

The Flypaper: Evidence from Brazilian Municipalities

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Abstract: This article investigates the flypaper effect in Brazilian municipalities, considering that intergovernmental transfers from the Brazilian federative pact may trigger an increase in the subnational entities' public spending. We use data from the budget and financial statement from a total of 5,606 Brazilian municipalities over a fifteen-year period (2005 and 2020). The results of a panel data robust estimation of a model of total expenditure support the hypothesis of the flypaper effect to the Brazilian municipalities in our sample. They are robust to various model specifications and econometric techniques.

Keywords: Flypaper Effect; Intergovernmental Transfers; Grants; Brazilian Municipalities

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