

ECON 3C03 – Public Sector Economics: Taxation

Winter 2023

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Lecture: 11:30am-2:20pm EST each Tuesday in Prelim Lab (T13), Room #105

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COURSE DESCRIPTION

This course explores topics in the economics of taxation. This course will use tools from microeconomic theory to study and evaluate taxes in terms of their impacts on distribution, efficiency and equity. Empirical techniques used by public economists to study the impacts of taxation on outcomes, such as labour supply and consumption will also be introduced. These theoretical and empirical tools will be used to study income, consumption, capital and corporate taxation. The course will also introduce students to the Canadian consumption, personal and corporate tax systems.

PREREQUISITES

ECON 2G03, ECON 2X03 or ECON 2Z03

COURSE OBJECTIVES

By the end of the course students should be able to:

- Describe the reasons why governments intervene in market economies
- Be familiar with the theoretical models of consumption, saving and labour supply used by public finance economists
- Explain the concept of tax incidence and describe how taxes affect after-tax incomes under different market structures
- Evaluate the effects of taxes on various economic outcomes and efficiency
- Be familiar with the micro-econometric techniques used by public economists to study the effects of real-world tax policies
- Be familiar with the existing Canadian tax structure
- Evaluate the effects of the current Canadian tax system (as well as recent reform proposals) on equity and efficiency

CLASS FORMAT

There will be three hours of in-person class time per week (each Tuesday from 11:30am-2:20pm EST). The first two hours of class time will consist of lectures based on the slides I post to the course Avenue to Learn page. The final hour of class time will be devoted to going through practice exercises that are relevant for the Assignments and the Final Exam.

What Is Expected of Students?

Students that only attempt to memorize the course material, minimize effort and cram right before a test or exam are unlikely to do well in ECON 3C03. This is because this course is designed to reward consistent effort and practice. Material in each module of the course builds upon the material in earlier modules.

I expect students will do well in ECON 3C03 if they follow the following ***4 simple steps:***

- 1) Attend all of the in-person lectures and take detailed notes.
- 2) Actively participate in the in-person lectures by asking questions and contributing to the class discussion.
- 3) Review all of the practice exercises and attempt them on your own.
- 4) Make an office hours appointment with me to discuss any material you don't understand (ideally as soon as possible) and ask questions about the assignments and final exam.

While these steps are easy to understand, following through with them regularly throughout the semester will require dedication and hard work. My teaching philosophy is that both the course instructor and student get the most out of the course when the instructor is engaging and students are motivated to learn. I also hope to learn from you this semester. Your feedback and questions are encouraged (especially during the in-person classes). I want to learn about who you are and what your academic and professional interests are and am happy when my students succeed in the course (and eventually in the labour market).

COURSE MATERIALS AND TEXTS

- Rosen, Harvey S., Jean-Francois Wen and Tracey Snoddon. (2016): *Public Finance in Canada*. McGraw-Hill Ryerson, Toronto, Fifth Edition.

You can purchase this textbook from the Campus Store at the following link:

<https://campusstore.mcmaster.ca/Winter-2023-ECON-3C03>.

The Rosen, Wed and Snoddon (RWS) textbook is not required but is recommended. Although my lectures and practice exercises will feature all of the material you will be tested on, students may find the textbook helpful for additional background reading and additional practice questions. Note that I will occasionally supplement my lectures with readings based on academic articles. These articles are available online through the university's library website.

AVENUE TO LEARN

All course materials, including the course outline, announcements, lecture slides, practice exercises and grades, will be posted on the course Avenue to Learn page. Students are expected to check the ECON 3C03 Avenue to Learn page regularly.

Students should be aware that, when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

COURSE EVALUATION – OVERVIEW

1. Active Participation - 10%, evaluated throughout the semester
2. Assignment 1 - 25%, February 17, 2023
3. Assignment 2 – 25%, due March 24, 2023
4. Group Presentation – 10%, held during the final two weeks of the semester
5. Final Exam – 30%, date to be announced

COURSE EVALUATION – DETAILS

Active Participation (10%), evaluated throughout the semester

Actively participating and engaging with the course material is the best way to learn. Participation marks will be awarded based on the attendance and active participation during the in-person lectures. To earn active participation marks, students must both attend regularly attend lecture and contribute to the learning environment by asking questions, respecting to questions posed by the instructor and by participating in class discussions. If you cannot attend a lecture (e.g. because of illness, another medical reason), please email me before the lecture.

