

# Fiscal Decentralization and Welfare Economics: The Linkage

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**Abstract:** This study examines the link between fiscal decentralization and welfare economics using a Systematic Literature Review (SLR) and bibliometric analysis, drawing data from Web of Science (WOS) and Scopus. It identifies a growing trend in fiscal decentralization research, frequently linked to welfare topics. The key focus, "Welfare State + Fiscal Decentralization," highlights its role in improving public goods provision. Another theme, "Pareto Efficiency + Public Goods," explores how local tax policies and Marginal Fiscal Cost (MFC) influence efficiency. Findings suggest that fiscal decentralization enhances welfare by optimizing public goods allocation under Pareto Efficiency principles. However, fiscal disparities must be addressed to ensure equity, as regions with stronger fiscal capacities are better positioned to meet Welfare State objectives. This research innovatively applies bibliometric analysis to track thematic trends, offering insights into the evolution of fiscal decentralization studies.

**Keywords:** fiscal decentralization, welfare economics, pareto efficiency, public goods, systematic literature review

## Introduction

Welfare Economics is a sector that focuses on how certain activities and policies influence societal welfare. Lange (1942) argued that Welfare Economics examines factors that impact the overall welfare of a social group. Achieving welfare is one of the key reasons governments intervene economy, particularly through wealth redistribution. This concept, which emphasizes enhancing well-being, can be realized through the provision of public goods (Nakamura, 2023).

Another integral aspect of Welfare Economics pertains to externalities and market failures, which are among the primary justifications for government intervention in economy through public policies (Gruber, 2013). For instance, the relationship between Welfare Economics and government actions can be observed in the provision of public services, such as healthcare (Anticono et al., 2024; Kim et al., 2012; Swanson & Ki, 2023) or education (Barth et al., 2023).

Autonomy system has grown rapidly over time, as evidenced by the implementation in several countries recently. In Indonesia, the system is marked by the enactment of Law No. 22 of 1999 concerning Regional Governance and Law No. 25 of 1999 concerning Financial Balance between the Central and Regional Governments. These two laws represent the initial steps of transition towards fiscal decentralization, in which the Central Government delegates a portion of authority to Regional. The implementation of fiscal decentralization system is expected to create better efficiency in resource allocation and utilization regionally (Bodman et al., 2009; Cavalieri & Ferrante, 2016; Faguet, 2008; Tiebout, 1956). Vo (2010) argued that one of the public economics branches associated with resource reallocation is efficiency rate. This concept is clearly showed in the relationship towards scarcity concept. Furthermore, Xie et al. (2024) reported the association through a sustainable environment in resource allocation efficiency. The result showed that there was a negative effect on emission output, underscoring the need to implement more efficient decentralization. The efficiency of decentralization implementation, including fiscal, is significantly influenced by the quality of institution, such as the framework for performance measurement (Devas, 1997). A similar

argument by Digdowiseiso (2023) explained the impact of institutional quality on fiscal decentralization implementation. The relationship between public goods provision and the concept of efficiency was also discussed by Hoenig et al. (2024). Furthermore, fiscal decentralization is closely linked to the provision of public goods, particularly in relation to how local government performance evolves in delivering public goods after the adoption of decentralization (Dick-Sagoe, 2020). Studies by Pu et al. (2023) and Wang et al. (2024) in China also showed that decentralization had a positive and significant effect on public satisfaction with the services provided. Study by Sofilda et. al (2024), regions with independence above 50 per cent, decentralisation, locally generated revenue, positively influenced regional economic growth.

Although both are grounded in the same objectives, the relationship between fiscal decentralization and the concept of Welfare Economics is complex and multifaceted. Therefore, this study aimed to identify the interconnections between the two concepts, rooted in shared principles related to welfare and efficiency. The current relevance of fiscal decentralization was also examined.

## Literature Review

Cai & Triesman (2006) divided decentralization concept into three types namely (i) Administration; (ii) Political, and (iii) Fiscal. Boadway (2006) in (Uchimura, 2012) stated that fiscal decentralization is a system that creates efficiency and effectiveness in resource allocation. Furthermore, Devas (1997) elaborated the three key concepts related to the principles of decentralization from a legislative perspective into (i) responsibilities through regional autonomy granted to local governments; (ii) governmental operations from the central government to the regions, and (iii) co-administration mechanisms.

The relationship is closely tied to the government role of intervening in the development of each territory under the jurisdiction. Oanh (2023), in a study of 63 provinces in Vietnam from 2010–2020, found that fiscal decentralization positively influenced GRDP growth. Similarly, Tabenska et al., (2023) in a study across 15 Central and Eastern European countries, identified a significant yet small effect of fiscal decentralization (expenditures) on economics growth. The linkage between fiscal decentralization and welfare economics issues was also observed in a study of 27 developed and developing European countries between 1992–2017. The results showed a limited relationship between decentralization (expenditures) and economics development. The concept of welfare economics is rooted in the foundational theory of Pareto Optimum (Sandmo, 1995).

