THE DECENTRALISATION PROCESS IN EUROPEAN COUNTRIES: FISCAL RESPONSIBILITY

Área: E2. Relaciones fiscales intergubernamentales.

MIÑANA-SIMÓ, JOSÉ-SALVADOR
Departament d'Economia Aplicada, Universitat de València
Campus de Tarongers, Edifici Departamental Oriental, Avinguda de Tarongers s/n
46022 València

Tel.: 96.382.86.30 y 96.382.84.28 Fax: 96.382.84.15
Jose.Minana@uv.es

ABSTRACT *

The paper compares all the European Union countries and establishes their relative position and territorial levels with regard to the processes of fiscal responsibility and co-responsibility. There are five territorial levels: a) supranational, b) central (non-federal countries) or federal, c) state (federal countries), intermediate or regional, d) local, and e) general (covers all preceding levels). Two very serious EU candidates, Hungary and Poland, are included as well as a federal state, Switzerland, with an outstanding balance of territorial levels. The study period is 1982-1995 and cash-flows and percent ratios are used for both revenue and expenditure.

RESUMEN

El artículo compara todos los países de la Unión Europea y fija la posición relativa de éstos y de sus niveles territoriales en los procesos de responsabilidad y corresponsabilidad fiscales. Los niveles territoriales de gobierno son cinco: a) supranacional, b) central (países no federales) o federal, c) estatal (países federales), intermedio o regional, d) el local y e) el general (abarca a los cuatro anteriores). Se analiza el periodo 1982-1995 utilizando flujos de caja y relaciones porcentuales tanto en ingresos como en gastos.

JEL classification: C10; F36; H10; H77
Keywords: governmental levels; fiscal responsibility; co- responsibility; european integration.

---

* This paper is an extension of a study financed by the Interministry Commission for Science and Technology (Spain) within the research project ref. PBS91-0363 of the National Programme of Social Problems and Social

Welfare.

THE DECENTRALISATION PROCESS IN EUROPEAN COUNTRIES: FISCAL RESPONSIBILITY

Due to economic efficiency and equity reasons, the search for the optimum finance of the different governmental territorial levels constitutes a fundamental nucleus in the analysis of Public Tax or Public Sector Economy. In addition, it is the background for numerous political and technical actions in the countries of the European Union.

Researching on the different territorial decentralisation and centralisation moves of the public revenue and expenditure becomes a need. The same applies to the responsibility in each governmental level as far as the relationship own revenue or expenditure over respective totals is concerned, and to tax co-responsibility. Fiscal co-responsibility demands the simultaneous compliance with two conditions. Firstly, the citizens must know at all times: a) the amount and the types of taxes which they are paying to each governmental level, and b) the goods and services which they receive in return of their coercive payments from each of the public administrations. Secondly, the administration supplying the goods and services must have some autonomy to decide the level and type of coercive revenue needed in financing such services. For simplification reasons, this paper considers that the fiscal co-responsibility of a governmental level is high when it requires few grants (or none) from other levels to finance its expenditure, and the other way round.

The purpose is -among other objectives- to create the basis for: a) public finance systems, with clear technical models and criteria complying with the principles of autonomy, automatism, efficiency, control, equity, solidarity,... and b) the United States of Europe, able to compete with other countries in an effective and efficient way. The analysis must also encompass the potential European Union candidates, for evident tax harmonisation considerations.

From an economic point of view, the fiscal federalism theory (e.g., Musgrave and Musgrave, 1989) provides elements for the correct design of the dimension and the number of governmental territorial levels. The analysis of the different existing levels facilitates the understanding of the differences between public revenue and expenditure systems.

The compared fiscal federalism (e.g., ACIR, 1993) evidences that the two types of co-ordination (vertical and horizontal) are rather complex when the tax autonomy from the sub-central authorities is high. The dimension of this problem is greater in the context of the European Union countries, especially if one of them taxes the revenue generated in its territory by the non-resident citizens.

In general, any statistic or econometric study aiming at assessing this complexity can lead to contradictory baffling results. In any case, compared analyses on the different governmental territorial structures permit to delve into the study of different subjects, such as:

A) The unequal tax-base structure (e.g., Feenberg and Rosen, 1987) and the territorial supply of public services (Muez et al., 1996), and their consequences on the public sector dimension.

B) Intergovernmental grants, effects and possibilities of replacing them with own revenue or participating in the superior government tax, etc. (e.g., King, 1984; and Miñana, 1996).

C) Objective methods for calculating the fiscal capacity and necessity of the local (and intermediate or regional) jurisdiction, using methods equivalent to *representative expenditure* and *characteristic tax system* in the USA (e.g., ACIR, 1990), or that established in Miñana (1997).

D) Use of techniques for tax efficiency, like *budgeting for results* (e.g., OECD, 1995a) and *data envelopment analysis* (e.g., Charnes et al., 1994).

E) Assessment of the financial weight of the municipalities and the local level in the introduction of public management procedures and methods (e.g., OECD, 1995b).

F) Fiscal visibility, that is, the load with which the individuals perceive public income and benefits from the public expenditure.[1]

G) Concretion of the wide range of factors which participate in determining the visible profit in the public service and goods supply (e.g., Becker, 1985; Henrekson, 1992; Mueller, 1987; and Mueller and Murell, 1986): their public or private nature, the costs involved in their consumption, spatial or dimensions effects, their final or intermediate character....

Therefore, indicators are needed to quantify the underlying differences among the different territorial levels since "... the systematic under-perception of the most significant fiscal parameters distort the fiscal election by the voters" (e.g., Oates, 1988, page 81).

