

Partial Coordination in Local Debt Policies

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Abstract

The efficiency of decentralized local debt policy under *partial* and *full* coordination is examined. The earlier studies show that independent regional governments issue an excessive amount of local public debt, and call on the central government to place restrictions on local debt policies. This paper compares several rules of coordinated debt policies to show that the central government intervention is not required to carry out an efficient local debt policy. The main argument is that a form of *partial* coordination results in the efficient outcome rather than a *full* coordination in local debt policies.

Key words: local public debt, migration, partial coordination

JEL Classification: H41, H71, H74