

E889: Topics in International Taxation and Fiscal Competition

University of Mannheim
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Course Description: The course is intended to provide insights into current research in the area of public economics, with a focus on environments where countries/regions are linked by spillovers from tax/fiscal policies. This includes the following topics: taxation of interregionally mobile production factors, international migration of high skilled labor, cross border shopping, the role of taxation for location decision of firms, tax and fiscal competition, profit shifting and policy coordination to prevent it. The course is split into two halves, roughly but not entirely along the lines of theory and empirics.

Lecture times and course organization:

There are eight lectures of 90 minutes which take place on Tuesdays, 13:45h - 15:15h in Room 308, L9,7. The first lecture will be on February 14, 2016. – The first four sessions will be given by Eckhard Janeba. Sessions five to eight will be given by Sebastian Sieglösch. – Furthermore, you are required to attend one session of the ZEW Public Finance conference on May 8/9. We jointly discuss papers/presentations from the conference in class on May 16. – Depending on the number of course participants, we will have several sessions (potentially back-to-back) for student paper presentations. These sessions will be held in the end of May/June. The exact date(s) will be announced during the semester.

Grading:

- Paper presentation (counts 1/2 of final grade)
- Referee report on presented paper (main focus on critical evaluation of paper, suggestions for improvements) or early draft for a research proposal (counts 1/2 of final grade)

Topics and Readings

Note: Papers suitable for presentation in italics.

1. Tax competition: The basic model

- Wilson, J. D. (1986): "A Theory of Interregional Tax Competition", *Journal of Urban Economics*, Vol. 19, pp. 296-315.
- Zodrow, G. R., and P. Mieszkowski (1986): "Pigou, Tiebout, Property Taxation, and the Underprovision of Local Public Goods", *Journal of Urban Economics*, Vol. 19, pp. 356-370.
- Bucovetsky, S. and J. D. Wilson (1991): "Tax Competition with Two Tax Instruments", *Regional Science and Urban Economics*, Vol. 21, pp. 333-350

2. Tax competition: Asymmetries

- Bucovetsky, S. (1991): "Asymmetric tax competition", *Journal of Urban Economics*, Vol. 30, pp. 167-181.
- Wilson, J.D. (1991): "Tax competition with interregional differences in factor endowments", *Regional Science and Urban Economics*, Vol. 21, pp. 423-451.
- Kanbur, R. and M. Keen (1993): "Jeux sans frontières: tax competition and tax coordination when countries differ in size", *American Economic Review* No. 83, pp. 877-892.
- Bucovetsky, S. (2009): "An Index of Capital Tax Competition, *International Tax and Public Finance*", Vol. 16, pp. 727-752.
- Haufler, A. and I. Wooton (1999): "Country size and tax competition for foreign direct investment", *Journal of Public Economics*, Vol. 71, pp. 121-139.
- Haufler, A. and I. Wooton (2010): "Competition for firms in an oligopolistic industry: The impact of economic integration", *Journal of International Economics* 80, pp. 239-248.
- Ottaviano, G.I.P. and T. Van Ypersele (2005): "Market Size and Tax Competition", *Journal of International Economics*, Vol. 67, pp. 25-46.
- Janeba, E. and S. Osterloh (2013): "Tax and the City – A Theory of Local Tax Competition", *Journal of Public Economics*, Vol. 106, pp. 89-100.
- Haufler, A. and F. Stähler (2013): "Tax Competition in a Simple Model with Heterogeneous Firms: How Larger Markets Reduce Profit Taxes", *International Economic Review*, Vol. 54, pp. 665-692.
- Exbrayat, N. and B. Geys (2014): "Trade Integration and Corporate Income Tax Differentials", *International Tax and Public Finance*, Vol. 21, pp. 298-323.

3. 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.
- Bierbrauer, F., Brett, C. and J.A. Weymark (2013): "Strategic nonlinear income tax competition with perfect labor mobility", *Games and Economic Behavior* 82, pp. 292-311.

