



Michael Smart is Professor of Economics at the University of Toronto. He is a specialist in the economic analysis of tax policy. His academic research – on taxation, fiscal federalism, and the political economy of government policy – has appeared in leading academic journals in economics. He has previously served as an editor of the *Canadian Journal of Economics*, and *International Tax and Public Finance*. He is affiliated with the Oxford Centre for Business Taxation, the Center for Economic Studies in Munich, and the School of Public Policy in Calgary. He has also held positions visiting the London School of Economics and the University of Munich, and as special adviser at the federal Department of Finance in Canada.

Professor Smart received his Ph.D. from Stanford University in 1995, and was also educated at McGill University and the University of British Columbia.

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An estimable model of income redistribution in a federation: Musgrave meets Oates

Department of Economics
Visiting Speaker: Michael Smart

Nov. 3, 2017 3:00-4:30 P.M.

Arts & Admin Bldg. Rm A1046

This event is open to the public.

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Abstract: We develop a theory of cross-border income shifting in response to personal taxation, and examine its implications for the revenue potential and excess burden of personal taxes at the subnational level. We propose a model demonstrating that a properly-chosen federal tax rate can offset the horizontal fiscal externality across borders, allowing decentralized subnational tax rates to replicate the national welfare optimum. The model's key parameters are the elasticities of tax avoidance and of cross-border tax base shifting. We provide estimates of these elasticities for Canada, finding that both elasticities are relevant.

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