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EDITORIAL

Note from guest editors

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As co-chairs of the Scientific Committee for the 2024 IIPF Congress in Prague, we had the opportunity to engage closely with an impressive range of research in public economics. In keeping with IIPF tradition, we also served as guest editors for this special issue of International Tax and Public Finance, which features selected contributions from the Congress. This editorial note offers an overview of the conference theme—international tax sheltering and inequality—and highlights the keynote lectures, prize-winning papers, and summarizes the papers published in this special issue.

1 Congress program and theme

The theme of the 2024 IIPF Congress—International Tax Sheltering and Inequality—speaks to one of the most pressing challenges in public finance today. Multinational businesses and high-net-worth individuals use a variety of strategies to shield income and wealth from taxation by shifting them across international borders. A growing body of research highlights that such practices not only reduce the tax base but also exacerbate inequality: offshore tax sheltering disproportionately benefits the very wealthy, and the tax savings of multinational firms often accrue to their shareholders and top executives. The resulting revenue losses are particularly severe in low-income countries. In response to these concerns, international organizations and national governments have placed increasing emphasis on curbing tax sheltering,

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making this a timely moment to take stock of what we know and what remains to be understood.

The term “sheltering” in the theme title was carefully considered and reflects semantic issues that many writers in this literature wrestle with. Studies on the taxation of large multinational corporations tend to use the term “tax avoidance,” while studies on wealthy individuals more frequently use “tax evasion” or perhaps “tax non-compliance.” Because tax sheltering often involves exploiting legal ambiguity, it is somewhat limiting to draw a bright line between legal avoidance an illegal evasion and view them as distinct topics. Both avoidance and evasion have an important relationship with inequality, and we wanted all of this to be within the scope of the conference’s theme. Thus, “tax sheltering.”

The 2024 IIPF Congress provided a fitting venue for this discussion. Held in Prague, a historic crossroads of commerce and politics, the congress brought together researchers from around the world to present new evidence on the mechanisms and consequences of international tax sheltering. The local organization—led with great care and hospitality by Lubomír Cingl and Miroslav Palanský—ensured that the congress provided not only rigorous academic exchange but also a fantastic setting for reflecting on the broader implications of tax avoidance and evasion in a globalized economy. The papers and keynote lectures featured in this special issue illustrate both the diversity and depth of current research on these topics and point to the importance of continued collaboration across disciplines and borders.

Beyond the focus on international tax sheltering and inequality, the 2024 IIPF Congress featured a vibrant and diverse academic program. With 428 papers presented, it was the largest IIPF conference in the last ten years in terms of number of presentations. The topics covered the full range of public finance, from tax policy and redistribution to environmental taxation, fiscal federalism, and political economy. In addition to four keynote lectures and five special sessions, the program included a well-attended mentoring session on the PhD job market.

2 Keynote addresses

Among the many highlights of the Congress were the four keynote lectures, each of which offered a distinct perspective on pressing issues in public finance.

In his keynote lecture “Recent Advances in International Tax Research” at the 2024 IIPF Congress in Prague, Juan Carlos Suárez Serrato presented a rich synthesis of recent empirical research on international corporate taxation.[1] Drawing on newly available administrative data, especially country-by-country reporting and disaggregated affiliate-level income, he demonstrated how these sources allow for sharper estimates of both the scale of global profit shifting and the responsiveness of firms to tax incentives. His findings suggest that profit shifting remains substantial (around 35% of multinational profits are shifted to low-tax jurisdictions), but that recent policy changes may have reduced the sensitivity of reported profits to tax rate differen-

[1] A video of the keynote lecture is available at https://www.youtube.com/watch?v=bs46oeZ1Mng.

tials. This marks a shift from earlier literature and points to the potential effectiveness of tightened anti-avoidance measures.

