

Winter term 2020/21

Current Research in International Public Economics

Topics in international trade, taxation & public goods

Instructors

Prof. Dr. Tim Lohse, Tom Günther, M.Sc.

Dates

online, WebEx

Datum	Inhalt
13.11.2020	Briefing (08:30-12:00 Uhr)
January 2021	Intermediate presentation
Mid-March 2021	Final presentation
24.03.2021	Deadline for paper
31.03.2021	Deadline for Ministervorlage

If you are interested in participating, please send a current transcript of records and a short motivational statement (max. 150 words) until Monday, November 9th 2020 to [Tom Günther](#).

Recognition

Master Economics, Master Public Economics: 6 ECTS

Content & Structure

The seminar aims at deepening the understanding of the contents of the lecture in International Public Economics. Therefore, students will work on own research projects in the area of international taxation, theory & policy of international trade as well as international public goods. Within these projects, the students are supposed to answer an individually formulated research question by applying economic methodology covered in earlier studies. On that note, we want to emphasize that we do not expect the use of any particular method. Students are free to choose from the whole array of economic tools that they know of: (extensive) study of cutting-edge economic literature, theoretical modeling, empirical analyses of economic data - just to name a few.

In order to foster the students' creativity when coming up with interesting research questions, we provide a non-conclusive list of topics/literature at the end of this document which we find important in this context. Students are free to choose among the proposed topics as well as to come forward with research topics from the mentioned field of study on their own.

The students will present the results of their projects within an academic paper of about 12-15 pages. In addition, we expect a short presentation (15 minutes) of their research at the end of the semester.

They will be able to include feedback of the ensuing discussion (15 minutes) in their final paper.

To monitor the fruitful development of the projects, we encourage students to present first results of their research half-way through the semester. This short presentation (10-15 minutes) will not be part of the final grade. However, it provides the opportunity to discuss one's project with the course instructors and fellow students in order to gain constructive feedback for the second half of the project.

In future jobs, for example in associations or ministries, economists are often asked to explain economic issues in a manner understandable to outsiders to the field. This motivates the third part of the research project. It consists of a so-called *Ministervorlage* in which the students present their research in a concise and non-technical manner (1 page). By doing so, the students learn how to write a non-technical summary which is a prerequisite for any economic Master thesis written at Freie Universität Berlin.

Course examination

We will determine your final grade based on a weighted average of the following three components:

1. Seminar Paper (65%)
2. Final presentation & discussion (25%)
3. Ministervorlage (10%)

Proposed topics & readings

Topics on international Trade

1. Recent developments on preferential trade agreements

Grossman, G. M. (2016): The purpose of trade agreements, in: *Handbook of commercial policy*, Vol. 1, 379-434, North-Holland.

Lake, J., Nken, M., & Yildiz, H. M. (2020): Tariff bindings and the dynamic formation of Preferential Trade Agreements, *Journal of International Economics*, 122, 103279.

2. Presence and future of the WTO

Bagwell, K., Bown, C. P., and Staiger, R. W. (2016): Is the WTO passé?, *Journal of Economic Literature*, 54(4), 1125-1231.

Bown, C. P. (2016): *What's Left for the WTO?*, CESifo Working Paper No. 5703, Center for Economic Studies and ifo Institute (CESifo), Munich

3. Strategic trade policy – the case of China

Kalouptsidi, M. (2018): Detection and impact of industrial subsidies: The case of Chinese ship-building, *The Review of Economic Studies*, 85(2), 1111-1158.

Barwick, P. J., Kalouptsidi, M., & Zahur, N. B. (2019): *China's industrial policy: An empirical evaluation*, NBER Working Paper No. 26075, National Bureau of Economic Research (NBER), Cambridge.

Trefler, D. (2019): The China-OECD trade divide: building bridges, *China Economic Journal*, 12(2), 195-207.

4. The US-China trade war – direct causes and consequences

Bouët, A., & Laborde, D. (2018): US trade wars in the twenty-first century with emerging countries: Make America and its partners lose again, *The World Economy*, 41(9), 2276-2319.

Moosa, N., Ramiah, V., Pham, H., & Watson, A. (2020): The origin of the US-China trade war, *Applied Economics*, 52(35), 3842-3857.

5. The US-China trade war – impact on global value chains

Mao, H., & Görg, H. (2020): Friends like this: The impact of the US–China trade war on global value chains, *The World Economy*, 43(7), 1776-1791.

Fusacchia, I. (2019): Evaluating the Impact of the US–China Trade War on Euro Area Economies: A Tale of Global Value Chains, *Italian Economic Journal*, 6, 441-468.

Tam, P. S. (2020): Global impacts of China–US trade tensions, *The Journal of International Trade & Economic Development*, 29(5), 510-545.

Topics International Taxation

1. Can one use Effective Tax Rate (ETR) / Effective Marginal Tax Rate (EMTR) / Effective Average Tax Rate (EATR) to identify tax havens?

Garcia-Bernardo, J., Jansky, P. and Tørsløv, T. (2020): *Multinational Corporations' Effective Tax Rates: Evidence from Orbis*, IES Working Papers, 20/2020, Charles University.

Riedel, N. (2018): Quantifying International Tax Avoidance: A Review of Academic Literature, *Review of Economics*, 69(2), 169-181.

ZEW (2016): Effective Tax Levels Using the Devereux/Griffith Methodology: Final Report 2016, Project for the EU Commission TAXUD/2013/CC/120 Final Report 2016, Mannheim.

