INTERNATIONAL TAX POLICY

Between Competition and Cooperation

TSILLY DAGAN
Bar-Ilan University, Israel
# CONTENTS

*Acknowledgments* page ix

Introduction 1

1 Dilemmas of Tax Policy in a Globalized Economy 12
1.1 Income Tax Policy in a Closed Economy 15
1.2 Tax Competition 23
1.3 How Tax Competition Reshapes National Tax Policy 31

2 Global Planners and Strategic Players 43
2.1 The League of Nations Solution: Allocating Rights 44
2.2 Solutions at the National Level: Attempted Neutrality 50
2.3 Taxing Strategically 60

3 The Tax Treaties Myth 72
3.1 The Conventional Story 73
3.2 The Interaction between National Policies 80
3.3 The Reality of Tax Treaties 98
3.4 Winners and Losers 110
3.5 Conclusion 118

4 Costs of Multilateral Cooperation 120
4.1 The Costs of Tax Competition 121
4.2 The Problems with Coordination 130
4.3 Conclusion 139

5 Cooperation and Its Discontents 142
5.1 A Brief History of International Tax Cooperation 146
5.2 Why (Some) Actors Cooperate Against Their Better Interests 166
5.3 Game-Makers and Game-Changers 180
5.4 Conclusion 183
CONTENTS

6 International Tax and Global Justice 185
6.1 The Global Justice Debate in Political Philosophy 189
6.2 The Lost State 193
6.3 Where Are We Headed? 203

7 Perfecting the International Tax Market 213
7.1 Market Failures 216
7.2 Distributive Justice 221
7.3 Undermining the Political Sphere 222
7.4 A Possible Road Ahead? 223
7.5 Two Possible Objections 225
7.6 Perfecting Tax Competition 229
7.7 Conclusion 244

Index 246