

# Midterm assessment of the second phase of the Centers for Public Economics

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The Research Programme on Taxation Economics - SKATT

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# 1. Introduction

## *Background*

The Research programme on taxation economics is financed by the Ministry of Finance and administered by the Research Council of Norway. The programme was restructured in 2011. The programme was then expanded to include a new mode of support - center for Public Economics, in addition to individual researcher projects. A programme board with a strong Nordic profile was appointed. The financial framework for the programme was increased, and importance was attached to achieving a long-term perspective. Based on an open competition, two centers for public economics were established in September 2012, one at the University of Oslo (Oslo Fiscal Studies, OFS) and one at the Norwegian School of Economics (Norwegian Centre for Taxation, NoCeT). A primary objective of the centers is to strengthen recruitment and education in the field, as well as to generate more interest in and recruitment to tax research. The centers should promote recruitment in the area of taxation and enhance education at the master's and doctoral levels. Research at the centers should focus on taxation, while the educational component would cover the breadth of public economics. The centers were established for a period of 5 years with the possibilities for continuation for an additional 5 years period.

A midterm evaluation of the centers was started October 2015 and finished March 2016. The evaluation was carried out by an international expert panel. The panel recommended to continue both centers for a new period of 5 years. However, the panel emphasized that the centers had potential for improvements when it comes to international cooperation, PhD-education and governance structure.

Based on the midterm evaluation and follow-up communication with the Ministry of Finance, the Research Council made a call for proposals for continuation of the centers. Both NoCeT and OFS applied for continuation. The applications were assessed by an international expert panel, which recommended continued funding of both centers. The programme board decided to follow the recommendations from the expert panel, and the centers started their second period Autumn 2017. The length of the second period for the centers was set to 3 years, with the possibilities for an additional 2 years period given good progress when it comes to research, recruitment, educational programmes, communication and dissemination, international cooperation and organizational and administrative aspects.

## *Committee*

The assessment of the progress after the first 3 years of the second period of the centers was originally supposed to be made by the programme board. However, the Research Council reorganized its board structure in 2019, and the programme boards were replaced by broader portfolio boards. The Research Council has therefore appointed a committee to conduct the assessment. The committee consists of the following 3 members from the former programme board, as well as one observer from the Ministry of Finance, also a former member of the programme board:

Professor Eva Liljeblom, Hanken School of Economics, Helsinki (Chair)

Chief advisor Niels Kleis Frederiksen, Danish Ministry of Taxation

Professor Jan Södersten, Uppsala University

Department director Ingrid Rasmussen, Ministry of Finance (observer)

#### *Criteria for the assessment*

The assessment of the progress of the centers is based on the following criteria:

- A. scientific quality and production of the centers,
- B. relevance of the research to policy,
- C. educational programmes established as a result of the funding
- D. organisational and administrative aspects

#### *Thematic priority areas*

According to the work programme priority is given to research projects that fulfil one or more the following criteria

1. Theory-based empirical research that uses Norwegian empirical data in econometric studies and simulation models, preferably combined with theory development, to shed light on issues relevant to the area of taxation.
2. Projects designed to generate knowledge about/evaluate key aspects of the Norwegian system of taxes and duties.
3. Collaborative projects, primarily between Norwegian and international research groups, but also among various Norwegian research groups.

Within this framework, the following thematic priority areas will be emphasized:

- A. Capital income taxation
- B. Tax adjustment and distributional effects of taxation
- C. Taxation and economic stability
- D. Evasion and avoidance of taxes and duties

These priorities constitute premises for the assessments of the two centers

## 2. NoCeT

### 2.1 Scientific quality and production

Scientific output should be seen in the light of staff resources. Average fulltime staff totals 4,5 including postdocs plus currently 2 PhD students.

