

題名 : Welfare, Tax Discrimination, and Horizontal Foreign Direct Investment

要旨

This paper constructs a two-country model to investigate the interplay between tax systems and the welfare level taking into account horizontal foreign direct investments. Firms have three strategies: Exporting, Importing, and multinational firms. When a firm becomes an exporting (importing), they have one factory in their home (foreign) country incurring the transportation costs. When firms become multinational firms, they have factories in both countries and they do not incur the transportation costs. We focus on the two tax systems: one is the unitary taxation and the other is the discriminated taxation under which governments provide differentiated tax rate on domestic and foreign firms. This paper shows that the welfare level under the unitary taxation is larger than that under the discriminated taxation. Comparing the second best with the competitive equilibrium, the mass of multinational firms is inefficiently large.