



## TAX, JUSTICE AND THE ECONOMY (LL110)

**Course duration:** 54 hours lecture and class time (Over three weeks)

**Summer School Programme Area:** Law

**LSE Teaching Department:** LSE Law School

**Lead Faculty:** Dr Andy Summers and Dr Sebastian Gazmuri Barker (Law School)

**Pre-requisites:** Students are actively encouraged to apply from a wide range of academic backgrounds within the Social Sciences, including Economics, Politics and Sociology as well as Law. There are no subject-specific prerequisites for this course: no prior study of Law or any other subject is required or assumed. The course is suitable for any student with an interest in tax policy. No prior knowledge of the UK or US tax systems is required or assumed; students are introduced to both of these systems as part of the course.

### Course Overview

The course provides an introduction to tax policy that links real-world debates about the tax system with ideas from a range of academic disciplines, including economics, political theory and sociology, as well as law.

The aim is to address real-world debates about tax policy as they appear in the media and in politics, but to do so in an academically rigorous way. The course adopts a multidisciplinary approach to address two main questions: what are the problems with the current tax system, and how can these policies be improved? The main examples will be taken from the UK and US contexts, but the insights generated are truly global.

The course is divided into four main parts. Part I addresses issues of **justice**. It examines the relationship between the state's power to tax and the individual's right to private property, and the role of the tax system in creating a fairer society. It also looks at political influences on the policymaking process. Part II addresses the **economics** of tax policy, introducing key economic concepts and the importance of behavioural responses in evaluating the tax system. Part III addresses three key **design issues**: how to define the tax base, how to set rates, and how to administer the tax system to limit avoidance and evasion.

The final part of the course enables students to apply what they have learned to two **case studies**. The first case study considers the UK's current 'housing crisis', examining the role of the tax system and options for reform. The second case study addresses the major changes to the US tax system under President Trump (in 2017, and again in 2025), prompting students to explain and evaluate these developments using the tools that they have acquired during the course.



## Course Outcomes

At the end of the course, students should be able to:

- Explain why current tax policies of the UK and US have developed as they are
- Evaluate tax policies using a range of academic approaches
- Propose reforms to current tax systems
- Understand and engage with popular debates about tax policy

## Formative Assessment

Students will receive feedback on one formative assignment during the course:

Format: Essay plan (300-word abstract, sub-headings, bibliography)

Date: Friday of week one

Feedback due: Monday of week two

Students will also receive oral feedback on progress in the context of group-exercises completed during the classes. The feedback from these two sources will help with your preparation towards the summative assignments.

## Summative Assessment (Optional)

Students who wish to be assessed will complete two summative assignments:

Format: Essay (1500 words)

Weighting: 50%

Date: Thursday of week two

Results due: Monday of week three

Format: 2hr examination – Precise time and location to be circulated during the programme

Weighting: 50%

Date: Friday of week three

Results due: Within a week

## Course Materials and Online Support

This course is supported by a Moodle site. Once the course begins (**i.e. from the 1<sup>st</sup> day of the course**) you will be able to access the Moodle site. This site will contain copies of lecture slides, class handouts (and other materials), as well as guidance on the formative and summative assessments. It will be updated regularly and online assignments may be posted via this page.

Students will be expected to check the Moodle site on a regular basis. If you need instruction on using Moodle please follow the online guides at <http://shortcourses.moodle.lse.ac.uk>.

<b>Outline of Course Content (Lecture Timetable)</b>		
<b>1. Introduction</b>	<ul style="list-style-type: none"> <li>- Why does tax policy matter?</li> <li>- The case for an interdisciplinary approach</li> <li>- Course outline</li> <li>- Overview of the UK and US tax systems</li> </ul>	<b>Mon 4 August (AS)</b>
<b>Part I: Justice</b>		
<b>2. Tax and fairness</b>	<ul style="list-style-type: none"> <li>- The role of tax in society</li> <li>- Traditional approaches to tax fairness: ability to pay &amp; the benefit principle</li> <li>- Distributive justice: end-state &amp; historical theories</li> <li>- Why (if at all) does inequality matter?</li> </ul>	<b>Tue 5 August (AS)</b>
<b>3. Tax and property rights</b>	<ul style="list-style-type: none"> <li>- Is tax theft?</li> <li>- Nozick's entitlement theory of justice</li> <li>- The 'myth' of ownership</li> <li>- The complex structure of ownership</li> <li>- Legal constraints on tax policymaking</li> </ul>	<b>Wed 6 August (AS)</b>
<b>4. Tax and the political process</b>	<ul style="list-style-type: none"> <li>- Public attitudes and the median voter theorem</li> <li>- The influence of special interest groups</li> <li>- Ways of exercising political power:               <ul style="list-style-type: none"> <li>○ Structural and instrumental power</li> <li>○ Drift, conversion, salience, ideas</li> </ul> </li> </ul>	<b>Thu 7 August (AS)</b>
<b>Part II: The Economy</b>		
<b>5. Key economic concepts</b>	<ul style="list-style-type: none"> <li>- The importance of behavioural responses</li> <li>- Who really pays? (Incidence and capitalisation)</li> <li>- Economic efficiency and tax neutrality</li> <li>- Insights from behavioural economics</li> </ul>	<b>Mon 11 August (AS)</b>
<b>6. Tax and the real economy</b>	<ul style="list-style-type: none"> <li>- Labour market: hours, effort, retirement</li> <li>- Consumption: save or spend, what to buy</li> <li>- Investment: invest or distribute, what to invest in</li> <li>- Migration and 'tax flight'</li> <li>- Do tax cuts boost growth?</li> </ul>	<b>Tue 12 August (AS)</b>
<b>7. Tax planning</b>	<ul style="list-style-type: none"> <li>- Retiming: forestalling, deferral</li> <li>- Shifting across tax bases: earnings to dividends, income to gains</li> <li>- Shifting across jurisdictions: corporate profits</li> <li>- Tax deductions and reliefs</li> </ul>	<b>Wed 13 August (SGB)</b>
<b>Part III: Design Issues</b>		

