

Abstract :

We investigate the impact on regional welfare of policy competition for FDI when a multinational firm can strategically react to differences in statutory corporate tax rates and shift taxable profits to lower-tax jurisdictions. We show that competing governments may have an incentive to tax discriminate between domestic and multinational firms even in the presence of profit shifting opportunities for the latter. In particular, tax competition leads to higher welfare for the region as a whole than lump-sum subsidy competition when the difference in statutory corporate tax rates and/or their average is high enough. We also find that policy competition increases regional welfare by changing the firm's investment decision when profit shifting motivations might induce the firm to locate in the least profitable country.

.....

Dr Giuseppe De Feo is a lecturer at the University of Strathclyde. He obtained his PhD in January 2008 and his MA in 2004 from the Université Catholique de Louvain. He received the BA in Economics and his first PhD from the Università di Napoli 'Federico II'.

His interests are in the fields of Applied Microeconomic Theory, Industrial Organization and Public Economics. There are three basic, interrelated themes in his research activity: the functioning of markets with strategic interaction among firms, the effect of imperfect information on the efficiency of competitive markets, and the scope for public intervention in the presence of market imperfections. In particular, the analysis of markets under asymmetric information, merger and antitrust issues, oligopoly theory, and policy competition for foreign direct investments (FDI) are the main topics of his papers.



The Center for Research in Economic Analysis of the University of Luxembourg is pleased to invite you to the **Lunchtime Seminar in Economics:**

Undesired Effects of the Non-Discrimination Principle

By Giuseppe De Feo
University of Strathclyde

January 20, 2010
13:00 – 14:00

Campus Limpertsberg - Room BS001
162a, avenue de la Faïencerie
L-1511 Luxembourg

Lunch is planned for the participants

Registration: by email to fdef-colloques@uni.lu

Contact : Elisa Ferreira (+352 46 66 44 6336)