

Who Cooperates to Stop Tax Evasion?

*Explaining Commitments to Automatic Exchange of Financial
Information*

Tyler Ditmore

University of North Carolina at Chapel Hill

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Financial Data Leaks



Cooperation to Stop Tax Evasion

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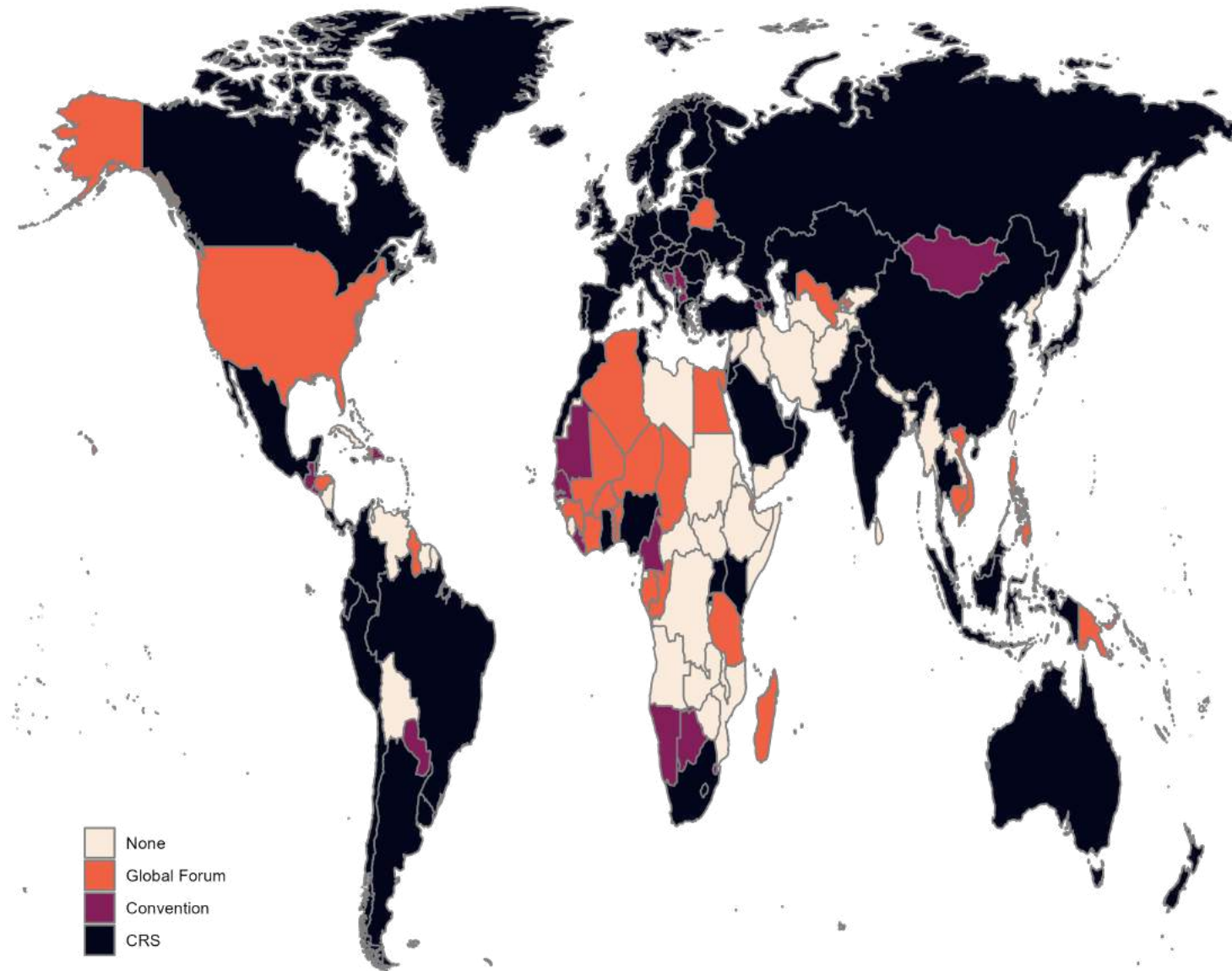
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FIGURE 1. Automatic exchange of financial account information, key figures for 2018-2021



