To Jinhee
Acknowledgements

I’d like to deeply appreciate everyone who helped me complete my dissertation. First of all, Professor Illoong Kwon, you will never know how much you influenced and consulted my life. I would not be able to finish my dissertation without his advices and encouragement. Professor James Hines Jr. gave me excellent prospect on academic research and showed a perfect example of researcher and advisor. Jim, you are the man! Advices and suggestions from other committee members, Professor Joel Slemrod and Professor Clemens Sialm, are all priceless.

I appreciate all of the Rackham ITS staffs for their support while I worked as a GSRA for 4 years. Maia Bergman and Rex Patterson, I can not think of my work experience in the Rackham Graduate School without your presence. I’d like to show my appreciation to David Resnick from New York as well.

I also appreciate all the congregation of the First Presbyterian Church – Ann Arbor. My work in the church gave me unforgettable experiences during my Ph.D. study. David and Martha Krehbiel, you conveyed me with God’s great love. Lloyd and Irene Bastian, Karl and Elenor Hauser, I will keep your love and hospitality with me forever.

I do not know any way how to fully describe my appreciation to my family for their love and support. My parents and parents-in-law, they are so special to me.

And Jinhee, she was with me for those 8 years in Ann Arbor. I love you so much and you are all I have ever had. God bless!
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<tr>
<td>AR</td>
<td>Abnormal Return</td>
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<td>BHC</td>
<td>Bank Holding Company</td>
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<td>CAR</td>
<td>Cumulative Abnormal Return</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>MNC</td>
<td>Multi-national Company</td>
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<tr>
<td>NYSE</td>
<td>New York Stock Exchange</td>
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<tr>
<td>PPE</td>
<td>Property, Plant, and Equipment</td>
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<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
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<td>SIC</td>
<td>Standard Industry Code</td>
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Abstract

Although USA is the largest economic powerhouse in the world, the future of US economy may depend on international competitiveness of US firms. Competitiveness of American firms will be influenced by many different factors, and my dissertation is focused on the tax policy and employee compensation structure among those factors.

The first chapter of the dissertation relies on event-study methodology to examine the effect of “Subpart F exemption on active financing income” on the expected profitability of banks. Empirical tests are conducted over the data collected from two different sources. Calculation of abnormal returns is based on daily returns of 30 publicly traded banks and their foreign income tax status. I find strong positive response to the tax policy change. Banks with sizable foreign operation show significantly higher abnormal returns than banks without foreign operation as the exemption rule allows tax deferral on foreign source incomes.

The second chapter of the dissertation examines different responses on corporate taxation between manufacturing and banking FDI. Empirical tests are conducted with a difference equation on the FDI decision using the data on outgoing FDI and foreign income tax rates across countries. The result of empirical test indicates that tax rates negatively affect FDI decision for both banking and manufacturing sector as previously reported. However, banking FDI is found to be more sensitive to variations in corporate tax rates than manufacturing FDI.

The final chapter of the dissertation empirically tests different theoretical implications to identify driving factors of the cohort effect. Personnel records from a large US insurance company are analyzed to identify the firm’s wage cohort effect. The fact that employees’ productivity measures and job-level status are available is the main strength of the data. From a long-term contract model and a human-capital accumulation model, I derive implications on the driving factors of the wage cohort effect. I find that the cohort effect is mainly driven through promotion and the entry-year unemployment rates partially explain the cohort effect. Contrary to the human-capital accumulation model’s expectation, productivity is not observed to explain the cohort effect.