In the case of Spain, the analysis of the territorial finance is of interest at present (e.g., Miñana, 1996a, 1996b, 1998, and 1999; Miñana et al., 1996). Paradoxically, a Spanish citizen can pay his/her taxes at the same time -without being aware of it- to six different governmental levels (community, state, region, province, city, municipality). In turn, the same citizen benefits from certain public services whose provider cannot be determined in most cases, except for some services belonging to the local level.

In the next pages, we will describe the objective and methodology, and the tax responsibility indicator and degree.[2] Some additional comments, relevant conclusions, and a final reflection will also be included.

1. OBJECTIVE AND METHODOLOGY

The aim of this paper is to compare the different European Union countries and to establish their relative position and territorial levels as far as fiscal responsibility and co-responsibility processes are concerned. The analysis includes the two most serious candidates, Hungary and Poland, and a European federal state, Switzerland, with an outstanding balance of governmental territorial levels. The study period is 1982-1995, that is, years with recent homogeneous data for countries with a mixed capitalism, a constitutional democracy and two or more government levels (see table 1).

The starting point is the hypothesis that the budgetary activity of the public administrations of the countries studied simultaneously focuses on: resource assignation, income and wealth redistribution, balanced development internal regions, and economic stabilisation and growth. Each country is analysed and grouped with others presenting common elements. The calculation of simple mean values was needed for comparison purposes.

The data used are in line with information from the International Monetary Fund[3] and -from a statistical point of view- is most homogeneous. In this context, the different concepts used in the analysis must be defined: cash-flow and percent relationships for both revenue and expenditure, in line with the statistical information used.

The basic cash-flows used for revenue (R) or public expenditure (E) are:

A) Cash-flow for revenue and grants received. Non-consolidated (RNC): total flows, including grants from other levels of national government. Consolidated (RC): net total grants flows among governmental territorial levels.

B) Cash-flow for expenditure and lending minus repayments. Non-consolidated (ENC): total flows, including grants to other levels of national government. Consolidated (EC): net total grants flows among governmental territorial levels.

The basic relationships used for revenue or expenditure in static (absolute values) or dynamic (differences among annual values) aspects are as follows:

A) For non-consolidated flows: absolute values (or differences among annual values) of total grants flows, received (or given) by a governmental level (RNC or ENC), over total grants flows received (or given) by all levels in public administrations (RNCA or ENCA).

B) For consolidated flows: absolute values (or differences among annual values) of total flows, less grants received (or given) by a governmental level (RC or EC) over total flows, less grants received (or given) by all levels in public administrations (RCA or ECA).

Fiscal Responsibility Indicator

Static aspects. A static indicator of fiscal responsibility in a governmental territorial level in a specific year is the percent relationship between, on the one hand, the consolidated revenue cash-flows of that level and the corresponding non-consolidated total flows in the same level, and on the other, the consolidated expenditure cash-flows of that level and the corresponding non-consolidated total flows in the same level.

Dynamic aspects. A dynamic indicator of fiscal responsibility in a governmental territorial level is the convergence or divergence in time (annual differences) of the percent values between, on the one hand, the consolidated revenue cash-flows of that level and the corresponding non-consolidated total flows, and on the other, the consolidated expenditure cash-flows in that level and the corresponding non-consolidated total flows.

Summarising:

Fiscal Responsibility Indicators

<1> Fiscal responsibility static indicator................. .... (RC/RNC) / (EC/ENC)

<2> Fiscal responsibility dynamic indicator: differences in...................... (RC/RNC) / (EC/ENC)

where

R	public Revenue	E	public Expenditure
RNC	Non-Consolidated Revenue	RC	Consolidated Revenue
ENC	Consolidated Expenditure Non-	EC	Consolidated Expenditure
A	public Administrations (overall territorial governmental levels)		

2.- INDICATOR AND FISCAL RESPONSIBILITY DEGREE

Through the analysis of the suitable indicator, the fiscal responsibility degree determines to what an extent the different territorial levels carry out transfers among themselves. The relationship consolidated/non-consolidated revenue over consolidated/non-consolidated expenditure permits to find out whether the transfers received from the remaining governmental levels are relatively lower, equal or higher than those given (greater, equal or smaller degree than 100%, respectively).

The objective is not to establish the relationship between the absolute volume of transfers received from other levels and those given to other governmental territorial levels (this information is known by elaborating the responsibility indicator). Logically, for a given percentage between total grants and revenue, a government can transfer more if its expenditure volume is greater, but its partial expenditure responsibility (subvention to other levels based on the total spending) will always be the same. The same applies to revenue. In a similar way, a government with a smaller volume of total expenditure and the same ratio of total transfers and expenditure will have the same individual partial expenditure responsibility than the previous public administration.

The idea is then to determine the effort made by a governmental level in a) obtaining revenue by its own resources and b) supplying goods and services directly without transferring resources to other levels for them to be responsible for the spending.

The responsibility of a governmental level will be null in expenditure and maximum in revenue when it transfers its total expenditure volume to the others without receiving any transfers from them. For obvious reasons, this has not happened in any of the cases studied. However, in some cases transfers of part of the total expenditures have been found to other levels without any subvention from them. Therefore, a fiscal responsibility:

A) greater than 100% means that a level either does not receive anything from the others but does give something or what it is actually received compared to the total revenue volume (relative revenue transfer) is smaller than what it gives to the others compared to its total expenditure (relative expenditure transfer). That is to say, the fiscal responsibility of the governmental territorial level has a revenue which is higher than the spending.

B) equal to 100% means that a level either does not receive nor give anything or the ratio received transfers/total revenue is identical to the ratio transfers made/total spending.[4]

C) smaller than 100% means that a level either received transfers from the rest without giving them any subventions or what it is actually received compared to its revenue volume (relative revenue transfer) is greater that what is given to the other levels in comparison with its expenditure volume (relative expenditure transfer). In other words, in the governmental territorial level, the revenue fiscal responsibility is inferior to that of the expenditure.

