



Department of Economics Course Outline

		Term:	Fall 2008
Course:	Economics 653 [Public Revenue Analysis]	Section:	01
Time:	TR11:30 – 12:45	Place:	SS 423
Instructor:	Dr. Kenneth J. McKenzie		
Office:	SS 402	Telephone:	220-4605
Office Hours:	By appointment	E-mail:	kjmckenz@ucalgary.ca

Textbook(s):

There is no textbook for the course. Copies of required readings (book chapters, journal articles) will be available on Blackboard.

Reserved Readings: n/a

Course Description:

Economics 653 focuses on the taxation "side" of Public Finance. The course will analyze both the positive and normative implications of different types of taxes.

A detailed outline of topics and readings will be provided in the first lecture. General topics covered may include:

- Efficiency and Optimal Tax Theory
- Tax Incidence
- Environmental taxation
- Tax competition and international taxation
- Capital Income Taxation
- Public Choice

Grade Determination (subject to change):

- | | |
|-------------------------------|-----|
| 1. Two assignments (10% each) | 20% |
| 2. Midterm | 30% |
| 3. Final exam | 50% |

Exams and assignments will be marked on a numerical (percentage) basis, then converted to letter grades. The course grade is then calculated using the weights indicated above. As a guide to determining standing, these letter grade equivalences will generally apply:

A+	95 – 100	B	75 – 79	C-	55 – 59
A	90 – 94	B-	70 – 74	D+	50 – 54
A-	85 – 89	C+	65 – 69	D	45 – 49
B+	80 – 84	C	60 – 64	F	0 – 44

A passing grade on any particular component of the course is not required to pass the course as a whole.

Exams WILL NOT include multiple choice questions.

The 2-hour final examination will be scheduled by the department and held during the final examination period in a classroom.

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, *at his discretion*, feels it is necessary to more fairly represent student achievement.

Notes:

Students must comply with the university regulations concerning "Intellectual Honesty", "Examinations", etc., which are published in the University Calendar.

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.

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.

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.

Topics, Tentative Reading List and Schedule

September 9, 11, 16, 18

Welfare, Economic Efficiency, and Optimal Taxation

- *Mintz Lecture Notes
- *Auerbach, A. and J. Hines Jr. (2002), "Taxation and Economic Efficiency", Chapter 21 in *Handbook of Public Economics*, Volume 3, A. Auerbach and M. Feldstein eds., Elsevier Science; sections 1-5.
- *Salanie, B. (2003), *The Economics of Taxation*, (Cambridge, MIT Press), Chapters 3 and 4.
- Diamond, P. and D. McFadden (1974), "Some uses of the expenditure function in public finance", *Journal of Public Economics*, 3, 3-22.
- Diamond, P. and J. Mirrlees (1971), "Optimal taxation and public production (I and II)", *American Economic Review*, 61, 8-27 and 261-78.
- Stiglitz, J. E. (1982), "Self-selection and Pareto efficient taxation," *Journal of Public Economics*.
- Diamond, P., 1998, "Optimal income taxation: An example with a U-shaped pattern of optimal marginal tax rates," *American Economic Review* 88, 83-95.

September 23, 25, 30

Environmental Taxation

- *Salanie, B. (2003), *The Economics of Taxation*, (Cambridge, MIT Press), Chapter 10.
- *Bovenberg, A. and L. Goulder (2002), "Environmental Taxation and Regulation", Chapter 23 in *Handbook of Public Economics*, Volume 3, A. Auerbach and M. Feldstein eds., Elsevier Science sections 1-2.
- Bovenberg, A. and L. Goulder (1996), "Optimal Environmental Taxation in the Presence of Other Taxes: General Equilibrium Analysis", *American Economic Review* 86(4), 985-1000.
- Goulder, L. (1995), "Environmental Taxation and the Double Dividend: A Readers Guide," *International Tax and Public Finance* 2, 157-83.
- *Bovenberg, A. and R. de Mooij (1994), "Environmental Levies and Distortionary Taxation", *American Economic Review* 84(4), 1085-89.

October 2, 7, 14 (No class on October 9)

Political Economy and Taxation

- *Persson, T. and G. Tabellini, "Political Economics and Public Finance", in *Handbook of Public Economics*, Volume 3, A. Auerbach and M. Feldstein eds., Elsevier Science, 2002 (especially sections 1, 2, 6, 7, 9, 10). .../4

- *Persson, T. and G. Tabellini, Chapter 3 “Electoral Competition”, in *Political Economics*.
- Gans, J. S. and M. Smart (1996), “Majority voting with single-crossing preferences,” *Journal of Public Economics* 59, 219–238.
- Persson, T., G. Roland, and G. Tabellini (2000), “Comparative politics and public finance,” *Journal of Political Economy* 108, 1121–1161.