Welfare economics is a sector that formulates social welfare preposition in certain conditions (Ng, 1983). Furthermore, individual behavior, in terms of welfare state, partially focuses on government impact through tax policy and social security towards saving behavior and labor supply. Studies by Chu & Yang (2012) and Aslim & Neyapti (2017) have proven the relationship of fiscal decentralization towards welfare rate through taxation. The literature on fiscal decentralization has expanded with different focus including Dwicaksono & Fox (2018) who focused on the Middle & Low-Income Countries. Narbón-Perpiñá & Witte (2018) examined the efficiency of local governments, while Z. Wang & Ma (2014) focused on the context of China, among others. The efficiency of local governments in providing public goods is also a critical area of interest in explaining the link between fiscal decentralization and welfare economics. Dick-Sagoe (2020), in a study on developing countries, found that decentralization has the potential to impact the performance of local governments in the provision of public goods and services. However, from a quality perspective, there is no conclusive evidence of improvement.

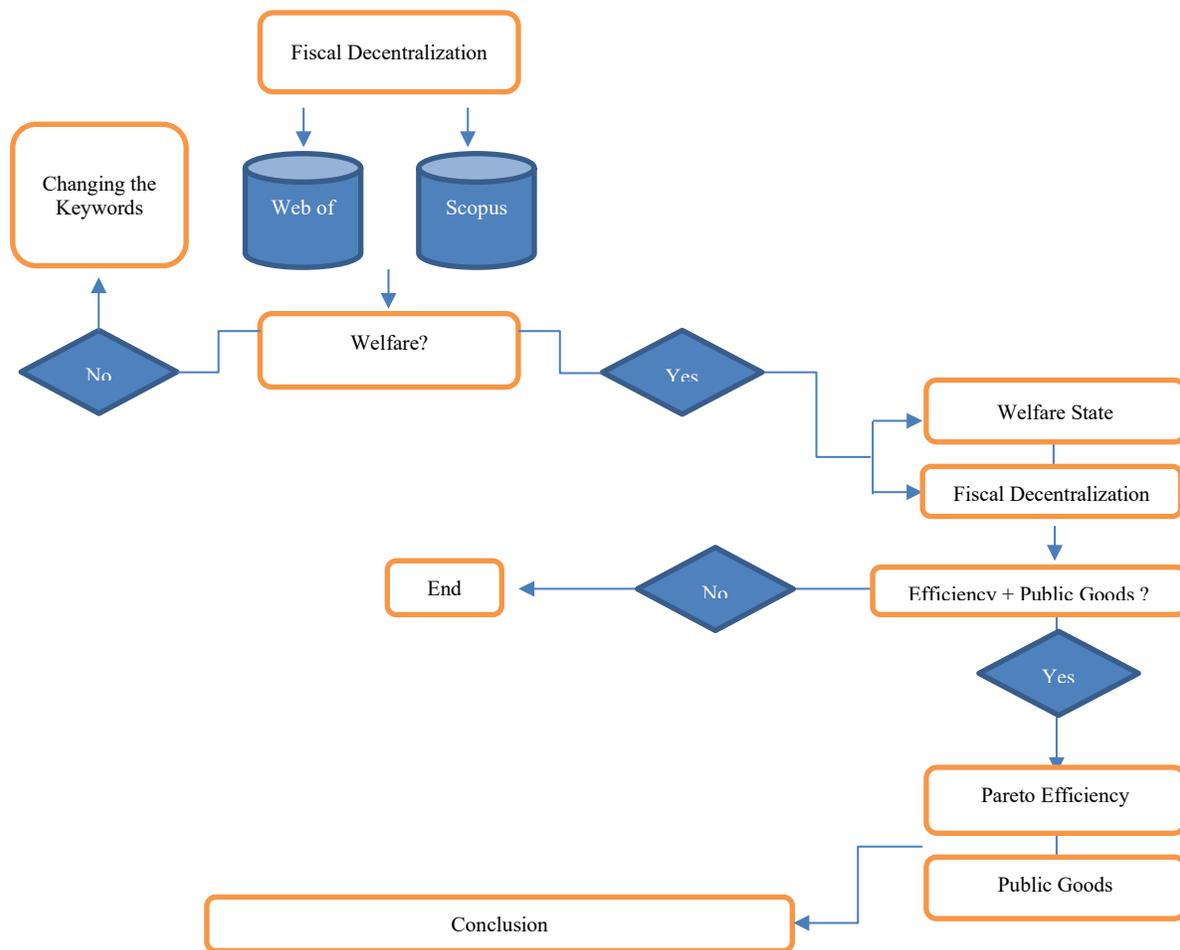
The relationship between fiscal decentralization and the provision of public services was outlined in several other studies (Bardhan & Mookherjee, 2005; Kessy, 2023; Khaleghian, 2004; Sanogo, 2019; Lewis et al., 2020; Zallé & Bakouan, 2024). In the health sector, Khaleghian (2004) conducted a study analyzing 140 countries from 1980 to 1997. The results showed a significant difference in coverage between low-income (LIC) and middle-income countries (MIC). In the LIC group, decentralization tends to have broader coverage compared to centralization. Conversely, in the MIC group, the opposite effect was observed. A recent study by Swanson & Ki (2023) also showed that health budgets in decentralized systems could contribute to poverty reduction. Decentralization not only impacts poverty reduction but also affects economics growth (Hung & Thanh, 2022; Onofrei et al., 2022). Additionally, Bardhan & Mookherjee (2005) found similar results, concluding that decentralization could lead to increased efficiency in the provision of public services. The relationship between fiscal decentralization and public goods provision reportedly influences poverty levels (Sanogo, 2019; Siburian, 2022; Song et al., 2022).

