Partial Coordination in Local Debt Policies

Hikaru OGAWA  
Nagoya University

Junichi NAGAMI  
Japan Finance Corporation

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