The Economics of Taxation Volume I

Edited by

James Aim

Department of Economics Tulane University, USA

THE INTERNATIONAL LIBRARY OF CRITICAL WRITINGS IN ECONOMICS

An Elgar Research Collection *C*< Cheltenham, UK • Northampton, MA, USA

Contents

Acknowledgements /		ix		
Introduction James Aim		mes Aim	xi	
PART I	ANALYZING THE EFFECTS OF TAXATION			
1	A	Notions of Equity		
	1. 1	Richard A. Musgrave (1976), 'ET, OT and SBT', <i>Journal of Public-Economics</i> , 6 (1/2), July-August, 3-16	5	
	2.	H. Peyton Young (1990), 'Progressive Taxation and Equal Sacrifice', <i>American Economic Review</i> , 80 (1), March, 253-66	19	
	3.	Louis Kaplow (1989), 'Horizontal Equity: Measures in Search of a Principle', <i>National Tax Journal</i> , XLII (2), 139-54	33	
]	В	Taxes and Income Distribution		
	4.	Charles E. McLure, Jr (1975), 'General Equilibrium Incidence Analysis: The Harberger Model After Ten Years', <i>Journal of Public-</i>	51	
	5.	Economics, 4 (2), February, 125-61 Michael L. Katz and Harvey S. Rosen (1985), 'Tax Analysis in an Oligopoly Model', <i>Public Finance Quarterly</i> , 13 (1), January, 3-19	88	
	6.	Lawrence H. Summers (1983), 'The Asset Price Approach to the Analysis of Capital Income Taxation', <i>National Tax Association/Tax Institute of America, Proceedings of the Seventy-Sixth Annual</i>	105	
	7.	Conference on Taxation, 112-20 James Davies, France St-Hilaire and John Whalley (1984), 'Some Calculations of Lifetime Tax Incidence', American Economic Review, 74 (4), September, 633-49	103	
	8.	Timothy J. Besley and Harvey S. Rosen (1999), 'Sales Taxes and Prices: An Empirical Analysis', <i>National Tax Journal</i> , LII (3), 157-78	131	
	9.	John B. Shoven (1976), 'The Incidence and Efficiency Effects of Taxes on Income from Capital', <i>Journal of Political Economy</i> , 84(6) , December, 1261-83	153	
	10.	David M. Cutler (1988), 'Tax Reform and the Stock Market: An Asset Price Approach', <i>American Economic Review</i> , 78 (5),	176	

C Taxes and Efficiency

PART II

11.	Arnold C. Harberger (1964), 'The Measurement of Waste', American Economic Review, 54 (3), May, 58-76	189
12.	Jerry A. Hausman (1981), 'Exact Consumer's Surplus and	10)
	Deadweight Loss', American Economic Review, 71 (4), September,	
	662-76	208
13.	Edgar K. Browning (1987), 'On the Marginal Welfare Cost of	
	Taxation', American Economic Review, 77 (1), March, 11-23	223
14.	Charles L. Ballard, John B. Shoven and John Whalley (1985), 'The	
	Total Welfare Cost of the United States Tax System: A General	
	Equilibrium Approach', <i>National Tax Journal</i> , XXXVIII (2), 125^10	236
	123 10	230
D	Taxes and Revenues	
15.	Don Fullerton (1982), 'On the Possibility of an Inverse Relationship	
10.	Between Tax Rates and Government Revenues', <i>Journal of Public</i>	
	Economics, 19 (1), 3-22	255
E	Taxes and Growth	
16.	Larry E. Jones, Rodolfo E. Manuelli and Peter E. Rossi (1993),	
	'Optimal Taxation in Models of Endogenous Growth', Journal of	
	Political Economy, 101 (3), June, 485-517	277
F	Taxes and Politics	
17.	Kevin W.S. Roberts (1977), 'Voting Over Income Tax Schedules',	
	Journal of Public Economics, 8 (3), December, 329-40	313
18.	Walter Hettich and Stanley L. Winer (1988), 'Economic and	
	Political Foundations of Tax Structure', American Economic	20.5
	Review, 78 (4), September, 701-12	325
OP	TIMAL TAXATION	
19.	Peter A. Diamond and James A. Mirrlees (1971), 'Optimal Taxation	
1).	and Public Production II: Tax Rules', American Economic Review,	
	61(3, Part 1), June, 261-78	339
20.	PA. Diamond (1975), 'A Many-Person Ramsey Tax Rule', Journal	
	of Public Economics, 4 (4), November, 335^2	357
21.	\	
	Income Taxation', Review of Economic Studies, 38 (2), April,	365
	175-208	7165

