

FISCAL FEDERALISM IN CRISIS: LESSONS FOR EUROPE FROM THE US

ZSOLT DARVAS

Highlights

- The US has a long history of fiscal federalism, which has been a key element of its economic success. The US has a high level of decentralization, with a large share of government spending and revenue being handled at the state and local levels. This has allowed the US to maintain a high level of economic growth and stability, even during periods of crisis. The US has a strong tradition of fiscal responsibility, with a long history of balanced budgets and low levels of public debt. This has allowed the US to maintain a high level of economic growth and stability, even during periods of crisis.
- A key lesson from the US is the importance of maintaining a high level of fiscal responsibility. This means keeping public debt low and ensuring that government spending is sustainable. The US has a strong tradition of fiscal responsibility, with a long history of balanced budgets and low levels of public debt. This has allowed the US to maintain a high level of economic growth and stability, even during periods of crisis.
- Another key lesson from the US is the importance of maintaining a high level of decentralization. This means allowing state and local governments to make their own decisions about spending and revenue. The US has a high level of decentralization, with a large share of government spending and revenue being handled at the state and local levels. This has allowed the US to maintain a high level of economic growth and stability, even during periods of crisis.
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ZSOLT DARVAS, JULY 2010

1 INTRODUCTION

... (CD) ...

E ... (F 1). B ...

E ...

... A ... (1).

... A ...

... (G ... 2010).

... • H ... ?

... C ... H ... E ... ?

2010, D ... H ...

C ... A ... C ... ?

... G ...

A. B ... 2 ...

... E ...

... 3.

... 4, ...

... 5.



2 CENTRALISATION, REDISTRIBUTION, AUTONOMY AND COMPETITION

...
 E ... 2 ...
 ...
 ...
 ...
 ...
 ... 40 ...
 ...
 ...
 ...
 (G ... , 2009; B ... , 2009).

... E ...
 E ...
 ...
 ...
 ...
 ...

F ... 2 ... 3 ...
 ...
 ...
 E ...³ ...

The US has a long history of fiscal federalism. In the 1930s, the federal government took on a larger role in providing social insurance and infrastructure. This led to a significant increase in federal spending as a share of GDP. By the 1960s, federal spending had reached 150% of GDP. This was a result of a combination of factors, including the need to fund the Vietnam War and the Great Society programs. The federal government's role in social insurance and infrastructure has continued to grow, and it is now a major source of revenue for the states.

A key feature of the US system is the ability of the federal government to raise revenue through a variety of taxes, including income taxes, corporate taxes, and excise taxes. This has allowed the federal government to maintain a large and growing budget. In contrast, the states in the US have a much narrower tax base, and they are often forced to raise revenue through regressive taxes such as sales taxes and property taxes. This has led to a significant imbalance in the distribution of fiscal resources between the federal government and the states.

D. The US system of fiscal federalism has been a source of both strength and weakness. On the one hand, it has allowed the federal government to provide a wide range of social insurance and infrastructure programs. On the other hand, it has led to a significant imbalance in the distribution of fiscal resources between the federal government and the states. This imbalance has become a major source of tension in the US political system, and it is likely to continue to be a major issue in the years ahead.

... (A... , 2010). ... E... H... E... GD... G... (1999) ... G... (F... 2), ... E... (F... 3A). ... -E... B...

3 It would have reduced the scope for state-level crises through stricter pre-crisis state-level fiscal rules. ... G... B... G... (C... , 2010), ...

... E... 60... GD... 4 It would have helped to strengthen the euro-area banking industry and to introduce euro-area-wide banking-resolution schemes. ... E... A... G... A.B... E / ...

4.3 How do the euro area's fiscal architecture reform plans stand up in the light of the US example?

N... C... 1 B... • ...

The US has a long history of fiscal federalism, with a clear division of responsibilities between the federal government and the states. This system has been successful in providing a stable and efficient public sector. In contrast, the European Union has a more fragmented system, with a complex set of responsibilities shared between the EU, the member states, and the regions. This has led to a lack of coordination and a fragmented public sector.

The US system is based on a clear division of responsibilities. The federal government is responsible for national defense, foreign policy, and interstate commerce. The states are responsible for education, health care, and transportation. This clear division of responsibilities has allowed the US to maintain a stable and efficient public sector.

In contrast, the European Union has a more fragmented system. The EU is responsible for monetary policy, trade policy, and the common agricultural policy. The member states are responsible for education, health care, and transportation. The regions are responsible for regional development. This fragmented system has led to a lack of coordination and a fragmented public sector.

The US system has been successful in providing a stable and efficient public sector. This is due to a number of factors, including a clear division of responsibilities, a strong tradition of fiscal federalism, and a strong tradition of state autonomy. The European Union, on the other hand, has a more fragmented system, which has led to a lack of coordination and a fragmented public sector.

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APPENDIX:

Regional codes for Figure 4A

European Union

A A /
 BE B
 BG B
 C C /
 C C
 DE G
 D D
 EE E /
 E
 F F
 F F
 G G
 H H
 E
 /
 /

USA

A A /
 A A
 A A / /
 A A /
 CAC
 C C
 C C / /
 DC D / / C
 DE D
 F F
 GAG
 H H
 A
 D
 / /
 N
 / /

NA /
 A / / / /
 D
 E
 N / /
 / / /
 NC N / C
 ND N / D /
 NE N /
 NH N H /
 N N /
 N N
 N N

N N
 H
 /
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 /
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 C / C
 D / D /
 N / /
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 A
 A / /
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