

Fiscal decentralization and government size: the case of Indonesia

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Abstrak

This paper tries to estimate the relationship between fiscal decentralization and government size in Indonesia by employing de Mello's model. The impact of fiscal decentralization on government size is estimated by doing a regression on the government size indicator (as a dependent variable) that is affected by: the decentralization indicator, local government collusion indicator, and the control variable (as independent variables). The results indicated that there is a positive relation between the government size and decentralization indicators when we use the relative size of local government expenditures and fragmentation ratios as a proxy. On the other hand, the author found an irrelevant and even negative relationship between tax/non-tax autonomy and the government size.