Puzzling Cooperators

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Puzzling Cooperators



Russia
Associate of President Vladimir Putin
Svetlana Krivonogikh →

Russia
President Vladimir Putin's inner circle
Mikhail Fridman →
Co-founder of Alfa Bank

Russia
President Vladimir Putin's inner circle
Suleiman Kerimov →
Gold tycoon and politician



Research Question

Why do countries choose to cooperate multilaterally to stop tax evasion?

Context of Multilateral Cooperation

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- Yet international taxation is undergoing a widespread revolution in cooperation
- Helps us understand the future of multilateral cooperation under capital mobility

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 - Convention on Mutual Administrative Assistance in Tax Matters (*legal grounding*; 2010)
 - Common Reporting Standard (*AEOI mechanism*; 2014)

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 - Examples: U.S. Senate Permanent Sub-Committee on Investigations in 2000s; Ecuadorean investigations of politicians in 2010s

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 - Market-oriented leaders use international finance to disburse benefits to ruling elite (Pepinsky, 2008) (e.g. Russia, Rwanda)

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- **Hypothesis 2:** Countries with *low horizontal accountability* will be more likely to join when they are led by *market-oriented leaders*.

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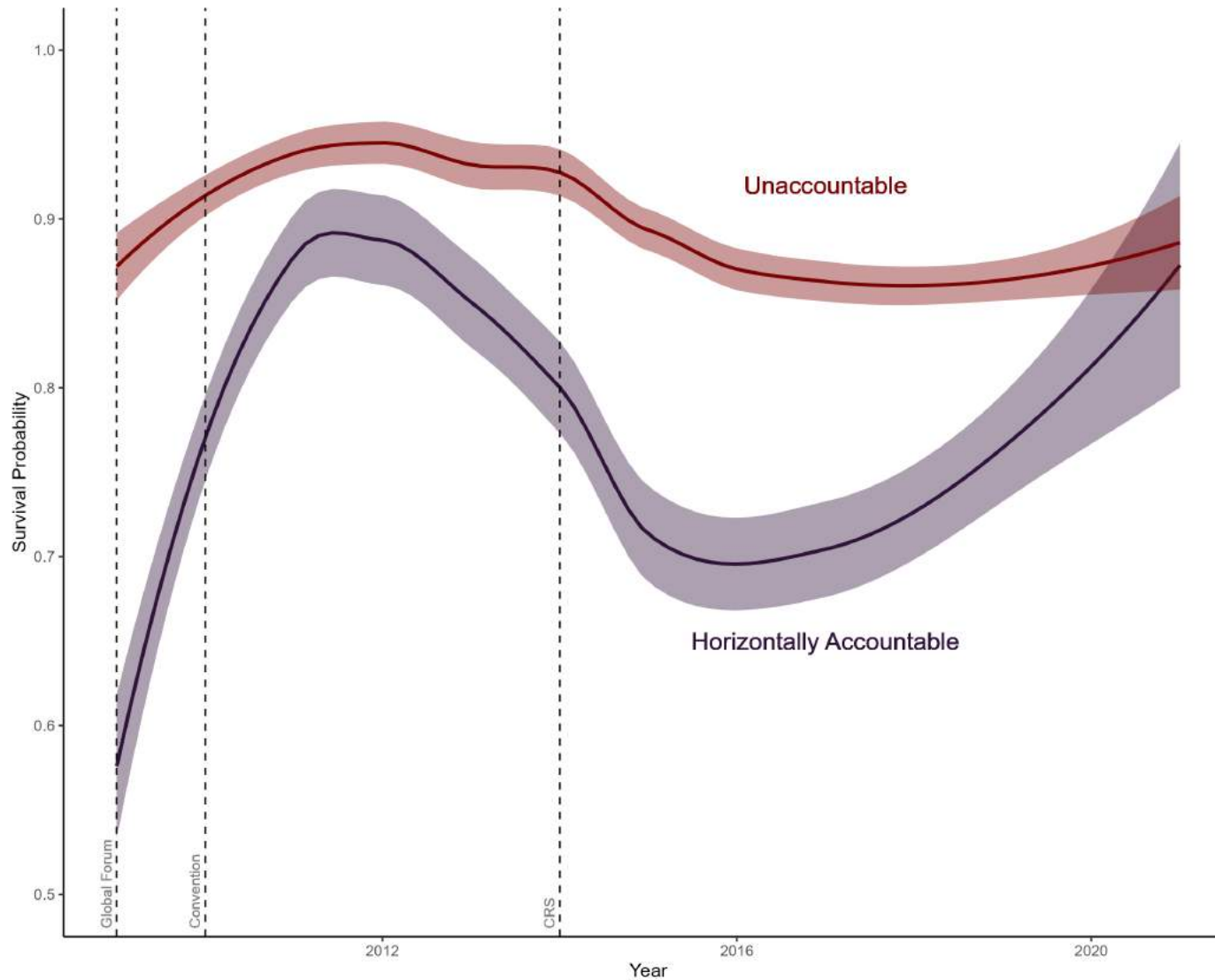
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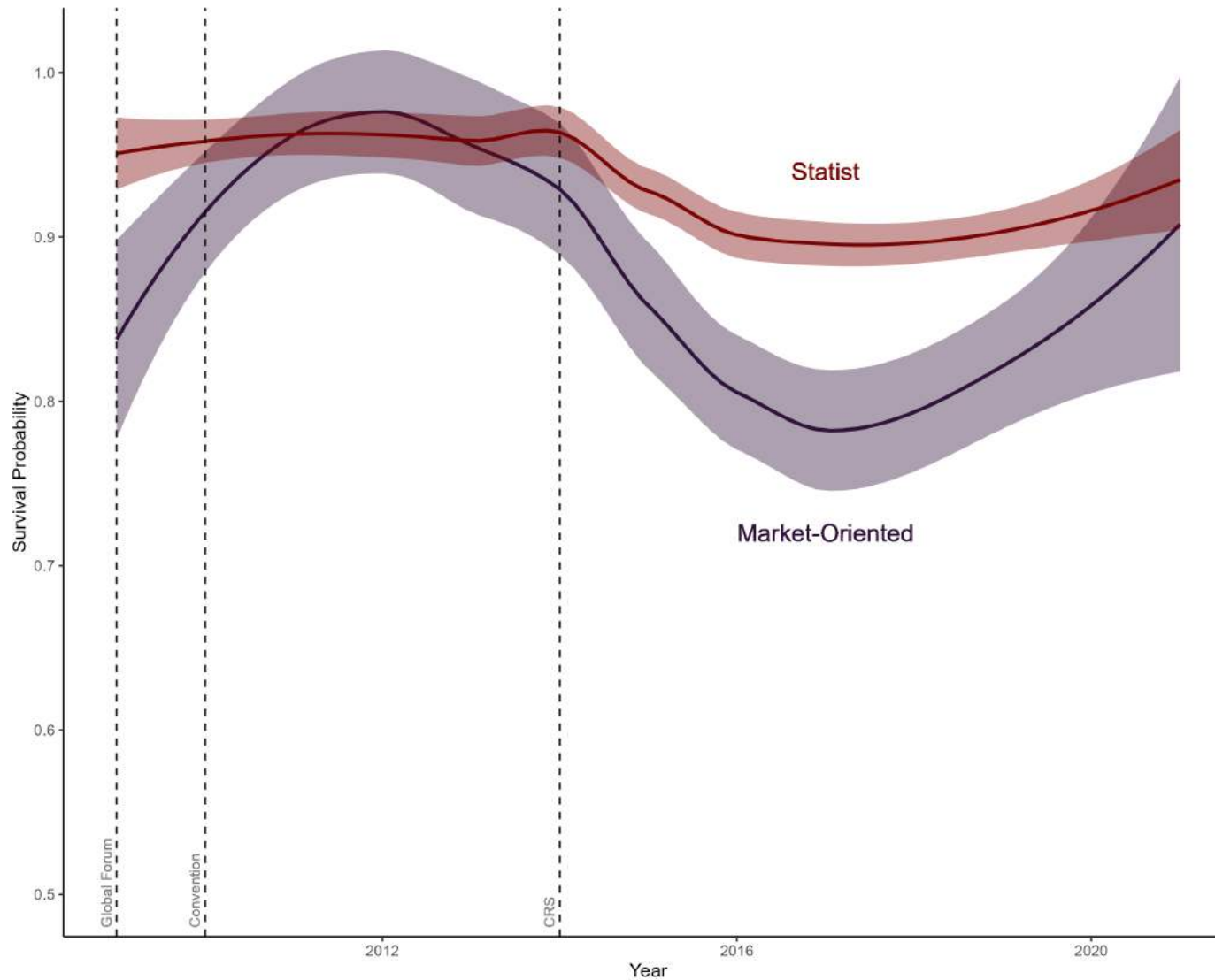
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- Controls: GDP, fiscal revenue, capacity, OECD, tax haven, globalization, coercion, etc.

