Decentralization and Inequalities in Asia

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RÉSUMÉ

In this paper we analyse how decentralization is associated with regional disparities in 19 Asian countries. Fiscal decentralization literature is mixed on the effects on regional inequalities, whereas political decentralization is yet an area for a greater research in the field. Unlike previous literature we examine the effects of different decentralization measures on inequality both individually and in a mix scenario. We find that decentralization increases inequalities, if at all, with fiscal indicators and partially reduces inequalities with political decentralization measures. These results implicate that overall decentralization policies are necessary in reducing inequalities but they are conditional on certain economic and political institutional arrangements. The use of G2SLS instrumental variable estimation technique further confirms our findings. Our results are robust to the use of alternative measures of regional inequalities.

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