



Department of Economics Course Outline

		Term:	Winter 2012
Course:	Economics 403 [Public Sector Economics: Taxation]	Section:	01
Time:	MWF 10:00 – 10:50	Place:	A 167
Instructor:	Dr. Jean-François Wen		
Office:	SS 418	Telephone:	220-2478
Office Hours:	MW 14:00 – 15:00 (or by appointment); subject to change	E-mail:	wen@ucalgary.ca
Web Page:	A Blackboard web page will be set up for the course.		

Course Description:

Economics 403 focuses on the taxation side of public finance (Economics 401 deals with the expenditure side). The course will emphasize the basic tools that economists employ to evaluate and determine the effects of taxes. Particular attention will be paid to the incentive effects of taxation on behaviors like labour supply, saving, investment, etc. Each segment of the course will consist of institutional facts and development of the economic theory required to understand the issues, followed by a summary of the relevant empirical evidence. The course will follow a fairly pragmatic, policy oriented approach. By the end of the course you should be able to understand and critically evaluate issues related to tax policy from an economic perspective.

Textbook(s):

H. Rosen, J.-F. Wen, T. Snoddon, B. Dahlby and R. Smith, *Public Finance in Canada*, McGraw-Hill Ryerson, 2008, 3rd Canadian Edition.

Books On Reserve:

A copy of the textbook is on Reserve.

Topics for EC403: Taxation**Winter 2012****1. Tax Morale and the Tale of Greece***Readings:*

James Surowiecki, "Dodger Mania," New Yorker Magazine:

http://www.newyorker.com/talk/financial/2011/07/11/110711ta_talk_surowiecki

Chapter 17 (Efficient and Equitable Taxation) only pages 336-341: "Costs of Running the Tax System" and "Tax Evasion"

R. Cummings, J. Martinez-Vazquez, M. McKee, B. Torgler (2009) "Tax morale affects tax compliance: Evidence from surveys and an artefactual field experiment," *Journal of Economic Organization and Behavior* 70: 447-557.

Lars P. Feld and Bruno Frey (2006) "Tax Evasion in Switzerland: the Roles of Deterrence and Tax Morale," CREMA WP 2006-13.

<http://www.oecd.org/dataoecd/9/51/2789923.pdf>Bahro Berhan and Glenn Jenkins (2005) The High Costs of Controlling GST and VAT Evasion, *Canadian Journal of Economics* 53(3).*Topics:*

- Determinants of tax compliance
- Costs of running a tax system

2. Obama's Payroll Tax Cut, Tax Shifting and Tax Fairness*Readings:*Clement Carbonnier (2007) "Who Pays the Sales Tax? Evidence from French VAT Reforms, 1987-1999," *Journal of Public Economics* 91(5-6): 1219-1229.Michael Smart and Richard Bird (2009) "The Economic Incidence of Replacing a Retail Sales Tax with a Value-Added Tax: Evidence from Canadian Experience," *Canadian Public Policy* 35(1): 85-97.Arnold Harberger (2008) "The Incidence of the Corporation Income Tax Revisited," *National Tax Journal* 61(2): 303-312.

Jon Kesselman (1996) "Payroll Taxes in the Finance of Social Security," *Canadian Public Policy* 22(2): 162-179.

Mark Stable (2004) "Payroll Taxes and the Decision to Become Self-Employed," *International Tax and Public Finance* 11(1): 31-53.

Chapter 15 (Taxation and Income Distribution) but skip subsections on pages 286-289

Topics:

- Statutory incidence versus economic incidence
- Why we care about economic incidence
- Economic incidence and the elasticities of demand and supply
- Average tax rate and marginal tax rate
- Commodity tax in a general equilibrium model
- Progressivity of the Canadian tax system progressive

3. Longing for Light: the Excess Burden of a Brick Tax

Readings:

Frances Woolley, "The Concrete Impacts of Taxes," Worthwhile Canadian Initiative: a Mainly Canadian Blog,
http://worthwhile.typepad.com/worthwhile_canadian_initi/2012/01/the-concrete-impacts-of-taxes.html?cid=6a00d83451688169e201675fe7b821970b

Chapter 16 (Taxation and Efficiency)

John Creedy (2003) "The Excess Burden of Taxation and Why it (Approximately) Quadruples when the Tax Rate Doubles," New Zealand Treasury WP 03-29.
<http://ideas.repec.org/p/nzt/nztwps/03-29.html>

Topics:

- Lump-sum taxes
- Meaning of excess burden
- Excess burden and substitution effect
- Excess burden of an income tax
- Excess burden and elasticity of demand
- Excess burden and compensated demand curves

4. Optimal Taxation: Should Tall People Pay More?

Readings:

Chapter 17 (Efficient and Equitable Taxation)

Greg Mankiw and Matt Weinzierl (2007) “The Optimal Taxation of Height: A Case Study of Utilitarian Income Redistribution,” Harvard University Working Paper.http://www.economics.harvard.edu/files/faculty/40_Optimal_Taxation_of_Height.pdf

Topics:

- Ramsey rule
- Cortlett-Hague rule
- Optimal income taxation

5. The Personal Income Tax System in Canada

Readings:

Chapters 18 (The Personal Income Tax)

Topics:

- Basic structure of the personal income tax system in Canada
- Definition of income, deductions, tax credits, tax rates
- Haig-Simons definition of comprehensive income
- Imputed rent on owner-occupied houses
- Effect of “claw-backs” on program benefits impact the effective income tax

6. Do Taxes Make You Lazy? The Behavioral Effects of Taxation

Readings:

Chapter 19 (Personal Taxation and Behavior)

T. MaCurdy, D. Green, H. Paarsch (1990) “Assessing Empirical Approaches for Analyzing Taxes and Labor Supply,” *Journal of Human Resources* 25(3): 415-490.