Suárez Serrato also emphasized the real economic effects of international tax reform, showing that changes in the treatment of foreign income (such as those introduced by the U.S. Tax Cuts and Jobs Act) can significantly alter investment patterns across countries. The lecture illustrated how modern tax policy not only shapes where profits are reported, but also where capital is deployed and economic activity takes place. Together, the evidence he presented highlights the importance of combining detailed microdata with policy variation to assess the effectiveness and unintended consequences of tax reforms. As the global landscape continues to evolve, most notably with the implementation of Pillar Two, the talk offered a great review of the evolving research on international tax research.

Lisa De Simone delivered the keynote lecture titled "Multinational Corporate Income Shifting."[2] Trained in accounting and with professional experience in transfer pricing, De Simone brought a fresh and practice-oriented perspective to a conference traditionally dominated by economists. Her keynote offered a comprehensive and often humorous tour of the empirical literature on income shifting, identifying both well-established findings and promising areas for future research. Among the open questions she emphasized were the role of firm heterogeneity, the importance of frictions and compliance costs, and the need to better understand how tax strategies are implemented within firms. We invited De Simone precisely because we believe that stronger dialogue between economics and accounting can enrich the research on international taxation—and her talk clearly demonstrated the value of this exchange.

To structure her discussion, De Simone drew on the popular TV show Ted Lasso, likening the tax policy landscape to a football match. Countries are players with varying strategies, the OECD plays the role of coach, and firms range from rule-abiding defenders to aggressive forwards. This analogy helped frame key points: not all firms shift profits, shifting can take many forms, and regulation needs to account for institutional complexity and real-world constraints. Her engaging presentation encouraged researchers to look beyond headline-grabbing cases of tax avoidance and focus more on the diversity of firm behavior, the effectiveness of enforcement, and the unintended consequences of policy interventions.

Annette Alstadsæter's keynote lecture, titled "Navigating the Hidden Currents: The Evolution and Measurement of Offshore Wealth in the Age of Data Leaks," explored how large-scale financial data leaks—such as the Panama Papers or Dubai property records—have transformed empirical research on hidden wealth.[3] She demonstrated how these leaks, when combined with administrative tax data and ownership registries, allow researchers to quantify offshore holdings, track responses to enforcement, and shed light on the distribution of wealth at the very top. The keynote emphasized both the opportunities and the methodological innovations that arise when working with previously inaccessible data.

To delve deeper into the ethical and practical challenges of using such leaks, Alstadsæter also organized a special session on "Using Leaked Data in Academic

[2] A video of the keynote lecture is available at https://www.youtube.com/watch?v=iboikHDmOEw.

[3] A video of the keynote is available at https://www.youtube.com/watch?v=3IhcQgU0HFY.

Research." Her paper in this special issue—coauthored with two of the panel participants, Andreas Økland and Matthew Collin—draws on both the keynote and the panel discussion to offer a comprehensive perspective on the evolving role of leaked data in academic research. The paper provides extremely valuable guidance to other researchers who want to use leaked data in their research. In particular, it grapples with the ethical and legal challenges of using data that is usually obtained without the consent of those it describes. The authors propose a framework for responsible research with leaked data that balances academic freedom and public interest with privacy, data integrity, and the need for institutional safeguards. They reflect on recent developments such as the AEA's Data Legality Policy and offer practical guidance on topics including team security, harm minimization, and GDPR compliance.

A longstanding tradition of the IIPF Congress is to include one keynote lecture that addresses a topic outside the core conference theme, focusing instead on a broader issue of pressing relevance. At the 2024 Congress in Prague, this role was taken up by Massimo Morelli, whose keynote lecture, "Populism and Its Consequences for Economic Policy," examined the global rise of populist movements and their implications for economic governance.[4] He has elaborated on this keynote in his contribution to this special issue. Morelli offers a simple yet powerful theoretical framework that explains the shift toward "commitment politics": in a context of widespread economic insecurity and eroding trust in institutions, voters increasingly demand straightforward and easily verifiable policy promises. Politicians, in turn, respond with exclusionary and protectionist commitments, even when these are harmful from an aggregate welfare perspective.

