



*The Future of Fiscal
Federalism*

*By
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Fiscal Federalism before the Welfare State

- Federations
- Unitary States
- Musgrave's "multilevel finance"
- Musgrave's trilogy



The Growth of Government and Centralization

- Countercyclical Fiscal Policy
- Distribution's two faces
 - Assistance to the very poor
 - Changing Gini coefficients
 - Creating universal programs
- Provision of genuine "public goods"



Fiscal Federalism and a Global Government

- Views after World War II
- The World Federalist Movement
- The Creation of the UN and the Bretton Woods Institutions
- The Effect of the Cold War



The Growth of Government and the Existing Federations

- National governments as acts of fiscal centralization
- Federations as political contracts
- Ex post rationalization of historical arrangements
- And the role of the cities



Fiscal Federalism and Reactions to the Welfare State

From a normative to a positive
role of the state:

- Growing skepticism and disillusion
- Tax evasion
- Underground activities



The Two Tracks of Reactions:

- The Privatization Movement
- The Fiscal Decentralization Movement
- Arguments for Privatization
- Arguments for Decentralization



The Two Tracks as Alternatives:

- Choice between two tracks largely political
- To a large extent, what can be decentralized can be privatized
- Movements toward privatization and decentralization are almost twins
- Arguments for choosing one over the other



Fiscal Federalism in a Globalizing World

- Appearance of global public “goods” and “bads”
- Growing theoretical need for a world government



Activities that require world attention:

- a) Financial system
- b) Transportation systems
- c) International trade
- d) Health
- e) Criminal activities
- f) Activities in failed states
- g) Tax system
- h) Some “research” activities (in atomic and biological fields)
- i) Exchange rates
- j) Pollution
- k) Coordination of use of water, ocean, air space, etc.
- l) Migration



*International
organizations as proxies
for a world government*



Two major gaps in fiscal federalism literature

- a) Link to historical developments;
and
- b) De facto ongoing creation of a layer of government above the national government

Importance of these gaps. They need specific attention



*In the future we will have a
world with:*

- a) More global government, and
- b) More important roles for
municipal governments.