## Methodology

This study was conducted with a qualitative approach using the Systematic Literature Review (SLR) technique. According to Khan et al. (2003), SLR is a method that identifies relevant studies, assesses quality, and synthesizes

results using a scientific approach in two stages of analysis. The development of studies related to fiscal decentralization was examined and analyzed to explore the connection with other aspects, particularly Welfare. This was carried out using several criteria, such as (i) Year of publication; (ii) Type of document; (iii) Language; and (iv) Study area.

**Figure 1: Study Design**



Source: Authour (2024)

Figure 1 shows the process where keyword 1 (Fiscal Decentralization) was used to examine the overall development of the literature and the relationships between the themes evolving in both databases, with the following criteria:

1. Years of Publication: 2014-2023
2. Type of Document: Article
3. Language: English
4. Area:
  - a. Business Economics
  - b. Public Administration

After conducting the search and filtering using the first keyword, the connection with the aspect of "Welfare" was examined. In cases where there was a connection, the relationship was identified using the keywords "Welfare State + Fiscal Decentralization." When both were related to the aspect of efficiency, the next step was searching for the keywords "Pareto Efficiency + Public Goods" with similar criteria.

## Results & Analysis

The results generated using the first keyword “Fiscal Decentralization” in two databases (WOS + Scopus) are presented in Table 1.

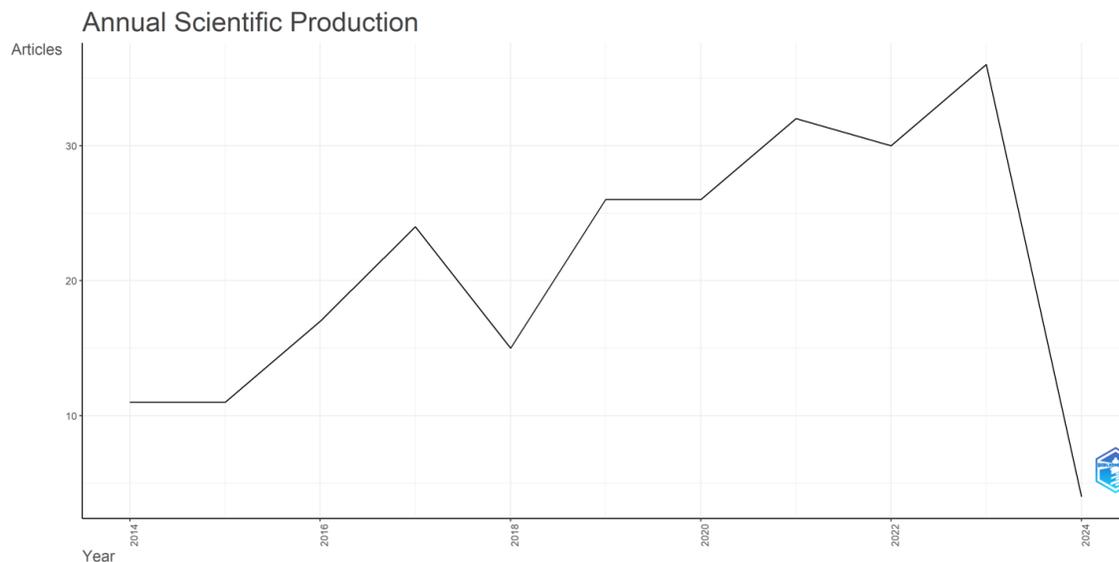
**Table 1: Resume of WOS – Fiscal Decentralization**

| "Fiscal Decentralization" |                       | N          | Excluded   |
|---------------------------|-----------------------|------------|------------|
| <b>Item Records</b>       |                       | <b>646</b> |            |
| <b>Included</b>           |                       |            |            |
| Publication Years         | 2014-2023             | 490        | 156        |
| Document Types            | Articles              | 436        | 54         |
| Language                  | English               | 422        | 14         |
| Study Areas               | Business Economics    | 232        | 190        |
|                           | Public Administration |            |            |
| <b>Included</b>           |                       | <b>232</b> | <b>414</b> |

Sources: Web of Science, data processed (2024)

Table 1 shows the use of several criteria, including (i) Year: 2014-2023, (ii) Document Type: Articles; (iii) Language: English, and (iv) Area: Business Economics & Public Administration. These criteria excluded 414 entries out of a total of 646 records, with Figure 2 showing the performance of the literature productivity.

