BIOSTATISTICS SEMINAR

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The Link Between Tax Rates and Foreign Direct Investment: A Network Case Study among OECD Members

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3:30pm - 4:30pm, CHS 33-105A
Refreshments served at 3:00 PM in room 51-254 CHS

ABSTRACT: An extensive literature in international and comparative political economy has focused on the effects of the mobility of capital on governments' ability to tax and regulate firms. The conventional wisdom holds that governments are in competition with each other to attract foreign direct investment. Nation-states observe the fiscal and regulatory decisions of competitor governments and are forced to either respond with policy changes or risk losing foreign direct investment (FDI), along with the politically salient jobs that come with these investments.

We propose an empirical strategy to examine whether tax differentials among nations affect FDI flows by modeling investment patterns in 28 advanced industrialized countries from 1989 - 2009. Using bilateral FDI flow data, we examine the nature of the investment network in relation to a set of covariates - in particular tax rate differentials. Our approach differs from the previous research in the area by formally modeling the network nature of the data, as well as accounting for the fact that the data naturally arise from two sources - one set from investing nations and a second from host nations.