

E504: International Trade and Tax Policy Analysis

Fall 2020

Note: Due to Covid19, some logistical issues relating to class will be subject to change, depending on the development of the Corona crisis. As of August 2020, lectures and exams are planned to be held with physical presence.

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, 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.

Professor: Eckhard Janeba
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Room and time:

- Mondays, 10:15-11:45, and Tuesdays 08:30 - 10:00
- Lecture Period 28.9.-11.12.2020 (= 11 weeks at 4 SWS per week, equivalent to 14 weeks at 3 SWS)

Grading: Final exam (40%), Presentation (incl. slides) of proposal for a research project (40%), three group problem sets (20%)

Office hours: Please contact me by Email to set up an appointment (physically or online).

Research project proposal:

- This assignment mimics in part 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, analyze the shortcomings of the existing literature, and possible ways to overcome these.
- For example, describe an empirical strategy, including possible data sources/requirement and identification problems. Or, sketch a theoretical

model/modifications to existing models and describe what could be expected to be learned.

- The proposal is **not** the same as carrying out the suggested research. However, it is important to come up with an own idea, don't copy ideas from somebody else (and of course don't plagiarize at all).
- You can inquire with me to discuss possible topics that you are considering. You must choose your topic by November 10, 2020. Presentations will be in late November and early December.

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.

Alberto Alesina, Armando Miano, Stefanie Stantcheva: Immigration and Redistribution, NBER Working Paper No. 24733, 2018

Eleonora Alabrese, Sascha O. Becker, Thiemo Fetzer and Dennis Novy: Who Voted for Brexit? Individual and Regional Data Combined, 2019, *European Journal of Political Economy*, 56: 132-150.

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.

6. Income Taxation and Globalization

Bierbrauer, Brett, Weymark: Strategic nonlinear income tax competition with perfect labor mobility, *Games and Economic Behavior* 82, 2013, 292-311

Henrik Kleven, Camille Landais, Mathilde Muñoz, Stefanie Stantcheva: *Taxation and Migration: Evidence and Policy Implications*, NBER Working Paper No. 25740, April 2019

Peter H. Egger, Sergey Nigai, and Nora M. Strecker: *The Taxing Deed of Globalization*, *American Economic Review* 2019, 109(2): 353–390

7. International Tax Evasion

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

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.