Abstract
We provide an explanation for why centralisation of political decision making results in overspending in some policy domains, whereas too low spending persists in others. We study a model in which delegates from jurisdictions bargain over local public goods provision. If all of the costs of public goods are shared through a common budget, policy makers delegate bargaining to `public good lovers', resulting in overprovision of public goods. If a sufficiently large part of the costs can no be shared, underprovision persists because policy makers delegate bargaining to `conservatives'. We derive financing rules that eliminate the incentives for strategic delegation.