Preface and acknowledgements

In many countries, the struggle over the inter-regional allocation of taxes and spending is continuous. In Spain, Belgium, Italy and Canada – to cite just some of the case studies examined by this book – politicians, academics and the media alike spend considerable amounts of time and effort arguing over how much each region gets or should get from the central government budget. At a more technical level, this debate centres on the measurement of fiscal flows, where the ‘net fiscal flow’ or ‘fiscal balance’ represents the difference between what the residents of a region receive in public services and what they must pay in taxes to the central government. In some countries, these calculations are made by the central government itself, while in others a plethora of bodies publish what are, at times, contradictory results.

The first objective of this book, therefore, is to provide a practical guide to the calculation of ‘fiscal flows’. The theory of tax incidence and spending – which underpins the methodologies applied – was established decades ago, which means that in this respect we have little to add. However, a number of years ago – when computing the ‘fiscal balances’ for the Spanish regions – we realized that there was no comprehensive methodological survey available on this topic that might be of help to the applied researcher. Further, given the relatively few interpretative studies available, we also felt there was a need to clarify the utility of performing such calculations, to discuss the different methodologies used and to offer some suggestions as to how best to interpret their results. For this reason, here, we have chosen to complement the methodological chapters with country studies. The second objective of the book is to look beyond the results of these calculations and to provide the reader with the instruments that will enable them to understand why some regions are treated better than others. Although there is a growing body of literature on the political economy of the inter-regional allocation of intergovernmental grants and other public programmes, the utility and implications of these results for the debate on the magnitude of ‘fiscal flows’ are not well understood. It is only by gaining an understanding of the political forces behind the fact that money flows to some places but not to others that we can begin to comprehend the use that different agents make of measures of this type.
It is our hope that this volume will serve as a useful source of reference and be a practical tool for academics and practitioners seeking both an overview of the state of the art of measuring inter-regional fiscal flows and sound interpretations of the usefulness of this task and of the meaning of the results. We are grateful to the participants at the IEB’s 5th Symposium on Fiscal Federalism – held in Barcelona in June 2008 – whose insightful comments have helped the authors in the revising of their papers. We acknowledge the financial and organizational support of the IEB – Institut d’Economia de Barcelona, Universitat de Barcelona, the Chair of Fiscal Federalism at the IEB and the IEA – Institut d’Estudis Autonòmics, Generalitat de Catalunya. Thanks are also due to the Director of the IEA, Carles Viver Pi-Sunyer, who first contacted us with the idea of organizing an event tackling this issue, to the IEB’s Director, Martí Parellada, who gave his wholehearted support to this project from the word go, and to M. Àngels Gómez from the IEB office, for her efficient organization of the symposium and her assistance during the editing of this book.

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