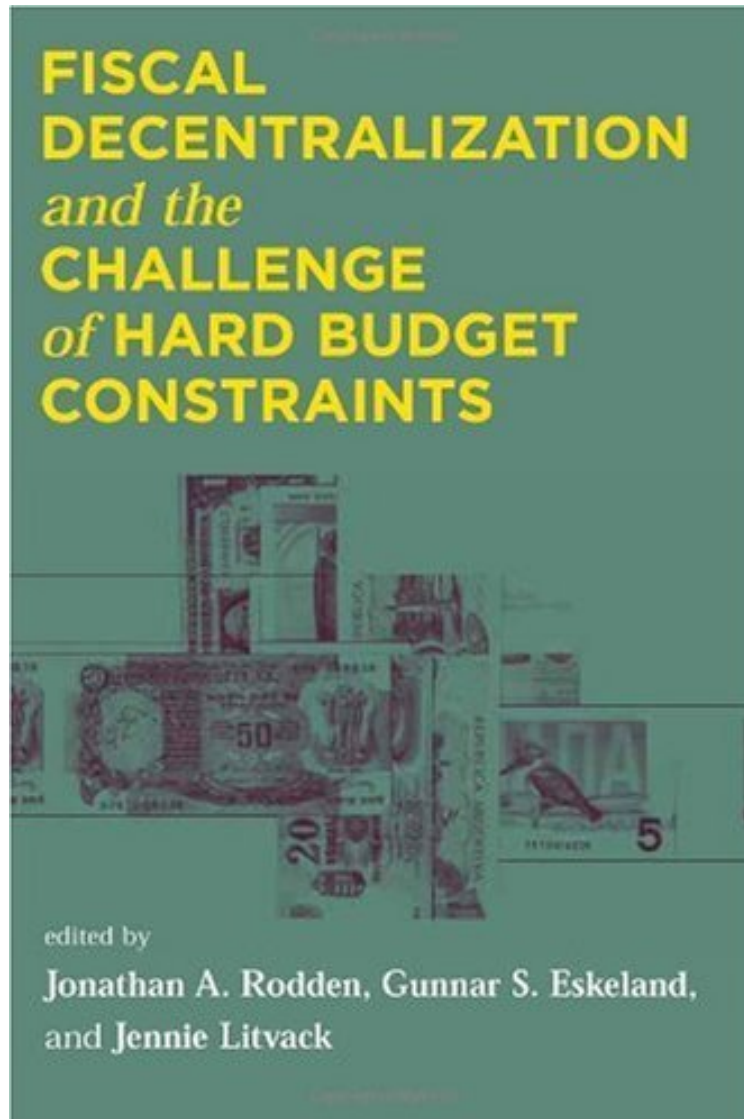


Fiscal Decentralization and the Challenge of Hard Budget Constraints

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From The MIT Press : Fiscal Decentralization and the Challenge of Hard Budget Constraints before purchasing it in order to gauge whether or not it would be worth my time, and all praised Fiscal Decentralization and the Challenge of Hard Budget Constraints:

In many parts of the world, lower levels of government are taking over responsibilities from national authorities. This

often leads to difficulty in maintaining fiscal discipline. So-called soft budget constraints allow these subnational governments to expand expenditures without facing the full cost. Until now, however, there has been little understanding of how decentralization leads to large fiscal deficits and macroeconomic instability. This book, based on a research project at the World Bank, develops an analytical framework for considering the issues related to soft budget constraints, including the institutions, history, and policies that drive expectations for bailouts among subnational governments. It examines fiscal, financial, political, and land market mechanisms for subnational discipline in Argentina, Brazil, Canada, China, Germany, Hungary, India, Norway, South Africa, Ukraine, and the United States. The book concludes that the dichotomy between market and hierarchical mechanisms is false. Most countries--and virtually all developing countries--must rely on market mechanisms as well as hierarchical constraints to maintain fiscal discipline. When bailouts cannot be avoided, they present important opportunities to reform underlying institutions. Successful market discipline--where voluntary lenders perform important monitoring functions--is most likely to emerge from a gradual process that begins with carefully crafted rules and oversight.

"This is a very timely and interesting volume that tackles an important set of questions. The editors have brought together a set of papers by top-tier economists, and they have done an excellent job of positioning this volume with respect to the broader literature." James M. Poterba, Mitsui Professor of Economics, MIT
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