

E504: International Trade and Tax Policy Analysis

Fall 2018

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 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: Mondays, 08:30 - 11:00, P044

Grading: Exam (40%), proposal for a research project (40%), three problem sets (20%)

Office hours: Wednesdays, 9-10:30

Research project proposal: This assignment mimics the finding of a Master thesis topic. You are asked to identify a topic of interest in the area of international trade and tax policies, describe the current state of the literature, analyse the shortcomings of the existing literature, and possible ways to overcome these. More details to be communicated during the semester.

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.

Sascha O. Becker, Thiemo Fetzer, Dennis Novy: *Who Voted for Brexit? A Comprehensive District-Level Analysis*, CESifo Working Paper 6438, 2017

4. Gravity Equation with an application to trade in cultural goods

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

Ferreira F. and J. Waldfogel: *“Pop Internationalism: Has A Half Century of World Music Trade Displaced Local Culture?”* *Economic Journal* 123, 2013, 634-664.

5. 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>

6. Taxation and labor mobility

Simula, L. and A. Trannoy (2010): Optimal income tax under the threat of migration by top income earners, *Journal of Public Economics* 94(1), pp. 163-173.

Kleven, H., Landais, C. and E. Saez (2013): Taxation and International Mobility of Superstars. Evidence from the European Football Market, *AER* 103(5), pp. 1892-1924

7. International Tax Evasion and Tax Planning

Dharmapala, D., and J. R. Hines (2009): "Which countries become tax havens?", *Journal of Public Economics*, Vol. 93, pp 1058-1068.

Hong, Qing, and M. Smart (2010): "In praise of tax havens: International tax planning and foreign direct investment", *European Economic Review*, Vol. 54, pp. 82-95.

Johannesen, N., and G. Zucman (2014): The End of Bank Secrecy? An Evaluation of the G20 Tax Haven Crackdown", *American Economic Journal: Economic Policy*, 6(1), 65-91.

8. Bilateral Investment Treaties and Investor State Dispute Settlement (time permitting)

Kai A. Konrad: Large investors, regulatory taking and investor-state dispute settlement, *European Economic Review* 2017, 98, 341-353

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