

# Contents

<b>Acknowledgements</b>	<b>i</b>
<b>Contents</b>	<b>ii</b>
<b>Introduction</b>	<b>1</b>
<b>1 Risk Sharing and the Efficiency of Public Good Provision under Tax Competition</b>	<b>8</b>
1.1 Introduction . . . . .	8
1.2 The Model . . . . .	12
1.2.1 Household Behavior . . . . .	13
1.2.2 Firm Behavior . . . . .	15
1.3 Centralized Government Policy Choice . . . . .	18
1.4 Tax Competition . . . . .	20
1.5 Conclusions . . . . .	28
<b>2 The Implications of Introducing Cross-Border Loss-Offset in the European Union</b>	<b>31</b>
2.1 Introduction . . . . .	31
2.2 The Model . . . . .	35
2.3 Social Planner's Choice . . . . .	43
2.4 Tax Competition . . . . .	45
2.4.1 Competition for Real Investment . . . . .	46
2.4.2 Competition for Physical Capital and Profits . . . . .	49
2.5 Simulation . . . . .	52
2.6 Discussion and Extensions . . . . .	54
2.7 Conclusions . . . . .	57
<b>3 Tax Competition and Macroeconomic Imbalances when Capital Markets are Imperfect</b>	<b>59</b>
3.1 Introduction . . . . .	59
3.2 The Model . . . . .	62
3.2.1 Households . . . . .	63
3.2.2 Firms . . . . .	65
3.2.3 The Financial Intermediary . . . . .	65
3.2.4 Capital and Goods Market Equilibria . . . . .	67

3.2.5	Wealth and Accumulation of Net Foreign Assets . . . . .	68
3.3	Equilibrium Dynamics and Steady State . . . . .	69
3.4	Fiscal Policy . . . . .	76
3.4.1	Decentralized Economy . . . . .	77
3.4.2	Centralized Economy . . . . .	79
3.4.3	Increase in the Risk Premium . . . . .	80
3.5	Numerical Analysis . . . . .	84
3.6	Conclusions . . . . .	89
<b>Conclusion</b>		<b>90</b>
<b>A</b>	<b>Appendix A</b>	<b>93</b>
<b>B</b>	<b>Appendix B</b>	<b>96</b>
B.1	Solving the Maximization Problem of MNEs . . . . .	96
B.2	Derivation of the Comparative Statics Results (2.6)-(2.7) . . . . .	97
B.3	Derivation of the Equilibrium Loss-Offset When Utility is Represented by (2.28) . . . . .	99
<b>C</b>	<b>Appendix C</b>	<b>101</b>
C.1	Derivation of the Household's First-Order Conditions . . . . .	101
C.2	Derivation of the Time Paths of $\alpha(t), k(t), \sigma(t), k^*(t)$ . . . . .	102
C.3	Derivation of the Impact of Risk Premium Changes on Tax Rates . . . . .	105
C.4	Robustness Checks . . . . .	107
<b>Bibliography</b>		<b>108</b>