The keynote highlights that the consequences of this political shift are not limited to rhetoric or electoral dynamics, but extend deeply into the institutional fabric of democratic societies. Populist governments, Morelli argues, often seek to weaken bureaucratic and judicial checks and balances to fulfill their electoral commitments. This undermines the quality of governance, leads to economically inefficient policies, and erodes democratic accountability. Drawing on recent empirical evidence from both national and subnational levels, Morelli paints a sobering picture of the costs of populism for public finance and long-term institutional resilience. His paper closes with a call for rebuilding trust—potentially through greater reliance on supranational institutions such as the European Union—as the key to reversing these trends.

3 Prizes awarded at IIPF 2024

While the keynotes set the tone from the main stage, some of the most exciting ideas emerged from the parallel sessions. As in every year, the prize committee faced the difficult task of selecting just a few standouts from a wealth of excellent submissions. The awards that follow spotlight some of the most creative and promising work presented by early-career researchers at the Congress.

[4] A video of the keynote is available at https://www.youtube.com/watch?v=JdQDUoXeTTc.

The Congress's prize committee[5] recognized four excellent papers presented at the 2024 congress by junior scholars. David Leite, a graduate student at the Paris School of Economics at the time of the conference, received the Peggy and Richard Musgrave Prize for his paper, "The Firm as Tax Shelter: Micro Evidence and Aggregate Implications of Consumption through the Firm." The studies firm owners' reclassifying personal expenses as business expenses to save taxes. This form of sheltering has long been a subject of speculation and anecdotal evidence. Leite presents a novel, compelling, and comprehensive empirical analysis of this type of sheltering, by leveraging a large-scale dataset of expenditures, originally created to enforce value added taxes, and linking this to data on owner-managers of firms. His results suggest that owner-managers shift as much as 1/3 of their monthly expenditures to the firms they own, which has important implications for the taxation of closely held firms and the measurement of income inequality.

Three papers were awarded the Young Economists Award. Sebastien Laffitte (Cy Cergy Paris University) was recognized for "The Market for Tax Havens." In this paper, Laffitte builds a novel dataset tracking tax reforms that transform a country into a tax haven in 48 countries and uses empirical patterns in this new data to inform a model of the market for tax havens, in which countries are viewed as the suppliers of the offshore tax services. By delving into exactly how countries transform themselves into tax havens and how demand from international investors and other factors induce them to do so, the paper makes an important contribution to the literature on international tax sheltering.

Jacopo Bassetto (University of Bologna and IAB) and Giuseppe Ippedico (University of Nottingham and IZA) received a Young Economists Award for "Can Tax Incentives Bring Brains Back? Returnees Tax Schemes and High-Skilled Migration in Italy." Using an array of administrative datasets and causal research designs, the authors find that the answer to the titular question is a resounding *yes*, so much so that the returnee tax scheme that incentivized young, high-skilled individuals to return to Italy approximately paid for itself. These results are important because prior literature suggests that migration tax incentives often mainly affect inframarginal migrants; targeting young, high-skilled, native-born workers may help migration incentives to achieve their intended results much more effectively.

Valeria Zurla (University of Naples Federico II) received the Young Economists Award for "How Should We Design Parental Leave Policies? Evidence from Two Reforms in Italy." Zurla studies parental leave benefits in a unique setting in which mothers, by choosing which benefits to take up, reveal their preferences over the tradeoff between job protection and benefits shortly after childbirth. The results suggest that mothers value benefits after childbirth so much that they are often willing to forego job protection, even though losing job protection has significant long-term effects on their labor market trajectory. She argues, convincingly, that these results have important implications for the design of parental leave policies.

[5] We thank Arun Advani, Antoine Ferey, Juliana Londoño-Vélez, Arthur Seibold and Caroline Weber for joining us to form the prize committee.