Assignment 1 (25%), due February 17, 2023

Assignment 1 will be short-answer and (mathematical/graphical) problem-based. The assignment will cover material from Modules 1-5 (Chapters 1-3 and 14-15 of the RWS textbook). Assignment 1 is due at 11:59pm EST on Friday, February 17, 2023. Students must submit their assignment electronically by uploading it to the course Avenue page. While I encourage you to talk to your classmates about the assignment, each student must submit their own original copy of the assignment.

Assignment 2 (25%), due March 24, 2023

Assignment 2 will be short-answer and (mathematical/graphical) problem-based. The assignment will cover material from Modules 5-9 (Chapters 16-19 of the RWS textbook). Assignment 2 is due at 11:59pm EST on Friday, March 24, 2023. Students must submit their assignment electronically by uploading it to the course Avenue page. While I encourage you to talk to your classmates about the assignment, each student must submit their own original copy of the assignment.

Group Presentation (10%), held during the final two weeks of the semester

Group presentations will take place during class during the last two weeks of the semester. The schedule for the presentations will be posted on the course Avenue to Learn page.

I will randomly assign students into groups of 2 or 3 (depending on the size of the class) on or before Monday, February 13, 2023. Each group will then select a topic from a list of topics posted on the course Avenue page. The deadline for groups to select a topic is Monday,

February 27, 2023. Groups that do not pick a topic by that date will have a topic assigned to them. Detailed instructions for the Group Presentation and the evaluation rubric will be posted to the course Avenue to Learn page.

Final Exam (30%), date to be announced

A 2.5-hour final exam will be held during the Winter 2023 Final Examination Period (Friday, April 14, 2023 to Saturday, April 29, 2023). The Office of the Registrar will schedule the date, time and location of the final exam and I will post this information to the course Avenue to Learn page as soon as it is available.

The format of the exam will be short-answer and problem-based. The final exam will be cumulative and equal weight will be placed on material covered throughout the semester.

McMaster ID cards must be presented to write the final exam. Students should plan to be on campus during the entirety of the final examination period. Travel plans are not a sufficient reason to have a final exam deferred. The Deferred Exam Policy is available at:
<https://registrar.mcmaster.ca/exams/deferred/>.

COURSE POLICIES

Grades

Grades will be based on the McMaster University grading scale:

MARK	GRADE
90-100	A+
85-90	A
80-84	A-
77-79	B+
73-76	B
70-72	B-
67-69	C+
63-66	C
60-62	C-
57-59	D+
53-56	D
50-52	D-
0-49	F

Grade Adjustment Techniques

I reserve the right to adjust marks upwards in order to standardize the median class grade. Marks will never be adjusted downwards (only upwards) using this procedure.

Submission of Assignments

Assignments 1 and 2 are due at 11:59 pm EST on the due dates listed in the course outline. I will accept both hand-written and typed assignments as long as they legible and are uploaded to the course Avenue to Learn page.

Late Assignments

The assignments and the final exam are not optional. A penalty will be applied to assignments that are not submitted by the due date. Each day of (unexcused) late submission results in a penalty of 5% (weekends are not excluded). This also applies to assignments sent by email, and in this case, the time of receipt of the email by the recipient is guarantor of the time of delivery.

Absences, Missed Work, Illness (MSAF)

McMaster Student Absence Form (MSAF): In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar “Requests for Relief for Missed Academic Term Work”.

Self-Report (Type A) MSAF

Note that the Self-Report MSAF is for missed academic work worth less than 25% of the final grade resulting from medical or personal situations lasting up to three (3) calendar days. You cannot use the Self-Report (Type A) MSAF reporting system for Assignments 1 and 2 or the Final Exam because they are worth more than 24% of the final grade.

If you fail to participate in your group’s presentation due to illness, you must report to their Faculty Office and provide the appropriate documentation. For more information, see <https://socialsciences.mcmaster.ca/current-students/absence-form>.

Students whose absence is Self-Report (Type A) is accepted for the group presentation will be required to schedule an individual presentation with me based on a topic assigned to you. If your absence is excused, you are required to contact me as soon as possible to schedule a date to submit the make-up individual presentation. Students will be given 2 weeks to prepare a presentation on this new topic and the evaluation of the presentation will be based on the same rubric as the group presentation.

Administrative Report (Type B) MSAF

Note that the Administrative Report (Type B) MSAF is for medical or personal situations lasting more than three (3) calendar days and/or missed academic work worth 25% or more of the final grade and/or any request for relief in a Term where the MSAF tool has already been used previously in that Term.