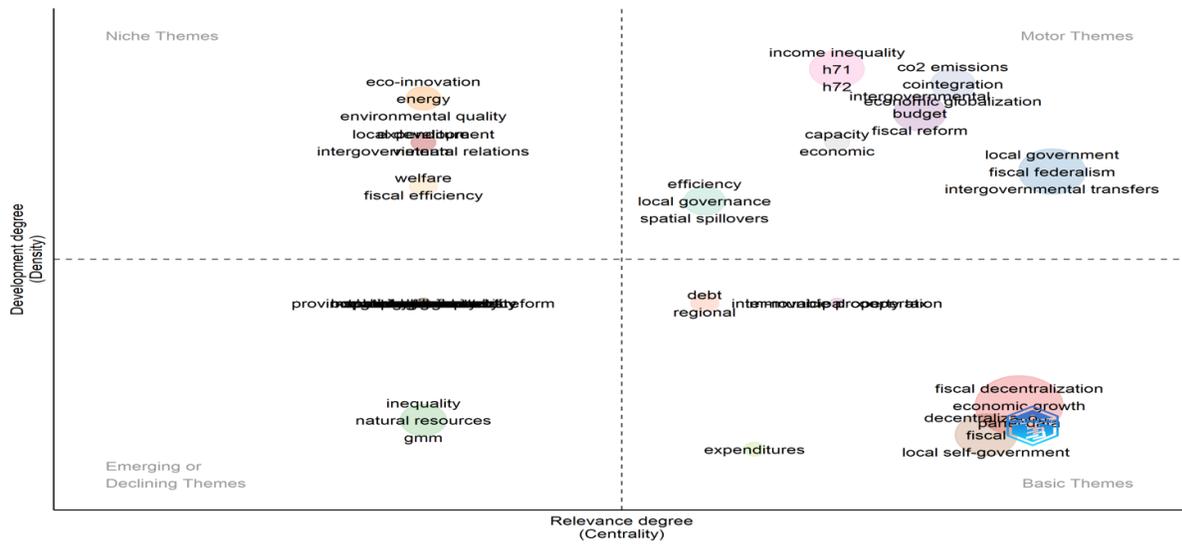
**Figure 2: Annual Scientific Production of Fiscal Decentralization Keywords (WOS)**



Sources: Data Processed (2024)

As shown in Table 1, the theme of fiscal decentralization demonstrated an increasing trend over the past 10 years. This shows that the theme or keyword remains highly relevant in the development of literature. Furthermore, the relevance of the keyword is also evident from the thematic mapping shown below:

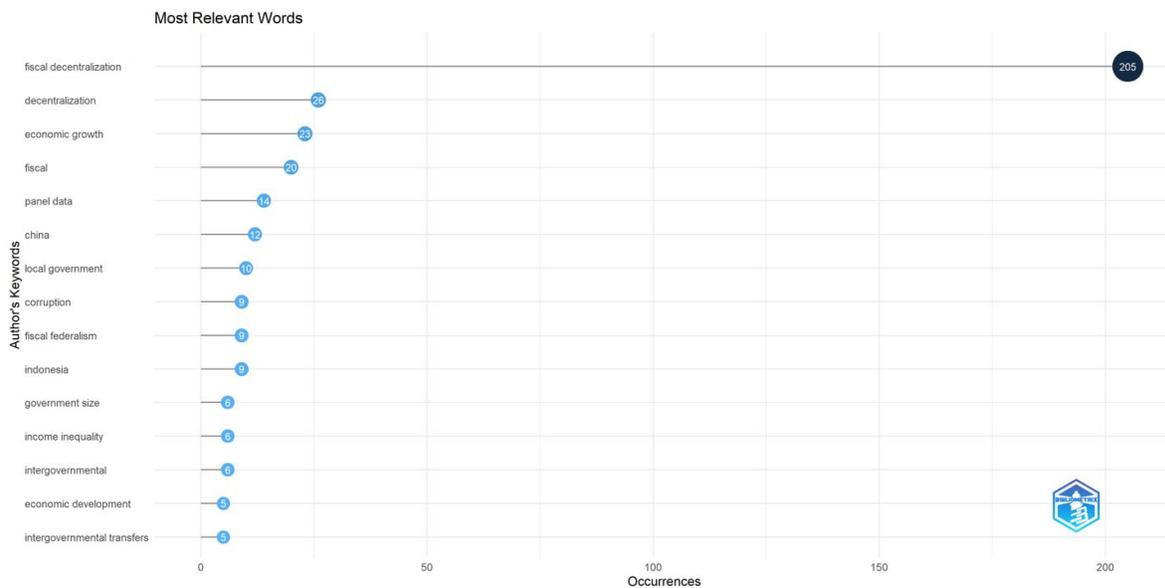
**Figure 3. Thematic Map Fiscal Decentralization (WOS)**



Sources: Data Processed (2024)

Figure 3 shows that the keyword “Fiscal Decentralization”/“Fiscal Decentralisation” is positioned in Quadrant 4 (Q4). This shows that the keyword has high centrality (relationship with other aspects) but low density (not often studied independently). The connections to other aspects are shown in Quadrant 1 (Q1) with keywords such as “Income Inequality,” “Fiscal Reform,” “Capacity,” and others, signifying that these keywords possess both high centrality and high density. Meanwhile, in Quadrant 2 (Q2), keywords such as “Welfare” and “Fiscal Efficiency” are found, both considered specific (niche). Furthermore, keywords with the highest frequency are shown in Figure.

