Department of Economics
Course Outline

		Term:	Winter 2014
Course:	Economics 653 [Public Revenue Analysis]	**Section:**	01
Time:	TR 9:30 – 10:45	**Place:**	SS 423
Instructor:	Dr. Kenneth J. McKenzie		
Office:	SS 452	**Telephone:**	220-4605
Office Hours:	TR 11:00 – 12:00 or by appointment	**E-mail:**	kjmckenz@ucalgary.ca

Textbook(s):

There is no textbook for the course. Journal articles, book chapters and working papers are available online. Lecture notes and slides for some parts of the course will be provided 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.

General topics covered will include:

- Tax Incidence
- Efficiency Costs of Taxation
- Optimal Tax Theory
- Savings and Capital Income Taxation
- Environmental and Resource Taxation

Grade Determination:

1.	Three assignments (10% each)	30%
2.	Midterm	30%
3.	Final exam	40%

Exams and assignments will be marked on a numerical (percentage) basis. A weighted average will determined using the above weights and converted to a letter grade using the official grading system. In the event of a **documented** family or medical emergency the weight for a missed midterm or assignment will be moved to the final, otherwise a mark of zero will apply.

As a guide to determining standing, the following letter grade equivalences will apply:

A+ 90-100	B 70-74	C- 56-58
A 85-89	B- 65-69	D+ 53-55
A- 80-84	C+ 62-64	D 50-52
B+ 75-79	C 59-61	F 0-49

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. There will be take-home and in-class components to the final exam.

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 Reading List (subject to change):

Tax Incidence

- Kotlikoff, L. and L. Summers, "Tax Incidence", in *Handbook of Public Economics*, Volume 2, A. Auerbach and M. Feldstein eds., Elsevier Science, 1981. Sections 0, 1, 2 3.1, and 4 (Working paper version available online at NBER)
- Chetty, R., A. Looney, and K. Kroft (2009), "Salience and Taxation: Theory and Evidence", *American Economic Review* 99:4, 1145-1177.
- Besley, T. (1989), "Commodity taxation and imperfect competition: A note on the effects of entry", *Journal of Public Economics* Vol. 40(3).
- Seade, Jesus, 1985, "Profitable Cost Increases and the Shifting of Taxation: Equilibrium Responses to of Markets in Oligopoly", *Warwick Economic Research Paper*, No. 260.

Efficiency Costs of Taxation

- Auerbach, A. (1985), "The Theory of Excess Burden and Optimal Taxation", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 1, 61-127. Amsterdam: North Holland, 1985. Sections 1, 2, 3.1, and 4. (Working paper version available online at NBER).
- 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. (Working paper version available online at NBER).
- Harberger, A. (1964), "The Measurement of Waste", *American Economic Review*, 54(3), 1964, 58-76.
- Hausman, J. (1981), "Exact Consumers Surplus and Deadweight Loss", *American Economic Review*, 71(4), September 1981, 662-676.
- Feldstein, M. (1999), "Tax Avoidance and the Deadweight Loss of the Income Tax," *Review of Economics and Statistics*, 81(4), November 1999, 674-680.
- Feldstein, M. (1986), "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act," *Journal of Political Economy* 103: 551-572, 1995.
- Goulder, L. and R. Williams (2003), "The Substantial Bias from Ignoring General Equilibrium Effects in Estimating Excess Burden, and a Practical Solution," *Journal of Political Economy*, 2003, 111:898-927.

Optimal Taxation

Commodity Taxation

- Auerbach, A. (1985), "The Theory of Excess Burden and Optimal Taxation", in A. Auerbach and M. Feldstein, Handbook of Public Economics, 1985, Volume 1, 61-127, Section 5.
- 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; section 3.

- Besley, T. and I. Jewitt (1995), "Uniform Taxation and Consumer Preferences", *Journal of Public Economics,* September 1995, 58, 73-84.
- Diamond, P. (1975), "A Many-Person Ramsey Tax Rule," *Journal of Public Economics*, 4, 1975, 335-342.
- Diamond, P. and J. Mirrlees (1971), "Optimal Taxation and Public Production," *American Economic Review*, 61, 1971, 8-27 and 261-278.
- O'Donoghue, T. and M. Rabin (2006), "Optimal Sin Taxes." *Journal of Public Economics* 90:1825-1849.
- Ramsey, F. (1927), "A Contribution to the Theory of Taxation", *Economic Journal*, 37, 1927, 47-61.
- Sandmo, A. (1976), "Optimal Taxation: An Introduction to the Literature", *Journal of Public Economics*, 6(1-2), July-Aug 1976, 37-54.

Income 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; section 4.
- Stiglitz, J. (1982), "Self-Selection and Pareto Efficient Taxation", *Journal of Public Economics* 17, 213-240.
- Diamond, P. and E. Saez (2011), "The Case for a Progressive Tax: From Basic Research to Policy Recommendations", Journal of Economic Perspectives Vol. 25(4), 165-90. (Working paper version available from CESifo Working Papers at http://elsa.berkeley.edu/~saez/diamond-saezJEP11opttax.pdf)
- Kaplow, L. (2007), "Optimal Income Transfers", *International Tax and Public Finance* Vol. 14, 295-325.
- Diamond, P. (1998), "Optimal Income Taxation: An Example with a U-Shaped Pattern of Optimal Marginal Tax Rates", *American Economic Review* Vol. 88, 83-95.
- Mirrlees, J. (1971), "An Exploration in the Theory of Optimum Income Taxation", *Review of Economic Studies* Vol. 38, 175-208.

Mixed Taxation

- Boadway, R. and P. Pestieau (2002), "Indirect Taxation and Redistribution: The Scope of the Atkinson-Stiglitz Theorem. (Working paper available at Queen's Economics Department)
- 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.
- Mankiw, G., M. Winzierl and D. Yagan (2009), "Optimal Taxation in Theory and Practice", *Journal of Economic Perspectives*, Vol. 23(4), 147-74.

Dynamic Taxation and Capital Accumulation

- 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; section 7.
- 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.
- Golosov, M., A. Tsyvinski, and I. Werning ( ), "New Dynamic Public Finance: A User's Guide" (Available at http://economics.sas.upenn.edu/~hfang/teaching/socialinsurance/readings/Golosov_Tsyvinski_Werning06(5.5).pdf)

Taxation, Saving, and Business Investment

- Hassett, K. 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. Sections I and II.
- Auerbach, A., "Taxation and Corporate Financial Policy", in *Handbook of Public Economics*, Volume 3, A. Auerbach and M. Feldstein eds., Elsevier Science, 2002. Sections 1, 2, 3.
- 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.

Environmental and Resource Taxation

- Boadway, Robin and J-F Tremblay (2008), "Pigouvian Taxation in a Ramsey World", *Asia-Pacific Journal of Accounting and Economics* 15, 183-204. (Working paper version available at Queen's Economics Department)
- 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. Sections 1 and 2.1-2.4
- 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. (Working paper version available at Queen's Economics Department)
- 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.