The Economics of Taxation I

22.	Peter A. Diamond (1998), 'Optimal Income Taxation: An Example	
	with a U-Shaped Pattern of Optimal Marginal Tax Rates', American	
	Economic Review, 88 (1), March, 83-95	399
23.	A.B. Atkinson and J.E. Stiglitz (1976), 'The Design of Tax	
	Structure: Direct Versus Indirect Taxation', Journal of Public	
	Economics, 6(1-2), 55-75	412
24.	N.H. Stern (1976), 'On the Specification of Models of Optimum	
	Income Taxation', Journal of Public Economics, 6 (1-2), 123-62	433
25.	Emmanuel Saez (2001), 'Using Elasticities to Derive Optimal	
	Income Tax Rates', Review of Economic Studies, 68 (1), January,	
	205-29	473
26.	Joel Slemrod (1990), 'Optimal Taxation and Optimal Tax Systems',	
	Journal of Economic Perspectives, 4 (1), Winter, 157-78	498
TAX	REFORM	
IAA	KEFORM	
27.	Martin Feldstein (1976), 'On the Theory of Tax Reform', Journal of	
	Public Economics, 6 (1-2), July-August, 77-104	523
28.	Alan J. Auerbach, Laurence J. Kotlikoff and Jonathan Skinner	
	(1983), 'The Efficiency Gains from Dynamic Tax Reform',	
	International Economic Review, 24 (1), February, 81-100	551
29.	David Altig, Alan J. Auerbach, Laurence J. Kotlikoff, Kent A.	
	Smetters and Jan Walliser (2001), 'Simulating Fundamental Tax	
	Reform in the United States', American Economic Review, 91 (3),	
	June, 574-95	571

PART III

The Economics of Taxation Volume II

Edited by

James Aim

Department of Economics Tulane University, USA

THE INTERNATIONAL LIBRARY OF CRITICAL WRITINGS IN ECONOMICS

An Elgar Research Collection Cheltenham, UK • Northampton, MA, USA

Contents

Acknowledgements		ix	
An Introd	uction	by the editor appears in Volume I	
PART I	TAXES AND INDIVIDUAL DECISIONS		
	A	Incentives	
	1.	Joel Slemrod (2001), 'A General Model of the Behavioral Response	
	В	to Taxation', <i>International Tax and Public Finance</i> , 8 (2), 119-28 Labour Supply	5
	2.	Jerry A. Hausman (1981), 'Labor Supply', in Henry J. Aaron and Joseph A. Pechman (eds), <i>How Taxes Affect Economic Behaviour</i> , Washington, D.C.: The Brookings Institution, 27-83	17
	3.	James P. Ziliak and Thomas J. Kniesner (1999), 'Estimating Life Cycle Labor Supply Tax Effects', <i>Journal of Political Economy</i> , 107 (2), 326-59	74
	C	Saving	
	4.	Lawrence H. Summers (1981), 'Capital Taxation and Accumulation in a Life Cycle Growth Model', <i>American Economic Review</i> , 71 (4), September, 533 ⁴	111
	5.	William G. Gale and John Karl Scholz (1994), 'IRAs and Household	
	6.	Saving', <i>American Economic Review</i> , 84 (5), December, 1233—60 James M. Poterba, Steven F. Venti and David A. Wise (1995), 'Do	123
		401(k) Contributions Crowd Out Other Personal Saving?', <i>Journal of Public Economics</i> , 58 (1), September, 1-32	151
	D	Portfolio Choice	
	7.	J. E. Stiglitz (1969), 'The Effects of Income, Wealth, and Capital Gains Taxation on Risk-Taking', <i>Quarterly Journal of</i>	
	8.	Economics, 83 (2), May, 263-83 James M. Poterba and Andrew A. Samwick (2003), 'Taxation and Household Portfolio Composition: US Evidence from the 1980s and	185
		1990s'. Journal of Public Economics, 87 (1), January, 5-38	206