Table 2 shows the results of the indicator whereas table 3 is a summary where each governmental territorial level is qualified in accordance with its responsibility degree.

On the one hand, the countries are grouped depending on the responsibility degree of the central level, equal or greater than 100%, and of the local level, smaller than 100%. Based on this supposition, the table displays the states where the responsibility of the central level is higher in revenue than in expenditure, and the other way round for the local level. Comparatively, and taking into account their revenue volumes, the central and local levels receive respectively less and more transfers from other levels than they actually transferred to those levels : the central level is a net relative subsidiser while the local level is a relatively subsidised net level. Apart from this, the tendency of the central level is:

A) Positive (increased responsibility) whereas the tendency of the local level is negative. That is, the central level is more and more a net relative subsidiser while the local levels tend to reach higher levels of net relative subvention. This is the case of Spain and Denmark (very high responsibility: 115% and 152% respectively), and Ireland (high responsibility: 102%). In the local level, the responsibility is intermediate for the Spanish case (84%), low for Denmark (56%), and very low for Ireland (27%).

B) Negative (reduced responsibility) whereas the tendency of the local level is positive. The central level gradually stops being a net relative subsidiser to the other levels while the local one increases its level of net relative subvention to others. Within this context, we find very high responsibility degree in Holland, Sweden and the candidates to join the European Union, Hungary and Poland. Germany and Belgium are also highly responsible, and Portugal has a normal degree. As to the local level, Germany and Sweden reach an intermediate degree, Portugal, Hungary and Poland a low degree, and Belgium and Holland a very low degree.

C) Negative, and so is the local one. Both the central and local levels tend to stop being net relative subsidisers to other levels. Within this context, we find very high responsibility in the United Kingdom and Finland. The responsibility degree in the local level in all these countries is low.

D) Balanced, while the responsibility in the local level increases. The situation of the central level does not practically change but the local one has an increased relative responsibility degree with the remaining levels. This is the case in Austria (very high and stable in the central level and relatively normal -with an upwards trend- in the local one), France and Luxembourg (high and stable in the central level and low in the local one).

E) Negative, and stable in the local level. Only Switzerland is found in this group, with high responsibility degree in the central level and relatively normal in the local one.

On the other hand, we have grouped the states with a less than 100% responsibility degree, that is, with less revenue than expenditure. This is the case of Italy and Greece. The first country has a responsibility positive tendency in its central level (increase), the average value being 99.4% (normal responsibility). The tendency is also positive in the local level, with a very low responsibility mean value (20.22%). In the central level Greece shows a negative tendency with an average responsibility of 97.84%, this being the lowest percentage of all the countries studied.

In the supranational level, the responsibility degree of all countries analysed is equal to (Germany, Belgium, Holland, and Ireland) or greater than 100% (the rest). The high degree of fiscal responsibility is outstanding in Spain, Greece, and the United Kingdom. When there is a supranational level in the states in group B, and information on it, the level reaches a 100% balance in their responsibility degree. The state or intermediate level in federal or almost federal countries (Spain) show uneven results. In Germany the federary states are net relative subsidisers to the remaining levels (103%), whereas the intermediate level is netly and relatively subsidised by the other levels in Austria, Switzerland, and Spain (the latter state has a very low responsibility degree, 32%). As to the general level, table 3 proves that all the states studied carry out grant exchanges among levels.

3.- SOME ADDITIONAL CONSIDERATIONS

If -for efficiency and equity reasons- the present fiscal responsibility degree of the governmental levels were to increase, in the future part of the current subventions of the federal or central level could be replaced by greater participation of the intermediate and local level in the revenue of the former. By doing this, a greater consolidated relative weight would be achieved in those two levels.

In the long term, it seems probable to have an increased relative weight in the revenue and expenditure of the supranational level (centralisation). We must take into account the future taking over -by the European Union- of the competencies which at present are in the hands of the federal or central level of the member states (including the candidates studied) as well as some particularities regarding: a) Germany (strengthening of re-unification process), b) Austria, Finland, and Sweden (consolidation of their integration in the European Union), and c) Hungary and Poland (incorporation to the European Union and consolidation of their integration).

As far as the local and -when appropriate- the intermediate levels are concerned, the relative weight is likely to:

A) increase (decentralisation), taking into consideration the situation in

a.- Germany (stabilisation of re-unification).

b.- Austria (consolidation of the decentralisation process following the efficiency and equity parameters of other European federal states -Germany and Switzerland-).

c.- Belgium (strengthening of the new federal structure following the efficiency and equity parameters of other European federal states).

d.- The United Kingdom (creation of an intermediate level and reinforcing of the decentralisation process, as in the Austrian case).

e.- Spain (strengthening of the territorial re-organisation initiated in 1978 and taking over -by the different local entities: “mancomunidades” or intermunicipal corporations, counties, metropolitan areas, and municipalities- of the competencies and responsibilities which at present are in the hands of the Autonomous Communities and the central level).

f.- France, Greece, Holland, Ireland, Italy, Luxembourg, Portugal, Hungary, and Poland (taking over -by the local level- of the competencies which at present are in the hands of the central level due to the absence of a regional or intermediate level).

B) stabilise in Denmark, Finland and Sweden, which -at present- are three of the states with a highest development in the local level.

In any case, the process described for the local level (increase or stabilisation) can bring an increase only (decentralisation); the same applies to the intermediate level. The necessary conditions are as follows: a) both levels need to take over and develop new competencies replacing those carried out by the federal or central level, b) for technical and fiscal co-responsibility reasons, part of the current grants received by both levels are replaced by their own tax revenue or participation in the federal or central government taxes, and c) for identical reasons, the local government need to take part in the intermediate or regional government taxes.