<b>8. Defining the tax base</b>	<ul style="list-style-type: none"> <li>- Income, consumption or wealth?</li> <li>- Windfalls and economic rents</li> <li>- Externalities and internalities</li> </ul>	<b>Thu 14 August</b> <b>(SGB)</b>
<b>9. Setting tax rates</b>	<ul style="list-style-type: none"> <li>- Marginal and average rates</li> <li>- Regressive/flat/progressive rates</li> <li>- Statutory and effective rates</li> <li>- Kinks and notches</li> <li>- 'Optimal' tax rates and the Laffer curve</li> </ul>	<b>Fri 15 August</b> <b>(SGB)</b>
<b>10. Tax compliance</b>	<ul style="list-style-type: none"> <li>- How are taxes collected?</li> <li>- Avoidance (in outline) <ul style="list-style-type: none"> <li>○ What is avoidance?</li> <li>○ Anti-avoidance measures</li> </ul> </li> <li>- Evasion <ul style="list-style-type: none"> <li>○ Who evades, and how much?</li> <li>○ Financial transparency</li> </ul> </li> </ul>	<b>Mon 18 August</b> <b>(SGB)</b>
<b>Part IV: Case Studies</b>		
<b>11. The UK's Housing Crisis</b>	<ul style="list-style-type: none"> <li>- Context: trends and distribution</li> <li>- UK taxes affecting housing</li> <li>- Evaluation</li> <li>- Options for reform</li> </ul>	<b>Tue 19 August</b> <b>(SGB)</b>
<b>12. The Trump Tax Reforms</b>	<ul style="list-style-type: none"> <li>- Tax Cuts and Jobs Act 2017</li> <li>- Trump tax reforms 2025</li> <li>- Evaluation</li> <li>- Redesigning the US tax system</li> </ul>	<b>Wed 20 August</b> <b>(SGB)</b>

## Indicative Readings

The following list provides indicative readings on which the course is based. Students may (optionally) wish to read a selection of these readings in preparation for the course. A more comprehensive list of readings, to be used in conjunction with the lectures and classes, will be posted via Moodle at the start of the course.

### Introduction

Murphy & Nagel, *The Myth of Ownership: Taxes and Justice* (2002), Ch1 'Traditional Criteria of Tax Equity'

*The Mirrlees Review* (2011), Ch2 'The Economic Approach to Tax Design'

### Justice

Nozick, *Anarchy State & Utopia* (1974), Ch7 'Distributive Justice'

Waldron, 'What is Private Property?' (1985)

Scanlon, 'Why Does Inequality Matter?' (2017)

Hacker & Pierson, 'Winner-Take-All Politics: Public Policy, Political Organization, and the Precipitous Rise of Top Incomes in the United States' (2010)

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### The Economy

Kay & King, *The British Tax System* (1990), Ch1 'The Economics of Taxation: Some Basic Concepts'

Oates & Schwab, 'The Window Tax: A Case Study in Excess Burden' (2015)

Kleven, Landais, Munoz & Stantcheva, 'Taxation and Migration: Evidence and Policy Implications' (2019)

Congdon, Kling & Mullainathan, 'Behavioural Economics and Tax Policy' (2009)

### Design issues

Meade, 'The Structure and Reform of Direct Taxation' (1978)

HMRC, 'Measuring Tax Gaps' (2024)

Kleven & Jacobsen, 'How Can Scandinavians Tax So Much?' (2014)



**Credit Transfer:** If you are hoping to earn credit by taking this course, please ensure that you confirm it is eligible for credit transfer well in advance of the start date. Please discuss this directly with your home institution or Study Abroad Advisor.

As a guide, our LSE Summer School courses are typically eligible for three or four credits within the US system and 7.5 ECTS in Europe. Different institutions and countries can, and will, vary. You will receive a digital transcript and a printed certificate following your successful completion of the course in order to make arrangements for transfer of credit.

If you have any queries, please direct them to [summer.school@lse.ac.uk](mailto:summer.school@lse.ac.uk)