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# Tax competition, fiscal policy and public debt levels in a monetary union

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## Résumé

*We study the link between tax competition, efficiency of available fiscal bases and public indebtedness levels in the member countries of a monetary union. Theoretically, labor taxation would be the most efficient to collect fiscal resources; so, only initially weakly indebted countries can afford to have weak labor taxation rates. Empirical data also validate the decreasing relation between consumption taxation rates and public debt levels. On the contrary, capital taxation would be less efficient. If the capital taxation rate is higher than in the rest of the monetary union, tax evasion could deteriorate the fiscal base and increase the public debt to GDP ratio. So, empirical data show an ambiguous trend between the historical evolution of implicit capital taxation rates and public debt levels in the Euro Area.*

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