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## Title of the presentation

Partial Centralization as a Remedy for Public-Sector Spillovers: Making Interjurisdictional Transportation a National Responsibility

## Abstract (400-500 words)

With the current institutional crisis in the European Union is growing the debate on centralize or decentralize the policy of public transport. Several authors are studying this issue (e.g. Brueckner, 2013; De Borger and Proost, 2014; Ferguson, 2015). One of the major tenets of the decentralization literature is that the local policy decentralization of a local public good is optimal only without interjurisdictional spillovers. The reason is that the local government ignores the interjurisdictional spillovers of a policy on local public good; instead the national government is able to coordinate the policies to internalize the interjurisdictional spillovers. These arguments are part of the decentralization theorem (Oates, 1972; Besley and Coate, 2003).

The aim of this paper is to use a theoretical framework for understanding if it is possible to solve the problem of interjurisdictional spillovers of generic local public goods with the centralization of transport policies. The main idea of the paper is that the transportation good affects the spillovers of local public goods. Indeed, a local public good (like a museum, school or hospital) has two types of potential users: the citizens that live in the jurisdiction where the local public good is produced; and the citizens that live in another jurisdiction that moving from their jurisdiction can take advantages of the local public good. For these last users the benefit derives for an increase of the local public good is measured with the spillovers and it depends also by the easiness to move between jurisdictions. Using the concept of partial centralization (Shah, 2004; Brueckner, 2009) it is possible decentralize the public-sector decision of local public goods but centralize the public-sector decision of transportation good to try to solve the decentralization failure with interjurisdictional spillovers.

The main result is that the interjurisdictional spillover problem is partially solved. Indeed, if the national government increases the level of transportation good, in one hand, it increases the level of spillovers and then it increases the level of citizens' utility; but, in the other hand, it moves the local public goods far to the optimum level and then it decreases the level of citizens' utility. This is a new trade-off that the national government has when it decides only the transportation policy. Therefore, still exist a problem of spillovers but it is reduced thanks to the fact that, on one side, the national government considers both the advantages and disadvantages that a modification of spillovers implies and that, on other side, it can control the spillovers through the level of transportation good between jurisdictions. Moreover, we find that with partial centralization, the citizens obtain the same direct benefit that would occur from its decentralization (the public component of the welfare remains unchanged) but with a lower level of taxes that are paid from its decentralization (the private component of the welfare is higher with partial centralization).