**Figure 4: The Most 15 Relevant Keywords “Fiscal Decentralization” (WOS)**



Sources: Data Processed (2024)

The most relevant keyword shown in Figure 4 is 'Economic Growth.' A keyword that implicitly reflected the concept of welfare, and also ranked among the 15 most relevant, was 'Income Inequality.' In addition, fiscal decentralization

was frequently associated with keywords such as 'Corruption,' 'Institutional Quality,' 'China,' 'Government Size,' and 'Intergovernmental Transfers'. The second search for this keyword in Scopus database also generated results shown in Table 2.

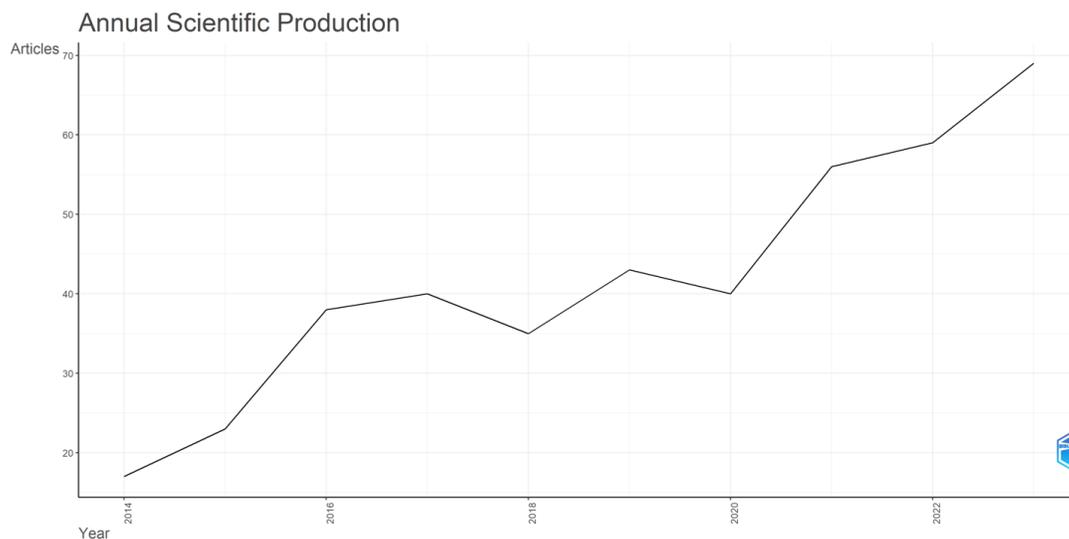
**Table 2: Resume of Scopus – Fiscal Decentralization**

| "Fiscal Decentralization" |                                    | N          | Excluded   |
|---------------------------|------------------------------------|------------|------------|
| <b>Item Records</b>       |                                    | <b>900</b> |            |
| <b>Included</b>           |                                    |            |            |
| Publication Years         | 2014-2023                          | 641        | 259        |
| Document Types            | Articles                           | 597        | 44         |
| Language                  | English                            | 563        | 34         |
| Study Areas               | Economics, Econometrics, & Finance | 424        | 139        |
|                           | Social Sciences                    |            |            |
| <b>Included</b>           |                                    | <b>424</b> | <b>476</b> |

Sources: Data Processed (2024)

Table 2 shows the use of several criteria, including: (i) Year: 2014-2023, (ii) Document Type: Articles, (iii) Language: English, and (iv) Area: Economics, Econometrics, Finance, and Social Sciences. These criteria excluded 476 records out of a total of 900 data entries. Figure 5 shows the performance of the literature productivity in question.

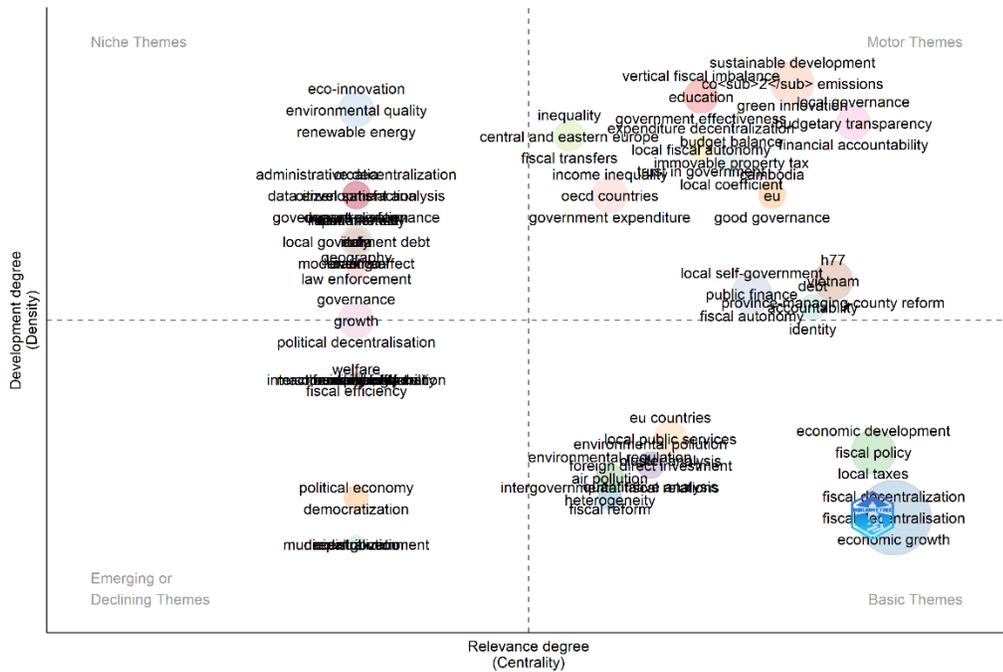
**Figure 5: Annual Scientific Production of Fiscal Decentralization Keywords (Scopus)**



