

Theory of Taxation (Public Economics II)

Syllabus

Introduction

In public economics, we mainly studied government expenditure programs to serve two purposes: 1) provision of public goods and 2) provision of social insurance or income redistribution. To fund these programs, tax revenue should be collected. In this unit, we will consider what the effect of the tax is and how it should be imposed.

We will mainly focus on microeconomic analysis. The theory of taxation will be put forward, but the discussion on the actual tax system and related issue will complement the theoretical analysis. First and second year levels of microeconomics are prerequisite. It is also recommended that students are equipped with mathematical skills taught in math for economists. Since this unit is a sequel to public economics, it is recommended to take public economics first though it is not formally prerequisite.

Important: This course is not only about theoretical analysis of the taxation, but also about specific taxation schemes and policy debates in Korea. Some of the supplementary materials are written in Korean. Thus **you should be able to read and understand Korean to take this unit.**

Important: When the class is cancelled for some reasons, we will arrange make-up classes during weekends. Make-up schedule will be announced two weeks in advance. If you do not want to attend classes during weekends, you should not choose this course.

Instructor/ Office Hours

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Recommended/required text(s)

A required textbook:

If you take this course seriously, you should read the relevant part of the textbook in advance.

Harvery S. Rosen and Ted Gayer, Public Finance, 10th edition, McGraw Hill.

Other references:

Joseph Stiglitz, 2000, Economics of the Public Sector, 3rd edition, Norton.

: A bit old, but thorough theoretical argument is made there.

이준구, 2011, 재정학, 다산출판사 (제 4 판)

: Similar contents as the main textbook but more in a Korean context.

For general government finance structure in Korea, refer 경제재정수첩, 국회예산정책처

For specific taxation scheme, refer 조세개요 -기획재정부

Unit content

The following topics will be covered in the order listed below.

1. Introduction
 - A. Structure of government finance
 - B. Principles of Taxation
2. Theory of Taxation
 - A. Tax and Income Redistribution (tax incidence)
 - B. Tax and Efficiency
 - C. Optimal Taxation
3. Actual Tax System and its effect
 - A. Personal Income Taxation
 - B. Corporation Income Taxation
 - C. Consumption Tax - Value Added Tax
 - D. Tax on Wealth
4. Other Issues
 - A. Multi-Level Government

ASSESSMENT

Summary

| Item | Weight | Due date | Remarks |
|-------------------|--------|-----------------|--------------------------------------|
| Attendance | 5% | | Attendance will be randomly checked. |
| Problem Sets | 15% | TBA | There will be several problem sets. |
| Mid semester exam | 35% | Held in week 8 | |
| Final exam | 45% | Held in week 16 | . |

Note : Results may be subject to scaling and standardisation and are not necessarily the sum of the component parts.

Assessment components

Attendance

Attendance will be randomly checked and every absent class will be counted as -1 in the final numeric grade. If you are absent at every incidence of attendance check, your letter grade will be adjusted one-level down.

Problem Sets

There will be several problem sets which will be done as a team assignment.

Mid semester exam

- 70 min in class exam;

Final exam

- 80 min exam, cumulated coverage;