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Title

Public Economics: Taxes in America: What Everyone Needs to Know

Permalink

<https://escholarship.org/uc/item/1417459w>

Journal

Journal of Economic Literature, 51(4)

ISSN

0022-0515

Author

Cullen, Julie Berry

Publication Date

2013-12-01

DOI

10.1257/jel.51.4.1183.r8

Peer reviewed

Review of “Taxes in America: What everyone needs to know”
By Julie Berry Cullen, Professor of Economics, UC San Diego

The fact that “most Americans are remarkably clueless” (p.xix) about the U.S. tax system motivated tax experts and good friends Leonard Burman and Joel Slemrod to write a book providing an accessible overview of the facts and issues. Over their extensive careers, each has had the opportunity to explain taxes to students, colleagues and policymakers, and their experience teaching others is evident. To make the notoriously dry topic more palatable, the authors use casual language and sprinkle amusing historical and personal anecdotes and cartoons throughout. It helps that Burman has the personality to conquer *The Daily Show* (p.151) and that Slemrod is a “certified offbeat economist” (p.129).

The book focuses on the U.S. federal tax system, while at times providing context from other countries and from state and local governments. It is divided into three major parts. The first reviews the major types of taxes, the second explains the various costs and benefits associated with taxation, and the third discusses the politics of tax policy and reform. Within each part the material is broken into bite-sized chunks separated by headings posed as questions. This makes it easy to pick up and put down, so that it can be read over short sittings. The “What,” “Why” and “How” format generally works well, though readers may sometimes trip over questions that they have not wondered about before or are not inclined to wonder about ever (e.g., “What is bonus depreciation?” or “What is a data retrieval platform?” vs. “What makes a tax system fair?”).

The overview of taxes provided in Part I gets quickly to one of the key aspects of taxation that any individual has to understand to avoid being duped into voting against one’s values. It is critical to recognize that the person who ultimately pays a tax may not be the one who is required to remit the funds to the government. As the authors explain in an example, workers effectively pay at least some of the corporate income tax since wages tend to be lowered in response. This fact should be a relevant consideration when taking a position, regardless of one’s political views. As far as categories of taxes, the overview first reviews personal income taxes, explaining the difference between deductions and credits and between an ideal and actual measure of taxable income. Among the interesting stories that will appeal to experts as well as novices are the origins of the tax penalty to marriage and the alternative minimum tax. Next covered are business income taxes, taxes on spending and other taxes, such as the estate and property taxes. In each case, the motivations for having the tax in the first place are considered and the practical implications of the key features of the actual tax code are contrasted to the ideal.

Part II moves on to describe the various ways that taxes affect the economy. The economic costs of taxation, above and beyond the taxes paid, arise from the fact that taxes change the calculus when individuals make decisions about labor supply, savings, risk-taking and so on. The authors point out that it is extremely difficult to estimate these costs since they depend on how resources would otherwise have been allocated, which cannot be directly observed and instead has to be inferred. Thus, liberals and conservatives may in part disagree because they disagree on the magnitudes of these costs. Where liberals and conservatives at times less legitimately disagree is over whether spending increases or tax cuts should be preferable. The authors explain how reducing taxes, such as by allowing for more generous adjustments or deductions, can be equivalent to authorizing new spending for whatever activities the adjustments or deductions are

targeted. The authors observe that spending through the tax code brings other oxymorons like “jumbo shrimp” (p.150) to mind. The fact that this activity seems so counterintuitive is what makes it one of the lessons that belong in the “everyone REALLY needs to know” category. This part ends with a discussion of fairness and the patterns of tax burden and tax evasion by income.

The final part of the book describes tax reform options and the associated politics. The current budget problem is simple to understand, which is that more revenues are needed and the deficit has to be reduced. The authors argue, though, that effective reform efforts are hindered by the complexity of the tax code, which makes it difficult for anyone but experts to understand. As they say, the “rhetoric and misinformation is abetted by the extreme complexity” (p.228). Though readers are unlikely to be able to synthesize the varied topics into a coherent view of their preferred tax policies, they will surely take away an appreciation of this complexity and be more wary of being misled. Perhaps everyone can come to agree that promoting informed policy is a strong argument for simplifying the tax code.

Who should read this book? Those who are hoping to find advice for how to save on taxes will be disappointed, as will those who are expecting pure entertainment with no fiber. On the other hand, those hoping to become informed in a relatively painless way will enjoy discovering the fart joke. Tax experts will find this a quick enjoyable read and valuable refresher, with thoughtful perspectives on current issues. For those experts who also teach, this is a source of material for enlivening courses.