

The Research Centre of the Faculty of Economics
cordially invites you to a research seminar
on **Tuesday, 26th June 2018**
at **1 p.m.** in ?
at the **Faculty of Economics, University of Ljubljana**

Authors:

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will present the article:

**“Real Activities Management to Prevent Fiscal Deficits:
Evidence from Municipal Corporations”**

“Municipalities have regulatory deficit and debt targets. This means that municipalities often face a trade-off between maintaining the provision of public services and complying with fiscal restrictions. We investigate this trade-off using a novel sample of municipal corporations whose expenditure towards providing public services is consolidated within municipalities’ balanced budget calculations. We argue that the articulation of balanced budget calculation provides both opportunities and incentives for municipalities to exert pressure on their consolidated subsidiaries to shave discretionary expenditure. Our findings suggest that municipalities guide their subsidiaries’ expenditure downwards to meet the target of zero non-financial deficit insofar the political cost of low public services provision can be manageable. Further analysis points to the role of subsidies and specifically, operating grants, as a mechanism to control the level of discretionary expenditure in consolidated subsidiaries. We confirm our findings by testing these predictions on a counterfactual, that is, a sample of subsidiaries which are similarly aligned with the municipality but do not directly influence the municipality’s ability to meet its fiscal regulatory targets.”

You can register for the free seminar by phone (01) 58-92-490, or via e-mail:
research.seminars@ef.uni-lj.si by Monday, 25th June 2018.

You can find all information regarding future research seminars on following link:
http://www.ef.uni-lj.si/raziskovanje/seminarji_in_konference

We look forward to seeing you!