

ECO 103, Winter 2015, Required Homework Assignment #1
Due at 5 PM on Friday, January 23

This assignment serves a few purposes. The first part coerces you into reading some short pieces on tax policy, a topic we will talk about a lot this semester. It then asks you to apply some of the core economic concepts discussed in class to these articles. The second asks you to do some very basic data collection and analysis. Although this is independent of what we have done in class, I consider it an important skill.

Read the following two popular press pieces:

“Taxing the wealthy: Diving into the rich pool.” *The Economist*, 9/24/2011.

Bernasek, Anna. “Looking Beyond Income, to a Tax on Wealth.” *The New York Times*, 2/9/13

1. What is the difference between a wealth tax and an income tax?
2. Is the issue of whether we should have a wealth tax (or a higher income tax) more related to microeconomics or macroeconomics
3. Provide an example from the article of how instituting a wealth tax could change the incentives that taxpayers face.
4. From the articles, provide an example of a tradeoff faced by policy makers when deciding whether or not to institute a wealth tax or higher income tax rates.
5. Suppose that a wealthy taxpayer is asked to pay higher taxes in order to finance a public good in a different part of the country (and from which she will receive no utility). True or False?? If she is rational then she must oppose such a policy because it reduces her wealth.

For the second part of the assignment, you are to do some very simple data collection and analysis. The best source for U.S. macroeconomic data is, by far, the Federal Reserve Bank of St. Louis’s FRED system (just Google “Fred.”)

Using FRED, obtain some measure (there are several) of real U.S. GDP since 1990.

6. Provide or create a plot (line graph) of your data.
7. What happens to GDP around 2008?
8. Calculate average GDP since 1990.