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Von: CESifo <office@news.cesifo.de>
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An: Office CESifo
Betreff: The Passing of Peggy Musgrave (1924-2017)

Dear CESifo Network members and IIPF friends,

A colleague passed on the sad news informing us that Peggy Musgrave passed away on 17 August. Hans-Werner Sinn, former president of CESifo and IIPF, has written the obituary which you may find below.

Best wishes,

Clemens Fuest (President of CESifo and President elect of IIPF)
Joel Slemrod (President of IIPF)

Ten years after her husband, Richard A. Musgrave, Peggy Musgrave passed away at the age of 93 years. Peggy was a long-standing member of the CES Scientific Advisory Council since it was set up in 1993. She came to many meetings and gave useful advice for the development of the Center, such as its inclusion in the CESifo Group set up in 1999. We are indebted to her for years of dedicated service.

Peggy Musgrave wrote many papers in the field of public finance in general and international tax theory in particular. Her book *Public Finance in Theory and Practice* (published in 1989), jointly written with her husband, was a best-seller and recognized and highly appreciated in both the economics profession and the public policy arena. The book followed Richard Musgrave's groundbreaking distinction between the allocation, distribution and stabilization function of the government budget, but it was less technical then his original book *The Theory of Public Finance* and rich in institutional detail, aiming at a wider policy oriented audience.

Peggy's most frequently cited work, originating in her dissertation, which was submitted when she was still Peggy Richman, refers to the taxation of international investment income. Assuming equal tax rates on distributed and retained earnings, she was able to show that a small country's source tax on capital income would be entirely borne by the fixed factors operating in the country, above all labor, as international capital would dislocate until, in equilibrium, the country's net-of-tax rate of return to capital would be equal to world-wide net-of-tax rate of return. In fact, she was able to show that labor would bear even more than the entire tax on capital income, since, in addition to the tax burden as such, the excess burden resulting from the allocative distortion would exclusively fall on the fixed factors. Thus unions would shoot themselves in the foot if they tried to improve the living standard of workers by trying to replace labor income taxes with source based capital income taxes.

The result no longer holds when the assumption of uniform taxes on distributed and retained earning is given up, as dividend taxes can be shown to be equivalent to a once-and-for-all levy on the existing capital stock that capital owners cannot avoid. Nevertheless, it was provocative enough to arouse the interest of the profession and laid the foundation for the field of international capital income taxation. Hundreds of scholars have referred to Peggy Musgrave's groundbreaking work in their own writings.

As a tribute to their scholarly work, the International Institute of Public Finance (IIPF) set up the annual Richard and Peggy Musgrave Prize to recognize the best papers in Public Finance written by young economists.

I personally thank Peggy Musgrave for many fruitful, deep and clear-minded conversations on economic as well as political subjects that substantially widened my horizon. Above all I thank her and her husband for many years of personal friendship. An era in the history of public finance has ended with their departure.

Hans-Werner Sinn
CESifo and Ludwig Maximilian University of Munich
Munich, September 2017