4.- CONCLUSIONS

1. If we take into account the global tendency for both revenue and expenditure then: a) Austria and Ireland are stable countries, b) Germany, Denmark, Sweden, Hungary, and Switzerland have a centralising trend, c) Spain, France, Luxembourg, and Holland display decentralising features, and d) Belgium, Portugal, Finland, the United Kingdom, and Poland are not defined clearly.

2. The two candidates to join the European Union -Hungary and Poland- display a typical centralised state structure which will probably strengthen with the adhesion to the Union as a result of the existence of the supranational level.

3. Based on the analysis of the fiscal responsibility degree, the following conclusions can be drawn regarding the different relative exchanges of grants among territorial governmental levels:

3A) In Germany, the local level has a positive value of net relative subvention from the central and state levels. The fiscal co-responsibility of the local level is high but not sufficient.

3B) As far as net relative grants are concerned, Spain clearly finances the local and intermediate levels through the supranational and central ones. The fiscal co-responsibility of the intermediate level is highly deficient and that of the local level is deficient. In both cases this can be improved on the expense of the high relative fiscal responsibility degree of the central level. That is, by gradually replacing the grants by own revenue or by participating in the central level taxes. Even if the own income of the intermediate or autonomous level is very low, the fulfilment of article 142 of the 1978 Spanish Constitution should not be postponed, namely the local level must participate in the own taxes of the intermediate level -Autonomous Communities-.

3C) Due to the movements of the net relative grants, Austria and Switzerland subsidise the local and state levels with funds from the central one, and the state level with net resources from the local one. The fiscal co-responsibility of the local level is relatively normal and that of the state level is somewhat deficient (could be improved on the expense of the federal level).

3D) Other countries subsidise their local level with net grants received from the supranational (if there is one) and the central levels. Some states:

3D1. reach an intermediate (Sweden) or low (Denmark, Finland, France, Luxembourg, and

Portugal) fiscal responsibility degree. Here, the fiscal co-responsibility of the local level can be notably improved by replacing part of the present grants received by the local level by tax revenue of its own or by participating in the central governmental tax.

3D2. reach a very low fiscal responsibility degree (Belgium, Holland, Ireland, Italy, and the United Kingdom). These countries will have to establish devices similar to those for the previous group if they want to substantially increase their currently deficient fiscal co-responsibility.

3D3. reach a low fiscal responsibility degree, even though they still do not belong to the European Union (Hungary and Poland). Possibly, with the creation of a supranational governmental level and their centralisation process, these countries will be at risk of reducing the fiscal responsibility of their local level. This would break the present positive tendency of both countries. To avoid this, both states must increase the local fiscal co-responsibility by rising their own revenue or by participating in the central level taxes.

5.- A FINAL REFLECTION

The features described above for the different countries for the period 1982-1995 reveal multiple underlying motivations in the dynamic processes of decentralisation (or centralisation) and fiscal responsibility. Other analyses could be carried out (partial fiscal responsibility in revenue and expenditure -not included for simplification reasons-, extension of the study to include the rest of the federal states and other OECD -under way-, or other European Union candidates or potential candidates -although in most cases complete and reliable information is not available-...). However, the reality in the different countries is much richer and heterogeneous than in a mere statistic or econometric analysis. States are born, they transform, associate, join each other, dismember, decentralise or centralise, and in some cases die due to multiple and diverse causes. Some causes are: a) cultural and linguistic (Feroe Islands and Denmark, Belgium, Spain, Italy, Sweden, Norway), b) geographical (United States; European Union; Canada, Mexico, and United States...), c) religious and social (Dutch and Flemish communities, some Muslim countries, Serbia and Croatia...) d) historic (creation of federal states through the union of independent social communities -Germany, Italy, Spain...- or creation of new countries as a result of the dismembering of federal and Unitarian states or empires -Czechia and Slovakia, Slovenia, Croatia, Bosnia, Montenegro, and Macedonia...-), e) differences in political regimes (socialist or capitalist, parliamentary or presidential, republican or monarchic...), in economic systems (directed capitalism or economic liberalism, market socialism or central management socialism), and in nationalist ideologies (independentist, autonomous, integrating...), and f) ethnic (Pakistan and India...).

Belgium and the United Kingdom are examples of the changing reality which the results of the analysis have even failed to forecast. According to the study, the first country has a stable high centralisation level regarding consolidated revenue and a tendency towards a greater centralisation in the expenditure, with already very high values. However, Belgium is currently undergoing a decentralisation process due to political, cultural and linguistic reasons. On the other hand, in the analysis the United Kingdom displays a very high centralisation level in the revenue with an upwards tendency and a high expenditure centralisation with a slight decentralisation trend in favour of the local government. But an important change -an autonomy process-[5] is foreseen for the year 2000. The Scottish and Welsh have each had a referendum recently (and possibly the people from Northern Ireland will have one as well) to decide on the “return of their competencies”. They have accepted a limited autonomy which will modify the relative financial weights of the different governmental levels.

Consequently, the global analysis of a reality of this type can hardly provide any tips on the route which a particular state or a group of countries will follow on their way to fiscal decentralisation (or centralisation) and responsibility. A dynamic study could be carried out for a limited period of time (statistic or accounting shortages) and explanatory or predictive econometric models could be established. But all this would not always bring satisfactory results.[6] The size and territorial structure of the public sector depends on the causes previously mentioned and the political-electoral cycles, pressure groups, bureaucracy and its budget-maximising behaviour, elasticity of available funds/public goods demand... But the public sector is also affected by the compliance (or non-compliance?) with the functions of assignation, re-distribution, stabilisation, economic growth, and balanced development in internal regions.