NoCeT researchers have published 38 articles plus 4 book chapters and books during the evaluation period. Of these, 20 articles have been published in top-tier outlets, which is a significant and impressive improvement compared to the previous evaluation. The publication profile is to some extent – and appropriately – aimed at public finance-related journals although accounting, law and business now also feature reflecting the stronger interdisciplinary focus of the center. Two NoCeT researchers have been awarded the 2019 Austin Robinson Memorial Prize by The Royal Economic Society and the editorial board of The Economic Journal.

*Table 1. Scientific production and dissemination – NoCeT (Level 1 and 2 journals according to the classification of NSD "Norsk senter for forskningsdata")*

Articles level 2 (Top tier)*	20
Articles level 1	18
Book chapters	4

\*: Including among others Journal of Public Economics (5 articles), Economic Journal, Journal of Labor Economics, European Economic Review, Econometrica, American Economic Review <sup>1</sup>

NoCeT has hosted or organized 39 conferences, workshops and seminars, with a significant rise in visitors from overseas. Recurrent events are organized jointly with OFS, CESifo, Notre Dame and the Max Planck Institute hence achieving some synergies. The events are to a large extent interdisciplinary, covering also law, accounting and business (CSR).

*Table 2. Conferences and workshops*

Recurrent conferences (annual, biannual)	4
Other conferences and workshops	6
Seminars	29

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<sup>1</sup> There is also e.g. a paper, not included in Table 1, forthcoming in International Tax and Public Finance.

There is no information on external conference participation of NoCeT staff.

*Table 3. Recruitment of doctoral candidates and post-docs*

Post docs recruited	3
Doctoral students recruited	2

During the evaluation period, 3 postdocs and 2 doctoral candidates have been recruited. The number of PhD students hired is thus significantly lower than during the preceding period. However, the NoCeT report does not provide the reasons for this change and whether it is intended or unintended.

All NoCeT post-doctoral candidates have been granted tenure at NHH upon completion of the scholarship.

*Researcher training*

The center has organised two PhD courses during the evaluation period and emphasises that their PhD students have access to courses offered at other universities, including NHH and OFS. The level of activity should be seen against the fairly modest number of currently enrolled doctoral students. Recent hiring of senior staff has been motivated by the need to offer PhD classes on a regular basis.

*Recruitment of senior academic staff*

3 senior academic staff have been recruited, one of which recently (December 2019). International hires dominate among NoCeT’s recruitments of post-docs and professor IIs.

*International cooperation*

*Table 4. International cooperation – activities*

Senior researcher visits	17
External senior staff involved in NoCeT projects	32
NoCeT external visits (longer duration)	3

NoCeT continues to have a strong visitors programme, with visiting researchers evenly divided between German and US institutions. Also, 32 outside researchers currently participate in various research projects with NoCeT staff, including many from the US, Canada, and southern Europe. Participants from the U.S. and Canada are also abundant among the other visitors.

### *National cooperation*

PhD courses are offered in cooperation with other domestic universities. Master's theses advice is provided as part of cooperation programme with NTA.

## **2.2 Relevance and benefit to society**

*Popular scientific dissemination of research at the center to users and the general public through e.g. publications, seminars and workshops*

The research produced and disseminated by NoCeT remains highly relevant to contemporary policy discussions (capital income tax planning and avoidance, compliance etc.).

Since 2014 NoCeT staff has published 56 feature articles in Norwegian newspapers and has attracted 38 media citations in several top overseas news outlets (including WSJ, WaPo, NYT and BBC World Service). There is no separate data for the period covered by the present evaluation.

NoCeT is a key contributor to "Skatteforum", which is an annual meeting for tax theorists and practitioners in Norway.

### *Policy relevance*

NoCeT research covers a range of topics that are highly relevant to current tax policy discussions, including capital income taxation (international tax coordination, tax avoidance), tax enforcement and the political economy of taxation. Policy relevance is strengthened by the interdisciplinary focus of several research contributions.

## **2.3 Teaching activities**

*Table 5. Educational courses in the area of public economics established as a result of the funding,*

BA courses taught	2
MA courses taught	7
PhD courses taught	2

### *Master thesis linked to the Center*

NoCeT staff continues to advice in impressive number of MA students 44 including 3 at end of 2019. The selection of MA thesis topics also remains highly relevant to current tax policy and administration issues.



