

ROUGHING IT?

Richard M. Bird, University of Toronto

IT IS A PLEASURE AND AN HONOR TO BE HERE, TO listen to some good friends telling tales about me – a few of which may be true -- and to have these few minutes to express my thanks and appreciation to the National Tax Association for the great honor they have bestowed on me in the form of the Daniel M. Holland Award. While I do not want to turn these brief remarks into one of those tearful, name-dropping Oscar acceptance speeches, I really do have to begin by expressing my thanks to a number of people.

Dan Holland was a good friend and colleague who not only published my very first paper in the *National Tax Journal* many years ago but provided good advice and welcome wit on many occasions thereafter. I owe a lot to Dan, but first among those I should acknowledge for whatever I have managed to do over the years in professional terms is the illustrious first recipient of the Holland Award, my teacher and friend Carl Shoup. Carl not only provided a sterling model to emulate in terms of scholarship, but also impressed on me both the obligation and the rewards of paying close and careful attention to the work of students and colleagues – a debt that I have consciously tried to “pay forward” over the years.

Subsequently, I was fortunate in finding my first academic post with another great name on the Holland list, Oliver Oldman, who led me into the wide world of public finance in developing countries, the “rough” – to borrow a word from what Charles McLure has said today -- in which I have wandered ever since. Yet another Holland winner, Richard Goode, then reinforced this interest and made it permanent by bringing me to the Fiscal Affairs Department of the IMF for a few years. One of the many bonuses I reaped from these early associations and the resulting exposure to fiscal problems in the developing world was the opportunity to work closely at various times with other great public finance people like Richard Musgrave and Arnold Harberger, who have also preceded me in this list.

Of course, I have by no means been the only one of my generation to till these fields, as evidenced by the significant contributions of my friends, colleagues and immediate predecessors as Holland

award winners, Charles McLure and Roy Bahl. Quite apart from their kind remarks today, I am indebted to both for much good fellowship and productive exchange over the years. I am equally grateful for the contribution today from my friends Enid Slack and François Vaillancourt, who have been kind enough to reveal some of the large part of my professional life that has occurred in my home country behind the veil that sometimes seems to hide what goes on north of the border to those who live south of it. Finally, I am grateful also to Eric Zolt for chairing this session as well as to Robert Ebel, who made it all happen. One of my good fortunes over the years has been the opportunity to work with many good people, and I am delighted to be able to say that I have been able to do so at one time or another with all those I have just mentioned.

Finally, to save the best for last, as anyone who knows me soon realizes, the real wizard behind all my scenes is my oldest friend and closest colleague, my wife Marcia -- who, whether she knows it or not, makes it all happen, for better or for worse.

So, thanks to everyone for everything. That said, what else is there to say on an occasion such as this? To use Charlie McLure’s wonderful metaphor, I seem to have spent most of my professional life in the rough, trying to figure out how best to deal with this or that small problem in some obscure place. It’s been a great life in many ways, and indeed still is, but as today’s speakers have correctly noted, it is not one that has produced any great insights or theorems.¹ Indeed, while I hope some of what I have done has been useful, no one wanting a good career in academic economics today would seem well advised to follow my path. As I tried to say a few years ago on another occasion, I’m not sure that is entirely good news for either academic economics or economic policy, but I have nothing useful to add to that earlier discussion today.² Instead, therefore, I shall conclude simply by setting out a few simple “lessons” life “in the rough” suggests with respect to how one might get a handle on the great and never-ending public finance policy game played all over around the world.

One such lesson is probably obvious from what I have already said: Know the right people, listen

to them, learn from them, and, to the extent you can, try to emulate them. If you don't know them personally, but admire or are stimulated by their work, or if you are puzzled by some aspect of it, write to them about it. In my experience, good people, like the rest of us, like to talk to others about their work and respond well when approached – a lesson I learned many years ago when Paul Samuelson – whom I have still never met and who does not know me from Adam -- responded quickly and helpfully to a query from me when I was trying to figure out something in my thesis. He won't remember; but I still do. The other side of this proposition is those who thus benefit are, I think, obligated to help others as they themselves have been helped. This academic version of the golden rule is how we all keep moving ahead.

Carl Shoup (1959) once wrote that one can find virtually any weird idea one can imagine somewhere in what I think he called “the jumbled warehouse of tax history.” My second lesson is simply that in all likelihood you will also be able to find it still in existence out there today in some country or other. The world is an incredibly rich fiscal laboratory, and any of us can learn a great deal about our own systems by contemplating the follies and successes found elsewhere. Comparative public finance thus offers an enormously rich and still largely unexplored field of study – one into which I hope to be able to delve more deeply and systematically in the near future, but one that needs many more minds and hands at work if we are to come close to appreciating and understanding what it has to offer. I was delighted to see that the NTA held a session focused in part on comparative public finance this year, but I was disappointed to see so few people there. We should all have been there. Must the same policy mistakes be made again, and again, and again? With policy, as with technology, one should not wear NIH (not invented here) blinkers: we can learn much from the experiences, good and bad, of others.