Regarding the constitution, structure and development of the governmental territorial levels, the supranational, central or federal, and regional or intermediate levels seem to be influenced by the causes described previously, that is, basically non-economic reasons. However, in the supranational level the geographical, cultural and economic proximity could be considered forces which -to a great extent- cancel any disintegrating or centralist tendencies. In the local level, the economic and non-economic aspects affect the municipalities (safety, traffic control, common public goods supply, urbanism...). On the contrary, in special districts, local governments units, and inferior local entities the economic argument predominates: they are constituted to provide certain services (education, health, transport...) which otherwise would be provided at a higher cost or would not be provided at all.

FOOTNOTE

[1].- This visibility has changed along history, depending on the development of a state and political factors (for instance, the use of a fiscal illusion device by politicians, bureaucrats, pressure groups in order to overcome the resistance to pay the taxes. See Brennan and Buchanan (1980), Dougan and Kenyon (1988), Dunleavy (1991), and Mueller (1993).

[2].- In this paper: a) the word "tendency" implies the analysis of the indicators from a dynamic point of view, whereas "degree" is the final qualification received by each country, based on the study of the indicators and the tendency, and b) we consider "tendency towards centralisation" to be the increase in the relative weight of the supranational and federal/central levels; on the contrary, a "tendency towards decentralisation" will be observed when the increase occurs in the state/intermediate and local levels.

[3].- The compilation of statistical information on budgets per homogeneous governmental level was carried out in the Commission of the European Communities, the OECD, and the International Monetary Fund (IMF). In the first organism, we consulted Directorate General XV for Financial Institutions and Business Law, and Directorate General XXI for Tariffs and Indirect Tax. In the second institution, different matters were consulted in the head office, the documentation centre, and the library. In the third one, we visited the Statistics Department. The information drawn from the Commission was not complete: a) the quantities in the different public revenue/expenditure programmes of the community level (supranational level) are not broken down sufficiently in all the member states for "political reasons", and those of the state or regional level in Germany and Spain for technical reasons, and b) many figures are sometimes included in the local level and sometimes in the central one. Not even the statistics unit of the European Union, EUROSTAT, has the required information, although it was useful to consult a series of documents (e.g., EUROSTAT, 1996). The second organism also lacks homogeneous data, in particular those data referring to supranational and intermediate levels, and some quantities are sometimes included in the central level and sometimes in the local one... However, the International Monetary Fund has an annual series of statistical data (e.g., IMF 1992, 1995, and 1996) broken down in four governmental territorial levels for all the Fund member states, although with certain constraints: a) the aggregated sums in the general level are not always easily calculated from the data of the remaining territorial levels, b) the figures display cash-flows and are not in line with the amount due criterion used by the public and national accounts, and c) the 1996 report does not include information on the governmental supranational level. It was useful, though, to consult the methodology of the annual reports (e.g., IMF, 1986).

[4].- Only three cases with this profile have been found in the analysis: France in the supranational level of 1988 (84.92%) and 1991 (84.3%), and Belgium in the general level of 1989 (93.4%).

[5].- The autonomy process is not the same for all regions. An autonomy is not foreseen for England, as its

government is in the hands of the Westminster parliament. Should a reform be passed, an election will be held in Scotland, its new Parliament and Executive Power having the ability to decide on health, local police, education, home office... However, a large part of its revenue will come from grants and they will only be able to modify the income tax in 3%. On the other hand, Wales will have a much limited autonomy, only being able to supervise the large number of semi-independent agencies created in recent years for the management of the different expenditures. Likewise, the labour government have announced their intention to provide London with a mayor elected through direct universal suffrage. This city would then enjoy the greater administrative autonomy which Margaret Thatcher hindered by eliminating the Great London Council. In any case, situations will arise where -for instance- the Scottish members from the Chamber of Commons may legislate on education in England, but the English members would not be able to vote on the equivalent Scottish legislation.

[6].- See -among other authors- Breeden and Hunter (1985), Grossman (1989), Munley and Greene (1978), Marlow (1988), Oates (1985), Patsouratis (1990), Pommerehne and Schneider (1978), and Wagner (1976).

LITERATURE

ACIR, 1990, Representative expenditures, M-174 (ACIR, Washington).

ACIR, 1993, Local government autonomy: Needs for state constitutional statutory and judicial clarification, A-127 (ACIR, Washington).

Becker, G.S., 1985, Public policies, pressure groups, and dead-weight costs, Journal of Public Economics 28, 329-48.

Breeden, C.H. and Hunter, W.J., 1985, Tax revenue and tax structure, Public Finance Quarterly 13, 216-24.

Brennan, G. and Buchanan, J.M., 1980, The Power to tax: Analytical foundations of a fiscal constitution (Cambridge University Press, Cambridge).

Charnes, A. et al., 1994, Data envelopment analysis (Kluwer Academic Publishers, Boston).

Dougan, W.R. and Kenyon, D.A., 1988, Pressure groups and public expenditures: The flypaper effect reconsidered, Economic Inquiry 26, 159- 170.

Dunleavy, P., 1991, Democracy, bureaucracy and public choice (Harvester Wheatsheaf, New York).

EUROSTAT, 1996, Inventory of taxes levied in the member states of the European Communities (Statistical Office of the European Communities, Luxembourg).

Feenberg, D.R. and Rosen, H.S., 1987, Tax structure and public sector growth, Journal of Public Economics 32, 185-201.

Grossman, P.J., 1989, Intergovernmental grants and grantor government own-purpose expenditures, Public Finance Quarterly 11 (2), April.

Henrekson, M., 1992, An economic analysis of Swedish Government expenditure (Avebury, Aldershot).

IMF, 1986, A manual on government finance statistics (International Monetary Fund, Washington, D.C.).