The Economics of Taxation II \mathbf{E} **Capital Gains** Martin Feldstein, Joel Slemrod and Shlomo Yitzhaki (1980), 'The Effects of Taxation on the Selling of Corporate Stock and the Realization of Capital Gains', Quarterly Journal of Economics, 94(4), June, 777-91 243 Leonard E. Burman and William C. Randolph (1994), 'Measuring Permanent Responses to Capital-Gains Tax Changes in Panel Data', American Economic Review, 84 (4), September, 794-809 258 F **Estate Taxes** 11. James Poterba (2001), 'Estate and Gift Taxes and Incentives for Inter Vivos Giving in the US', Journal of Public Economics, 79 (1), January, 237-64 277 G Tax Evasion Michael G. Allingham and Agnar Sandmo (1972), 'Income Tax 12. Evasion: A Theoretical Analysis', Journal of Public Economics, 1, 323-38 307 13. Charles T. Clotfelter (1983), 'Tax Evasion and Tax Rates: An Analysis of Individual Returns', Review of Economics and Statistics, **LXV** (3), August, 363-73 323 James Aim, Gary H. McClelland and William D. Schulze (1992), 'Why Do People Pay Taxes?', Journal of Public Economics, 48, 21-38 334 H **Income Reporting**

- 15. Martin Feldstein (1995), 'The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act', *Journal of Political Economy*, **103** (3), June, 551-72
- 16. Jon Gruber and Emmanuel Saez (2002), 'The Elasticity of Taxable Income: Evidence and Implications', *Journal of Public Economics*, **84**, 1-32

355

377

413

PART II TAXES AND BUSINESS DECISIONS

A Why Tax Capital Income?

17. Alan J. Auerbach (1983), 'Taxation, Corporate Financial Policy and the Cost of Capital', *Journal of Economic Literature*, **XXI** (3), September, 905^0

The Economics of Taxation II

18.	Joseph E. Stiglitz (1976), 'The Corporation Tax', <i>Journal of Public Economics</i> , 5,303-11	449
19.	Christophe Chamley (1986), 'Optimal Taxation of Capital Income in	
	General Equilibrium with Infinite Lives', <i>Econometrica</i> , 54 (3), May, 607-22	458
В	Investment	
20.	Robert E. Hall and Dale W. Jorgenson (1967), 'Tax Policy and	
	Investment Behavior', <i>American Economic Review</i> , 57 (3), June, 391-414	477
21.	Robin W. Boadway (1987), 'The Theory and Measurement of Effective Tax Rates', in Jack M. Mintz and Douglas D. Purvis (eds), <i>The Impact of Taxation on Business Activity</i> , Kingston, Canada: John	
22.	Deutsch Institute for the Study of Economic Policy, 60-98 Alan J. Auerbach and Kevin Hassett (1992), 'Tax Policy and	501
	Business Fixed Investment in the United States', <i>Journal of Public Economics</i> , 47 ,(2), March, 1 41-70	540
C	Financial Structure	
23.	George R. Zodrow (1991), 'On the "Traditional" and "New" Views of Dividend Taxation', <i>National Tax Journal</i> , XLIV (4 Part 2),	570
24.	December, 497-509 B. Douglas Bernheim (1991), 'Tax Policy and the Dividend Puzzle',	573
∠⊣.	RAND Journal of Economics, 22 (4), Winter, 455-76	586
25.	Raj Chetty and Emmanuel Saez (2005), 'Dividend Taxes and Corporate Behavior: Evidence from the 2003 Dividend Tax Cut',	
	Quarterly Journal of Economics, CXX (3), August, 791-833	608
26.	Jeffrey K. MacKie-Mason (1990), 'Do Taxes Affect Corporate Financing Decisions?', <i>Journal of Finance</i> , XLV (5), December,	
	1471-93	651
27.	William M. Gentry (1994), 'Taxes, Financial Decisions and	051
	Organizational Form: Evidence from Publicly Traded Partnerships',	
	Journal of Public Economics, 53, 223—44	674