Georgia’s Tax Reform: Enhancing Competitiveness

Professor Christine Ries

Professor Christine Ries, a specialist in international finance, markets and organizations, and economics of the firm, is a member of the Special Council for Tax Reform and Fairness for Georgians.

The leadership of the Georgia State Assembly in May 2011 commissioned this group of eleven Georgians including four economists, Gov. Perdue, and distinguished representatives of small and large business communities, agriculture, accounting, and other industries to recommend reforms to the Georgia tax code. The group’s mandate was to make recommendations that would promote a more efficient Georgia economy, increase the efficiency and competitiveness of companies already in Georgia, and make Georgia a more attractive destination for new out-of-state investments. The assignment was a daunting task since the state had not made a systematic review of the code since 1936. In fact, reference to “steel wheeled tractors” was still in the code.

Budget deficits and taxation policies have been the subjects of considerable debate both at the state and national levels in recent years. The Special Council for Tax Reform with its goal of delivering a pro-growth reform package recommended permanently lower marginal income tax rates as an effective way to promote growth. Lowering the marginal tax rate would, for example, increase incentives for work, entrepreneurial risk taking, and expansion of business activities.

The group conducted considerable economic and business research that formed the basis of their recommendations. They recognized that Georgia competes directly for new investments with several surrounding states that boast of personal income tax rates of 0%. In addition, 75% of the new jobs in the country come from small business and 80% of all businesses file under personal income tax schedules rather than corporate income tax schedules. Hence, the group recommended flattening and cutting the state personal and corporate income tax rates from 6% in stages to 4%. The group was not able to recommend an overall tax cut because the state’s budget has been under severe strain due to the continuing recession and reduction in transfers from the federal government.

Constrained to deliver recommendations that would yield the same state tax revenues as prior to reform, the Council sought to identify sources of revenue that would offset the loss due to

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Black Americans & the Economic Recovery

Professor Thomas Boston

Professor Thomas “Danny” Boston joined the School of Economics in 1985. His current research is on entrepreneurship and firm growth (focusing on minority and small businesses), public economics (focusing on project evaluation) and urban economics (focusing on the impact of public housing policies on families and neighborhoods).

Frustrated by the lack of timely data and information on small businesses, he launched the Gazelle Index (www.gazelleindex.com) in November of 2011. The blog focuses on the economy and small businesses; including, minority and women-owned business performance and hiring. Professor Boston is a regular economics contributor to CNN. He has testified numerous times before Committees and Sub-Committees of the US Senate and House of Representatives regarding the impact of federal policies on minority business performance and federal housing policies on low income families and neighborhoods. He was invited by the White House in April 2012 to discuss the employment and income status of blacks during the recovery. This article contains excerpts from his presentation at the White House.

There are three conclusions that one can draw when examining the employment and income status of blacks during the recovery:

1. The burden of unemployment falls heavily upon blacks.
2. Economic growth is important but by itself, it is not enough.
3. Incremental policy changes are not likely to make a significant difference.

Instead, a concerted multifaceted effort is needed to break through the tremendous racial disparity in employment and income.

Understanding the Burden of Unemployment

Blacks are about twice as likely to be unemployed as are whites, but that is not all. The most onerous burden is this – blacks make up 11.9% of the workforce but constitute 20.4% of all unemployed workers!

Economic Growth is very important, but growth alone is not enough!

