

The Comprehensive Essay Question

Due date: Tuesday December 5, 8:00 am. Submit via bCourses, assignments tab. **No late submissions.**

10-11-12 pt font; double spaced; pages numbered; 1,000 words max.

Your name, SID, GSI's name, & word count on first page

Use "quote marks" as appropriate. Cite your sources.

Works cited page & any (optional) data charts not included in 1,000 word maximum.

Acceptable file types: .doc, .docx, .pdf, .rtf

You are finishing up a fabulous internship at an online news-and-opinion blog that focuses on economics issues. Your supervisor has given you one last assignment: Write a piece that provides some analysis of the Tax Cuts and Jobs Act (TCJA, also known as the GOP Tax Plan). Your readers are educated people who have an interest in and background knowledge of economics. Your supervisor has been impressed with the breadth and depth of your economic knowledge and with your ability to write a clear and compelling article. You don't want to let your supervisor down!

Based on conversations with your supervisor, you decided you wanted to include the points below. You're mostly happy with the outline but might re-order things for better flow. You can include visual representations of data as appropriate (a figure can be worth a thousand words), but no "textbook graphs" that illustrate economic concepts.

Preliminary Outline You Sketched Out for Yourself (which is why you referred to yourself as "I")

- Intro paragraph. Include a thesis statement here. Be sure reader knows that the specifics of TCJA vary between House and Senate versions (and are changing by the day), so I'll mostly focus on the broad outlines.
 - Broad outlines that I'll focus on: [1] lower taxes on income (revenue - accounting costs) of corporations; [2] eliminating taxes on wealth transfers (bequests) for estates larger than \$5 million; and [3] changes in taxes for middle and lower income families ("change" because it could be an income tax decrease, could be an increase, depends on family location and circumstances)
- Provide a clear brief analysis of the effects of the tax plan on long-run economic growth, unemployment, inflation, and inequality. It probably will be most clear if I separately analyze the effects of each of the three things in my broad outline. I'll have to think about what flows better: grouping by what's being affected (LR growth, unemployment, etc) or grouping by aspect of the tax bill (corporate taxes, wealth taxes, income taxes).
- Discuss what the Fed will likely do in response. Here I need to focus especially on the predicted net effects on unemployment and inflation. I should be sure to explain (briefly anyway) what the Fed's mandate is, and why they consider unemployment and inflation in determining policy. Important here to distinguish between today's inflation, anticipated inflation, and inflationary expectations.
- There are lots and lots of particular provisions in the bills. To make my article more compelling, I'll choose one particular provision and analyze it.
 - Best place to find information needed here: Joint Committee on Taxation (<https://www.jct.gov/>) and especially <https://www.jct.gov/publications.html?func=startdown&id=5031> (House bill, "Description of H.R. 1") and <https://www.jct.gov/publications.html?func=startdown&id=5032> (Senate bill, "Description of the Chairman's Mark of TCJA")
 - I'll choose just one particular provision out of all that is in those two documents. Almost everything in the bill is the elimination (or change) of the amount of tax credit or deductibility (a subsidy) that taxpayers currently receive for spending on some particular thing. After I choose what one provision I will focus on, I want to discuss what particular (micro) market that provision will affect, what the effect is likely to be, and whether or not there had been a justification for the existing (pre TCJA) provision based on the existence of externalities. (For instance, if the bill suggests eliminating the ability to deduct from taxes a taxpayer's spending on X, what will that do to prices and quantities in the market for X? And, is there an externality associated with spending on X that had justified the existing ability to deduct spending for X from one's taxable income?)
- Offer a conclusion: Is the TCJA good or bad for the US economy? That's a normative question, so I better state what I think the goal ought to be.