

Abstract

If voters care for the relative supply of public goods compared to other jurisdictions, decentralized provision of public goods will be too high. Potentially, centralization internalizes the negative externalities from the production of these 'conspicuous' public goods. However, in a model of strategic delegation of policy making, we show that in the decentralized policy making case the median voter may delegate to a politician who cares less for conspicuous public goods than she does herself. By doing so, she commits to lower public goods in the home and in the foreign country. In contrast, with centralization the median voter anticipates the reduction in public goods supply by delegating to a policy maker who cares more for public goods than she does herself. This last effect mitigates the expected benefits of centralization.