## **2.4 Organizational and administrative aspects**

### *Management*

The management structure of NoCeT appears to have been efficient in terms of generating improvements in scientific quality recommended in the previous evaluation while at the time strengthening the interdisciplinary research. However, it is unclear whether certain – possibly minor – issues concerning governance mentioned in the previous evaluation have been resolved.

### *Organizational relation to the host institution, personnel strategy*

Relations with the host institution (NHH) appear to be (and remain) smooth and well-functioning despite the main research topics are government rather than business focused. This is illustrated by the granting of tenure at NHH to all NoCeT post-docs so far.

## **2.5 Plans for the Center after August 2020**

### *Maintain competences*

NoCeT has maintained very strong competencies in its core fields of research, in line with the previous evaluation.

The main emerging issue seems to be how to deal with the potential expiry of funding in 2022. Also, retaining key staff could be an issue as expiry approaches.

NoCeT aims at securing alternative funding on a project-by-project basis and from EU institutions. While outside funding on a project-by-project basis is useful, it could also compromise independence and/or continuity. Support from NHH itself is ruled out, as it has many centers and has a policy of not supporting any of them. Would the center fail to find funds for continuing its operations, NHH would most likely encourage top researchers at NoCeT to join other research groups, thereby strengthening them.

## **3. OFS**

### **3.1 Scientific quality and production**

The research at OFS covers above all two topics: How taxes and transfers affect behaviour, and tax morale / evasion. Considerable attention is also assigned to studying taxes from a macro perspective. The OFS II report lists 22 journal publications (see Table 1), 20 working papers at different stages in the publication process, and 6 books and reports since the commence of OFS II. The list of staff at OFS in 2019 includes 16 members (somewhat above 5 full-time equivalents) of which 2 are full-time doctoral candidates and 2 have shared a 30% research assistant position. In addition to these, there are other staff members such as the post-doc Schreiner who are associated, but in 2019 were on leave.

Table 6. Journal publications from OFS (Level 1 and 2 journals according to the classification of NSD - "Norsk senter for forskningsdata")

Articles level 2 (Top tier)*	16
Articles level 1	6

\*: Including among others Journal of Public Economics (3 articles), Journal of Labor Economics, Review of Economics and Statistics, Quarterly Journal of Economics, Journal of Human Resources

The publication output is good for a staff of around 12 post-doc members (12 in 2019), all of which are part-time, for the short time period of OFS II, yet somewhat at a lower level compared to a similar midterm evaluation of the first round of OFS I<sup>2</sup>. On the other hand, the quality is even better: the publication list now includes one top-1 journal (*The Quarterly Journal of Economics*) publication and several very high IF-factor ones (such as two in *Journal of Labor Economics*, and one in *Review of Economics and Statistics* as well as in the *Journal of Human Resources*). There are also three publications in the top field journal relevant for the center's area, *Journal of Public Economics*.<sup>3</sup> With only a few exceptions, all the journal publications are on a good or very good level. Among the working papers, there is also a revise-and-resubmit paper in a high-IF journal. In summary, the amount and quality of the research output from OFS II seems to be at a very good level.

#### *Scientific production and dissemination*

The center at OFS has hosted a large number of conferences, workshops and seminars from fall 2017 to the end of 2019. The delivered material lists 20 seminars, with prominent speakers from outside Norway, as well as 8 workshops/conferences (mainly workshops, but also 2 larger conferences). Two additional workshops are planned for 2020.

Annex 1 of the OFS report gives evidence of the frequency at which OFS members have given presentations at external seminars and conferences (44 presentations by 12 researchers). The majority of these talks are for national or international academic audiences, but some are also for public organisations and like within Norway or organized by such, such as workshops at the Ministry of Finance. National presentations are about as common as international ones. The international ones are mainly paper presentations at universities but include also public finance / macroeconomics related workshops and conferences (including the leading field conference by IPE, and one main general economic conference, the EEA). A wide range of OFS members are participating in this type of

<sup>2</sup> Note, however, that e.g. more than a third of the journal publications listed come from researchers not in the OSF staff list for 2019.

