



SOME MUSINGS ON FUTURE RESEARCH

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First and foremost ...

I owe a debt of gratitude to

- Dan Dhaliwal
- Ed Maydew
- Michelle Hanlon
- Scott Dyreng
- Sonja Rego

You are our future. (evoke Whitney Houston song)

- Where this field goes *is up to you.*
- What impact we have *is up to you.*
- Whether we stay relevant *is up to you.*



My philosophy on research ideas

- Challenge the status quo.
 - Some of you will disagree with me. I'm okay with that...I disagree with you too.
 - To make a contribution, you usually need to “change priors.” However, changing priors implies changing opinions.
 - Academic success is not nodding heads, but active disagreement.
 - See the Matrix. Fight it. (Take the red pill.)
- Look forward.
 - Yogi Berra: “It’s hard to predict, especially about the future.”
 - The early bird vs the buzzard
 - Begin with the end in mind.
 - Vet ideas. Not looking for validation, but holes in economic theory.
 - Double the projected cost and effort.



My philosophy on research ideas

- Innovate.
 - You are entrepreneurs, not employees.
 - Research universities pay you for your *innovation*
 - Competition (for research) drives away excess profit
- Big markets vs big market share (Thiel)
 - Big markets are easy to enter → competitive → profit-taking is very hard.
 - Restaurants vs rocketships
 - Look for a small market, capture market share, then help market grow
 - You're looking for a research monopoly
- Work hard. Work efficiently.
 - An easy paper is usually a bad one. (Remember competition is at work)
 - “An obstacle is what you see when you take your eye off your goal.”



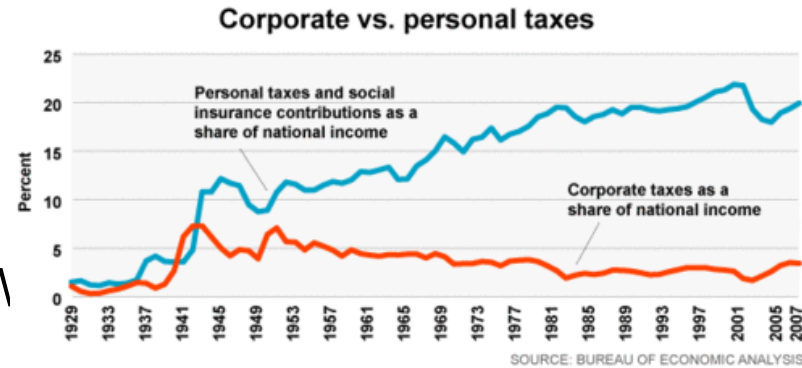
My philosophy on research ideas

- Know your audience.
 - Editors and referees are not the audience.
 - We don't usually inform practice. I've learned to live with that. But practice can inform us.
 - Try to speak to policy, but don't overstep what you actually can say.
- Enjoy it!
 - This is the point!
 - Intellectual exploration is gratifying and value-added.
 - If you don't like writing your paper, why would think someone else would enjoy reading it?



With these research paradigms in mind, let's talk about
actual tax topics.

Challenge the status quo.



- We examine primarily corporate tax. WHY NOT?
- We almost never examine personal tax. WHY NOT?
- We almost never examine small business tax. WHY NOT?
 - We have a comparative advantage.
 - We teach this in the classroom and understand the fundamentals of personal/small business taxation.
 - These topics are *important!* Personal tax/small business tax drive most of tax revenues and the “tax gap”
 - A lack of data is an *opportunity*.

I'd love to see more research on personal tax and small business tax.

Look forward.

- Identify opportunities outside of the journals.
 - “Given the lead time to publication at most of our top academic outlets, these journals are not necessarily the best starting point for new research projects.” Lee and So (2015)
 - Dhaliwal: recent publications, what is getting attention in the press, new developments in related fields
- There is huge literature in finance and accounting that examines *prediction* in some form.
 - What do we need to predict in tax? How can you help improve the prediction models?
 - To what extent to taxes/compliance inhibit prediction?
 - Taxes are distortionary. Do taxes make (ir)rational investors even more (ir)rational?

Innovate.

- Taxation in developing economies
 - Tax evasion is rampant in small, developing economies.
 - Tax compliance/enforcement are very challenging issues.
 - Dhaliwal: macroeconomic uncertainty (recession, political regimes)
 - “...the secrets of prosperity are simple and old-fashioned: property rights, rule of law, economic and political freedom.”
John Cochrane
 - How do taxes affect these basics?
- Innovation
 - How do taxes spur innovation? Or do they at all?
 - Do the benefits justify the costs?
 - How does U.S. tax code fare on a *relative* basis?
- This is where I make a plug of inter-disciplinary research
 - Taxes ↔ Innovation
 - Taxes ↔ Strategy
 - Taxes ↔ Econ (Macro, micro, labor, public)

Big Markets vs Big Market Share

Big market = Tax avoidance literature

- In my opinion, this literature is in a precarious position:
 - We've hit a saturation point ... without really fully understanding some basics of tax avoidance.
 - Maydew: "Why are some firms able (or simply more willing) to avoid tax than some other firms?"
 - Dyreng: "What constraints tax avoidance? ...more creative than agency costs or financial reporting costs. If I knew exactly where to go with this, I'd be working on it..."
- Measurement error abounds
 - Dhaliwal: we lack "precise definitions of tax planning, tax avoidance, tax aggressiveness" and yet we move forward anyway

Better to be in a smaller market, but own the market. You want to be the monopoly and maintain market share.

Work hard, work efficiently

- Some of the topics that still remain will require lots of work.
- Taxes and asset prices/corporate decisions:
 - Maydew: “What effects do investor level taxes have on asset prices and corporate decisions? ... Still not settled”
 - Dhaliwal: need better estimates of the “magnitude of price or cost of capital effects related to changes in tax laws”
 - Dyreng: “this literature is poised for a comeback [because] asset pricing technology has improved quite a lot in the past 10 years”
- International tax:
 - Hanlon: we need to address “important questions...related to the BEPS project.”
 - “... the real effects will be the key issues (e.g., how much, if any, R&D moves out of the U.S., jobs, investment, etc).”
 - “The measures of all of this will be important too ... hopefully we can converge on some good metrics”
 - Dyreng: “What are the consequences of income shifting?
....accountants are better positioned to understand income shifting than economists or lawyers”

Know your audience

- We don't usually inform practice.
- But practice can inform us.
 - What are the decisions and who are the decision makers?
 - What tensions/advantages do they face?
 - What information do they use/lack?
 - Taxes are distortionary. Where? When? How much?
- We *can* inform policy, but we usually *don't* (even though every paper says it does).
 - Hanlon: "...recent research shows that domestic-only firms are able to keep their rates down just as much [as multinationals]. How do they do it? I think that is a big question."
 - See Sonja's slides

Enjoy it!

This is the greatest job.

- You can make a difference in innovative, forward-looking research.
- You can speak to policy and interact with policymakers
- You can make a difference in the classroom.

My students have sometimes asked me what my dream job would be.
My answer: I have it.

THANK YOU