

**Anonymous - Report**

June 30, 2019 - 20:34

**General comments**

The manuscript analyses the effects of fiscal consolidation on economic growth for the Spanish regions. The paper is interesting and well-written, and the empirical analysis is appealing and methodologically correct. But I have some suggestions to improve the current version and recommend its final acceptance. Please see the ...[more]

... following comments:

1. Contribution. Please improve the literature review and clarify/highlight the contribution of this paper to the literature.
2. Section 2. It should be interesting to expand the contextualization of the Spanish case. For example, the authors refer to the deficit target, the spending rule and the debt target without explanations about them.
3. Sections 3-4. Discuss the results with regard to previous studies on this topic.
4. Sections 3-5. The policy implications are briefly discussed only at the end of Conclusions. Please expand those implications in Sections 3-4.

**Minor comments**

1. Abstract. I recommend rewriting the abstract without focusing on why Spain has been selected, but highlighting the score, contribution and main results of the manuscript.
2. Page 7. Explain why 2008 (and not averages) in some variables. Availability?
3. Figure 1. Improve the quality of this figure.
4. Tables 5-6. Put the same decimals.
5. References.
  - a. Re-order some references from the same authors (Abadie et al; MINHAP).
  - b. It should be interesting to separate articles/books/WP... from data (web).
  - c. Lago-Peñas et al (2017) are two different papers but in the text they are cited in the same form and readers cannot distinguish among them.
6. Some of these recent articles can be interesting for this paper:
  - a. Alesina, A. et al (2015): The output effect of fiscal consolidation plans, *Journal of International Economics*, 96(S1), S19-S42.
  - b. Alesina, A. et al (2017): The effects of fiscal consolidations: theory and evidence, NBER WP 23385.
  - c. Attinasi, M.G. and A. Klemm (2016): The growth impact of discretionary fiscal policy measures, *Journal of Macroeconomics*, 49, 265-279.
  - d. Blanco, F. et al (2019): Fiscal decentralization policies in the EU: a comparative analysis through a club convergence analysis, *Journal of Comparative Policy Analysis*, forthcoming.
  - e. Fatás, A. and L.H. Summers (2018): The permanent effects of fiscal consolidations, *Journal of International Economics*, 112, 238-250.
  - f. Hubscher, E. (2016): The politics of fiscal consolidation revisited, *Journal of Public Policy*, 36(4), 573-601.

**Santiago Lago-Peñas - Responses to reviewer 1's report**

August 25, 2019 - 12:50

Many thanks to the reviewer for her/his helpful suggestions. Our responses are as follows:

1. New references have been added to the literature review and the contribution of the paper has been highlighted.

2. The new version of the paper includes a discussion on fiscal targets faced by Spanish ...[more]

... regional governments.

3. We have not found estimates at regional level to compare our results. Hence, we choose to discuss our estimates in the final section.

4. Policy implications are extended in Section 5.

#### Minor comments

1. The abstract has been extended to include the main implication of the paper for the literature on fiscal federalism.

2. Done. In the case of variable AROPE on poverty and the Regional Competitive Index (RCI) computed by the European Commission due to availability of data. In the case of both private and public capital because of the stock nature of variables.

3. The quality of figure 1 has been improved.

4. Our criteria in table 6 is to include the first two non-zero decimals. Figures in Table 5 add to 1. Then, we have changed to two decimals in all cases. It is true that weights are easier to read now.

5. a. References for the same authors have been reordered.

b. Good idea. Done.

c. One of the references Lago-Peñas et al (2017) has been dropped.

6. Many thanks for the references. Some of the papers has been included in the review of the literature. Alesina (2019) already synthesizes main results in Alesina, A. et al (2015) and Alesina, A. et al (2017).