<sup>3</sup> In 2019 there is also a paper (not included in Table 6) forthcoming in *International Tax and Public Finance*.

dissemination of their research. Based on the quantity, quality, and amount of participation by OFS staff, the outreach seems to be good although focused on Europe.

#### *Recruitment of doctoral candidates and post-docs*

OFS has recruited 2 doctoral candidates that are 100% financed, and these seem to have been advancing very well. One of them is currently visiting UC Berkeley and is expected to graduate in 2020. The post-doc, Schreiner, has also made great progress. She has published in a top field journal, is an author of several working papers, and will visit University College London.

#### *Researcher training*

Three doctoral theses have been completed within 2017 to 2019. They are all in the center's area (public economics, or deal with taxation more specifically). Two doctoral courses have been delivered (in public economics / taxation). Given that the center wants to encourage researcher training in its area, this seems like an acceptable number over the time period. Moreover, a recent project initiative (INTERPART) is expected to enhance the offering of more PhD courses.

#### *Recruitment of senior academic staff*

Thoresen was hired as the new head, after Havnes, of OFS II from summer 2019 (financed 20% before that, then 60%). Holter is another staff member that is financed to a greater percentage (75%), he is an associate professor tenure-track. Besides these, a number of professors / associate professors (9) are financed part-time (from 10% to 25%). Both Thoresen and his predecessor Havnes have actively published over the period of OFS II, and have papers in pipeline. The center thus follows the recruitment plan for OFS II although a stronger international focus would be desirable. However, the recruitment of Attila Lindner (University College London) and Shafik Hebous (IMF) in adjunct positions (10% each) helps in this respect.

#### *International cooperation*

The report lists a good number of international researchers with connections to the center's projects. The high international researcher involvement in projects is also evident from the many international co-authors in published papers, especially in those in strong journals. The longer research visits into OFS are on the other hand only a few and leaves room for improvement.

In terms of international more formal co-operation, advances have been taken as OFS members Holter and Storesletten have been granted three years of INTERPART project "Research and Education in Quantitative Macroeconomics with Focus on Inequality: Cooperation between UiO, UPenn, Yale, and UToronto" starting in August 2020. This collaboration with the leading research groups strong in quantitative macroeconomic is expected to contribute to the macro research of OFS, and help in defining potential new members and researchers from master's level. The project also allows for a high degree of mobility of PhD students between the institutions, and is expected to both enable the offering of more PhD courses, as well as to lead to longer research visits into OFS.

### *National cooperation*

The report mentions national collaboration in terms of co-authorship with other Norwegian researchers, as well as co-organization of events with other national players. There is room for more national cooperation.

### **3.2 Relevance and benefit to society**

#### *Popular scientific dissemination of research at the center to users and the general public through e.g. publications, seminars and workshops*

The researchers have disseminated their results to the general public through meetings/seminars directed towards general public / governmental bodies (4 occasions), through members having been involved in public commissions (5 cases, involving 8 members), and through media appearances (21 cases, mostly through newspapers). For a group of approximately 12 post-doc members, this is, however, somewhat modest over a three-year time period. However, all the researchers are part-time.

#### *Policy relevance of the research*

The research at OFS deals with topics that have clear practical implications for society, such as early childhood and educational policies, as well as various taxes (personal, corporate, fuel, and housing taxation). The research is therefore clearly policy relevant. To what extent it actually has influenced e.g. Norwegian policies is not possible to infer from the report.

