Georg-August-Universität Göttingen **Module M.WIWI-VWL.0163: Tax and Fiscal Competition**	6 C 4 WLH

Learning outcome, core skills: By the end of the module, students will have formed a reasoned view on whether, and under which conditions, competition among governments is beneficial or detrimental. They will know the main theoretical approaches to analyze strategic interaction among countries or subnational jurisdictions. They will be able to explain the meaning of, and the mathematics underlying, ideas such as “voting with the feet” and “race to the bottom”. They will be aware of the importance of the available government instruments (public goods and/or taxes) for the impact of fiscal competition on efficiency. Participants will be able to understand the possibilities and limitations of intergovernmental co-ordination of tax and spending policies. Participants will learn to explain the mechanisms driving key results in fiscal competition. They will acquire a certain proficiency in solving simple theoretical models, will be trained in providing intuitive explanations, and will evaluate empirical results.	**Workload:** Attendance time: 56 h Self-study time: 124 h

Course: M.WIWI-VWL.0163.Lec **Tax and Fiscal Competition** (Lecture) *Contents*: **1. Local public goods** Optimal size of a jurisdiction. Locational efficiency. Efficient provision of public goods. Segregation along income and preferences. **2. Mobility and fiscal competition** Tax instruments of local jurisdictions. Efficient fiscal competition: the Tiebout model. Preference revelation through mobility. Fiscal competition in higher education. **3. Population size and the cost of providing public goods** Cost disadvantages of large, densely populated or of small, sparsely populated regions. Problems of empirically observing cost disadvantages. Justification for granting higher revenues to cities in fiscal equalization. **4. International tax competition and mobile capital** Capital mobility and strategic choice of tax rates. Fiscal externalities. Inefficient tax competition: the Zodrow/Mieszkowski model. Under-taxation and the supply of public goods. Tax competition and intergovernmental grants. **5. Tax competition and profit shifting** Transfer pricing regulation as an instrument in tax competition. Transfer pricing and strategic trade policy. Benefits and costs of international tax co-ordination.	2 WLH
Course: M.WIWI-VWL.0163.Ex **Tax and Fiscal Competition** (Exercise) *Contents*: The exercise accompanies the lecture with exercises and revision.	2 WLH
Examination: Written examination (90 minutes) M.WIWI-VWL.0163.Mp: Tax and Fiscal Competition	6 C

Examination requirements: Participants are required to show their understanding of the impact of mobility on tax bases and tax policy decisions. They shall demonstrate that they understand the theoretical assumptions which yield efficient or inefficient fiscal competition. To do this, they must be able to solve simple microeconomic models, explain the intuition behind theoretical results, and form a judgement about the plausibility and relevance of different models.	

Admission requirements: none	**Recommended previous knowledge:** Basic knowledge of microeconomics is assumed, basic knowledge of public finance and taxation is useful, students should be able and willing to work with simple mathematical economic models
Language: English	**Person responsible for module:** Prof. Dr. Robert Schwager
Course frequency: each summer semester	**Duration:** 1 semester[s]
Number of repeat examinations permitted: twice	**Recommended semester:** 1 - 4
Maximum number of students: not limited	