The first part conducts a meta-analysis of literature on intra-industry productivity spillovers from foreign direct investment. Apart from the traditional approach, robust meta-regression, random effects model, and probit meta-regression are employed. Results of combined significance analysis are mixed but it is apparent that papers published in leading academic journals tend to report rather insignificant results. Our findings suggest that cross-sectional and industry-level studies are likely to find relatively strong spillover effects, and that the choice of proxy for foreign presence is important. The pattern, however, seems to weaken over time. Contrary to previous studies, evidence for publication bias was not detected.
The second part examines the microeconomic motivation of governments to provide tax incentives for foreign direct investment. The author applies the classical models of oligopoly to subsidy competition, endogenousing investment incentives, but leaving tax rates exogenous. According to the conventional wisdom, subsidy competition leads to overprovision of incentives. The results suggests that, in the oligopolistic framework, supranational coordination can either decrease or increase the supply of subsidies. Further, in the setting of subsidy regulation, the host country's corporate income tax rate has an ambiguous effect on the provision of incentives.
The objective of the third part is to empirically assess the recently introduced models of subsidy competition based on the classical oligopoly theories, using both cross-sectional and panel data. Three crucial scenarios (including coordination, weak competition, and fierce competition) are tested employing OLS, iteratively re-weighted least squares, fixed effects, and Blundell-Bond estimator. The results suggest that none of the scenarios can be strongly supported—although there is some weak support for cooperation—, and thus that empirical evidence is not in accordance with the tested models.