### **3.3 Teaching activities**

#### *Educational courses in the area of public economics established as a result of the funding*

Before OFS, the department of Economics offered one master's course in public economics every second year, and the subject was not popular for master's theses. Now two courses are offered every year, with 238 exams taken cumulatively (from 2012 to 2019), i.e. an average of 29,75 per year over 8 years. This is a good increase of 67% compared to the earlier average of 17.78 per year (160 during 2004 to 2012, 9 years). During the recent years, the yearly average is even higher (57 to 58 students per year). In conclusion, the teaching in the area has been significantly increased.

#### *Master's theses linked to the Center*

The number of master's theses written / in progress in the subject is 9 for last three years, cumulatively, which is still somewhat modest.

### **3.4 Organizational and administrative aspects**

#### *Management*

OFS has a scientific board, an administrative board, and a center director. The scientific board involves four external members, three of which are from abroad. The administrative board consists of three members, one of which is external. During the time of OFS II, there has been turbulence on the position as center director, as three different persons have been directors in turn. This does not, however, seem to have harmed the operations.

#### *Organizational relation to the host institution, personnel strategy*

OFS is an integrated part of the Department of Economics at UiO, but has a large independence in its activities. The amount of activities created at OFS supports the idea that such freedom is real.

### **3.5 Plans for the Center after August 2020**

The report lists a number of factors that may help maintain the strengthened focus in public economics / taxation in the near future or in a longer run. The arguments base on the path dependency of research, which e.g. show up as ongoing and new research projects and collaboration with e.g. the National Tax Administration; on a useful data infrastructure being built up, facilitating policy analysis (and potentially leading to new projects being spawn); and on the possibility that those hired on temporary contracts at OFS may qualify for ordinary positions at UiO. There is no mention of more concrete actions being undertaken to help finance the center beyond the potential expiry of funding in 2022 (only a wish of new initiatives to be taken).

## **4. Prior recommendations and discussion**

### **4.1. Evaluation of prior recommendations**

In the midterm evaluation of phase 1 of the centers, that panel report came up with some observations/recommendations for improvement. In their overall conclusions, the panel noted that for both centers, 1.) the publication record was relatively modest, in particular in top journals, and that there would be room for improvement in 2.) international co-operation, and 3.) Ph.D. education (Ph.D. courses; only one joint was organized per year). There was also a risk pointed out for OFS, coming from the very close integration with the host institution.

In the first period of phase 2, we note that the publication volumes in both centers are on a good level, and that especially top-tier articles are abundant (more than half of the reported journal publications are on level 2 in both centers; 60% on average over both of them). Both centers have also been repeatedly able to hit the very top journals. The panel finds the quality of publications as very good, and notes an overall significant improvement from the previous midterm evaluation.

Regarding international co-operation, improvements have also been made. At both places, the number of research visits into the center is now quite good, although longer research visits are still modest. The list of incoming visitors includes many top names. There is also some more formal co-operation with foreign institutions in both centers.

The volume of Ph.D. courses has doubled since the previous mid-term evaluation, as then both centers organized one joint Ph.D. course per year, and they now organize one each annually, i.e. two per year are organized on a national level. The two centers exchange information about PhD-courses and regularly send students to participate at each other's courses. Faculty hirings and international joint projects have also been undertaken in order to improve the amount of Ph.D. courses. Seen against the modest number of overall Ph.D. students in both places, the Ph.D. education seems to be on a decent level.

Finally, the prior panel expressed some concerns concerning the level of independence of OFS. Since that, the administrative board of OFS has been expanded by an external member. The scientific board in turn involves four external members, three of which are from abroad. We do not see evidence of OFS taking focus away from its ultimate goals; instead, the hirings and other activities at OFS seem perfectly in line with the plans for OFS, i.e. to enhance research and teaching within the center's profile area.

#### **4.2. Why two centers?**

The midterm evaluation report after phase 1 also made a comparison between the two centers, and discussed the motivations for having two centers in the same area. Aspects supporting two instead of one include allowing for specialization, as well as stimulating fruitful competition, whereas economies of scale favour concentration. However, in the field of economics and business education, economies of scale due to e.g. equipment and laboratories are mainly lacking, and the main economies of scale are likely to come from access to databases and social interaction between researchers; many top business schools in the world are reasonably small. The advantages of specialization and competition may therefore balance better against the advantages of economies of scale, once a critical size has been reached.

