

Course: Optimal Taxation

Summer Semester 2024

The course is open to both Master students and to the PhD candidates of the Berlin School of Economics.

Time & Venue

The course includes 2 hours of lecture per week and 2 hours of tutorial sessions per week.

Lectures: Mondays, 16:00 – 18:00, HFB/B Hörsaal, Garystr. 35-37, 14195 Berlin

Tutorial sessions: Thursdays, 16:00 – 18:00, Hs 105 Hörsaal, Garystr. 21, 14195 Berlin

Start date for Lecture sessions: 15.04.2024

Start date for Tutorial sessions: 25.04.2024

Language: English

Introduction

Public Finance theories on optimal taxation as a part of Governmental Accounting are a fundamental component of this course. Based on the contents taught, the students obtain a deep understanding of the workings of taxes. Students learn about the relevant interest conflicts of taxation and discuss them from an economic perspective. Upon successful completion of this course, students will be able to provide economically founded recommendations in order to develop and analyze taxation theory and policy instruments.

Topics

1. Basic notions of tax theory
2. Taxation of couples
3. Taxation and labor supply
4. Taxation and saving
5. Taxation and risk taking
6. Tax evasion
7. Taxation and investment
8. Tax incidence
9. The deadweight loss of taxation
10. Optimal indirect taxation
11. Optimal direct taxation

Literature

Main Literature

- 1) Salanié, B. (2003): The Economics of Taxation, Cambridge: MIT Press.
- 2) Gruber J. (2011). Public Finance and Public Policy. Worth Publishers. Third Edition.
- 3) Hindriks, Jean and Gareth D. Myles (2013): Intermediate public economics, second edition, Cambridge, MA: MIT Press.
- 4) Rosen, Harvey S. and Ted Gayer (2014): Public finance, 10th global edition, New York, NY: McGraw-Hill.
- 5) Keuschnigg, Christian (2005): Öffentliche Finanzen: Einnahmepolitik, Tübingen: Mohr Siebeck.
- 6) Homburg, Stefan (2015): Allgemeine Steuerlehre, 7. Auflage, München: Verlag Franz Vahlen.

Additional recommended literature

- 1) Zimmermann, Horst, Klaus-Dirk Henke and Michael Broer (2012): Finanzwissenschaft: Eine Einführung in die Lehre von der öffentlichen Finanzwissenschaft, 11. Auflage, München: Verlag Franz Vahlen.
- 2) Jakobsson, Ulf (1976): On the measurement of the degree of progression, *Journal of Public Economics* 5, 161-168.
- 3) Corneo, G. (2013): A note on the taxation of couples under income uncertainty, *Finanzarchiv* 69, 129-134.
- 4) Stiglitz, Joseph E. and Jay K. Rosengard (2015): Economics of the public sector, 4th edition, New York, NY: W. W. Norton & Co.
- 5) Allingham, M. & A. Sandmo (1972): Income tax evasion: A theoretical analysis, *Journal of Public Economics* 1, S. 323-338.
- 6) Cansier, D. & D. Wellisch (1989): Steuerwirkungen nach dem neoklassischen Investitionsmodell, *Steuer und Wirtschaft* 2, S. 158-164.
- 7) Braulke, M. & G. Corneo (2004), Capital taxation may survive in open economies, *Annals of Economics and Finance* 5, 237-244.
- 8) Dahlby, B. (2008): The Marginal Costs of Public Funds, Cambridge: MIT Press.
- 9) Sandmo, A. (1981), Optimale Besteuerung - Eine Einführung in die Literatur, in: Rose, M., Wenzel, H. & W. Wiegard (Hrsg.): Optimale Finanzpolitik.
- 10) Saez, E. (2001), Using elasticities to derive optimal income tax rates, *Review of Economic Studies* 68.
- 11) Corneo, G. (2018), Time-poor, working, super-rich, *European Economic Review* 101.

Note:

- *Detailed mandatory and suggested (non-mandatory) literature, specified per lecture will follow during the course.*
- *Additional peer-reviewed journal articles to be discussed during the lecture will be uploaded on a weekly basis on Blackboard.*

Assessment

Master level candidates:

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. 20%)
- II. Mathematical calculations, derivations and proofs (approx. 30%)
- III. Intuitive understanding of mathematical connections (approx. 30%)
- IV. Critical thinking related to one of the journal articles discussed during the lectures (20%)

PhD level candidates:

PhD candidates are required to submit a **research proposal** (12 – 15 pages) related to one of the topics discussed in the course. The deadline for the submission of the research proposal corresponds to the date of the written exam for master students. Details for the writing of the research proposal will be discussed during the first lecture.

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