

TOPICS IN INTERNATIONAL TAX COMPETITION AND COORDINATION

General aims

The ongoing process of increased integration of national economies has put immense pressure on existing national tax structures with potentially dramatic effects on public good provision and welfare. It may also establish a systematic bias in public spending. In this course recent development in international taxation are reviewed. Special emphasis is put on the interdependence between commodity taxes and on the allocation of production.

Vertical fiscal interdependencies—alongside horizontal—are present in federally structured countries (such as Italy): we also investigate what they imply for the level of taxation and welfare.

The main concern of the course is theoretical but potential implications for policy design are kept in mind throughout.

There is no single book which covers this course. A good, recent and accessible reference is

Keen, M.J., and K. Konrad. (2013). ‘The theory of international tax competition and coordination,’ in *Handbook of Public Economics*, Ch. 5, pp. 257-321, Auerbach, A.J., R. Chetty, M. Feldstein, and E. Saez. (Eds).

The readings will consist primarily of articles. Articles that are essential reading have been indicated by an (*). Additonal references might be provided during the course.

Topics

Topic I. Facts and Concepts

(*) Frenkel, J., A. Razin and E. Sadka (1991). *International taxation in an integrated world*. MIT Press.

Topic II. Gains from tax coordination.

Delipalla, S. (1997). ‘Commodity tax harmonization and public goods,’ *Journal of Public Economics*, 63, 447-466.

(*) Keen, M. J. (1987). ‘Welfare effects of commodity tax harmonization,’ *Journal of Public Economics*,’ **33**, 107-114.

(*) Keen, M. J. (1989). ‘Pareto-improving indirect tax harmonization,’ *European Economic Review*,’ **33**, 1-12.

- (★) Keen, M. J., and S. Lahiri. (1998). ‘The comparison between destination and origin principles under imperfect competition,’ *Journal of International Economics*, **43**, 323-350.
- (★) Keen, M. J., S. Lahiri, and P. Raimondos-Møller. (2002). ‘Tax principles and tax harmonization under imperfect competition: A cautionary example,’ *European Economic Review*, **46**, 1559-1568.
- (★) Keen, M. J., and S. Smith. (1996). ‘The future of value-added tax in the European Union,’ *Economic Policy*, **23**, 373-411 and 419-420.
- Keen, M. J., and D. Wildasin. (2004). ‘Pareto efficiency in international taxation,’ *American Economic Review*, **94**, 259-275.
- Keen, M.J., and C. Kotsogiannis. (2014). ‘Coordinating climate and trade policies: Pareto efficiency and the role of border tax adjustments,’ *Journal of International Economics*, **94**, 119-128.
- (★) Kotsogiannis, C., M-A. Lopez-Garcia, and G. Myles. (2005). ‘The origin principle, tax harmonization and public goods,’ *Economics Letters*, **87**, 211-219.
- (★) Kotsogiannis, C., and M-A. Lopez-Garcia. (2007). ‘Imperfect competition, indirect tax harmonization and public goods,’ *International Tax and Public Finance*, **14**, 135-149.
- Kotsogiannis, C., and A. Woodland. (2013). ‘Climate and international trade policies when emissions affect production possibilities,’ *Journal of Environmental Economics and Management*, **66**, 166-194 (lead article)
- (★) Razin, A., and E. Sadka. (1991). ‘International tax competition and gains from tax harmonization,’ *Economics Letters*, **37**, 69-76.

Topic III. Fiscal externalities I: Horizontal interdependencies.

- (★) Edwards, J. and M. J. Keen. (1996). ‘Tax competition and Leviathan,’ *European Economic Review* **40**, 113-134.
- (★) Kanbur, R. and M. Keen. ‘Jeux Sans Frontières: Tax competition and tax coordination when countries differ in size,’ *American Economic Review*, September 1993, **83**(4), 877-892.
- (★) Keen, M. J. and M. Marchand. (1997). ‘Fiscal competition and the pattern of public spending,’ *Journal of Public Economics*, **66**, 33-53.
- Wildasin, D. (1989). ‘Interjurisdictional capital mobility: Fiscal externality and a corrective subsidy,’ *Journal of Urban Economics*, **25**, 193-212.
- Wilson, J.D. (1986). ‘A theory of interregional tax competition,’ *Journal of Urban Economics* **19**, 296-315.

Wilson, J.D. (1999). 'Theories of tax competition,' *National Tax Journal* **LII**, pp. 269-304.

(★) Zodrow, G. and P. Mieszkowski. (1986). 'Pigou, property taxation and the under-provision of local public goods,' *Journal of Urban Economics*, **19**, 356-370.

Topic IV. Fiscal externalities II: Vertical interdependencies.

Boadway, R., M. Marchand, and M. Vigneault. (1998). 'The consequences of overlapping tax bases for redistribution and public spending in a federation,' *Journal of Public Economics*, **68**, 453-478.

Johnson, W. R. (1988). 'Income redistribution in a federal system,' *American Economic Review*, **78**, 570-573.

(★) Keen, M. J. and C. Kotsogiannis. (2002). 'Does federalism lead to excessively high taxes?,' *American Economic Review*, **92**(1), 363-370.

(★) Keen, M. J. and C. Kotsogiannis. (2003). 'Leviathan and capital tax competition in federations,' *Journal of Public Economic Theory*, **5**(2), 177-199.

(★) Keen, M. J. and C. Kotsogiannis. (2004). 'Tax competition in federations and the welfare consequence of decentralization,' *Journal of Urban Economics*, **56**, 397-407.

Kotsogiannis, C. (2010). 'Federal tax competition and the efficiency consequences for local taxation of revenue equalization,' *International Tax and Public Finance*, **17**, 1-14.

(★) Kotsogiannis, C., and D. Martinez. (2008). 'Ad valorem taxes and the fiscal gap in federations,' *Economics Letters*, **99**, 431-434.

Rizzo, L. (2010). 'Interaction between federal taxation and horizontal tax competition: theory and evidence from Canada,' *Public Choice*, **144**, 369-387.

Lectures

Lectures are scheduled at: 15:00 - 17:00 on Thursday 10/09/2015, 11/09/2015, Monday 21/09/2015 and Tuesday 22/09/2015.

I can be reached by email on c.kotsogiannis@exeter.ac.uk and I am happy to answer any questions you might have during the course.

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