



**WebCT:** This will be used for posting interim grades. It is the students' responsibility to verify the accuracy of grades and report any problems to the instructor as soon as possible. You will be required to show your marked assignments if you want changes to be made. Changes to the grades in WebCT will not be made after the final exam. I WILL NOT CHECK E-MAIL in WebCT internal e-mail system. Feel free to use the discussion areas, etc.

**Evaluation:**

|                                     |     |
|-------------------------------------|-----|
| Assignments (weekly)                | 15% |
| Term test I (October 7, in class)   | 20% |
| Term test II (November 4, in class) | 20% |
| Final Exam (Date TBA)               | 45% |

Students who are concerned about their ability to write an exam in class should contact the Accessible Learning Centre (<http://www.mylaurier.ca/accessible/info/home.htm>) .

**Assignments:**

Unless stated otherwise, assignments may be done in groups of up to 3 people (ie. please hand in one assignment with 3 names on it). Collaboration among more than 3 people constitutes academic misconduct. Expect assignments to be distributed on Thursdays and due the following Tuesday by 1pm.

Assignments should be handed to me in person or left in the drop-box outside the Economics Department office (P3082). NEVER leave assignments under my office door.

Unless stated otherwise, assignments are marked on an 'all-or-nothing' basis. Part marks will not be considered. Not all assignments will be given the same weight toward the final grade.

ANY ASSIGNMENT CONTAINING "TEXT MESSAGING" SPELLING WILL AUTOMATICALLY RECEIVE A MARK OF ZERO.

Once marked, assignments will be brought to class for you to pick up. I will leave these in a pile on the table for you to find. If, for reasons of privacy, you prefer to pick up your assignment during office hours, you must write "PLEASE PICK UP IN OFFICE" clearly at the top of the assignment. Any of your group members may pick up the assignment.

**Term Tests**

There are two term tests. These are cumulative in nature. In the case that you miss a term test, the weight of that term test will be shifted to the final exam. I will not require documentation in the case that you miss a term test. The term test is written in class. **TO CLARIFY: During the test you must keep your eyes on your own paper. Diversion of your eyes to anywhere other than the ceiling will result in an ALLEGATION OF ACADEMIC MISCONDUCT.**

**Accessible Learning:** Students with disabilities or special needs are advised to contact Laurier's Accessible Learning Centre for information regarding its services and resources. Students are encouraged to review the Calendar for information regarding all services available on campus.

**Academic and Research Misconduct:** You are reminded that the University will levy sanctions on students who are found to have committed, or have attempted to commit, acts of academic or research misconduct. You are expected to know what constitutes an academic offence, to avoid committing such offences, and to take responsibility for your academic actions. For

information on categories of offences and types of penalty, please consult the relevant sections of the Undergraduate Academic Calendar. Wilfrid Laurier University uses software that can check for plagiarism. Students may be required to submit their written work in electronic form and have it checked for plagiarism.

## COURSE SEQUENCE AND READINGS

(RDSB unless otherwise stated; some readings are listed below):

|          | Topic  | Related Reading   |
|----------|--|---|
| <b>1</b> | <b>Overview and Introduction to Taxation</b>   | <b>Chapters 1 and 3</b>                                 |
|          | A. What is public economics and taxation?  |   |
|          | B. Canada's Government   | Ch. 1 pp. 4-8   |
|          | C. The size of government  | Ch. 1 pp. 8-16  |
|          | D. Why should government intervene in the economy? (market failures, redistribution, stabilization)  | Ch. 3 pp. 36-42   |
|          | E. How might the government intervene?   |   |
|          | F. Financing government spending (borrowing, money supply, user fees, taxes)   | Ch. 3 pp. 42-45   |
|          | G. Introduction to criteria for evaluating taxes (equity, efficiency, visibility, administration costs)  | Ch. 3 pp. 45-47   |
| <b>2</b> | <b>Understanding The Tax System in Canada</b> (we will return to discussions of excess burden, incidence, efficiency, and effective tax rates later in the course)               | <b>Various Chapters</b>                                 |
|          | A. Personal Income Taxes   | Ch. 18, pp. 344-382<br>p. 279<br>Website: CRA tax forms |
|          | B. Payroll Taxes   | Ch. 18, p 367   |
|          | C. Consumption Taxes (sales taxes, excise taxes, ad valorem taxes, unit taxes, value-added taxes)  | Ch. 20, pp.401-407                                      |
|          | D. Taxes on Wealth and Property  | Ch. 21, pp. 427-433                                     |
|          | E. Taxes on Corporate Income   | Ch. 22, pp. 443-447, 449-455                            |
|          | From the above, focus on basic structures of the tax system and understanding the effects on relative prices.  |   |
| <b>3</b> | <b>The Tools of the Trade – Core theoretical tools and concepts used in this course</b>  | <b>Various Chapters</b>                                 |
|          | A. Consumer Choice Theory aka Constrained Utility Maximization – Utility, indifference curves, budget constraints, diminishing marginal utility, marginal rates of substitution. | Internet Chapter 1                                      |
|          | B. Pareto Efficiency   | Ch. 2, pp. 20-26  |
|          | C. First Fundamental Theorem of Welfare  | pp.26-27  |
|          | D. Second Theorem, maximizing social welfare   | pp. 27-30   |
|          |  | AA:2005 (select pages TBA)                              |
|          | E. Producer and Consumer Surplus, deadweight loss  | Internet Chapter 1                                      |
| <b>4</b> | <b>Taxation and the Income Distribution (Tax Incidence)</b>  | <b>Ch. 15</b>   |
|          | A. Statutory vs. Economic Incidence  | pp. 276   |
|          | B. Using partial equilibrium models to assess incidence – unit taxes   | pp. 279-283   |
|          | C. Using partial equilibrium models to assess incidence – ad   | p. 284  |

