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Tax and Corporate Governance: An Economic Approach

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Tax and Corporate Governance

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Part of the book series: [MPI Studies on Intellectual Property, Competition and Tax Law](#) ((MSIP, volume 3))



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Abstract

How do the tax system and corporate governance arrangements interact? This chapter begins by reviewing an emerging literature that explores how agency problems create such interactions and provides evidence on their importance. This literature has neglected how taxation can interact with the various mechanisms that have arisen to ameliorate the corporate governance problem, such as concentrated ownership, accounting and information systems, high-powered incentives, financing choices, payout policy, and the market for corporate control.

The remainder of the chapter outlines potentially fruitful areas for future research into how these mechanisms may respond to the tax system.

The authors thank participants in the Symposium on Tax and Corporate Governance at the Max Planck Institute for Intellectual Property, Competition and Tax Law in Munich, and seminar participants at Harvard Law School and UCLA Law School, for helpful comments. Desai acknowledges the financial support of the Division of Research of Harvard Business School.

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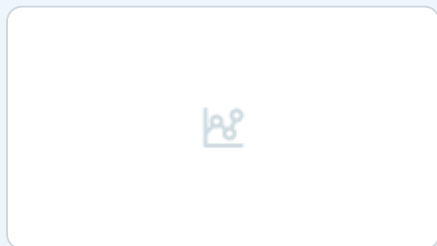
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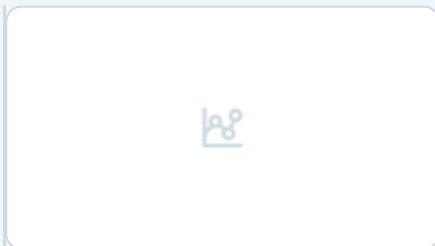
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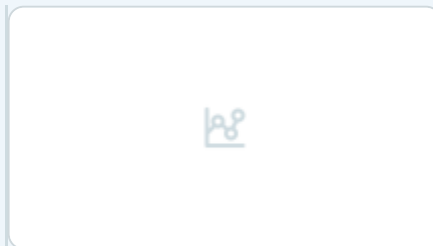
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Cite this paper

Desai, M.A., Dharmapala, D. (2008). Tax and Corporate Governance: An Economic Approach. In: Schön, W. (eds) Tax and Corporate Governance. MPI Studies on Intellectual Property, Competition and Tax Law,

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