

Comments & Discussions

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This paper presented a tax competition model having unemployment due to existence of regional trade unions, and investigated how this unemployment affects the features of tax competition. Analysis showed that local governments choose a non-zero capital tax rate. It was also shown that local governments may over-provide public goods. These results are sharp contrasts to those observed in the traditional tax competition models without unemployment, i.e., the zero-capital tax rate and the under-provision of local public goods.

The paper is well written and the findings are of considerable interest. A few minor suggestions are listed below.

1. Authors considered the existence of regional trade unions as the cause of unemployment. It would help readers to understand the validity of the model well that authors present examples of countries in which regional trade unions play important roles in determining wage rates.
2. It would be worth examining how the results would change if authors consider other types of trade union (e.g., an enterprise union, an industrial union, or a national union) instead of a regional union.

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