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|-----------|--|----------------------------------|
|           | valorem taxes  |                                  |
|           | D. Taxes on factors of production (labour and capital)   | pp. 284-286                      |
|           | E. Tax incidence in imperfectly competitive markets (monopolies)   | pp. 286-287                      |
|           | F. Absolute, balanced budget and differential incidence  | p. 278                           |
|           | G. General equilibrium analysis of tax incidence   | pp. 289-295                      |
|           | H. Evidence of tax incidence and other considerations  | pp. 296-300                      |
| <b>5</b>  | <b>Taxation and Efficiency</b>   | <b>Ch. 16</b>                    |
|           | A. Excess Burden of taxes and subsidies – using consumer choice theory   | pp. 304-310                      |
|           | B. Excess Burden – using partial equilibrium models  | pp. 310-314                      |
|           |  | Hines: 1999                      |
|           | C. Designing efficient tax systems (pre-existing distortions, presence of existing taxes, smoothing tax rates over time) | pp. 312, 320-21                  |
|           | D. Excess burden & the taxation of labour or other factors of production (we will return to this in Chapter 19)          | p. 314-318                       |
| <b>6.</b> | <b>Optimal Taxation</b>  | <b>Chapter 17</b>                |
|           | A. Ramsey Taxation and the inverse elasticity rule   | pp. 322-327                      |
|           | B. Optimal user fees   | pp. 327-329                      |
|           | C. Optimal income taxation   | pp. 329-332                      |
|           | D. Time inconsistency problems   | pp.332-333                       |
|           | Review pp. 348-352 on your own   |                                  |
|           | E. Tax Evasion   | pp. 337-341<br>Website: evidence |
| <b>7</b>  | <b>Personal Taxation and Behaviour</b>   | <b>Chapter 19</b>                |
|           | A. Taxes on Labour Supply  | pp. 383-390                      |
|           | B. Taxes on Savings  | pp. 390-400                      |
|           | C. Fertility choices   | Milligan:2005                    |
|           |  |                                  |
| <b>8</b>  | <b>TBA (depends on time left) Topics may include:</b>  |                                  |
|           | A. Taxes and Environmental Policy (Pigouvian taxes)  | pp. 74-81                        |
|           | B. Corporate Taxation  | pp. 455-470                      |
|           | C. Property taxes  | pp. 433-441                      |
|           | D. Topics suggested by students  |                                  |

Course sequence and readings are subject to change at the discretion of the instructor. Supplementary reading information will be posted on the course website.

AA:2005 - Alesina, Alberto and George-Marios Angeletos (2005), "Fairness and Redistribution," *American Economic Review*, Vol. 95, No. 4, pp. 960-980. JSTOR link: <http://www.jstor.org/stable/4132701>

Hines:1999 - Hines, James R. Jr. (1999), "Three Sides of Harberger Triangles," *Journal of Economic Perspectives*, Vol. 13, No. 2, pp. 167-188. JSTOR link: <http://www.jstor.org/stable/2647124>

Milligan:2005 – Milligan, Kevin (2005) "Subsidizing the Stork: New Evidence on Tax Incentives and Fertility." *The Review of Economics and Statistics*. Vol. 87, no. 3, pp. 539-555. Available at <http://www.mitpressjournals.org/doi/abs/10.1162/0034653054638382>