

**Rolf König und Caren Sureth (1999)**

**Some new aspects of neoclassical investment theory with taxes**

*University of Bielefeld, Faculty for Business Administration and Economics,  
Discussion Paper No. 436*

Abstract:

The quality of managerial decisions is not only relevant for the profitability of the individual firm but is also of significant importance for the national economy. These decisions determine the allocation of resources which itself influences the degree of social welfare. Neoclassical investment theory allows to model investment behavior under specific assumptions. By integrating taxes one can derive an instrument to identify taxational effects on investment decisions.

In this paper some aspects are shown which in the literature are neglected or simplified, respectively. First it is demonstrated that the often assumed equivalence of the two ways of deducting the user cost of capital in case of taxation is valid only under special conditions. Second we generalize the user cost of capital to the case of non-constant relative price changes. And third we employ the user cost of capital to derive general investment neutral tax systems.