A related lesson is simpler and perhaps more immediately useful to many of us: never throw away a good memo. Most who work with public policy issues feel at some point that they are trapped in a bad movie called something like the *Night of the Living Dead*.³ You know: the hero (you) is constantly being menaced by “zombie” ideas like tax incentives or “simplified” taxes -- ideas that have been killed again and again but that never seem to die. The 85th time one explains why this

or that “new idea in taxation” is not a good one, most of us begin to wonder if it's worth the effort. It is. As Richard Musgrave once said to me when we were discussing some very rough estimates of the distributional effects of a policy change, our numbers may not be very good but they are certainly better than the blind assertions of those who argue from faith rather than evidence. The good news is thus that no good analysis is ever wasted since numerous occasions will arise in the future to use it again. The bad news is that if one hangs around long enough such occasions will indeed be many.

A closely related lesson is that one way to keep good – or even not so good – stuff alive is to ensure that it gets published in some form or other. Words and personal contact are, of course, critical in persuading policy makers, but paper lasts longer and spreads more widely. Indeed, for those who want to impact policy outcomes, today is both the best of times and the worst of times. Posting a study on the Web in freely downloadable form allows it to zip around the world instantaneously, which is good. But look up any topic on the Web and you'll find mixed in with solid research and argument piles of dross and prejudice, which is bad. Those who want to reach policy makers effectively can now get their ideas out there in some form more easily than ever before. But they also need to take much more seriously the question of how to “market” evidence-based public policy propositions to make them more persuasive in real-world policy settings in which one concrete example, however unrepresentative, can trump a thousand econometric studies. That economists as a profession are bad at marketing is evident from our almost total inability in the last two centuries to persuade anyone much that comparative advantage is what matters in trade. We need to do better and to recognize that better communication with nonexperts is not just socially valuable but perhaps even essential to our continued existence as a (relatively pampered) academic discipline.

Years ago someone at a conference once referred to me as a second-rate economist, a third-rate political scientist and public administrator, and a fifth-rate philosopher. I took it as a compliment, and suggested they could perhaps have added third-rate lawyer, and fourth-rate sociologist. Economics is, I think, a great starting point for the study of public finance policy, but it is not enough. Half a century ago, my very first public finance teacher,

John Graham at Dalhousie University, told me that to really understand public finance you also need to understand accounting, law, administration, politics, and history. I would add at least psychology, sociology, and organizational theory to this list. I think it is great to see in recent years the entrance of many of these perspectives into the field of public economics along with game theory, econometric studies, and other more ‘core’ components of economics. The more you know, however, the more you realize how little you know. In understanding the world, education never stops and every bit of knowledge helps. Look at a baby beginning to take in the world around her and to fit each new bit of information into her developing and ever-changing notion of how it all fits together. She will, of course, never get it all right; none of us ever do; but we should never stop trying.

Finally, one of the most important lessons I have learned in 45 years of going to and fro upon the earth in what has really been an easy and not at all a “rough” life is simply to be very, very grateful – grateful that I had the good fortune to be born, brought up, educated, and live in a rich, stable country; grateful that I have been lucky enough to have such strong family support and to know and learn from so many great people all around the world, and of course grateful to you all and the National Tax Association for bestowing this honor on me and giving me the opportunity to be with you today on this occasion. Thank you.

Notes

- ¹ In the interest of full disclosure, however, I should perhaps note that one author (Diamond, 1976-1977) once labelled one of my arguments the “Bird effect.” Alas, he then showed that it did not exist!
- ² The reference is to Bird (2003). If anyone is interested, other attempts on my part to figure out what I have been trying to do all these years may be found in the preface to Bird (1992) and, in more general terms, in Bird and Smart (2001). Someday I may get it right.
- ³ *Night of the Living Dead* (1968).

References

- Bird, Richard M.
Tax Policy and Economic Development. Baltimore: Johns Hopkins University Press, 1992.
 Taking the Low Road. In Jorge Martinez-Vazquez and James Alm, eds. *Public Finance in Developing and Transitional Countries: Essays in Honor of Richard Bird*. Cheltenham, UK: Edward Elgar, 2003.
- Bird, Richard M. and Michael Smart. Tax Policy and Tax Research in Canada. In Patrick Grady and Andrew Sharpe, eds. *The State of Economics in Canada*. Montreal: McGill-Queen’s University Press, 2001.
- Diamond, Jack. Econometric Testing of the “Displacement Effect”: A Reconsideration. *Finanzarchiv N.F.* 35 (1976-1977): 387-404.
- Night of the Living Dead*. Written by George Romero and John Russo, directed by George Romero. Manhattan, NY: Walter Reade Organization, 1968.
- Shoup, Carl. Some Implications for Public Finance in Shackle’s Expectation Analysis. *Metroeconomica* 11 (February 1959): 898-103.