4 Papers in the special issue

The contributions in this special issue reflect both the thematic focus and the intellectual breadth of the 2024 IIPF Congress. Several papers speak directly to the core topic of international tax sheltering and inequality, while others broaden the lens to address related issues in social insurance and political economy. We begin with two papers that build on keynote lectures (described above), before turning to research on tax planning, enforcement, and firm behavior. The next group of papers explores inequality from a macroeconomic perspective, followed by two studies that examine the design of social insurance systems in the context of informality. The final section presents work on local governance and political representation, highlighting how institutions and individual characteristics shape public spending and policy outcomes.

The first paper in the tax sheltering cluster, by Lysle Boller, Clare Doyle, and Juan Carlos Suárez Serrato, examines how multinational corporations use tax planning instruments to reduce their global tax liabilities while effectively subsidizing domestic research and development (R&D). In "Tax Avoidance as an R&D Subsidy: The Use of Cost Sharing Agreements by US Multinationals," the authors focus on cost sharing agreements (CSAs), through which U.S. firms can share R&D expenses with their foreign affiliates, shifting profits and costs strategically to reduce their global tax liabilities. They exploit an unexpected 2005 U.S. Tax Court ruling that allowed firms to exclude employee stock option compensation costs from these CSAs. This decision significantly increased domestic tax deductions for firms, effectively lowering the after-tax cost of R&D. The study finds substantial increases in market value, global R&D investment, and strategic shifts in cost reporting among affected firms. By quantifying how these regulatory shifts influence real economic activities, the paper highlights a less-studied mechanism—cost shifting rather than profit shifting—in international tax planning, thereby directly linking international tax sheltering strategies to domestic investment.

The paper by Jarkko Harju, Kaisa Kotakorpi, Tuomas Matikka, and Annika Nivala, "Tax Enforcement and Firm Performance: Real and Reporting Responses to Risk-Based Tax Audits," examines how firms respond to increased enforcement pressure. Using administrative data from Finland—including tax returns, audit outcomes, and bankruptcy filings—the authors study the effects of risk-based audits on both reporting behavior and real firm outcomes. They find that audited firms substantially increase reported profits, revenues, and labor costs, consistent with widespread initial non-compliance. Importantly, the study also uncovers real effects: audits lead to higher bankruptcy rates among non-compliant firms and reallocate market share toward more compliant competitors. These findings show that tax enforcement not only boosts compliance and revenue collection but also reshapes firm dynamics in the broader economy.

Another two papers in this issue study novel drivers of foreign direct investment, extending the discussion from firm-level responses to tax policy toward broader questions of international capital allocation. In "Mutual Agreement Procedure and Foreign Direct Investments: Evidence from Firm-level Data," Xixi Zhang and Matthias Petutschnig study the effects of reducing the tax uncertainty involved in Foreign

Direct Investment (FDI) via Mutual Agreement Procedures (MAPs). The authors examine the association between FDI and various components of MAPs, which are provisions of tax treaties aimed at ensuring quick and transparent resolutions to tax disputes between multinational enterprises and foreign governments. They find that high-quality MAPs are associated with significant increases in FDI. In "Beneficial Fiscal Competition for Foreign Direct Investment: Transport Infrastructure and Economic Integration," Shigeo Morita and Hirofumi Okoshi examine a virtuous aspect of fiscal competition for FDI. Such competition is usually viewed as a "race to the bottom," but Morita and Okoshi show that when the competition induces investments in infrastructure, fiscal competition can be mutually beneficial for competing jurisdictions.

Shifting from firm behavior and capital flows to broader macroeconomic outcomes, the paper by Jesper Roine and Svante Strömberg examines how large-scale institutional changes shape income inequality across countries. In "Inequality in Europe—The role of EU enlargement," the authors explore inequality developments in the EU following its significant enlargement in 2004, when several Eastern European countries joined. Using comprehensive data from the World Inequality Database, they demonstrate that EU enlargement has led to income convergence across member states, benefiting especially poorer Eastern European countries. This convergence is largely due to widespread income growth among lower-income groups in new member states. In contrast, many pre-2004 EU countries, particularly in Southern Europe, experienced stagnation or decline for middle and lower-income groups, exacerbating within-country inequalities. Overall, Roine and Strömberg show that EU enlargement reshuffled income ranks within Europe, lifting Eastern Europeans upward in the overall distribution and pushing down Southern European populations relative to others. Their findings highlight important dynamics for understanding inequality within the EU, offering lessons relevant for ongoing and future expansions, such as potential memberships for Ukraine, Moldova, and Georgia.

