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Autore	Klemm Alexander
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Nota di contenuto	Contents; I. Introduction; II. Data; Tables; 1. Tax Variables; 2. Descriptive Statistics; III. Empirical Evidence on Tax Competition; A. Methodology; Figures; 1. Average Tax Rates and Incentives Over the Years; B. Results; 3. The Choice Between Estimation Methods; 4. Fiscal Interactions for Different Tax Instruments; IV. Empirical Evidence on The Effect on Investment and Growth; A. Methodology; B. Results; 5. The Choice of Estimation Method; 6. The Effects of Tax Instruments on Investment and Growth; V. Conclusion; Appendixes; 1. Countries and Periods Covered in the Corporate Tax Dataset. References
Sommario/riassunto	This paper considers two empirical questions about tax incentives: (1) are incentives used as tools of tax competition and (2) how effective are incentives in attracting investment? To answer these, we prepared a new dataset of tax incentives in over 40 Latin American, Caribbean and African countries for the period 1985–2004. Using spatial econometrics techniques for panel data to answer the first question, we find evidence for strategic interaction in tax holidays, in addition to the well-known competition over the corporate income tax rate. We find no evidence, however, for competition over investment allowances and tax credits. Using dynamic panel data econometrics to answer the second question, we find evidence that lower corporate income tax rates and longer tax holidays are effective in attracting FDI, but not in boosting gross private fixed capital formation or growth.