Abstract In a globalized economy states compete for mobile tax bases. This tax competition undermines the fiscal self-determination of states and exacerbates inequalities of income and wealth both within countries and across borders. The paper provides a normative evaluation of the rules governing international tax competition. We put forward two principles of international taxation designed to both protect and circumscribe the fiscal self-determination of states. First, a membership principle which holds that deriving the benefits of membership in any given country grounds an obligation to pay one’s taxes there. Second, an intentionality principle which states that any tax policy change is legitimate only if it would still be pursued in the counterfactual situation where the benefits of this move in terms of inflowing capital were absent. We then consider how the two principles can be implemented and propose to establish an International Tax Organization (ITO). This organization would have to be assigned institutional capacities very similar to those of the WTO in governing international trade. Finally, we show that our principles, despite being anchored in the fiscal self-determination of states, are compatible with a cosmopolitan position on global justice. They are principles of background justice in the sense that they define the rules of the game required for an international tax regime free of unjust bias. Keywords: Tax Competition, Global Justice, Background Justice, Self-determination, Institutional Design, Multi-level Governance.

A globalized economy raises intricate questions of distributive justice. Some of these have come under scrutiny in the literature. Under what conditions can international trade be regarded as respecting norms of fairness? Are wages at the subsistence level a necessary step on the path to growth or a form of exploitation? Who does and who should benefit from the profits generated by the exploitation of natural resources?1 Yet, one important determinant of global justice, namely questions of international taxation, has received little attention in the philosophical debate.2 While the importance of taxation as a means to implement domestic public policy and conceptions of justice is widely acknowledged – and indeed often taken for granted – issues of international tax justice are mostly neglected. Tax competition between states puts pressure on domestic fiscal regimes. Mobile factors of production have the opportunity to “shop around” to minimize their tax burden. This interdependence of national tax regimes generates external effects that undermine the de facto sovereignty of states. As a consequence, tax competition tends to exacerbate inequalities of income and wealth both within countries and across borders. One way to address these issues is to condemn the distributive outcomes and to propose redistributive policies to correct what are perceived to be unjust inequalities. This approach is largely remedial. A second possibility is to examine the rules of the game of international taxation themselves, and make sure they do not contain any unjust bias. This approach, which is geared towards the prevention of distributive injustice in the first place, is the approach favored here