When comparing the two centers, we note that both have their strengths. NoCeT has strong specialization in three areas of capital taxation, law and economics, as well as behavioural economics and compliance. Also OFS studies behavioural aspects such as tax morale / tax evasion, but produces many papers in the larger area of public economics. There is definitely a need for research in both the narrower tax aspects as well as in broader public economics topics touching taxation. The centers also have somewhat different educational patterns. NoCeT staff advises an impressive amount of MA students and is involved in a large number of BA and MA courses, while OFS offers a smaller number of courses but to a very large student population there as well. Both places are very well connected to the international research community, and have made quite successful recruitments.

The panel views the two centers as good complements in terms of their distinct research profiles. None seems inferior to the other. It is also of advantage to support an undergrowth of students

knowledgeable and interested in taxes and public finance at both these large but location wise separated institutions in Norway, as this can be expected to enhance a better availability of recruitment candidates for both researcher positions and for institutions dealing with public policy.

## 5. Conclusions

The establishment of two centers in Public Economics in Norway was a unique effort aimed at increasing research in this policy relevant field, and especially in tax research. The mid-term evaluation of the second phase of the two centers, Oslo Fiscal Studies (OFS) and the Norwegian Center for Taxation (NoCeT), indicates that the project has been highly successful. Compared to other Nordic countries and also on a European level, the volume of staff and research in this area has been taken to quite new levels in Norway.

In terms of research, both centers have produced a scientific output that in volume terms and especially in terms of quality can be considered to be on a very good international level for research groups of their sizes. There is a significant improvement of top-tier papers from the mid-term evaluation of the first phase of the centers. It is notable that both centers have reached top journals (such as the Quarterly Journal of Economics, American Economic Review, and Econometrica) as well as the top journal in the field (Journal of Public Economics, quite frequently). The dissemination of research through other forms than scientific journals is also on a good level, the centers have e.g. hosted many workshops and conferences, and the researchers are actively presenting papers in Norway and abroad.

In terms of recruitment, both centers have followed their plans and have promising doctoral students in the pipeline, as well as have managed to recruit good quality post-docs in the relevant field. The internationalisation is on a good level both concerning recruitment as well as research collaboration, the latter as evidenced e.g. by the many co-authors to research outputs.

The research topics studied at both centers are highly policy relevant, and the research has been disseminated to the general public through many channels. Based in the reports one cannot infer, however, whether the research has actually yet influenced e.g. Norwegian policies.

Both centers have also markedly increased their teaching in the area of public economics and taxation. The effects are somewhat different in the two centers, but for each of them there is evidence of increased student interest in the area, for example through impressive numbers of MA students, or through a significant increase in the number of courses taken. The amount of Ph.D. courses provided on a national level has also doubled.

The organization of the centers has also found working forms. What is missing in both centers as of yet, however, is a robust continuation plan. Since the centers have led to increases in permanent (tenured) faculty in the area at both UiO and NHH, the centers can be expected to have lifted up the research activities in both places even if the centers themselves would be discontinued. For full effect

on longer term, however, it would be optimal if the centers would find additional financing to continue working in their present forms.

The panel has also evaluated the follow-up of the recommendations from the previous mid-term evaluation (during phase I), and find that on every point, there has been clear improvements made.

Concluding, both centers have performed according to their plans and with a very good output during the first part (3 years) of phase two. With the exception of better continuation plans, there is nothing negative to be said of either of them. The panel sees benefits from having two complementary centers that together produce strong research both on individual tax aspects as well as on public policy involving taxation. Their joint teaching activities should also more efficiently promote the interest in these issues both on undergraduate/graduate level and in research education in Norway. We strongly recommend that both centers be granted financing for the remaining two years of their phase two.