- Lehmann, E., Simular. L and A. Trannoy (2014): Tax me if you can! Optimal Nonlinear income tax between competing governments, QJE , pp. 1995-2030.
- 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
- Kleven, H., Landais, C., Saez, E. and E. Schultz (2014): Migration and wage effects of taxing top earners: Evidence from the Foreigners' tax scheme in Denmark, QJE 129(1), pp. 333-378.
- Engelmann, D., Janeba, E., Mechtenberg, L. and N. Wehrhöfer (2017): "Preferences over Taxation of High Income Individuals: Evidence from Online and Laboratory Experiments", mimeo.

4. Fiscal competition and government debt

- Jensen, R. and E. F. Toma (1991): Debt in a model of tax competition, Regional Science and Urban Economics, Vol. 21(3), pp.371-392.
- Janeba, E. and M. Todtenhaupt (2016): Fiscal Competition and Public Debt, CESifo Working Paper 6155.
- Arcalean, C. (2017): International tax competition and the deficit bias, Economic Inquiry 55 (1).
- Borck, R., Fossen, F., Freier, R. and T. Martin (2015): Race to the debt trap? Spatial econometric evidence on debt in German municipalities, Regional Science and Urban Economics 53, 20-37.

5. Empirical local tax competition

- Agrawal, D. R. (2015): "The Tax Gradient: Spatial Aspects of Fiscal Competition", American Economic Journal: Economic Policy, Vol. 7(2), pp. 1-29.
- Baskaran, T. (2014): "Identifying local tax mimicking with administrative borders and a policy reform", Journal of Public Economics, Vol. 118, pp. 41-51.
- Gibbons, S. and Overman, H. G. (2012): "Mostly Pointless Spatial Econometrics", Journal of Regional Science, Vol 52: pp. 172. 191
- Eugster, B., and R. Parchet (2013): "Culture and Taxes: Towards Identifying Tax Competition", Universitt St. Gallen Discussion Paper No. 2013-39
- *Lyytikinen, T. (2012). Tax competition among local governments: Evidence from a property tax reform in Finland, Journal of Public Economics, Vol. 96, pp. 584-595.*
- *Isen, A. (2014). Do local government fiscal spillovers exist? Evidence from counties, municipalities, and school districts, Journal of Public Economics, Vol. 110, pp. 577-3.*
- *Parchet, R. (2014): "Are local tax rates strategic complements or strategic substitutes?", IdEP Economic Papers No. 1407.*

6. Local Labor Markets and Place-Based Policies

- Roback, J. (1982). Wages, Rents, and the Quality of Life, Journal of Political Economy, Vol- 90(6), pp. 1257-1278.

