

The authors study the investment effort of regional governments in Spain. They use a stochastic frontier approach to try to see whether, given their circumstances, regional government do the amount of investment they could do. Then, they try to see which are the explanations for the discrepancy between the actual levels of investment and the potential ones.

My opinion is that the approach followed in this paper does not make a real contribution to the literature and can actually create a lot of confusion. The reason is that there is nothing such an efficient level of investment. You can not say that because you have a given level of transfers and a given level of savings or debt then you should have some level of investment. Actually, it might be that the regions that decide to invest less given their possibilities are the ones that are investing efficiently. We know for instance that in the last years the Spanish regions have been investing in inefficient projects ('white elephants'), so it is not clear that the more investment the better.

The problem actually comes from using an input (capital spending) as if it was an output. The authors claim that this is innovative, but it is wrong.

In order to evaluate whether the investment decisions of Spanish regional governments are efficient or not one should compare the effects of those investments (in terms for example of growth achieved; in this case the output is growth and the input is capital spending; then one could look at the determinants of the inefficiency i.e., why some regions get a lot from 1 euro of investment and others not). If there was enough information one could also look at the quality of the investment (the input will be capital spending and the output and indicator of whether the project was useful or not); this is probably impossible to do but would make sense. One could also look at whether the regions with more investment are the ones with less public capital to start with (I think this information is available in Spain). So, there are many possible things to do, but using capital spending as an output (an objective in itself) simply has no sense.