

Volume 28, Issue 7**Research Announcement****Fiscal federalism, discipline and selection adverse in the EU : Lessons from a theoretical model**

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Abstract

What is the optimal way to stabilize shocks and to take care of fiscal discipline in a fiscal union ? Among the various possible ways, this paper focuses on an inter-countries insurance scheme conditioned by the national preference for fiscal discipline of each government. We will show that the insurance scheme improves significantly the union's social welfare because it enables to cover deviations of the output gap and correct national preferences.

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