

Reading List 2

1 Taxation, Investment and the Cost of Capital

The effect of taxation on investment by firms and households. Topics in this area include: determinants of investment; the cost of capital; asset prices; taxes on new capital goods; investment tax credits; depreciation deductions; depletion allowances; expensing and flat taxes; financial structure and the choice between debt and equity; dividend behavior; legal form of organization: corporate vs. non-corporate; long and short-lived capital; research and development; intangibles; taxation and owner-occupied housing; tax treatment of natural resources.

Fundamental Reference:

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- Summers, Lawrence H. (1981b), "Capital Taxation and Capital Accumulation in a Life Cycle Growth Model," *American Economic Review*, 71, 533-544.

2 Tax Incidence

The incidence of taxes: who bears the burden? Topics include: partial equilibrium analysis; static general equilibrium analysis; intertemporal general equilibrium; tax capitalization and effects on asset prices; fiscal federalism and competition between jurisdictions.

Fundamental Reference:

Kotlikoff, Laurence J. and Lawrence H. Summers (1987), "Tax Incidence" in Alan J. Auerbach and Martin Feldstein (eds), *Handbook of Public Economics, Volume 2*, Amsterdam: North Holland, pp. 1043-1092.

Literature:

Auerbach, Alan J. and Laurence J. Kotlikoff (1987), *Dynamic Fiscal Policy*, Cambridge: Cambridge University Press, Chapter 3.

Ballard, Charles L., Don Fullerton, John B. Shoven and John Whalley (1985), *A General Equilibrium Model for Tax Policy Evaluation*, Chicago: National Bureau of Economic Research.

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3 Externalities

The control of externalities. Topics include: stock, flow and fund externalities; corrective taxes; the Coase Critique; marketable permits; the effect of uncertainty; hybrid policies; command and control regulation; local vs. national standards; market imperfections; enforcement; non-convexities; measuring environmental benefits: avoidance and mitigation, risk assessment, hedonic pricing, travel costs, contingent valuation; valuing a statistical life or life year; cost-benefit analysis and cost-effectiveness analysis; regulatory reform; regulation and international trade; litigation and citizen suits; the social cost of environmental protection.

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Many key papers in the literature on environmental economics are reprinted in Stavins (2000). In the list below, papers appearing in it are indicated by [S] at the end of the citation.

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