Even when the economy is doing well, black unemployment is still very high. At the peak of the business cycle in December 2007
Mentoring through Research:
Professor Ruth Uwaifo Oyelere and Kate Wharton

Kate Wharton, an Economics and International Affairs major, is participating in the undergraduate research option and writes about her experience in this article. Kate has been the recipient of the 1996 Olympic Envoy Program Legacy Award and the Molly Newton Award, a recognition of her many accomplishments. Notable among these are her leadership role at the Georgia Tech AIESEC, and humanitarian works including research on microfinance as a tool for alleviating poverty, helping to start "Volunteer for Bangladesh," and her work as part of a team that designed a refugee camp sanitation system. After graduation this Spring, Kate will work as a Federal Analyst for Deloitte Consulting in Washington, DC. Professor Ruth Uwaifo Oyelere is Kate's Research Option advisor. Professor Uwaifo Oyelere joined the School of Economics in 2006. Her research interests are in development economics, economics of education and labor economics. She enjoys mentoring undergraduate students. She has been actively involved in helping students better understand the research process and gain practical experience with collaborative research projects through the undergraduate research option. Dr. Uwaifo Oyelere received the Course Instructors’ Opinion Survey (CIOS) Teaching Excellence Award in 2012.

For the past two years, I have had the privilege of working with Dr. Ruth Uwaifo on an independent research project on the role of education in economic development. What started with a simple email became an academic partnership, a mentorship, and a friendship. During the course of my research, classes, travel, and discussions, I have developed a deep guiding belief that education is the greatest tool we as human beings have to better our world. All human struggle – poverty, war, unhappiness – stems from lack of education. Whether this is education to advance economic development, education to resolve cultural differences, or education to gain self-fulfillment, we must start young to change the world. It’s fascinating that research – in economics, no less! – can spur this sort of self-awareness and passion. My research not only makes me a better student, but it also gives me skills valuable in the job market. Having produced a working paper in line for review and publication, I can show that I have tangible skills in qualitative and quantitative analysis and that I have in-depth knowledge of a particular subject and the follow-through to see a project to its end.

Without a doubt, participating in the research option has been a defining part of my undergraduate experience. Undergraduate research not only enhances your skills for the job market, but it also allows you to explore your field in greater depth and emerge with an understanding of what you’d like, what you don’t like, and where you are headed next. Most importantly, you have the opportunity to get to know a faculty member as a researcher and a person. Working with Dr. Uwaifo has been personally very rewarding. She not only cares about producing a paper eligible for publication in a top journal, but she also cares about my personal development. Whether carefully explaining complicated econometric techniques, writing a letter of recommendation, or simply chatting about my life and career path, Dr. Uwaifo has taken the role of a true mentor. It is wonderful knowing (hoping!) that she will be a presence in my life as I continue to grow and explore my passion for economics and international development.

Georgia: Education & Taxes

continued from page 7... income tax rate reductions. They recommended a package of excise taxes and increasing the range of products and services that would bear sales taxes. Recommendations and the full report can be found at


The 2012 session of the Georgia Legislative Assembly passed many of the recommendations, including those that rid the code of the ‘steel-wheeled tractor tires.’ These changes streamline and modernize the tax code, especially transforming the tax treatment of mining, manufacturing and agriculture in Georgia into transparent and efficient language. This first phase of reform insures that businesses are not taxed on production inputs and allows many state businesses to compete on an even playing field with nearly all other states. The impact of these changes is expected to be pervasive and large and is already generating a great deal of interest from companies that are considering investing in Georgia.

Dr. Ries continues to work on tax reform both in Georgia and other states. She has developed a model that will allow legislators and the public to do their own analysis of tax reform and will soon have this analytical tool available on-line for the public.

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Levent Kutlu

Levent Kutlu is assistant professor in the School of Economics. He received his BSc in mathematics from Bogazici University (Istanbul, Turkey), his MSc in economics from Istanbul Bilgi University (Istanbul, Turkey), and MStat in statistics and PhD in economics from Rice University.

His teaching and research interests include applied econometrics, industrial organization, and social choice theory. His specific interests are productivity analysis (Stochastic Frontier Analysis), market power analysis, and price discrimination.

He has a special interest in programming. At the moment his favorite programming language is Matlab.

Shatakshee Dhongde

Shatakshee Dhongde is Assistant Professor in the School of Economics. She obtained her Ph.D. from the University of California, Riverside in 2005 and was an Assistant Professor at the Rochester Institute of Technology, NY.

