

# Spanish regional public budget reactions to revenue gains: the dependence on the transfer system\*

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*Recent contributions to the literature on public choice have examined the effects of regional fiscal balances and restrictive decentralization mechanisms on the capability of regional governments to make expenditure decisions. This paper focuses on the Spanish regional case where decentralization was based on transfers. We question whether transfers from the central government were a driving factor for regional expenditures decisions. The results show that the propensity to make new decisions regarding current expenditures or investment as a reaction to additional transfers from the central government is low.*

*Recientes contribuciones han examinado los efectos de las balanzas fiscales regionales y de la existencia de mecanismos de descentralización restrictivos sobre la capacidad de los gobiernos regionales en sus decisiones de gasto. Este artículo se centra en el caso español donde la descentralización se ha basado en transferencias. Así, nos cuestionamos si las transferencias del gobierno central han supuesto un factor decisivo a la hora de explicar las decisiones de gasto regionales. Nuestros resultados muestran que la propensión a realizar nuevas decisiones de gasto o inversión como reacción al incremento de transferencias del gobierno central es baja.*

Keywords: fiscal decentralization, soft budget constraints, Spanish regions

JEL codes: H71, C33, R58

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