H1 Results (Full Sample)



H2 Results (Authoritarian Sub-Sample)



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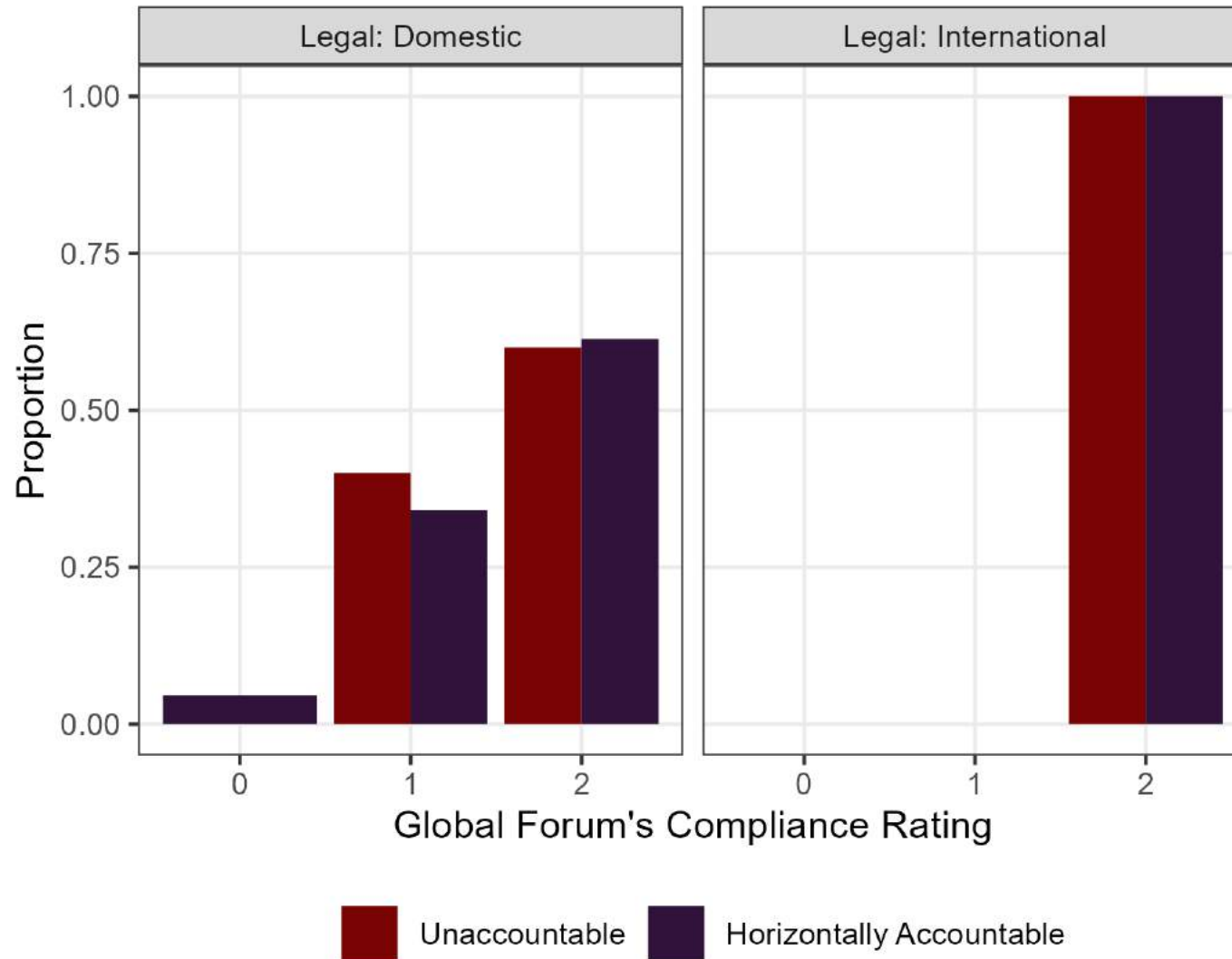
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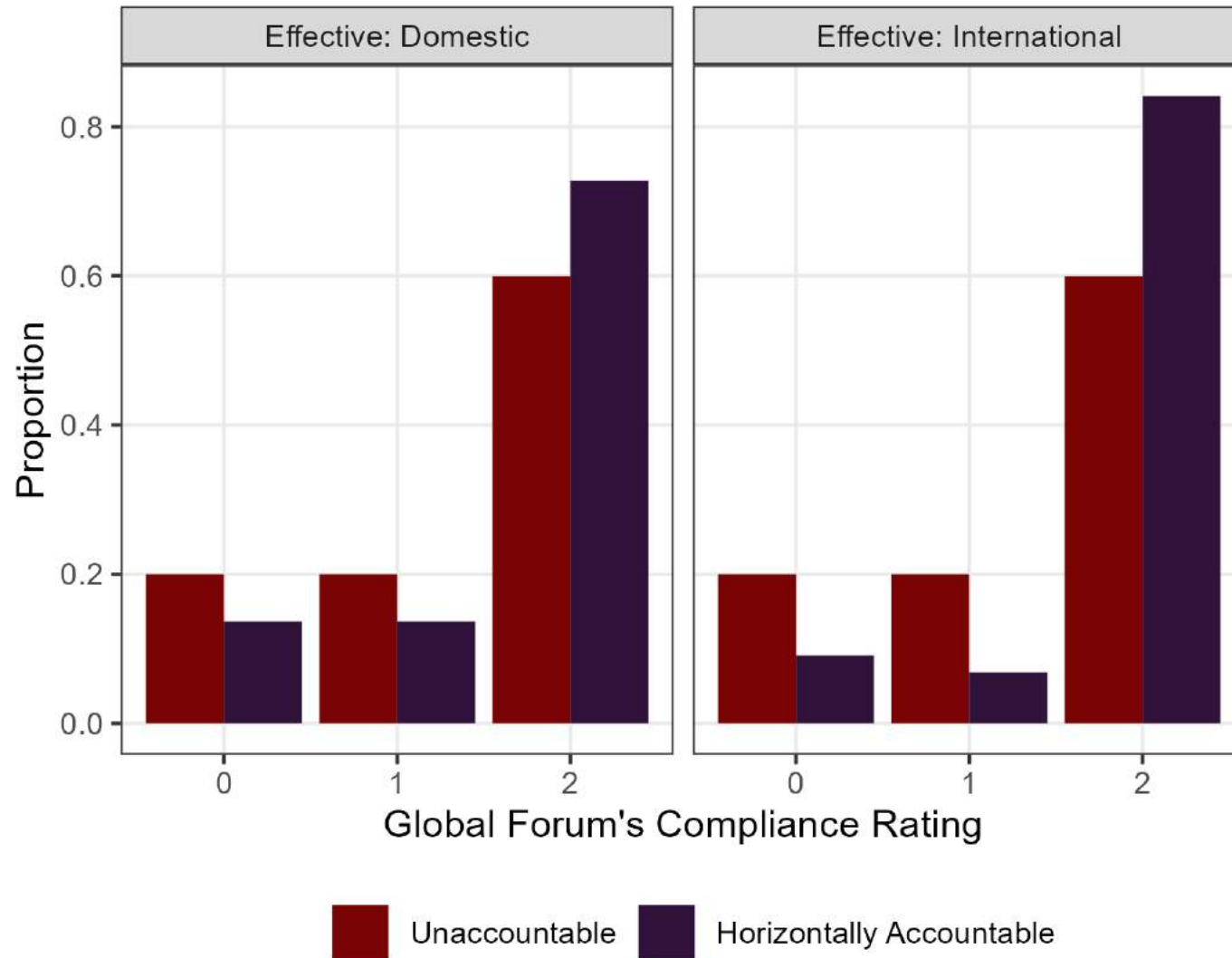
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- Validating the different hypotheses:
 - Accountable and unaccountable countries similar on legal compliance (sending international signal)
 - Unaccountable countries less effectively compliant (no interest in genuinely stopping tax evasion, corruption)

