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## AWI This Week

**Monday, 1. 2. 10**

**Departmental Seminar**

17.15-18.45

Kurt Schmidheiny, Universitat Pompeu Fabra

AWI 00.010

"Do Agglomeration Economies Reduce the Sensitivity of Firm Location to Tax Differentials?"

**Wednesday, 3. 2. 10**

**Departmental Seminar**

17.15-18.45

Christian Kiedaisch, ETH Zürich

AWI 00.010

"Patent Policy and Income Distribution"

### Departmental Seminar

Kurt Schmidheiny

"Do Agglomeration Economies Reduce the Sensitivity of Firm Location to Tax Differentials?"

Low corporate taxes can help attract new firms. This is the main mechanism underpinning the standard 'race-to-the-bottom' view of tax competition. A recent theoretical literature has qualified this view by formalizing the argument that agglomeration forces can reduce firms' sensitivity to tax differentials. We test this proposition using data on firm startups across Swiss municipalities. We find that high corporate income taxes do deter new firms, but less so in more spatially concentrated sectors. Firms in sectors with an agglomeration intensity at the twentieth percentile of the sample distribution are up to 50 percent more responsive to a given difference in corporate tax burdens than firms in sectors with an agglomeration intensity at the eightieth percentile. Hence, agglomeration economies do appear to dampen the impact of tax differentials on firms' location choices.

Christian Kiedaisch

"Patent Policy and Income Distribution"

Within the context of an endogenous growth model with nonhomothetic preferences and income distribution this paper analyzes whether there might be disagreement between rich and poor consumers about the optimal patent policy. In equilibrium, the poor and the rich differ with respect to the share of differentiated goods that they consume and an increase in the length of patents increases the rate of growth and reduces current consumption of the poor more than that of the rich. Consequently, the poor like shorter patents or patents that are enforced with a lower probability. For given innovation incentives the poor prefer short and broad patents while the rich prefer long and narrow patents. Infinitely lived patents are optimal if the rich can compensate the poor with transfer payments.

### New Publications

Malte Faber and Reiner Manstetten: "Philosophical Basics of Ecology and Economy", translated from the German revised edition of "Mensch-Natur-Wissen" by Dale Adams, Routledge, 2010, ISBN 0-145-49455-9.

***There will be no newsletter before the beginning of April***

**Editorial deadline for issue 5/2010 of the newsletter:  
Wednesday, April 7, 2010, 12 o'clock  
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,  
please contact the address above.