

Abstract

Many developed countries have boosted investment into High-Speed Rail (HSR). This infrastructure is costly and requires high investment during the construction and operation periods, which is mainly financed with public funds. This economic effort is seldom set off, which leads to subsidies with the money collected from public debt growth or tax pressure increases. The question that immediately emerges is whether the entrance of this new infrastructure generates spillovers at the local level. In this paper, we answer this question by using local data on economic activity, municipalities' characteristics and local public budgets in Spain for the past decade (2001–2010). To approach to this problem, we use GIS tools and build a database to estimate the impact by considering difference-in-difference analysis. Our estimations yield a general conclusion: when HSR comes to town, both local revenues and the local fiscal gap improve by 10% and 16%, respectively. These improvements primarily affect municipalities located within 5 km of an HSR station.

Keywords: High Speed Rail; local budgets; difference-in-difference

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