Sources: Data Processed (2024)

As shown in Figure 5, the topic of Fiscal Decentralization has shown an upward trend performance. Moreover, the keyword "Fiscal Decentralization"/"Fiscal Decentralisation" was positioned in Quadrant 4 (Q4). This shows that the keyword has high centrality but low density. Connections to other aspects were observed in Quadrant 1 (Q1), with keywords such as "Inequality," "Good Governance," "Education," and others, signifying that these keywords possess both high centrality and high density. Meanwhile, in Quadrant 3 (Q3), the keyword "Welfare" was evolving, showing the progression toward higher centrality and growing relevance in the study of fiscal decentralization.

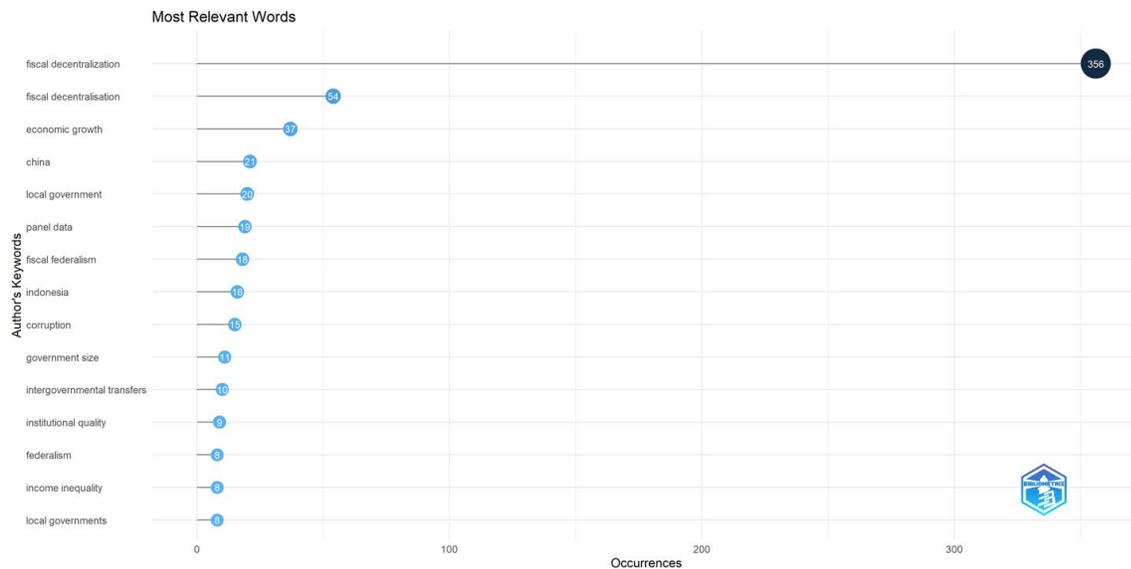
**Figure 6: Thematic Map Fiscal Decentralization (SCOPUS)**



Sources: Data Processed (2024)

In the Scopus database, several similar keywords were also identified, such as "Economic Growth," "Corruption," "Institutional Quality," "Intergovernmental Transfer," and others.

**Figure 7: The Most 15 Relevant Keywords (SCOPUS)**



Sumber: Data diolah (2024)

The results of both databases (WOS and Scopus) showed that studies on fiscal decentralization were intricately linked to several related keywords, with "Welfare" being the key focus. Consequently, a more in-depth exploration was

conducted into the relationship between "Fiscal Decentralization" and the concept of "Welfare State" across both databases.

Based on the process, the WOS database, using the search terms "Welfare State" + "Fiscal Decentralization," found a total of 8 articles, with 1 being excluded based on a specific inclusion criterion. Therefore, 7 articles were ultimately included in the WOS database. In contrast, the Scopus database, using the same search terms, generated only 2 articles, with 1 being excluded, Table 3 shows several articles that exemplify the outcome.