October 7 Assignment #1 Handed Out (due October 16)

October 16, 21

Tax Incidence

- *Salanie, B. (2003), *The Economics of Taxation*, (Cambridge, MIT Press), Chapter 1.
- *Kotlikoff, L. and L. Summers, “Tax Incidence”, in *Handbook of Public Economics*, Volume 2, A. Auerbach and M. Feldstein eds., Elsevier Science, 1981
- Hamilton, Stephen, 1999 “Tax Incidence Under Oligopoly: A Comparison of Policy Approaches”, *Journal of Public Economics*, 71(2), 233-246.
- Seade, Jesus, 1985, “Profitable Cost Increases and the Shifting of Taxation: Equilibrium Responses to of Markets in Oligopoly”, *Warwick Economic Research Paper*, No. 260.
- J. Whalley, “Regression or Progression: The Taxing Question of Incidence Analysis”, *Canadian Journal of Economics*, 17, 1984, 654-82.

October 23, 28, 30, November 6, 13

Taxation, Saving, Business Investment and Financial Policy

- *K. Hassett and R.G. Hubbard, “Tax Policy and Business Investment”, in *Handbook of Public Economics*, Volume 3, A. Auerbach and M. Feldstein eds., Elsevier Science, 2002.
- A. Auerbach, “Taxation and Corporate Financial Policy”, in *Handbook of Public Economics*, Volume 3, A. Auerbach and M. Feldstein eds., Elsevier Science, 2002.
- *Salanie, B. (2003), *The Economics of Taxation*, (Cambridge, MIT Press), Chapters 6.
- *J. Mintz (1996), “The Corporation Tax”, in M. Devereux, ed., *The Economics of Tax Policy*, Oxford University Press, Oxford, 137-188. Also published in *Fiscal Studies*, 1995.
- *McKenzie, K.J., N.M. Mintz and K.A. Scharf (1997), "Measuring Effective Tax Rates in the Presence of Multiple Inputs", *International Tax and Public Finance* 4(3), 332-359.
- *Beaulieu, E., K.J. McKenzie and J-F. Wen (2005), “Do Taxes Matter for Firm Location? Evidence from Canadian Provinces”, IAPR Technical Paper 041002, University of Calgary.
- McKenzie, K.J. (2007), “Measuring Tax Incentives for R&D”, *International Tax and Public Finance*, forthcoming.
- Michael Devereux, 2004, “Measuring Taxes on Income from Capital”, in *Measuring the Tax Burden on Capital and Labor*, ed. by Peter Sørensen, CESIFO Seminar Series, MIT Press, Cambridge, Mass., 35-71.

- Cummins, J., K. Hassett and G. Hubbard, “Tax Reforms and Investment: A Cross-Country Comparison”, *Journal of Public Economics* 62(1-2), 237-73.
- R. Chirinko, S. Fazzari and A. Meyer (1999), "How Responsive Is Business Capital Formation to its User Cost? An Exploration with Micro Data", *Journal of Public Economics* 74(1), October 1999, pages 53-80.
- McKenzie notes on optimal control theory
- McKenzie notes on marginal effective tax rates
- C.D. Howe Institute Tax Competitiveness Report, 2007.

November 4 Midterm Exam

November 20, 25, 27

Tax Competition

- *Fuest, C., B. Huber and J. Mintz (2006), “Capital Mobility and Tax Competition: A Survey”, *Foundations and Trends in Microeconomics*, Vol. 1, No. 1, 1-62.
- Roger Gordon (1992), “Can Capital Income Taxes Survive in Open Economies?”. *Journal of Finance*, July 1992, 1159-1180.
- John Wilson (1999), “Theories of Tax Competition”, *National Tax Journal*, June 1999, 269-304.
- *Mintz, J. and M. Smart (2004), “Income shifting, investment and tax competition: Theory and evidence from provincial income taxation in Canada”, *Journal of Public Economics* 88(6), 1149-1168.
- Mintz, J. and H. Tulkens (1986), “Commodity tax competition between member states of a federation: Equilibrium and efficiency”, *Journal of Public Economics* 29, 133-72.
- *Kanbur, R. and M. Keen (1993), Jeux sans frontières: Tax competition and tax coordination when countries differ in size”, *American Economic Review* 83, 877-92.

November 20 Assignment #2 Handed Out (due December 2)

December 2, 4

Taxation, Multinational Investment and Finance

- Hartman, D. (1980), “The effect of taxing foreign income”, *Journal of Public Economics* 13(2), 213-230.
- *Hines, J. Jr. 1999, “Lessons from the behavioral responses to international taxation”, *National Tax Journal*, 305-322.
- Leechor, C. and J. Mintz 1993, “On the taxation of multinational corporate investment when the deferral method is used by the capital exporting country”, *Journal of Public Economics*, 51, 75-96.
- Altshuler, R. and H. Grubert (2003), “Repatriation taxes, repatriation strategies and multinational financial policy”, *Journal of Public Economics* 87(1), 73-107. .../6

- *Jog, V. and J. Tang (2001), “Tax reforms, debt shifting and tax revenues: Multinational corporations in Canada”, *International Tax and Public Finance* 8(1), 5-25.
- *Alfons Weichenrieder and Jack Mintz (2007), *The Indirect Side of Direct Investment*, forthcoming MIT Press, Chapters 3 and 6.

KJM/mi
2008-09-08