance and Public Policy. Worth Publishers. Third Edition.
- Chapter 14. in Rosen S. H. and Gayer T. (2011). Public Finance. Eighth edition. McGraw-Hill International Editions.
- Chapter 8. in Hindricks J., and Myles D.G. (2006). Intermediate Public Economics. The MIT Press.

#### 4. The additional burden of taxation

##### *Mandatory Literature:*

- Slides
- Supplementary content
- Auerbach, A. J. (1985). The theory of excess burden and optimal taxation. In *Handbook of public economics* (Vol. 1, pp. 61-127). Elsevier.

##### *Recommended Literature:*

- Campbell R. McConnell, Stanley L. Brue and Sean M. Flynn: *Macroeconomics, Brief Edition*, McGraw-Hill Higher Education, New York, p. 263;
- *Chapter 5.* in Homburg, Stefan, 2010. "Allgemeine Steuerlehre: Kapitel 1. Grundbegriffe der Steuerlehre," EconStor Books, ZBW - Leibniz Information Centre for Economics, number 92547.
- Blaufus, K., Eichfelder, S., & Hundsdoerfer, J. (2014). Income tax compliance costs of working individuals: Empirical evidence from Germany. *Public Finance Review*, 42(6), 800-829.
- Warcholik, W., Hodge, S., & Moody, S. (2006). The Rising Cost of Complying with the Federal Income Tax. *Washington, DC: Tax Foundation*.

#### 5. Taxation of the household sector / Optimal Taxation

##### *Mandatory Literature:*

- Slides
- Supplementary content
- Chapter 3. Bernard Salanié (2004): *The Economics of Taxation*, MIT Press, Cambridge Mass.
- Chapter 4. Bernard Salanié (2004): *The Economics of Taxation*, MIT Press, Cambridge Mass.
- Chapter 9. Bernard Salanié (2004): *The Economics of Taxation*, MIT Press, Cambridge Mass.

##### *Recommended Literature:*

- Boiteux, M. (1956): Sur la gestion des monopoles publics astreints à l'équilibre budgétaire, *Econometrica* 24, S. 22-40.
- Chapter 16. in Rosen S. H. and Gayer T. (2011). Public Finance. Eighth edition. McGraw-Hill International Editions.
- Browning, Edgar K. (1976): The Marginal Cost of Public Funds, *Journal of Political Economy* 84, pp. 283-298.
- Corlett, W. J. und D. C. Hague (1953): Complementarity and the Excess Burden of Taxation, *The Review of Economic Studies* 21, S. 21-30.
- Deaton, Angus und John Muellbauer (1980): *Economics and Consumer Behaviour*, Cambridge University Press, Cambridge.
- Diamond, Peter A. und James A. Mirlees (1971): Optimal Taxation and Public Production I: Production Efficiency, and II: Tax Rules, *American Economic Review* 61, S. 8-27 und S. 261-278.

- Dixit, Avinash K. und Agnar Sandmo (1977): Some Simplified Formulae for Optimal Income Taxation, *Scandinavian Journal of Economics* 79, S. 417-423.
- Green, John H. A. (1975): Two Models of Optimal Pricing and Taxation, *Oxford Economic Papers* 27, S. 352-382.
- Mirrlees, James A. (1971): An Exploration in the Theory of Optimum Income Taxation, *The Review of Economic Studies* 38, S. 175-208.
- Ramsey, Frank P. (1927): A Contribution to the Theory of Taxation, *Economic Journal* 37, S. 47-61.
- Samuelson, Paul A. (1986): Theory of Optimal Taxation, *Journal of Public Economics* 30, S. 137-143.
- Sandmo, Agnar (1974): A Note on the Structure of Optimal Taxation, *American Economic Review* 64, S. 701-706.
- Sandmo, Agnar (1987): A Reinterpretation of Elasticity Formulae in Optimum Tax Theory, *Economica* 54, S. 89-96.
- Scholz, Christian M. (2000): Environmental Tax Reforms and the Double Dividend: A Theoretical and Empirical Analysis for Germany, Tübingen: Mohr Siebeck.
- Stiglitz, Joseph E. (1987): Pareto Efficient and Optimal Taxation and the New New Welfare Economics, in Alan J. Auerbach und Martin Feldstein (eds.): *Handbook of Public Economics II*, North Holland, New York et al., S. 992-1042.

## 6. Taxation of external effects

### Mandatory Literature:

- Slides
- Supplementary content

### Recommended Literature

- Homburg, Stefan (2015): *Allgemeine Steuerlehre*, 7. Auflage, Vahlen, München, Kapitel 5.
- Schöb, Ronnie (1995): *Ökologische Steuersysteme. Umweltökonomie und optimale Besteuerung*, Campus: Frankfurt, Kapitel 3.
- Hindriks, Jean and Gareth D. Myles (2013): *Intermediate public economics*, second edition, Cambridge, MA: MIT Press, chapter 7.5.

## 7. Taxation of capital income (optional)

Literature: tba

## 8. Taxation and risk decision (optional)

Literature: tba

### Suggested Literature for Mathematics Knowledge:

Anthony M. and Biggs N., (1996). *Mathematics for Economics and Finance: Methods and Modelling*. Cambridge University Press.

### Notes:

1. 'Slides' and 'Supplementary content' will always be uploaded on Blackboard.
2. Additional mandatory literature per topic may be added during the lectures.

## Assessment

Both sides of the event (lecture and exercise) are examined in a **2-hour written exam (120 min)**.

The exam will cover the following areas:

- I. Basic and Advanced concepts of tax theory (approx. 30%)
- II. Mathematical calculations, derivations, and proofs (approx. 30%)
- III. Intuitive understanding of mathematical connections and graphical analysis (approx. 25%)
- IV. Critical thinking (open question) (approx. 15%)

**Note:** Additional details about the examination and other organizational details of the lectures and exercises will be explained during the first lecture in a section dedicated as '*Organizational details*'.