

MS 993 submitted to economics e-journal.

I. Significance of overall contribution.

This paper is long on ambition but short on accomplishment.

For instance, it claims in the abstract "This paper is intended to provide an assessment of the silent revolution (decentralization reform) of the last three decades...".

This ambition falls short of accomplishment in that there is no dynamic assessment of how the process of decentralization has affected other things as it has taken place.

There is an assessment of sorts in the last section of the paper, but almost all of the space in the paper is devoted to the construction of a wide variety of indexes of local government decentralization.

In the last section of the paper the assessment of sorts is provided through correlations via cross country regressions between the log of three of their indexes and six dependent variables, controlling for a number of other ones.

Five of the six dependent variables, their three indexes and all control variables are measured as of 2005. Some would be skeptical of the ability of these results correlating variables at one point in time to provide an assessment of a process over time.

Even if one granted the possibility some of the choices of control variables are peculiar. The authors include among the control variables log of GDP and log of population separately as well as log of GDP per capita. The last variable is just the difference between the previous two. A more sensible approach econometrically would be to test if the coefficients are the same between the first two and just include the difference if they are not or simply to just include the first two.

The one exception to variables measured as of 2005 is real GDP per capita growth, which is measured for the period 2000-2010.

While the coefficients for their three decentralization indexes are positive, none are significantly different from 0 even at the 10% level.

This suggests the conclusion that their three somewhat laboriously constructed aggregate indexes of decentralization do not seem to have much of an impact on growth. Thus, the silent revolution of decentralization is not helpful for development, measured as growth of GDP per capita over the period 2000-2010, in a statistically discernible way.

A similar lack of statistically discernible effects arises with respect to government employment, procedures to start business, and procedures to enforce contracts. Statistically discernible correlations arise only with respect to perceptions of corruption as measured by TI and the UN's human development Index.

Thus for 4 of their 6 dependent variables one can argue that their three decentralization indexes have no statistically discernible impact on the variable.

Yet based on these results the authors conclude "... that one could have predicted well in advance with a fair degree of accuracy countries that were ripe for popular people revolt such as the one experienced through the Arab Spring...!"

II. Is the Analysis correct?

Many if not most of the considerations mentioned by the authors in the process of constructing each of the indexes are sensible and consistent with the literature.

Unfortunately at the end of the day each of the indexes have serious problems in measuring the concept they are after very accurately for a variety of reasons beyond the control of the authors.

Adding them up or putting them together does not necessarily reduce the problem or improve accuracy.

For instance, what do we mean by local government varies across countries even formally, let alone informally.

The authors note issues relevant to this problem but it is not clear that their indexes address these issues in meaningful ways.

For example, they construct an index to calculate the average population of a LG administrative unit that corrects for the fact that there are different tiers of local government. The end result is that their index will generate higher average population values for LG units if a country has more tiers. It does so other things equal, which they would want, but even if they are not equal, which they would not want. Among the things that are not equal and they would not want is the lack of consistency in definitions of tiers by countries, which are accepted by data gathering agencies as they note.

Informal issues are even more difficult. For example, in India a village level type of local government has existed for many years (Panchayati Raj) but its efficacy has varied enormously despite many attempts to devolve some power to it. So much so that there have been two commissions and a constitutional amendment trying to empower these local government units with limited success. These institutions now even have a ministry at the union or central level although their website has no records!

It is not clear if these units are considered at all when they include India in the indexes they construct. Even if they are included-- are they included in all of the indexes? It is hard to believe that there are data on them for all the concepts identified by the authors.

If one wanted to compare India and China with their indexes, for example, one would want to know if the above somewhat informal and very local government units with a parallel structure to the more formal ones were or were not included in each of their indexes for India.

Each one of the issues that arise for anyone index and anyone country are worthy of being addressed individually, which would convert the paper into a monograph.

Unfortunately without doing so there are many questions unanswered about the indexes. These questions leave at least this reader somewhat uncertain about what the indexes measure.