



Department of Economics Course Outline

		Term:	Winter 2008
Course:	Economics 653 [Public Revenue Analysis]	Section:	01
Time:	TR 08:30 – 9:45	Place:	SS 423
Instructor:	Dr. Kenneth J. McKenzie Dr. Jack M. Mintz		
Office:	McKenzie SS 402 Mintz TBA	Telephone:	McKenzie 220-4605 Mintz 220-7661 (Donna Leitch)
Office Hours:	By appointment	E-mail:	kjmckenz@ucalgary.ca jmmintz@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 is attached. General topics covered may include:

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

Grade Determination (subject to change):

- | | |
|-------------------------------|-----|
| 1. Two assignments (10% each) | 20% |
| 2. Midterm (Take home) | 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:

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. 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.
4. 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.

**Department of Economics
University of Calgary
Economics 653**

Public Finance: Taxation

Topics and Reading List

K.J. McKenzie and J.M. Mintz

Winter 2008

January 15, 17, 22, 24

Welfare, Economic Efficiency, and Optimal Taxation – Jack Mintz

- *R. Boadway and N. Bruce, *Welfare Economics*, Basil Blackwell, Oxford, chapters 3 and 7.
- Diamond, P. and D. McFadden (1974), “Some uses of the expenditure function in public finance”, *Journal of Public Economics*, 3, 3-22.
- 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.
- *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.

January 29, 31

Environmental Taxation – Ken McKenzie

- *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.

Assignment #1**February 5, 7, 12****Political Economy and Taxation – Ken McKenzie**

- *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).
- *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.

No class on February 14.**Take home exam****Reading Week****February 26, 28****Tax Incidence – Ken McKenzie**

- *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.

March 4, 6, 11, 13**Taxation Business Investment and Financial Policy – Ken McKenzie**

- *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.

March 18, 20, 25, 27

Tax Competition – Jack Mintz

- *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.

Assignment #2**April 1, 3, 8****Taxation, Multinational Investment and Finance – Jack Mintz**

- 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.
- *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.

April 10, 15, 17**Fiscal Federalism – Ken McKenzie**

- Gordon, R., 1983, “An optimal taxation approach to fiscal federalism,” *Quarterly Journal of Economics* 98, 567–586.
- *Boadway, R. and F. Flatters, 1982, “Efficiency and equalization payments in a federal system of government,” *Canadian Journal of Economics* 15, 613–633.
- Myers, G., 1990, “Optimality, free mobility, and the regional authority in a federation,” *Journal of Public Economics* 43, 107–121.
- *Smart, M., 1998, “Taxation and deadweight loss in a system of intergovernmental transfers,” *Canadian Journal of Economics* 31, 189–206.
- Wildasin, D., 1991, “Income redistribution in a common labor market,” *American Economic Review* 81, 757–774.
- Brueckner, J.K., 2003, “Strategic interaction among governments: An overview of empirical studies,” *International Regional Science Review* 26, 175-188.

Safewalk/Campus Security: 220-5333

KJM:pst
2008-02-15