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Reseña de "Le fédéralisme fiscal: leçons de la théorie économique et expérience de 4 États fédéraux" de Michel Mignolet
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Fiscal federalism is a subject of increasing interest. Around the world about 25 countries present a federal institutional setup sharing financial resources and competencies among different levels of governments. Michel Mignolet editing the book “Le fédéralisme fiscal, leçons de la théorie économique et expérience de 4 États fédéraux” adds some significant contributions to this topic. If ten years ago this subject was mainly discussed in some federal countries and in the academic world, recently it is discussed by an increasing number of people (politicians and citizens). Hence the need to gather information on how it really works has increased.

The interesting collection of papers in this volume concerns the federal structure of 4 countries and some of the most challenging actual issues. In particular, it presents the work of a seminar promoted by the “Centre de Recherche sur l’Économie Wallone” held at the University of Namur on the 19th November 2004. This workshop brought together some of the leading figures in fiscal federalism academic world and this is reflected in the high level of the contributions.

The guiding theme around the book is federalism and its financing. The different papers try to answer to the following challenging questions: what kind of solidarity could be implemented in a federal entity; whether tax competition is harmful or not; how tax mimicking and yardstick competition work in decentralized entities; how and what kind of fiscal coordination can be implemented in a federal state. To answer to these questions the authors refer both to the economic theory and to institutional experiences.

As was originally formulated by Musgrave and Oates fiscal federalism studies how to optimally share resources and competences among the government entities making up a federal country. A precise (optimal) assignment of competencies (allocation, redistribution and stabilisation) was identified. Since then, a growing literature has deepened the economic analyses and the application of the topics has broadened. It has become difficult to identify what are the predictions of the fiscal fede-
ralism theory and what is the fiscal federalism institutional set up. Recent developments in Public Economics try to overcome this scission incorporating more real world institutional features in fiscal federalism models. This gives rise to more complex economic models but increases the understanding of our political institutions. Also, recently the definition of what is fiscal federalism has been broadened to incorporate also the fiscal relationships among different levels of government regardless off the fact that they are federal entities or not. For this reason some scholars prefer to refer to intergovernmental fiscal relations encompassing in this definition all the (fiscal) issues that could arise among different governments (both horizontally and vertically).

This book gives updated information on fiscal federalism models and recent developments of the theory, presenting a valuable mix of what theories and facts predict, searching to fill the scission mentioned above. It is made up of two parts; the first part describes the institutional set up of four federal countries (Germany, Belgium, Canada and Switzerland). The first six chapters of the book provide a general overview to fiscal federalism reminding the reader that theories and practice need to advance side by side to explain reality.

Each model is presented: cooperative fiscal federalism in Germany, competitive federalism in Canada, direct democracy in Switzerland and fiscal equalisation in Belgium described side by side theoretical and real world fiscal federalism. The authors do not hesitate to raise many relevant questions about the sustainability of the systems, the need to update certain institutions in order to face new challenges. Besides presenting the actual set up the authors question the institution ability to survive and suggest ways to improve it. If German federalism needs more competition elements not to become in author’s words indebtedness federalism (fédéralisme d’endettement), at the same time the Canadian needs more elements of coordination. The authors favour usually a model that equilibrates cooperative and competitive fiscal federalism, given that theorists have proved that both models at their extreme could engender respectively dangerous free rider issues and a race to the bottom of fiscal revenues.

The second part tries to analyse in detail the most problematic issues raised in the first part: solidarity, tax mimicking, yardstick competition, tax competition and fiscal coordination. Although an ideal formulation putting together fiscal federalism and solidarity seems quite easy, as stated by Van Parijs, in reality such an ideal world is far from being reached.
In Tulkens’ contribution more insight in defining the concepts of tax mimicking, tax interactions, tax competition and tax externalities is added. Tax competition is often seen in Public economics as a *race to the bottom* (*course vers le bas*): an alternative positive interpretation is given. Following the tradition of Public Choice competition among governments could bring to a better administration of the public sector, in Hindriks’ words to a *race to the top* (*course vers le haut*). He carefully identifies the framework where competition is good and suggests that in the absence of some of the elements that compose this framework, competition could be harmful. One of the central ideas of economic theory is the optimal allocation of resources; Van Ypersele presents a model of New Economic Geography where tax competition could help attaining the goal of efficiently allocating natural resources.

Fiscal coordination may imply hard or soft budget constraint. It is often believed that in a federal country or highly decentralised central government hard budget constraints are necessary to guarantee the sustainability of public finances. Two antithetic models are presented: Germany and Canada. Although the latter seems to obtain the favour of most experts, Chabellard and Guihery suggest that Canadian hard budget constraint is sometimes *dogmatic* as some loose elements are present.

What is not strengthened in this book is how asymmetric federalism could threaten traditional models; however since this is a quite recent topic mainly related to a new branch of the theory that studies secessions, we can imagine that further work will be done in incoming years. Another weakness of this publication is to restrict only to traditional federal countries. It would be very enriching to devote also more attention to other traditionally unitary states that present a highly decentralised local sector (Scandinavian countries) or states that are involved in decentralisation and devolution (France, the UK, Spain, Italy). A systematic study of other realities other than federal states could bring a much deeper understanding on how do the different levels of government interact with each other. Some examples in this respect are given for example the description of how fiscal distribution in French municipalities works, or describing the healthcare system in Denmark and Spain.

Previous books have treated the question of fiscal federalism separating the theory from the practice. The present book mixes both and constitutes a (rare) example on how theories and facts can be merged to give a deeper understanding of fiscal federalism. The merit of this book (beside) its (sophisticated) simplicity is that it challenges the reader
throughout the chapters, increasing the knowledge on the topic. The articles are often presented in a provocative manner bringing the reader to actively participate to the debate. The style is very fluent and makes a quite complicate subject easily understandable. The book tries to bring the discussion on fiscal federalism outside the academic world using a comprehensible language and succeeds in explaining effectively sophisticated concepts. This book is a perfect guide for economists, politicians, experts who want to increase their knowledge on fiscal federalism without loosing the path through economic formulas and everyone who wants to grasp the frontier research in the field.

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