**Table 3: Eligible Articles**

| No | Title  | Authors  | Years | Journal  | Method  | Results   |
|----|--|--|-------|--|---|---|
| 1  | Public policy in multi-level systems: A new study agenda for the study of regional-level policy                                    | Kleider, H., & Toubeau, S (Kleider & Toubeau, 2022)                                | 2022  | Regional & Federal Studies, 32(3), 277-305.                    | Literature Review   | This study was divided into two main conclusions. The US scholars tend to review the interstate competitiveness and mechanism of policy diffusions. The other one (non-US Scholars) tends to emphasize the institutional diversity across decentralized countries.                                  |
| 2  | Adjusting to austerity: the public spending responses of regional governments to the budget constraint in Spain and Italy          | Toubeau, S., & Vampa, D.(Toubeau & Vampa, 2021)                                    | 2021  | Journal of Public Policy, 41(3), 462-488.                      | OLS Regression (Italy & Spain - Welfare State, 2003 & 2015)                           | This study found that regions with highest deficit tend to reduce spending budget and convert to the balance budget. This condition is in line with procyclical provincial budget federations. The other results show that political factors (Party's Ideology) can affect towards spending budget. |
| 3  | Can policy make us happier? Individual characteristics, socio-economic factors and life satisfaction in Central and Eastern Europe | Andrés Rodríguez-Pose, Kristina Maslauskaitė (Rodríguez-Pose & Maslauskaitė, 2012) | 2011  | Cambridge Journal of Regions, Economy and Society, 5(1), 77-96 | OLS Regression: Surveyed 15.000 Respondents for CEE (Central & East Europe) Countries | Life satisfaction is the dependent variable in this study. There are two types of independent variables in this study: Individual factors (Income, Age, Marital Status, Job Status, etc) and macroeconomic status (GDP, Inflation, Unemployment,  |

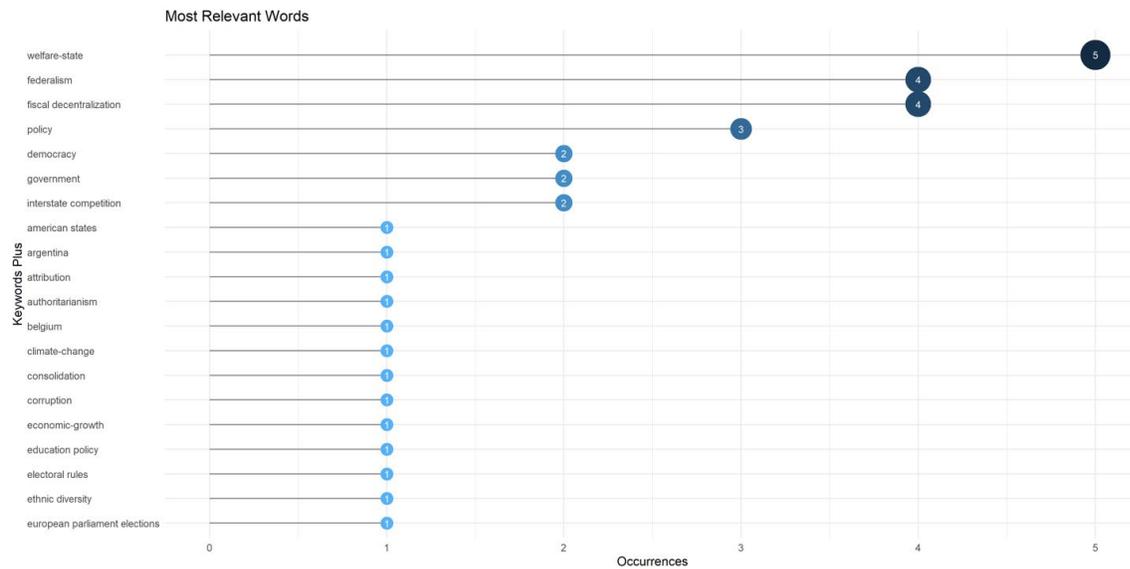
| No | Title  | Authors  | Years | Journal  | Method   | Results   |
|----|--|--|-------|--|--|---|
|    |  |  |       |  |  | Government Spending, Corruption, Health benefits).  |
| 4  | Decentralization and Voter Turnout   | Blais, A., Anduiza, E., & Gallego, A. (Blais et al., 2011)         | 2011  | Environment and Planning C: Government and Policy, 29(2), 297-320. | Comparative Study (Canada & Spain)             | This study concluded that decentralization does not significantly increase the turnout of national elections. This study is constrained by the availability of data stock.  |
| 5  | Fiscal and political decentralization and government quality   | Kyriacou, A. P., & Roca-Sagalés, O (Kyriacou & Roca-Sagalés, 2011) | 2011  | Environment and Planning C: Government and Policy, 29(2), 204-223. | Panel Data Analysis (200 Countries, 1996-2006) | This study concentrates on four key aspects of government quality: corruption control, adherence to the rule of law, regulatory quality, and the effectiveness of government operations. In general, this study concluded that only fiscal decentralization can affect government quality.  |
| 6  | Negotiating universalism in India and Latin America: Fiscal decentralization, subnational politics and social outcomes | Mejia Acosta, A., & Tillin, L (Mejia Acosta & Tillin, 2019)        | 2019  | Regional & Federal Studies, 29(2), 115-134.                        | Literature Review                              | This paper has 3 key objectives: (i). To know the impact of Fiscal Decentralization on Social Expenditure; (ii). To determine the intergovernmental transfer effects on political accountability; (iii). To explain regional variation in approaches to social policy. The effect of FD on expenditure is explained by variables in the study. Furthermore, the transfer, in lower and middle-income countries also has |

