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Marshall University
Lewis College of Business
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Research Schedule

- √Estimate Baseline Forecast
- √Identify Policy Changes
- √Conduct Impact Evaluation
- √Conduct Legislative Requests

Economic Modeling of Tax Reform

1. Identify Theoretical Constraints

- √Elasticity/responsiveness of input prices
- √Productivity variations within West Virginia

2. Identify Data Constraints

- √Proxies
- √Incomplete data/interpolation

3. Compare Simulation Results to Other Experience

- √Input substitution
- √Growth & revenue neutrality

Simulation Model

√REMI software

√Dynamic model

√Input substitution for long run analysis

Example Simulation

√Personal Property Tax on Equipment

√GCFT recommends elimination

Simulation Inputs

- √ Modeled as direct cost reduction to firms
- √ Disaggregated across major industrial sectors
- √ Required estimated effective tax rates on capital

Simulation Results

- √ Resulted in increased capital expenditures by firms in each industrial category
- √ Firms substitute additional capital expenditures for labor expenditures
- √ Labor productivity rises
- √ Wages increase: *Better Jobs for West Virginians*

Remaining Research

- √ Confirm baseline forecast
- √ Monitor literature/other examples
- √ Perform alternative scenario estimates
- √ Share results with tax community

Economic Analysis Team

√4 Ph.D. Economists: Kent, Thompson, Burton, Hicks

√External Evaluation: Urban Institute, Tax Analysts, World Bank

√ CBER Staff: Business Analysts, Data Experts, Research Assistants

Application to Romania

- √ Build national model
- √ Seek External Evaluation: Urban Institute, Tax Analysts, World Bank
- √ Employ Solid Economic Data to Calibrate Model

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