Her research analyzes globalization and its impact on economic growth, poverty, inequality, and segregation. She is a part of a Georgia Tech multidisciplinary research team at which is developing models to study the effect of socio-economic factors affecting terrorism.

Her work has been published in leading economics journals, including the Oxford Bulletin of Economics and Statistics, and the Review of Income and Wealth.
New Professors
four talents join the team

Erik Johnson

Erik Johnson is Assistant Professor in the School of Economics. He received his BA in mathematics and economics from St. Olaf College and his PhD in public policy and economics from the University of Michigan.

His teaching and research interests include environmental and energy economics, public economics, and applied microeconometrics.

His recent work has focused primarily on the cost of carbon dioxide abatement from using renewable electricity-generating technologies and using agent-based modeling in benefit-cost analysis.

Juan Moreno-Cruz

Juan Moreno-Cruz is an Assistant Professor in the School of Economics. He has a Ph.D. in economics from the University of Calgary and a B.Sc. and M.Sc. in electrical engineering from the University of Los Andes, in Bogota, Colombia. Moreno-Cruz’s research focuses on the interaction of climate change, technological change and economic growth. Moreno-Cruz has investigated how geoengineering technologies affect optimal climate policy, the interaction among nations, and the asymmetric impacts across regions and across generations created by the implementation of these technologies.

Currently, he is studying previous energy transitions in order to inform current policy. Moreno-Cruz’s work is at the intersection between applied theory and public policy.

Visitng Professor
Johnson Kakeu
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In particular, one of my papers questions the conventional wisdom that standard asset pricing accommodates exhaustible resource pricing. This conventional wisdom goes back at least to the Richard T. Eil lecture given by Professor Robert Solow in 1973 at the meeting of American Economic Association. In contrast to this mainstream way of thinking, this paper shows that the standard asset pricing does not accommodate the exhaustible resource pricing. Another paper proposes a differential game analysis of the quest for hegemony among countries as a generator of global pollution.
Celebrating our Alumni

Richard R. House, Econ 1985

“Probability and statistics are important tools that aid in sound decision making”

Richard (Rich) R. House graduated from Georgia Tech in 1985 with a Bachelor of Science degree in Economics. He lives in Atlanta with his wife Emmie and his children, Cinnie Lee and Trey. Rich is currently President of CompuCredit Corporation, which he joined in 1997. He has over 25 years of experience in the consumer credit industry. From 1993 until 1997, he managed and directed Equifax’s Decision Solutions division, the company’s quantitative analysis and modeling group. Prior to joining Equifax in 1991, he was employed by the JC Penney Company in credit operations and credit policy. Rich serves on the Board of Advisors of the School of Economics and the Ivan Allen College and has generously supported the development of the Ph. D. program at the School of Economics.

In thinking back about his time at Tech, Rich indicated his economics education at Georgia Tech provided him with the best of both worlds - interacting with really intelligent and thoughtful people both in the liberal arts and in engineering and being exposed to different kinds of thinking and frameworks of analysis. This is a valuable asset in the workplace where one has to collaborate successfully in very diverse teams.

Early in his career at JC Penney’s, Rich realized the advantages of his Economics degree and his expertise in economics, math and econometrics. For example, when Credit Bureau scores were first introduced, Rich’s expertise helped him bridge the gap between those who wanted to immediately adopt the latest credit tools and those who were resistant to change by helping the senior management understand the advantages and limitations of credit bureau scores. During the recent Great Recession, his understanding of the shadow banking system helped CompuCredit anticipate the need to deleverage rapidly in August 2007. While this resulted in immediate losses, this strategy also helped them to move from the liquidity driven credit business to the distressed assets market and has greatly enhanced CompuCredit’s longer term profitability.

