

Accepted Manuscript

Balanced-Budget Rules and Risk-sharing in a Fiscal Union[#]

Vladimir V Dashkeev , Stephen J Turnovsky

PII: S0164-0704(18)30161-7
DOI: [10.1016/j.jmacro.2018.06.008](https://doi.org/10.1016/j.jmacro.2018.06.008)
Reference: JMACRO 3040

To appear in: *Journal of Macroeconomics*

Received date: 17 April 2018
Revised date: 19 June 2018
Accepted date: 21 June 2018

Please cite this article as: Vladimir V Dashkeev , Stephen J Turnovsky , Balanced-Budget Rules and Risk-sharing in a Fiscal Union[#], *Journal of Macroeconomics* (2018), doi: [10.1016/j.jmacro.2018.06.008](https://doi.org/10.1016/j.jmacro.2018.06.008)



This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Balanced-Budget Rules and Risk-sharing in a Fiscal Union[§]

Vladimir V. Dashkeev*

Stephen J. Turnovsky**

Revised version
June 2018

Abstract

This paper addresses the following question: What are the implications of the asymmetry of balanced-budget rules for interregional risk sharing in a fiscal union? We investigate our research question in a two-region, open economy DSGE model that is augmented with the public-sector features of a federal state. The analysis demonstrates that the asymmetry of balanced-budget rules is detrimental for the risk sharing in the union. The degree of risk sharing is a function of the public good productivity, specification of the technology process, and distribution of productivity shocks in the fiscal union.

Keywords: balanced-budget rule, fiscal federalism, fiscal union, occasionally binding constraints, productive public expenditures, risk sharing

JEL codes: E62, H60, H74, H77

[§] The authors gratefully acknowledge comments they received from Alberto Bisin, Yu-chin Chen, Mikhail Dmitriev, Fabio Ghironi, Luca Guerrieri, Levis Kochin, Pavel Krivenko, David Lagakos, Oksana Leukhina, Federico Mandelman, B. Ravikumar, Alexander Rodivilov, Antonio Rodriguez-Lopez, Mu-Jeung Yang, and participants of the Association of Public Economic Theory conference in Rio de Janeiro, July 2016 and MTI seminars at the University of Washington. The suggestions of a referee are also appreciated.

* Seattle University, Department of Economics, Albers School of Business and Economics, Pigott Building 316B, Seattle, WA 98122. Email: dashkeev@seattleu.edu.

** University of Washington, Department of Economics, Savery Hall 343, Box 353330, Seattle, WA, 98195. Email: sturn@uw.edu.

Download English Version:

<https://daneshyari.com/en/article/7366617>

Download Persian Version:

<https://daneshyari.com/article/7366617>

[Daneshyari.com](https://daneshyari.com)