

Economics 510

December 2015

Final Exam Study Questions

Answer 5 of the first 10 questions (15 points each) plus question 11 (25 points).

1. Transition issues: Designing a new tax system is a different process from changing an existing one to a different approach. Discuss this issue in the context of a move from an income tax to a consumption based tax.
2. The real property tax is often considered to be regressive by the public. Most economists do not accept this assertion. Briefly explain why.
3. How would potential avoidance and evasion activities impact the design of a tax system? How does this relate to the so-called Laffer curve that deals with tax rates and tax revenue?
4. Economists often concentrate on issue of economic efficiency in analyzing tax systems. What other factors might impact real world tax decision-making in addition to efficiency?
5. How would financial transactions taxes differ from more familiar taxes? This should include their purposes, impacts, and challenges of administration.
6. What are the problems with the use of a corporate income tax in addition to an individual income tax? How would these problems be addressed?
7. The Haig-Simons approach is widely used as a guide for defining income. What would be the administrative problems in attempting to use this approach in the real world? Why might people disagree with the use of the Haig-Simons definition?
8. Discuss the options that might be available to reduce the inefficiency from taxation? How might these approaches impact equity issues?
9. There are two approaches to taxing consumption. One approach is to exclude saving from taxation and the other is to exclude the returns on saving from taxation. Explain. (Hint: Two examples are the traditional vs. the Roth IRA and an expenditure tax (cash-flow tax) vs. Hall-Rabushka flat tax.)
10. Potential mobility of the tax base is an important issue in state-local taxation and international taxation. Explain how this may impact decision-making in regard to tax policy.

Must be answered:

11. **Make up and answer a question of your own choosing about tax issues. You will be graded both on the question and the answer.**