We asked Rich how students should prepare for the modern workplace. Rich emphasized the need to understand probability and statistics as tools that aid sound decision making. Having exposure to international education and experiences helps in working successfully in multicultural teams and with collaborators in different countries. Learning to communicate effectively is a key skill for success in the workplace. He encouraged students while still in school to take advantage of the many opportunities available to fine tune their communications skills.

“Let us think of education as the means of developing our greatest abilities, because in each of us there is a private hope and dream which, fulfilled, can be translated into benefit for everyone and greater strength for the nation.”

- John F. Kennedy

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Economic Recovery & Race

(a time when the economy was operating at an optimal level) the unemployment rate for blacks was 9.0%, and the rate for whites was 4.4%. In fact, the best quarter of economic performance in the last continued from page 1... decade occurred in the fourth quarter of 2003, during which GDP grew at 6.7%. However, the unemployment rate for blacks averaged 10.6% during that quarter. Clearly, economic growth alone is not sufficient to reduce the disproportionately high rate of black unemployment to levels that are experienced by whites.

Incremental Policy Changes Will Not Make a Big Difference; there needs to be a multifaceted concerted effort to address black unemployment.

The unemployment experienced by blacks has many causes and it will take a multifaceted effort to address them. A quick summary of the factors contributing to high black unemployment are as follows: disadvantages in the occupational distribution of jobs among blacks (maximal concentration in low-paying occupations that are sensitive to changes in business cycle activity), a greater concentration of blacks in urban areas where unemployment is higher, lower rates of educational attainment, extreme wealth inequality (inequality exists between blacks and whites and it is growing within the black community), high rates of black incarceration (the criminal records of males and increasingly females lowers the probability of becoming employed), poorly functioning and unresponsive public educational system especially in large urban areas, and a spatial mismatch between the location of jobs in metropolitan areas in the communities where blacks are concentrated.

The challenges are deep-seated and multi-faceted. Therefore, incremental policy changes such as job training programs are important, but are not likely to make any significant difference. As such, Professor Boston has proposed that the Administration create a National Commission on Black Employment to identify the most appropriate policy solutions for dealing with the multi-faceted problems that contributed to the large racial disparity in employment.

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Honoring
Professor William Schaffer

The School of Economics and Omicron Delta Epsilon, the international honor society for students of economics, held a reception on April 4 honoring Professor Emeritus William (Bill) Schaffer.

Bill came to Georgia Tech as a freshman in 1952. He graduated in 1956 with a BS degree in industrial management; after four years as a pilot in the U.S. Marine Corps, he went on to receive his Ph. D. in economics from Duke University in 1966. Returning to Tech as an assistant professor of economics in 1963, he has been an integral part of our Georgia Tech community ever since. Bill twice served as acting director of the Georgia Tech School of Economics (1990-97 and 1999-2000).

At the reception, students shared the impact Bill has had on their lives. John McLeod (BS Econ '89, MS Econ '91) said about Bill, “My story is like that of many others...without ever putting a firm hand on me, he was able to guide me along. And the next thing I knew, I had spent twelve years in the department, teaching and doing any number of other things... He profoundly influences my life, even to this day... in fact, last night at midnight, I was still working with him on a consulting project, on the impact of the arts in the U.S.”

Bill takes the time to get to know his students and is a caring mentor - ready to teach them, to laugh with them, to advise and guide them as their need may be. They often keep in touch with him long after they have graduated from Tech.

It comes as no surprise that Bill has received the Faculty of the Year Award from the GT Student Government Association. After enjoying nearly sixty years on campus, Bill Schaffer is indeed much loved and respected.

The School of Economics has established the William Schaffer Student Enrichment Fund to honor Bill. This fund will be used to support awards and programming that enrich the student experience in the School of Economics such as the William Schaffer Award for Excellence in Economics and guest lectures. For more information, please contact Dr. Juan McGruder, Director of Development, Ivan Allen College at 404-894-1898 or by email at juan.mcgruder@iac.gatech.edu.

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