Two papers in the special issue confront the question of how to design social insurance programs for individuals who do not receive wages from formal firms. In "The rising tide lifts all boats? Income support measures for employees and self-employed during the COVID-19 pandemic," Michael Christl, Silvia De Poli, and Viginta Ivaskaite-Tamosiune study how income support programs during the pandemic varied across EU member states. Their findings indicate that while EU member states provided similar benefits on average to wage and self-employed workers, there was much more variation across countries in protections afforded to the latter. As a result, self-employed workers were much more exposed to negative shocks during the pandemic in some countries than others, mainly because European countries varied in the extent to which they relied on monetary compensation, which self-employed workers typically may receive, versus expanded unemployment insurance benefits, which they typically cannot.

In "Do social insurance contribution subsidies reduce undeclared work? Evidence from South Korea," Dohyung Kim studies an attempt to reduce noncompliance with payroll tax obligations in small, informal establishments by reducing their payroll tax burdens. The rationale behind the policy is that many informal workers cannot access social insurance benefits because their employers do not remit payroll taxes, creating a "coverage gap." One might hope that reducing payroll tax burdens (without reducing the associated social insurance benefits) would address the problem. But unfortunately, the program had tiny effects on the coverage gap, implying the reduced tax burden fell entirely on inframarginal firms.

The final group of papers in the special issue turns to the political economy of local public finance, exploring how the backgrounds and identities of political leaders shape fiscal outcomes. The first paper here is by Zohal Hessami, Timo Häcker, and Maximilian Thomas, titled "Public Administrators as Politicians in Office." This paper investigates whether mayors with professional experience in local public administration perform better in securing state government investment grants compared to mayors without such backgrounds. Using data from mayoral elections in the German state of Hesse and applying a regression discontinuity design for close races, the authors find that, on average, a mayor's administrative background does not significantly affect grant acquisition. However, there is significant heterogeneity: mayors with administrative experience do secure significantly more grants when they are politically aligned with the local council majority, suggesting that administrative competence alone is insufficient: it must be coupled with political incentives. The study provides valuable insights into the conditions under which politician characteristics translate into policy outcomes.

The next paper is by Alda Marchese, Paola Profeta, and Giulia Savio, on "Who Cares About Childcare? Covid-19 and Gender Differences in Local Public Spending." The authors investigate whether the gender of local politicians influenced public spending on childcare in Italy before, during, and after the Covid-19 pandemic. Using a regression discontinuity approach based on close mixed-gender mayoral elections in small municipalities, they show that prior to the pandemic, female mayors allocated significantly more resources to childcare than male mayors. However, during and after the pandemic, male mayors increased childcare spending substantially, eliminating the previous gender gap. This change suggests that heightened public awareness and increased salience of childcare due to the pandemic prompted male politicians to align more closely with the preferences historically championed by their female counterparts. The study contributes to understanding how crises can shift policy priorities and reduce gender-based differences in public decision-making.

Together, the papers in this special issue highlight the richness and relevance of contemporary research in public finance. From global questions of tax sheltering and inequality to local dynamics of policy implementation, they demonstrate the field's growing capacity to combine methodological rigor with real-world relevance. More broadly, serving as co-chairs of the Scientific Committee for the 2024 IIPF Annual Congress left us impressed, and humbled, by the breadth and depth of contemporary research in public economics. We thank the IIPF for entrusting us with this responsibility, and we thank the members of the scientific committee, the prize committee, the keynote speakers, the other organizers, and all the authors who submitted their work for helping to make the Congress a showcase of cutting-edge research. We already look forward to attending future IIPF congresses!

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