2. How much “Cheating” on taxes is there? Focus on individuals

Dharmapala, D. (2016): Cross-Border Tax Evasion under a Unilateral FATCA Regime, *Journal of Public Economics*, 141, 29-37.

Zucman, G. (2014): Taxing across Borders: Tracking Personal Wealth and Corporate Profits, *Journal of Economic Perspectives*, 28(4), 121-148.

3. How much “Cheating” on taxes is there? Focus on corporations

Dharmapala, D. (2014): What Do We Know About Base Erosion and Profit Shifting? A Review of the Empirical Literature, *Fiscal Studies*, 35(4), 421-448.

Dharmapala, D. (2014): Base Erosion and Profit Shifting: A Simple Conceptual Framework, *CESifo DICE Report*, 12(4), 8-14.

Dharmapala, D. and Riedel N. (2013): Earnings Shocks and Tax-Motivated Income shifting: Evidence from European Multinationals, *Journal of Public Economics*, 97, 95-107.

OECD (2015): *Measuring and Monitoring BEPS*, Action 11 - 2015 Final Report, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/9789264241343-en>.

OECD (2020): *Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/bebao634-en>.

4. What is different with digital companies and how can one deal with them?

OECD (2018): *Tax Challenges Arising from Digitalisation – Interim Report 2018: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/9789264293083-en>.

OECD (2020), *Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/beba0634-en>. (digitalization and minimum tax)

5. Tax havens, how relevant are they?

Dharmapala, D. (2008): What Problems and Opportunities are Created by Tax Havens?, *Oxford Review of Economic Policy*, 24(4), 661 -679.

Dharmapala, D., & Hines Jr, J. R. (2009): Which countries become tax havens?, *Journal of Public Economics*, 93(9-10), 1058-1068.

Zucman, G. (2014): Taxing across borders: Tracking personal wealth and corporate profits, *Journal of economic perspectives*, 28(4), 121-48.

6. Tax competition

Devereux, M. & Loretz, S. (2013): What do we know about corporate tax competition?, *National Tax Journal*, 66 (3), 745-774.

Griffith, R., Hines Jr, J. R., & Sørensen, P. B. (2010): International Capital Taxation in: Besley, T., Blundell, R., Gammie, M., & Poterba, J. (editors): *Dimensions of tax design: the Mirrlees review*, 914-996, Oxford Univ. Press., Oxford.

7. How important are CIT (corporate income tax) rates for attracting investments?

Bond, S., & Xing, J. (2015): Corporate taxation and capital accumulation: Evidence from sectoral panel data for 14 OECD countries, *Journal of Public Economics*, 130, 15-31.

Fuest, C., Peichl, A., & Sieglöcher, S. (2018): Do higher corporate taxes reduce wages? Micro evidence from Germany, *American Economic Review*, 108(2), 393-418.

Johansson, Å., Heady, C., Arnold, J., Brys, B., & Vartia, L. (2008): *Taxation and economic growth*, OECD Economics Department Working Papers No. 620, OECD Publishing, Paris.

Mooij, R. A. D., & Ederveen, S. (2008): Corporate tax elasticities: a reader's guide to empirical findings, *Oxford review of economic policy*, 24(4), 680-697.

8. Fundamental reforms – The EU's CCCTB

Devereux, M. P., & Fuest, C. (2010): Corporate income tax coordination in the European Union, *Transfer: European Review of Labour and Research*, 16(1), 23-28.

European Commission (2016): *Impact assessment on a Common Corporate Tax Base and a Common Consolidated Corporate Tax Base (CCCTB)*, Commission Staff Working Document, Strasbourg, https://ec.europa.eu/taxation_customs/sites/taxation/files/swd_2016_341_en.pdf

Hentze, T. (2019): The challenge of moving to a Common Consolidated Corporate Tax Base in the EU, IW-Report No. 2/2019, Institut der deutschen Wirtschaft (IW), Cologne.

Nicolay, K., & Spengel, C. (2017): The European Commission's CC (C) TB re-launch, ZEW policy brief No. 1/2017, Zentrum für Europäische Wirtschaftsforschung (ZEW), Mannheim.

Spengel, C., Ortman-Babel, M., Zinn, B., & Matenaer, S. (2012): A common corporate tax base for Europe: An impact assessment of the draft council directive on a CC (C) TB, ZEW Discussion Paper No. 12-039, Zentrum für Europäische Wirtschaftsforschung (ZEW), Mannheim.

1. Economics of Climate Policy

Becker, G. S., Murphy, K. M., & Topel, R. H. (2011): On the economics of climate policy, *The BE Journal of Economic Analysis & Policy*, 10(2), Article 19.

Deshpande, M., & Greenstone, M. (2011): Comment on "On the Economics of Climate Policy": Is Climate Change Mitigation the Ultimate Arbitrage Opportunity?, *The BE Journal of Economic Analysis & Policy*, 10(2), Article 20.

2. The future of the Paris Agreement

Cooper, M. (2018): Governing the global climate commons: The political economy of state and local action, after the US flip-flop on the Paris Agreement, *Energy Policy*, 118, 440-454.

Nieto, J., Carpintero, Ó., & Miguel, L. J. (2018): Less than 2 °C? An economic-environmental evaluation of the Paris Agreement, *Ecological Economics*, 146, 69-84.