

# Asymmetric Tax Competition in a Repeated Game Setting\*

Jun-ichi Itaya,<sup>†</sup> Makoto Okamura,<sup>‡</sup> Chikara Yamaguchi<sup>§</sup>

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## Abstract

The purpose of this paper is to reveal how fiscal policy cooperation can result from repeated interactions in an asymmetric model of capital tax competition. We investigate how regional differences in the per capita capital endowments and/or production technologies affects the willingness of each region to cooperate in achieving tax coordination in a multi-period framework. It is shown not only that there may exist cases where tax coordination is facilitated as regional asymmetries increase but also that the larger the asymmetry in terms of the net capital-exporting positions among regions, the easier is the cooperation to sustain tax coordination.

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<sup>†</sup>Corresponding author. Graduate School of Economics and Business Administration, Hokkaido University, Sapporo 060-0809, Japan. Tel:#+81-11-706-2858; Fax:#+81-11-706-4947; E-mail: itaya@econ.hokudai.ac.jp

<sup>‡</sup>Economics Department, Hiroshima University, 1-2-1 Kagamiyama, Higashihiroshima, Hiroshima 739-8526, Japan. Tel:#+81-82-424-7275; E-mail: okamura@hiroshima-u.ac.jp

<sup>§</sup>Faculty of Economic Sciences, Hiroshima Shudo University, 1-1-1, Ozukahigashi, Asaminami-ku, Hiroshima 731-3195, Japan. Tel:#+81-82-830-1238; Fax:#+81-82-830-1313; E-mail: chikara@shudo-u.ac.jp