

Technical assistance and tax competition

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To demonstrate that technical assistance has the potential to improve the welfare of both donor and recipient countries, this paper explores the relationship between tax competition and technical assistance in the absence of altruistic motives. Two types of technical assistance are considered: one raises the productivity of capital, and the other raises the productivity of public goods production. If a donor country has higher productivity in both capital and public goods production, the donor country can always improve its welfare by choosing an appropriate type of technical assistance. On the other hand, a recipient country may improve its welfare by receiving technical assistance. These forms of technical assistance are not effective only when offered by developed to developing countries. There are situations in which they can improve welfare even when only developed countries are involved.