IMF, 1992, 1995 and 1996, Government finance statistics yearbook, vol. XVI, XIX, and XX (International Monetary Fund, Washington, D.C.).

King, D., 1984, Fiscal tiers: The economics of multilevel government (Allen and Unwin, London).

Marlow, M.L., 1988, Fiscal decentralisation and government size, Public Choice 56, 34-56.

Miñana, J.S., 1996a, Constitución Española (art. 142), Generalitat y municipios valencianos. ¿Pueden proveerse los servicios municipales mínimos y comunes con una participación municipal en los tributos propios del gobierno superior? (Editorial ADOS, Valencia).

Miñana, J.S., 1996b, Un sistema alternativo de participación incondicional municipal en los tributos propios del Gobierno superior, Hacienda Pública Española 137, 55-69.

Miñana, J.S., 1998, Décentralisation, corresponsabilité et responsabilité fiscales: étude de dix-huit états européens, Cahiers Économiques de Bruxelles 160, 389-425.

Miñana, J.S., 1999, Niveles territoriales de gobierno y federalismo fiscal: un análisis cuantitativo de dieciocho estados europeos, Hacienda Pública Española 149 (en prensa).

Miñana, J.S. et al., 1996, Fiscal federalism in Spain: Present and future, 36th European Congress, ERSA-Regional Science Association, Zurich, August 26-30.

Mueller, D.C. and Murrell, P., 1986, Interest groups and the size of government, Public Choice 41, 125-46.

Mueller, D.C., 1987, The growth of government: A public choice perspective, IMF Staff Papers 34, 115-49.

Mueller, D.C., 1993, Public choice II: A revised edition of public choice (Cambridge University Press, Cambridge).

Muez, M. et al., 1996, La asistencia sanitaria mantiene notables desigualdades regionales en España, El País, January 29.

Munley, V.G. and Green, K.V., 1978, Fiscal illusion, the nature of public goods and equation specification, Public Choice 33, 95-100.

Musgrave, R.A. and Musgrave, P., 1989, Public finance in theory and practice, fifth edition (McGraw-Hill Book Company, New York).

Norton, A., 1994, International handbook of local and regional government (Edward Elgar, Vermont).

Oates, W.E., 1985, Searching for leviathan: a political study, American Economic Review 75, 65-79.

Oates, W.E., 1988, On the nature and measurement of fiscal illusion: A survey, in: G. Brennan et al., eds., Taxation and fiscal federalism: Essays in honour of Russell Mathews (Australian National University Press, Camberra) 65-82.

OECD, 1995a, Budgeting for results (OECD, Paris).

OECD, 1995b, Public management developments (OECD, Paris).

Patsouratis, V.A., 1990, Fiscal decentralisation in the E.E.C. countries, Public Finances/Finances Publiques 45 (3), 76-88.

Pommerehne, W.W. and Schneider, F., 1978, Fiscal illusion, political institutions, and local public spending, Kyklos 31, 381-408.

Wagner, R.E., 1976, Revenue structure, fiscal illusion, and budgetary choice, Public Choice 25, Spring, 45-61.

TABLE 1.- Basic Data on Territorial Structure in 1996

COUNTRY	GOVERNMENTAL TERRITORIAL LEVELS [1]			
	C[2]	F[3]	S	L
AUSTRIA	1995	federal federal republic	9 states (bundesländer)	98 districts (bezirke); 2.350 municipalities (geneinde); municipal associations
BELGIUM	1957	central constitutional monarchy	3 regions	9 provinces and metropolitan Brussels; 589 communes
DENMARK	1973	central parliamentary monarchy		14 counties and Copenhagen; 275 municipalities; county or municipal agencies
FINLAND	1995	central parliamentary republic		12 provinces; 455 municipalities; 268 joint municipal boards
FRANCE	1957	central presidential republic		22 regions; 96 departments; 36.000 municipalities
GERMANY	1957	federal federal republic	13 states (länder) 3 city states	235 districts (kreise); 12.600 municipalities (germeinden); 3.500 municipal associations
GREECE	1981	central parliamentary republic		277 municipalities; 5.757 communities
HOLLAND	1957	central constitutional monarchy		12 provinces; 487 intermunicipal corporations; 633 municipalities; 584 municipal agencies; 85 "polder boards"
IRELAND	1973	central parliamentary republic		27 county councils; 4 county borough corporations; 49 urban district councils; 7 borough corporations; 24 boards of town commissioner
ITALY	1957	central parliamentary republic		20 regions and 2 autonomous provinces; 93 provinces; 8.100 municipalities
LUXEMBOURG	1957	central constitutional monarchy		12 cantons; 118 municipalities and communal administrations
PORTUGAL	1986	central parliamentary republic		18 administrative districts; 2 regional governments (Azores and Madeira); 305 municipal councils; 4.220 parishes ("freguesias")
SPAIN	1986	central parliamentary monarchy	17 autonomous communities (fiscal regime territory: common 15, “foral” or special 2) Ceuta / Melilla	53 provinces, town councils and insular councils; 807 supramunicipal local entities (697 municipal “mancomunidades”, 49 administrative areas, 3 metropolitan areas and 58 municipality groups); 8.086 municipalities; 3.715 local entities smaller than a municipality
SWEDEN	1995	central constitutional monarchy		100 county councils; 284 municipalities; 2.566 parishes
UNITED KINGDOM	1973	central parliamentary monarchy		100 counties (Scotland 33, Wales 13, England 46, Ireland 8); 540 local councils and local government boards
HUNGARY	---	central parliamentary republic		independent regional governments; 3.155 independent local governments
POLAND	---	central parliamentary republic		2480 communes (“gmina”)
SWITZERLAND	---	confederate parliamentary republics	26 cantons	3.000 communes

NOTES: 1.- The governmental territorial levels are as follows: supranational (S), federal or central (F), state or intermediate (S), local (L); the governmental general level (G) covers the whole of the four preceding levels. **2.-** The supranational level column indicates the year of integration in the Community, where applicable. **3.-** The central level column indicates **-**for each country**-** the specific denomination of the level and the political system. **SOURCE:** own elaboration and Miñana (1996), and IMF (1996).

