



Department of Economics Course Outline

		Term:	Winter 2010
Course:	Economics 653 [Public Revenue Analysis]	Section:	01
Time:	F 11:00 – 13:50	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
- Equity and Tax Incidence
- Environmental Taxation
- Tax Competition and International Taxation
- Capital Income Taxation
- Public Choice

Grade Determination (subject to change):

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|--------------------------------|-----|
| 1. Four assignments (10% each) | 40% |
| 2. Midterm | 20% |
| 3. Final exam | 40% |

One of the assignments will involve a student in-class presentation of a journal article related to the course, which will occur near the end of the course. The article is to be chosen by the student and must be approved by the instructor. Each student should take about 30 to 45 minutes to present the main ideas of an article on the economics of taxation. The presentation should be accompanied by a handout describing the ideas and key derivations. The article must be pre-approved by the instructor.

Exams and assignments will be marked on a numerical (percentage) basis. A weighted average will be determined using the above weights and converted to a letter grade using the official grading system.

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

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

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 403-220-8237. 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.

Students' Union Vice-President, Academic:

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Emergency Assembly Point –Professional Faculties Food Court

Topics and Tentative Reading List

Welfare, Economic Efficiency, and Optimal Taxation

- 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 J. Mirrlees (1971), “Optimal taxation and public production (I and II)”, *American Economic Review*, 61, 8-27 and 261-78.
- Hausman, J. (1981), “Exact Consumer Surplus and Deadweight Loss”, *American Economic Review* 74(4), 662-76/

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.
- Chetty, R., A. Looney, and K. Kroft (2009), “Salience and Taxation: Theory and Evidence”, *American Economic Review* 99:4, 1145-1177.

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.
- Wietzman, M. (1977), “Prices vs Quantities”, *Review of Economic Studies* 41(4), 477-491,

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.

Dynamics and the Optimal Taxation of Capital

- Salanie, B. (2003), *The Economics of Taxation*, (Cambridge, MIT Press), Chapter 6.
- Chamley, C. (1986), “Optimal Taxation of Capital Income in General Equilibrium with Infinite Lives”, *Econometrica* 54(3), 607-622.
- Akeson, A., V. Chari and P. Kehoe (1999), “Taxing Capital Income: A Bad Idea”, *Federal Reserve Bank of Minneapolis Quarterly Review* 23(3), 3-17.

Taxation, Saving, and Business Investment

- 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.
- 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.
- 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.

Measuring Taxes on Capital Income: Effective Tax Rates

- 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.
- 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 (2009), “Do Taxes Matter for Firm Location? Evidence from Canadian Provinces”, mimeo, University of Calgary.

Taxation and R&D

- McKenzie, K.J. (2008), “Measuring Tax Incentives for R&D”, *International Tax and Public Finance* 15, 563-81.
- McKenzie, K.J. (2005), “Tax Subsidies for R&D in Canadian Provinces”, *Canadian Public Policy* XXXI No. 1, March, 29-44.
- McKenzie, K.J. and N. Sershun (2009), “Taxation and R&D: An Investigation of the Push and Pull Effects”, forthcoming *Canadian Public Policy*.