Students whose Administrative Report (Type B) is accepted for Assignments 1 and 2 will be required to complete a make-up assignment. If your absence is excused, you are required to contact me as soon as possible and I will email you the make-up assignment. The make-up assignment will be due one-week (seven (7) calendar days) after I email the make-up assignment to you.

Students whose absence is Administrative Report (Type B) is accepted for the group presentation will be required to schedule an individual presentation with me based on a topic assigned to you. If your absence is excused, you are required to contact me as soon as possible to schedule a date to submit the make-up individual presentation. Students will be given 2 weeks to prepare a presentation on this new topic and the evaluation of the presentation will be based on the same rubric as the group presentation.

Where to Get Help

I encourage all students to take advantage of my office hours to ask questions about the course material. To schedule a meeting with me, visit <https://laveccha.youcanbook.me/> and enter your first name, last name, email address and course (i.e. ECON 3C03). You will then be prompted to select a meeting time with me. Meetings will be held virtually and in-person. My office is in Kenneth Taylor Hall (KTH), room 412.

Calculators and iClickers

Only McMaster Standard Calculators (Casio FX 991 MS or MS Plus) will be allowed during the final exam. iClickers will not be used in the course.

Turnitin.com

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software. **All submitted work is subject to normal verification that standards of academic integrity have been upheld** (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

UNIVERSITY POLICIES

Academic Integrity Statement

You are expected to exhibit honesty and use ethical behavior in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behavior can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#).

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations.

Academic Accommodation of Students with Disabilities

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements. Academic accommodations must be arranged before classes or academic work begins, and for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca. For further information, consult McMaster University's Policy for [Academic Accommodation of Students with Disabilities](#).

Academic Accommodation for Religious, Indigenous and Spiritual Observances

Students who require academic accommodation due to an Observance must submit a RISO form to their Faculty office, electronically or in person, normally within ten working days from the beginning of each term in which they are anticipating a need for Accommodation. For further information, consult McMaster University's [Policy on Academic Accommodation for Religious, Indigenous and Spiritual Observances](#).

Conduct Expectations

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the "Code"). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, whether in person or online.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviors that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students' access to these platforms.

Courses with an On-Line Element

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap etc.). Students should be aware that, when they access electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to other students in the same course. The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

Copyright and Recording

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

Extreme Circumstances

The university reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, Avenue to Learn and/or McMaster email.

Faculty of Social Sciences E-mail Communication Policy

Effective September 1, 2010, it is the policy of the Faculty of Social Sciences that all e-mail communication sent from students to instructors (including TAs), and from students to staff, must originate from the student's own McMaster University e-mail account. This policy protects confidentiality and confirms the identity of the student. It is the student's responsibility to ensure that communication is sent to the university from a McMaster account. If an instructor becomes aware that a communication has come from an alternate address, the instructor may not reply at his or her discretion.

Course Modification

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check his/her McMaster email and course websites weekly during the term and to note any changes.

Advisory Statement on Course Outline Updates

Some of the details in this course outline may change. Please check Avenue to Learn for the most up-to-date information for this course. The course outline posted on Avenue to Learn will supersede previously published outlines until public course outlines are updated.

COURSE SCHEDULE

This lecture schedule is based upon current university and public health guidelines and may be subject to changes during the term. Any changes to the schedule or course delivery will be communicated on the course announcements section on Avenue to Learn. Please check the announcements prior to attending class.

Category	Topic	Readings [RWS indicates Rosen, Wen and Snoddon textbook]
Introduction	Introduction to Public Finance in Canada	RWS Chapter 1

	Fundamentals of Welfare Economics	RWS Chapter 2
	Cost-Benefit Analysis	RWS Chapter 3
A Framework for Tax Analysis	Taxation and Income Distribution	RWS Chapter 14
	Taxation and Efficiency	RWS Chapter 15
	Efficient and Equitable Taxation	RWS Chapter 16
The Canadian Revenue System	The Personal Income Tax	RWS Chapter 17
	Personal Taxation and Behavior	RWS Chapter 18
	Consumption Taxation	RWS Chapter 19
	Taxes on Wealth and Property	RWS Chapter 20 Please read the following <i>New York Times</i> article: <u>saez-zucman-wealth-income-tax</u>
	The Corporation Tax	RWS Chapter 21