

E504: International Trade and Tax Policy Analysis

Fall 2017

Overview: This class deals with the role of trade cost and taxes for economic activity in open economies. The class is broad in terms of topics covered and comprises theoretical and empirical approaches and pays attention to institutional details and their development. At the same time coverage of topics is selective in order to focus on interesting and relevant policy issues. Active Participation in class and exercises is expected.

Prerequisites: Open to all second (and above) semester Master students in Economics. All others please inquire with instructor.

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Room and time

- First (!) and second (!) meeting Wednesday, Sept. 6+13, 2017, 12:00 - 13:00, P043
- From then on: Mondays, beginning Sept. 18, 2017, 08:30 - 11:45, L9, 1-2, 002

Grading: Midterm exam (45%, approx. late October) and short policy paper (45%, due early December), class participation (10%)

Office hours: Wednesdays, 9-10:30

Possible topics for short policy paper:

- Brexit (public finance and/or trade issues)
- Protectionist threats to world trade
- Base Erosion and Profit Shifting (BEPS) initiative
- Germany's trade surplus

Outline and Reading

1. International Trade Theory: Basics

Feenstra, R.C.: *Advanced International Trade*, Princeton University Press, 2004, here: chapter 1 and 2, pp. 1-63.

2. Globalization and Inequality: Historical and Current Perspectives

Jeffrey G. Williamson: Globalization, Labor Markets and Policy Backlash in the Past, *Journal of Economic Perspectives* 12(4), 1998, 51-72.

Roine, J. Vlachos, J. and D. Waldenström: The long-run determinants of inequality: What can we learn from top income data? *Journal of Public Economics* 93, 2009, 974-988.

Alvaredo, F., Atkinson, A.B., Piketty, T. and E. Saez; The Top 1 Percent in International and Historical Perspective, *Journal of Economic Perspectives* 27, 2013, 3-20.

3. Attitudes toward Globalization

A.M. Mayda and D. Rodrik: Why are some people (and countries) more protectionist than others? *European Economic Review* 49, 2005, 1393-1430.

Gordon H. Hanson, Kenneth F. Scheve, Matthew J. Slaughter: Public Finance and Individual Preferences over Globalization Strategies, *Economics and Politics* 19, 2007, 1-33.

4. Regional Trade Agreements and TTIP

Feenstra, R.C.: *Advanced International Trade*, Princeton University Press, 2004, here: chapter 6, pp. 174-208.

Felbermayr, G.J. and M. Larch: The Transatlantic Trade and Investment Partnership (TTIP): Potentials, Problems and Perspectives, *CESifo Forum* 2/2013, 49-60.

Gabriel Felbermayr, Benedikt Heid, Mario Larch, Erdal Yalcin: Macroeconomic potentials of transatlantic free trade: a high resolution perspective for Europe and the world, *Economic Policy* 30, 2015, 491-537

<https://academic.oup.com/economicpolicy/article-lookup/doi/10.1093/epolic/eiv009>

5. Trade and Culture, Gravity Equation

Francois, P. And T. Van Ypersele: On the Protection of Cultural Goods, *Journal of International Economics* 56, 2002, 359-369.

Hanson, G., and C. Xiang: International Trade in Motion Picture Services, in: Matthew Slaughter and Marshall Reinsdorf, eds., *International Flows of Invisibles: Trade in Services and Intangibles in the Era of Globalization*, Chicago: University of Chicago Press, forthcoming.

Feenstra, R.C.: *Advanced International Trade*, Princeton University Press, 2004, here: chapter 5, pp. 137-173.

6. Globalization, Government Size and Redistribution

Rodrik, Dani: *Has Globalization Gone Too Far?* Institute for International Economics, Washington D.C., 1997, chs. 2+4, and Appendix A.

Dani Rodrik: Feasible Globalizations, in: Della Giusta, Marina, Uma S. Kambhampati, and Robert Hunter Wade (eds.): *Critical Perspectives on Globalization*, Globalization of the World Economy series, vol. 17., Elgar, 2006.

Arclean, Calin: International tax competition and the deficit bias, *Economic Inquiry*, May 2016

7. Tax Competition and Trade Costs

Haufler, A. and I. Wooton: Country size and tax competition for foreign direct investment, *Journal of Public Economics* 71, 1999, 121-139.

Ottaviano, G.I.P. and T. Van Ypersele: Market Size and Tax Competition, *Journal of International Economics* 67, 2005, 25-46.

Exbrayat, N. and B. Geys: Trade Integration and Corporate Income Tax Differentials, *International Tax and Public Finance* 21, 2014, 298-323.

8. Bilateral Investment Treaties and Investor State Dispute Settlement

Kai A. Konrad: Large investors, regulatory taking and investor-state dispute settlement, *European Economic Review* forthcoming

Axel Berger, Matthias Busse, Peter Nunnenkamp, and Martin Roy: More Stringent BITs, Less Ambiguous Effects on FDI? Not a Bit! *Economics Letters* 112, September 2011, 270-272

Eric Neumayer, Peter Nunnenkamp and Martin Roy: Are stricter investment rules contagious? Host country competition for foreign direct investment through international agreements, *Review of World Economics*, 2016, vol. 152, 177-213