TABLE 2. Fiscal Responsibility Indicator; Revenue and Grants over Expenditure and Lending Minus Repayments; Percentages

COUNTRY	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
1.- Supranational Level (C) *														
BELGIUM	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
DENMARK	113.1	112.2	118.4	116.1	108.5	109.1	109.1	103.8	108.5	107.4	107.5	109.2	110.6	
FRANCE	111.5	117.9	116.7	118.8	128.9	116.7	100.0	107.0	107.1	100.0	101.6			
GERMANY	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
GREECE	1325.0	1720.0	1880.0	4533.3	517.3	660.4	668.0	483.2	616.0	539.9	396.1	395.6		
HOLLAND	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
IRELAND		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
LUXEMBOURG	115.4	106.6	116.0	147.4	122.0	121.7	126.1	119.7	125.7	121.0	119.0	124.7		
SPAIN						100.0	100.0	100.0	154.3	181.4	170.0			
UNITED KINGDOM	150.0	150.0	150.0	100.0	100.0	133.3	133.3	125.0	125.0	200.0	125.0	125.0		
2.- Central Level (F)														
AUSTRIA	110.7	110.6	110.5	108.0	108.1	107.9	111.4	111.2	110.8	111.1	111.0	111.1	110.9	
BELGIUM	108.0	108.0	109.6	108.1	108.1	108.1	107.0	108.1	108.0	107.1	106.3	106.8	106.8	
DENMARK	164.7	159.6	155.5	151.1	152.8	150.1	147.3	149.0	149.2	148.3	148.4	147.0	149.7	150.2
FINLAND	121.3	121.2	123.3	125.0	124.2	125.3	126.6	127.0	127.5	125.3	118.9	118.9	117.2	
FRANCE	106.6	106.8	106.0	106.1	106.2	106.8	106.8	107.2	107.6	107.2	107.1	107.0	107.1	107.3
GERMANY	106.4	106.2	105.7	105.9	105.8	105.7	105.3	106.3	108.7	111.8	108.5	108.7	107.8	105.9
GREECE	98.4	98.6	98.8	98.7	98.5	97.9	97.9	97.7	97.5	96.7	96.8	96.6		
HOLLAND	138.8	139.8	139.6	137.7	128.3	131.1	136.8	138.0	135.7	136.2	134.1	134.2	134.2	132,7
IRELAND	102.1	102.0	102.9	101.7	101.6	99.8	99.6	99.8	98.2	103.6	103.5	104.5		
ITALY	98.7	98.8	98.9	98.9	99.0	99.0	101.2	100.0	100.0	100.0	100.0	98.8	100.0	
LUXEMBOURG	107.8	107.6	107.9	107.9	108.1	108.6	109.2	108.5	107.6	107.6	107.4	108.6	108.3	
PORTUGAL	102.8	102.8	102.8	102.4	102.2	99.2	99.1	97.5	102.5	100.8	98.7	98.2	98.9	
SPAIN	100.7	102.7	102.1	109.6	112.8	114.6	113.9	113.9	128.9	124.1	126.8	124.9		
SWEDEN	117.6	116.0	116.6	116.0	114.5	115.3	114.9	114.1	113.5	115.7	116.5	113.0	110.7	110.8
UNITED KINGDOM	115.9	121.0	118.8	120.9	123.1	122.2	120.9	119.1	125.2	128.0	136.8	129.3	127.3	126.3
HUNGARY	113.2	112.1	112.8	113.7	113.3	111.2	114.1	114.7	110.3					
POLAND			125.9	124.2	115.3	114.6	111.0						106.2	106.2
SWITZERLAND	110.7	111.5	110.8							101.7	100.0	99.4		
3.- State Level (S)														
AUSTRIA	60.8	60.1	61.6	72.9	72.6	72.0	61.7	61.7	63.0	63.1	61.3	60.8	61.6	
GERMANY	101.9	102.0	102.6	105.0	104.1	104.3	103.8	104.0	103.7	101.8	97.2	98.3	101.5	107.6
SPAIN	57.0	39.0	46.0	36.9	23.7	26.2	32.0	32.5	27.2	24.5	21.9	22.1		
SWITZERLAND	89.6	90.4	91.2							80.9	79.1	78.4	78.6	
4.- Local Level (L) *														
AUSTRIA	89.7	92.1	91.7	93.2	92.0	91.6	88.6	88.7	89.3	89.2	88.1	88.5	91.8	
BELGIUM	39.4	38.2	40.8	40.1	40.7	42.5	44.0	43.7	43.4	45.5	46.8	44.3	46.6	
DENMARK	49.3	51.5	52.6	55.0	56.6	58.5	59.5	58.6	57.9	57.8	57.6	57.1	56.3	57.3
FINLAND	69.9	69.4	69.4	69.1	69.3	67.8	66.4	66.3	66.6					
FRANCE	60.0	60.8	66.9	67.0	67.0	65.8	66.3	65.5	65.2	64.9	64.7	65.0	65.7	64.6
GERMANY	73.0	76.0	75.5	75.3	75.1	74.2	75.3	75.7	75.7	75.7	68.6	68.3	70.9	70.4
HOLLAND	20.8	19.7	22.1	22.5	21.5	23.7	23.4	23.7	23.8	29.8	28.6	28.6	31.1	30.1
IRELAND	23.1	23.9	25.9	25.4	25.8	26.9	30.6	31.8	30.1	28.5	27.1	25.9		
ITALY				20.8	21.9	18.5	19.6	20.4						
LUXEMBOURG	54.7	59.0	58.5	61.4	60.2	52.9	50.3			67.0	66.2	66.8	67.0	
PORTUGAL						47.7	54.4	56.1	56.6					
SPAIN	103.3	102.2	105.0	81.8	72.6	79.0	77.1	79.2	76.6	76.5	75.3	75.4		
SWEDEN	77.8	77.8	77.2	78.5	78.6	80.0	81.3	80.0	81.0	83.4	84.8	80.6	81.6	
UNITED KINGDOM	55.3	52.5	50.0	52.3	52.1	53.8	57.1	57.4	39.4	29.6	26.5	26.6	26.3	26.8
HUNGARY	54.8	53.8	50.4	54.7	52.2	51.8	52.2	49.4	63.7					
POLAND			35.0	40.3	62.2	65.6	73.7						70.0	70.8
SWITZERLAND	90.3	90.1	90.8							110.0	89.2	90.0		
5.- General Level (G) *														
AUSTRIA	99.0	99.1	99.4	99.7	99.5	99.2	99.2	99.2	99.2	99.3	98.7	98.9	99.4	
BELGIUM	98.6	98.2	99.7	98.6	98.5	99.2	98.7	100.0	100.0	99.1	98.8	99.0		
DENMARK	96.4	97.8	99.0	99.8	101.7	101.1	100.5	100.1	99.7	99.4	99.4	99.1	99.1	
FINLAND	98.8	98.6	99.1	99.6	99.7	99.2	100.3	100.0	99.4					
FRANCE	99.3	99.5	99.7	99.7	99.6	99.7	99.3	99.5	99.8	99.1	98.9			
GERMANY	99.5	99.9	99.7	100.3	100.0	99.9	99.6	100.3	101.7	103.2	98.6	98.9	99.8	100.0
HOLLAND	98.9	98.9	100.3	99.2	94.4	97.5	101.4	102.8	101.6	102.4	100.7	101.3	101.1	
IRELAND	81.1	81.6	83.1	80.9	81.1	80.7	83.0	82.9	81.7	85.2	84.5			
LUXEMBOURG	100.5	100.8	101.6	102.4	102.1	101.4	101.6			101.4	101.9	102.8		
SPAIN	99.1	98.6	97.3	97.8	97.6	98.5	98.6	99.0	102.5	99.5	99.2	96.3		
SWEDEN	100.2	99.7	100.0	100.7	100.1	101.6	102.2	101.1	101.4	103.3	103.6	99.9	99.3	
UNITED KINGDOM	99.3	101.5	99.7	101.6	102.3	102.6	102.9	101.7	100.6	99.1	100.3	98.0		
HUNGARY	99.9	99.7	99.7	99.7	99.6	97.9	100.0	99.6	102.1					
POLAND			99.9	99.6	99.9	99.8	99.8						99.8	99.9
SWITZERLAND	99.9	100.4	100.7							97.8	92.0	91.6		

