



## Department of Economics Course Outline

		<b>Term:</b>	Winter 2012
<b>Course:</b>	Economics 653 [Public Revenue Analysis]	<b>Section:</b>	01
<b>Time:</b>	TR 14:00 – 15:15	<b>Place:</b>	SS 423
<b>Instructor:</b>	Dr. Kenneth J. McKenzie		
<b>Office:</b>	SS 452	<b>Telephone:</b>	220-4605
<b>Office Hours:</b>	By appointment	<b>E-mail:</b>	<a href="mailto:kjmckenz@ucalgary.ca">kjmckenz@ucalgary.ca</a>

### 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 include:

- Efficiency and Optimal Tax Theory
- Equity and Tax Incidence
- Environmental and Resource Taxation
- Capital Income Taxation
- Tax Incidence
- Taxation and Growth

**Grade Determination (subject to change):**

1. Two assignments (10% each)	20%
2. Midterm	20%
3. Presentation	15%
3. Final exam	45%

Each student will make an in-class presentation of an article related to the course, which will occur near the end of the term. Depending upon the number of students in the class, each presentation will take from 20 to 30 minutes. The presentation should be accompanied by a handout describing the ideas, as well as a visual presentation (i.e., PowerPoint). Since most of the material I cover in class will be theoretical in nature, I would like the student presentations to focus on empirical papers. Each student will meet with me during the term to discuss the article they will present. You can suggest an article you would like to present, or talk to me about a general topic and we can come up with an article together. More information on the presentations will be provided as the term proceeds.

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.

## Topics and Tentative Reading List

### Welfare, Economic Efficiency, and Optimal Commodity 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/

### Environmental and Resource Taxation

- Salanie, B. (2003), *The Economics of Taxation*, (Cambridge, MIT Press), Chapter 10.
- Boadway, Robin and J-F Tremblay (2008), “Pigouvian Taxation in a Ramsey World”, *Asia-Pacific Journal of Accounting and Economics* 15, 183-204.
- 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.
- Boadway, R. and M. Keen (2009), “Theoretical Perspectives on Resource Taxation”, mimeo.
- Boadway, R.W., N. Bruce, K.J. McKenzie and J.M. Mintz (1987), “Marginal Effective Tax Rates for Capital in the Canadian Mining Industry”, *Canadian Journal of Economics* 20(1), 1-16.

### 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.

### **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.
- 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.

### **Consumption vs Income Taxation**

- Auerbach, A. (2006), “The Choice Between a Consumption Tax and an Income Tax: A Primer”, University of California, Berkley, mimeo.
- Atkinson, Anthony B., and Joseph E. Stiglitz (1976), “The Design of Tax Structure: Direct versus Indirect Taxation”, *Journal of Public Economics* 6(1-2), July-August, pp. 55-75.
- Zodrow, George R. (2007), “Should Capital Income Be Subject to Consumption-Based Taxation?”, Oxford Centre for Business Taxation WP 07/15.

### **Taxation, Growth 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* 31(1), 29-44.
- McKenzie, K.J. and N. Sershun (2009), “Taxation and R&D: An Investigation of the Push and Pull Effects”, *Canadian Public Policy* 36(3), 307-324.