Topics:

- Income taxes and work effort
- Income taxes and savings
- Income taxes and risk-taking
- Flat tax

7. Risky Business: Taxing Corporations

Readings:

Chapter 22 (The Corporation Tax)

Duanjie Chen, “Flaherty’s Missed Opportunity,” CD Howe e-brief, December 17, 2008.

Topics:

- Why tax corporations?
- Tax on profits versus tax on corporate income
- Effects on investment
- Double taxation
- Dividend tax credit

8. What’s Bill Vander Zalm’s Beef with the HST?

Readings:

National Post Editorial Board, “Lessons from B.C.’s HST Debacle,” National Post online article: <http://fullcomment.nationalpost.com/2011/08/26/national-post-editorial-board-lessons-from-b-c-s-hst-debacle/>

Chapter 20 (Consumption Taxation): only the section on Canada’s VAT, pages 407-412.

Richard Bird and Michael Smart (2009) “The Impact on Investment of Replacing a Retail Sales Tax with a Value-Added Tax: Evidence from Canadian Experience,” *National Tax Journal* 62: 591-609.

Michael Keen (2007) “VAT Attacks!” *International Tax and Public Finance* 14(4): 365-381. <http://www.springerlink.com/content/vt01544017374536/>

Topics:

- Value Added Tax
- Goods and Services Tax
- Harmonized Sales Tax

9. Wrap-Up: Trends and Challenges in Tax Policy

Readings

John Norregaard and Tehmina S. Khan (2007) “Tax Policy: Recent Trends and Coming Challenges,” IMF Working Paper 07/274.
<http://www.imf.org/external/pubs/cat/longres.aspx?sk=21489.0>

Grade Determination and Final Examination Details:

1. Three assignments 40%
2. Midterm Exam 25% (Friday, February 17, 2012)
3. Final Exam 35%

A numerical grade will be determined for each item of work and a final numerical grade will be calculated using the above weights.

A letter grade for the course will be assigned according to the following schedule:

A+	90-100	B	73 - 75	C-	60 - 62
A	85 – 89	B-	70 – 72	D+	56 – 59
A-	80 – 84	C+	66 – 69	D	50 – 55
B+	76 – 79	C	63 – 65	F	0 - 49

A passing grade on either the midterm or final exam is required in order to pass the course.

If, for some reason, the distribution of grades determined using the aforementioned conversion chart appears to be abnormal, the instructor reserves the right to change the grade conversion chart if the instructor feels it is necessary to more fairly represent student achievement.

Calculators will be allowed during the writing of tests or final examinations.

The midterm exam will be held in regular class time at a date to be announced during the first week of classes.

The final exam will be held during the examination period at a time and place to be determined by the Registrar. It will be two hours long, will cover the FULL course, and will be held in a class room.

Blackboard:

This course will make use of blackboard – students who are registered in the course can logon at <http://blackboard.ucalgary.ca/webapps/login>. Please note that Blackboard features a class email list that I will use. It is your responsibility to make sure that Blackboard uses the email of your choice. The default is your University of Calgary email address.

Notes:

1. Students must comply with the university regulations concerning "Intellectual Honesty", "Examinations", etc., which are published in the University Calendar.
2. Any work not submitted on time will receive a grade of zero. Extensions and exemptions for assignments will not normally be given except in the case of documented illness, family emergency, or religious observance.

3. **THERE WILL BE NO MAKEUP OR DEFERRED MID-TERM EXAM** under any circumstances, nor may the exam be written early. Students unable to write the exam because of *documented* illness, family emergency or religious observance will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.
4. Students seeking reappraisal of term work should discuss the issue with the instructor within fifteen days of the work being returned in class. Unclaimed work will be available from the instructor during office hours.
5. **WARNING:** The lectures, assigned readings, or Internet outlines are complements, not substitutes. You are responsible for material presented in all three forms. I will often take a different approach to presenting a concept than the assigned reading does, and I will often present material in class that is not covered in the readings nor included in the Internet outlines. **MISS LECTURES AT YOUR OWN PERIL.**
6. It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.
7. Campus Security/Safewalk 220-5333.
8. Emergency Assembly Location – Social Sciences Food Court

Students' Union Vice-President Academic:

Ola Mohajer

Phone: 220-3911

E-mail suvpaca@ucalgary.ca

Students' Union Faculty Representative (Arts)

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E-mail arts1@su.ucalgary.ca, arts2@su.ucalgary.ca, arts3@su.ucalgary.ca, arts4@su.ucalgary.ca

Society of Undergraduates in Economics (S.U.E.):

www.ucalgary.ca/sue

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career partnerships with the Career Centre through hosting industry nights and information sessions, recognizing achievements in teaching, and organizing social events for members. Join now by contacting sue@ucalgary.ca.

Faculty of Arts Program Advising and Student Information Resources

- Have a question, but not sure where to start? The new Faculty of Arts Program Information Centre (PIC) is your information resource for everything in Arts! Drop in at SS110, call us at 403-220-3580 or email us at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate> which has detailed information on common academic concerns.
- For program planning and advice, contact the Student Success Centre (formerly the Undergraduate programs Office) at (403) 220-5881 or visit them in their new space on the 3rd Floor of the Taylor Family Digital Library.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at (403) 210-ROCK [7625] or visit them at the MacKimmie Library Block.

JFW:mi
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