Mechanism Check: Legal Compliance



Mechanism Check: Effective Compliance



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- Alternative measures of horizontal accountability and market-orientation
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- Case Studies: Kenya (accountable) and Rwanda (personalist)

Discussion

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- Studies of international tax cooperation, which tend to look at systemic forces;
- Explanations for multilateral cooperation under capital mobility, especially similar outcomes driven by different domestic incentives.

Thank you!

tditmore@unc.edu

tylerditmore.com

Appendix

Data Structure

Country	Year	Regime	Commitment	Start Time	Stop Time
Canada	2009	Global Forum	1	0	1
Canada	2010	Global Forum	0	1	2
Canada	2011	Global Forum	0	2	3
Canada	2012	Global Forum	0	3	4
Canada	2013	Convention	1	4	5
Canada	2014	Convention	0	5	6
Canada	2015	Convention	0	6	7
Canada	2016	CRS	1	7	8
Cameroon	2009	None	0	0	1
Cameroon	2010	None	0	1	2
Cameroon	2011	None	0	2	3
Cameroon	2012	Global Forum	1	3	4
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Cameroon	2015	Convention	1	6	7
Cameroon	2016	Convention	0	7	8
Cameroon	2017	Convention	0	8	9
Cameroon	2018	Convention	0	9	10
Cameroon	2019	Convention	0	10	11
Cameroon	2020	Convention	0	11	12
Cameroon	2021	Convention	0	12	13

Sample Data Structure for Response Variable

Regression Models

$$h_{ck}(t) = h_{0k}(t)e^{X_{ck}\beta + \theta_c}$$

where c refers to country, k to event stratus, X_{ck} to covariates for countries and strata and θ_c to the country-specific frailty parameter. I lag all explanatory variables by one year.