NOTE: * No homogeneous data were available for C for Italy and Portugal. The same happens in L for Greece and in G for Greece, Italy and Portugal. **SOURCE:** own elaboration from IMF (1992, 1995, and 1996).

TABLE 3- Fiscal Responsibility Degree per Governmental Territorial Level

LEVEL	C			F			S			L			G		
COUNTRY	**%**	**T[1]**	**R[2]**	**%**	**T[1]**	**R[2]**	**%**	**T[1]**	**R[2]**	**%**	**T[1]**	**R[2]**	**%**	**T[1]**	**R[2]**
AUSTRIA				110.24	=	7	64.1	+	2	90.34	+	4	99.21	=	5
BELGIUM	100.00	=	5	107.71	-	6				42.76	+	1	99.04	=	5
DENMARK	110.26	-	7	151.64	+	7				56.11	-	2	99.47	-	6
FINLAND				123.22	-	7				68.25	-	2	99.41	-	5
FRANCE	111.46	-	7	106.84	=	6				64.95	+	2	99.47	=	5
GERMANY	100.00	=	5	107.05	-	6	102.69	+	6	73.57	+	3	100.11	+	5
GREECE	1144.6	-	7	97.84	-	4									
HOLLAND	100.00	=	5	135.52	-	7				24.95	+	1	100.03	+	5
IRELAND	100.00	=	5	101.60	+	6				27.08	-	1	82.35	-	3
ITALY				99.47	+	5				20.22	+	1			
LUXEMBOURG	122.11	+	7	108.08	=	6				60.37	+	2	101.67	+	6
PORTUGAL				100.61	-	5				53.72	+	2			
SPAIN	134.28	+	7	114.58	+	7	32.43	-	1	83.66	-	3	98.66	-	4
SWEDEN				114.66	-	7				80.21	+	3	101.01	-	6
UNITED KINGDOM	134.72	-	7	123.92	-	7				43.26	-	1	100.80	-	5
HUNGARY				112.82	-	7				53.66	+	2	99.79	+	5
POLAND				114.78	-	7				59.66	+	2	99.81	=	5
SWITZERLAND				105.72	-	6	84.01	-	3	93.41	=	4	97.07	-	4

NOTES:

1.- The tendency (T) is considered stable or balanced (=), positive (+), or negative (-).

2.- The responsibility degree (R) is qualified with the values 7 (very high, >110%), 6 (high, 101-110%), 5 (normal, <99-100%), 4 (relatively normal, 90-98%), 3 (intermediate, 70-89%), 2 (low, 50-69%), and 1 (very low, <50%).

SOURCE: own elaboration from IMF (1992, 1995, and 1996).