

Fiscal Federalism in the 21st Century

Stefan Niemann

University of Konstanz

B.Sc. in Economics, Winter Semester 2024/25

Outline

Fiscal federalism concerns the division of policy responsibilities among different levels of government. Many current economic and policy developments, such as globalization, environmental crises and rising inequality, may not appear to be favorable to fiscal federalism, yet countries are further decentralizing their fiscal systems, with important implications for efficiency and equity.

The seminar examines these efficiency and equity implications of fiscal decentralization, fiscal competition, fiscal externalities, and intergovernmental grants. The (dis)advantages of federalist structures will be discussed both theoretically and empirically and with reference to economics concepts including externalities, inequality, spillovers, information, and aspects of political economy. We will also look at how federal systems in different countries, both developing and developed, are being shaped by economic, technological, and environmental changes.

Organizational details

Students have to sign up for this seminar during the period June 25 - July 02, 2024 via ZEuS. Students who have received a slot in the seminar should send a preference ranking of at least 5 papers/topics (in addition to the topics listed below, own ideas are welcome, too) to stefan.niemann@uni-konstanz.de. Topics are then allocated on a 'first come, first served' basis.

The seminar will be held as a block seminar on December 06 and 07, 2024 (compulsory attendance, room TBA). We will first convene for a kick-off meeting on October 22, 2024 (13:30 - 15:00) to discuss details (compulsory attendance, room TBA). Participants have to hand in their seminar paper by January 08, 2025 (or earlier) as a digital file.

Assessment

The seminar grade is based on the presentation (50 %), participation during seminar discussions (10 %) and a short seminar paper (Exposé, 3 pages, 40 %). The seminar paper is the

starting point for the subsequent Bachelor dissertation. Presentation, seminar paper and Bachelor dissertation can be done in English (recommended) or German. Further details will be announced during the kick-off meeting. Participation during both the kick-off meeting and the block seminar sessions is mandatory.

Dates

- Registration: 25.06.2024 - 02.07.2024 via ZEuS.
- Kick-off meeting: 22.10.2024., 13:30-15:00, room TBA.
- Seminar presentations: 06. & 07.12.2024., 9:00-17:00, room TBA.
- Seminar paper due: 08.01.2025, 12:00 pm, in digital format via email to stefan.niemann@uni-konstanz.de.

Literature

Mandatory introductory reading (the list of potential topics below refers to individual sections of this paper):

Agrawal, D., J. Brueckner and M. Brühlhart (2024) "Fiscal Federalism in the 21st Century", *CESifo Working Paper Series 10951*, CESifo.

In addition, a somewhat older review article and insights into the current international policy debate, respectively, can be found in:

Oates, W. (1999) "An Essay on Fiscal Federalism", *Journal of Economic Literature*, 37, 1120-1149.

OECD (2021) "Fiscal Federalism 2022: Making Decentralisation Work", *OECD Publishing*, Paris.

Starting from these references, students should identify further relevant literature and data, in particular for the subsequent Bachelor dissertations.

Potential topics

1. **Heterogeneous public-good demands and fiscal decentralization**
2. **Empirical tests for voting with one's feet**
3. **Uninternalized public-good spillovers**
4. **Deciding on decentralization in the presence of both benefits and costs**

5. **Decentralization of income redistribution**
6. **Alternative portrayals of fiscal decentralization**
7. **Multi-level governance**
8. **Federal deductibility of taxes**
9. **Fiscal equalization**
10. **Interjurisdictional cooperation and coordination**
11. **Fiscal federalism in developing countries**
12. **Federalism and the pandemic**