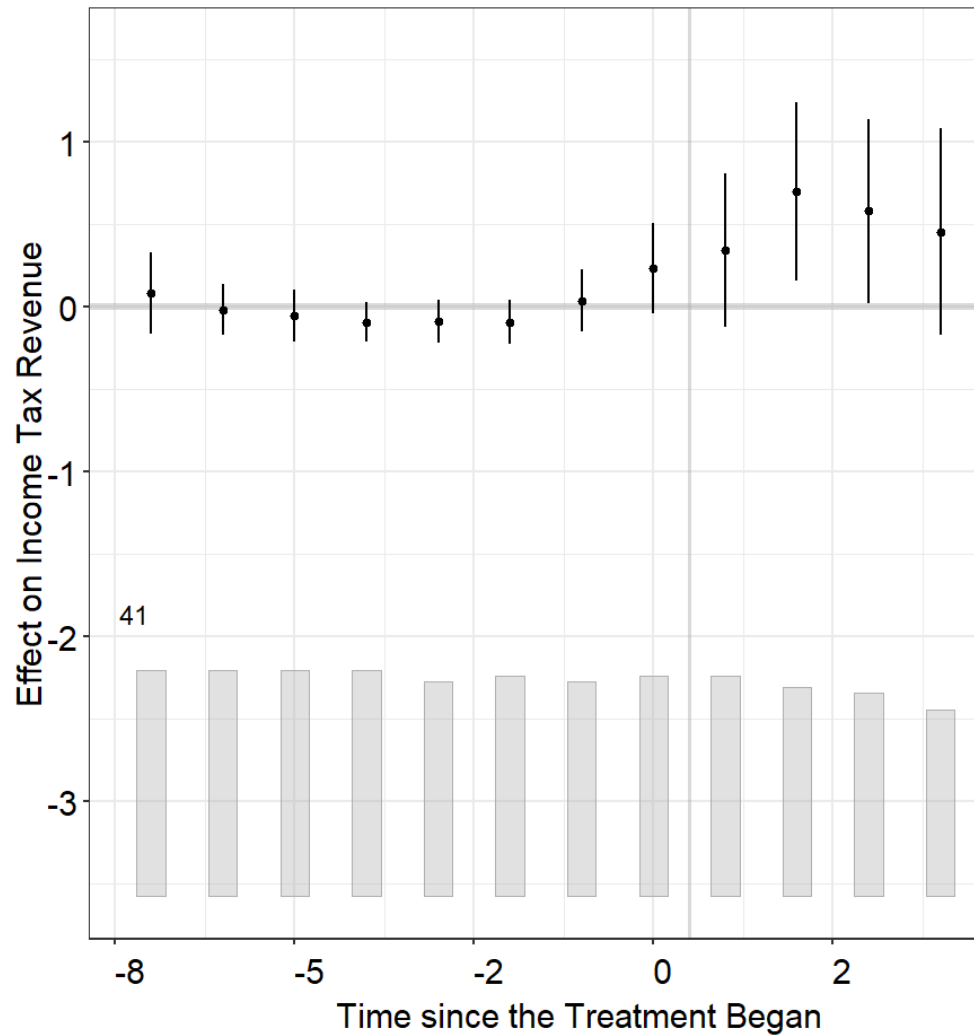
H1 and H2 Results (Table)

	Hypothesis 1			Hypothesis 2		
	1	2	3	4	5	6
Horizontal Accountability	0.36*** (0.09)	0.26** (0.11)	0.29** (0.14)	0.11 (0.22)	-0.04 (0.28)	0.04 (0.34)
Market-Oriented Leader	0.25* (0.13)	0.18 (0.14)	0.18 (0.16)	0.63** (0.27)	0.61* (0.32)	0.79** (0.39)
Countries	162	153	128	90	85	73
Controls		✓	✓		✓	✓
Num. events	261	246	192	69	61	45
Num. obs.	1770	1460	1039	883	704	486
PH test	0.02	0.49	0.62	0.29	0.36	0.85

Conditional Frailty Survival Models (H1 and H2)

Income Tax Effort

Estimated ATT, Democracies (No Covariates)



Estimated ATT, Autocracies (No Covariates)