- Rosen, S. (1979). Wage-Based Indexes of Urban Quality of Life, in P. Mieszkowski and M. Straszheim (eds), *Current Issues in Urban Economics*, Johns Hopkins University Press, Baltimore, pp. 741-84.
- Moretti E. (2011): "Local Labor Markets", in: O. Ashenfelter and D. Card (ed.): *Handbook of Labor Economics*, Vol. 4, No. 5., Elsevier.
- Kline, P., and E. Moretti (2013): Place Based Policies with Unemployment, *American Economic Review, Papers and Proceedings*, 103 (3)
- Kline, P., and E. Moretti (2014): "People, Places, and Public Policy: Some Simple Welfare Economics of Local Economic Development Programs", *Annual Review of Economics*, Vol. 6, pp. 629-662.
- Serrato Surrez, J. C. S., and O. Zidar (2016): "Who Benefits from State Corporate Tax Cuts? A Local Labor Market Approach with Heterogeneous Firms", *American Economic Review*, Vol. 106(9), 2582-2624
- Busso, M., Gregory, J., and P. Kline (2013): "Assessing the Incidence and Efficiency of a Prominent Place Based Policy", *American Economic Review*, Vol. 103, pp. 897-947.
- Neumark, D., and Simpson. H. (2015). Place-Based Policies, in Duranton, G., Henderson, V., and Strange W. C. (eds): *Handbook of Regional & Urban Economics*, Vol. 5, pp. 1197-1287.
- Kline, P. and E. Moretti (2014): "Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority", *Quarterly Journal of Economics*, Vol. 129, pp. 275-331.
- *Gobillon, L., Magnac, T. and H. Selod (2012): "Do unemployed workers benefit from enterprise zones? The French experience", Journal of Public Economics, Vol. 96(9-10), pp. 881-892.*
- *Becker, S., Egger, P. and M. von Ehrlich (2010): "Going NUTS: The effect of EU Structural Funds on regional performance." Journal of Public Economics, Vol. 94(9), pp. 578-590.*
- *Becker, S. O., Egger, P. H. and Ehrlich, M. v. (2013). Absorptive Capacity and the Growth and Investment Effects of Regional Transfers: A Regression Discontinuity Design with Heterogeneous Treatment Effects, American Economic Journal: Economic Policy, Vol. 5(4), pp. 297-317.*
- *von Ehrlich, M. and T. Seidel (2015): "The Persistent Effects of Place-Based Policy: Evidence from the West-German Zonenrandgebiet", CESifo Working Paper Series No. 5373*

7. Sub-national taxation and mobility

- Fuest, C., Peichl, A., and S. Sieglöcher (2015): "Do Higher Corporate Taxes Reduce Wages? Micro Evidence from Germany", IZA Discussion Paper No. 9606
- Serrato Surrez, J. C. S., and O. Zidar (2016): "Who Benefits from State Corporate Tax Cuts? A Local Labor Market Approach with Heterogeneous Firms", *American Economic Review*, Vol. 106(9), 2582-2624
- Moretti E. and D. Wilson (2015): "The Effect of State Taxes on the Geographical Location of Top Earners: Evidence from Star Scientists", NBER Working Paper No. 21120

- Siegloch S. (2016): "Employment Effects of Local Business Taxes", mimeo.
- Kleven, H. J., Landais, C., Saez, E. and Schultz, E. A. (2014). *Migration and Wage Effects of Taxing Top Earnings: Evidence from the Foreigners Tax Scheme in Denmark*, *Quarterly Journal of Economics*, Vol. 129(1), pp. 333-378.
- Kleven, H. J., Landais C. and Saez, E. (2013). *Taxation and International Migration of Superstars: Evidence from the European Football Market*, *American Economic Review*, Vol. 103(5), pp. 1892-1924.
- Albouy, D. and Lue, B. (2015). *Driving to opportunity: Local rents, wages, commuting, and sub-metropolitan quality of life*, *Journal of Urban Economics*, Vol. 89, pp. 74-92.
- Monte, F. Redding, S. J. and E. Rossi-Hansberg. (2015), *Commuting, Migration and Local Employment Elasticities*, NBER Working Paper No. 21706

8. Taxation of Multinational firms

- Huizinga, H., and L. Laeven (2008): "International profit shifting within European multinationals", *Journal of Public Economics*, Vol. 92, pp. 1164-1182.
- Dharmapala, D., and J. R. Hines (2009): "Which countries become tax havens?", *Journal of Public Economics*, Vol. 93, pp 1058-1068.
- Dischinger, M., and N. Riedel (2011): "Corporate Taxes and the Location of Intangible Assets within Multinational Firms", *Journal of Public Economics*, Vol. 95, pp. 691-707.
- Gumpert, A., Hines, J. R., and M. Schnitzer (2016): "Multinational Firms and Tax Havens", *The Review of Economics and Statistics*, Vol. 98(4), pp. 713-727.
- 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.
- Dharmapala, D., and N. Riedel (2013): "Earnings Shocks and Tax Motivated Income Shifting: Evidence from European Multinationals", *Journal of Public Economics*, Vol. 97, pp. 95-107.
- 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.