



Does decentralization reform promote local economic growth? A meta-analysis

Songhao Yu & Maoxuan Wang & Jingsong Meng



Beijing Normal University
SS4115



INTRODUCTION

Since the provincial-manager-county reform and the county-power-expansion reform were widely implemented in all Chinese provinces, investigating the economic effects of decentralization reform through the theoretical model of causal inference and econometric tools has always been the focus of academic attention. On the one hand, strengthening the investigation of the economic effects of decentralization reform is conducive to a comprehensive evaluation of the policy effects of decentralization reform, which can provide important decision-making support for deepening the vertical government level reform in practice. On the other hand, identifying the net impact of decentralization on county economic growth through causal inference can provide reliable empirical evidence for testing decentralization theory and its theoretical inference. Therefore, a large number of empirical studies have been carried out around the theme of the provincial-manager-county reform, the county-power-expansion reform, and economic growth. According to the results of empirical research reports, although decentralization theory provides a critical theoretical perspective to explain China's rapid economic growth after the reform and opening up, whether decentralization itself can significantly promote economic growth has not been unanimously supported by empirical evidence. Some studies have proved that decentralization can promote economic growth by stimulating investment in reform counties, but some empirical studies have reported the opposite results, and the empirical evidence in this field shows strong inconsistency.

MAIN PROCESS

This article conducted a meta-analysis of the 24 effect values reported in the empirical literature meeting the inclusion criteria, integrating the mean effect size of decentralization reform on the per capita GDP of counties, and conducting heterogeneity test and publication bias test.

RESULTS AND ANALYSIS

After integrating 24 effect values through the fixed-effect model and random effect model, we obtained the mean effect size of decentralization reform on the per capita GDP of counties. Under the fixed effects model, the mean effect size of decentralization reform on the per capita GDP level at the county level is 0.173. Under the random effect model, the value of the mean effect size between decentralization reform and per capita GDP is 0.215. There is a moderate correlation between decentralization reform and the per capita GDP of reformed counties.

Q test and I^2 test were used in this paper to analyze heterogeneity among different pieces of literature. The Q value is 451.597 and significant at the level of 1%, suggesting high heterogeneity in the existing studies. The I^2 test result was 94.907, indicating that the proportion of effect difference caused by heterogeneity accounted for 94.907% of the total variation of effect size. There is a high degree of heterogeneity in existing studies.

In this study, a funnel plot was used to test publication bias in existing studies, and the results that there is publication bias in the existing empirical studies.

CONCLUSION

Whether decentralization reform can promote the economic growth of the reformed counties has always been the focus of academic attention, but empirical evidence fails to provide a relatively consistent conclusion. In this paper, we conducted a meta-analysis of 24 effect sizes reported in literature meeting the inclusion criteria, integrated the effects of decentralization reform on GDP per capita of counties, and conducted a heterogeneity test and publication bias test. The results show a moderate positive correlation between decentralization reform and the per capita GDP of counties, and the reform increased the per capita GDP of counties by about 0.2 units. The high degree of heterogeneity in the existing empirical studies is the main reason for the inconsistency of the empirical results. At the same time, there is publication bias in the existing empirical studies, which means that the existing empirical evidence exaggerates the impact of decentralization reform on the per capita GDP of counties. Thereby, this study attaches importance to the economic effects brought by decentralization reform.