

power. Paper *four* continues this theme by looking at the EC's use of legal action to force member state Ireland into enacting change to its tax laws due to its role in tax avoidance strategies by Multinational Corporations (MNC) such as Apple. Whilst paper *two* and *three* both illustrate that the US is the global trend-setter in international politics via exercises of power that impinge on sovereignty and are of debatable legitimacy, paper *four* shows that other powerful actors such as the EU may be copying the US' assertive and controversial approach.

1.4 Paper Four Synopsis

Paper #4: Eggenberger, Katrin.

The Political Economy of Tax Avoidance: Apple, Ireland and the EC's Puzzling State Aid Case.

Submitted to *International Organization*.

Paper *four* looks at the puzzling case of the EC's state aid ruling with regard to Apple's tax structures in Ireland. It explores a range of issues including the cooperation problems and distributional conflicts of tax competition, political discord over sovereignty in the EU, the political, economic and social implications of tax avoidance, state capture and the rents earned by MNCs, and optimal tax rates. Paper *two* argues that states are transformed from being nation states to competition states through globalization, that resort to poaching each other's tax base, with a focus on personal taxes. Paper *four* focusses on how a competitive state facilitated international tax avoidance by MNCs and caused a major and ongoing dispute over sovereignty in tax matters within the EU.

I provide an overview of the scope, scale and rationale of international corporate tax avoidance by MNCs. Corporate tax is a key component of the tax systems of developed countries because it is one of the primary ways of taxing capital. In the US, about 10% of total tax revenues comes from the corporate income tax (US