

# Decentralization and growth: what if the cross-jurisdiction approach had met a dead end?

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**Abstract** The relationship between decentralization and economic growth is generally studied from a perspective stressing universal or quasi-universal regularities across jurisdictions. That approach has generated many insights but seems to reach its limits. The paper explains why it allows contrasting positions with regard to the benefits of decentralization even among proponents of free and competitive markets. And it seems from the empirical literature that no robust and economically significant cross-jurisdiction relation between decentralization and economic performance or growth, except perhaps their independence, has been found. The absence of a relation valid across jurisdictions, however, does not entail the absence of relations specific to each. When jurisdiction specificity is very strong, it is normally difficult to say if there is a relation between observable decentralization arrangements in a jurisdiction and its observable economic performance. However, this may be different under particular circumstances reflecting disequilibrium. Episodes of growth acceleration, when they follow persistent underperformance and include changes in decentralization arrangements, may provide some empirical support to the claim that the relation exists.

**Keywords** Decentralization · Economic growth · Public choice · Yardstick competition · Reforms

**JEL Classification** D72 · H70 · O40

## 1 Introduction

In recent years, economists have tended to replace efficiency or welfare by economic growth as a major criterion to gauge institutions and policies. Federalism

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