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Taxing Multinational Corporations

Edited by

Martin Feldstein, James R. Hines, Jr.,
and R. Glenn Hubbard



National Bureau of
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Taxing Multinational Corporations



A National Bureau
of Economic Research
Project Report

Taxing Multinational Corporations

Edited by

Martin Feldstein,
James R. Hines, Jr.,
and R. Glenn Hubbard



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Preface

The tax treatment of multinational corporations is as important as it is complex. Those who analyze the effects of taxes on American multinational companies must look at the U.S. tax rules, at foreign rules, and at their interaction. Many tax laws that are written with the domestic economy in mind nevertheless have substantial effects on American companies that invest abroad or do business abroad.

The papers in this volume are intended to discuss some of these important issues in a relatively nontechnical way. They were prepared for a conference in Washington, DC, in April 1994. The research summarized in these papers was presented at an earlier conference for NBER researchers and other economists that was held in Cambridge, MA, in January 1994. Those papers are available in a separate volume, *The Effects of Taxation on Multinational Corporations* (University of Chicago Press, 1995), which we edited.

This research is part of an ongoing series of studies that NBER researchers have been doing for several years and that have been published in several previous NBER volumes. The studies in the present volume deal with a wide variety of issues, including the effects of tax rules on U.S. competitiveness, on the volume and location of R&D spending, on the extent of foreign direct investment, and on the financial practices of multinational companies. The introduction to this volume summarizes the major findings of the chapters that follow.

The research presented here has benefited from frequent interaction among the members of the research project and from the opportunity to discuss the research at earlier stages with a wider group of economists interested in international tax issues as well as with corporate tax lawyers and Treasury Department staff.

We are grateful to the U.S. Treasury Department for making unpublished data available to the research group and for the opportunity to collaborate with members of the Treasury staff. Funding that made this project possible was

provided by the Ford Foundation, the Bradley Foundation, the Starr Foundation, and several multinational corporations. The funds for the Washington conference were provided by the Ford Foundation.

We are grateful to the members of the NBER staff for their assistance with all of the details involved in the planning and execution of this research and of the many meetings that took place along the way. In addition to the researchers and research assistants named in the individual papers, we are grateful to Kirsten Foss Davis, Mark Fitz-Patrick, and Deborah J. Kiernan for providing logistical support.