| No | Title   | Authors                          | Years | Journal                                  | Method                            | Results   |
|----|---|----------------------------------|-------|--|-----------------------------------|---|
|    |   |                                  |       |  |                                   | important implications for accountability. The variation among regionals/subnationals occurs by the influences of political, economics, and social conditions.  |
| 7  | Does diversity undermine welfare state? Evidence from the provision of local public services in European regions. | Filippetti, A.(Filippetti, 2020) | 2020  | Kyklos, 73(1), 68-95.                    | OLS Cross Sectional (167 Regions) | This study concluded that fiscal decentralization is key to improving the efficiency of the provision and quality of public goods in Welfare State in Europe. One characteristic of such Welfare State mentioned is a heterogeneous population. |
| 8  | Intergovernmental Fiscal Relations: Workhorse of the Federation   | Lazar, H. (Lazar, 2010)          | 2010  | The Oxford Handbook of Canadian Politics | Review                            | This article tends to emphasize the need to describe the concept of fiscal decentralization (revenue, expenditure, tax harmonization, and welfare state) historically.  |

Sources: Author (2024)

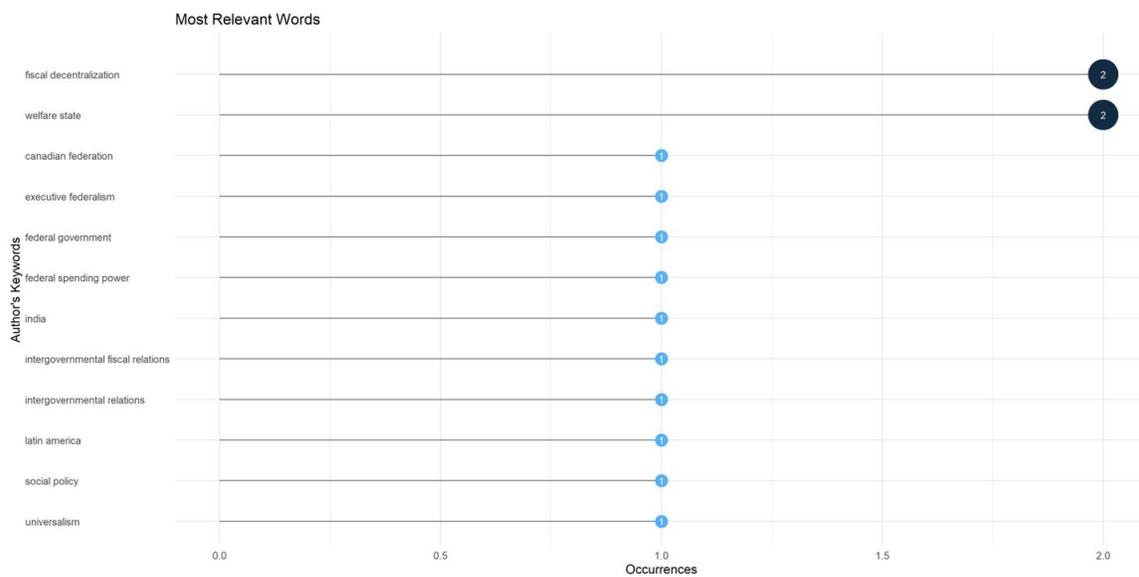
As shown in Table 3, the most relevant keywords across both databases were mapped out. In the WOS, several keywords with the highest frequency of occurrence were mapped and the results are shown in Figure 8.

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**Figure 8: Most Relevant Keywords (WOS) Databases**

Sources: Data Processed (2024)

As shown in Figure 8, the keyword "Welfare State" had the highest frequency, appearing 5 times, while "Fiscal Decentralization" ranked second with a frequency of 4. Other mapped keywords include Federalism, Democracy, Interstate Competition, Corruption, Economics Growth, Education Policy, Climate Change, and Consolidation, among others. The relationship between Welfare State and the role of government was outlined in the study by Fillipeti (2020). The result proved that fiscal decentralization was a solution to improving the efficiency and quality of public goods provision within Welfare State in Europe. One of the characteristics of Welfare State mentioned in the study is a heterogeneous population (Filippetti, 2020). The use of similar keywords was also found in the study by Kyriacou & Roca-Sagalés (2011). In the concept of welfare state, fiscal decentralization impacts institutional quality when accompanied by political decentralization and the growth of democratic quality. Figure 9 shows the results from the Scopus database.

**Figure 9: Most Relevant Keywords (Scopus)**

Source: Data Processed (2024)

As shown in Figure 9, several keywords also show a connection between fiscal decentralization and the concept of welfare state, including Intergovernmental Fiscal Relations, Intergovernmental Relations, and Executive Federalism. These keywords essentially outlined the relationship and coordination between the central (federal) and local government (Lazar, 2010).

The results from the keyword mapping show that the concept of fiscal decentralization is closely related to the concept of Welfare State, particularly through the efficiency in the provision of public goods and services by the government. The concept of efficiency in economics literature typically refers to the general notion of Pareto Efficiency. Stiglitz (1987) argued that a Pareto-optimal condition is fundamentally achieved when the marginal rate of substitution (MRS) equals the marginal rate of transformation (MRT). This condition is also a fundamental part of Welfare Economics theorem and public goods theory (Stiglitz, 1987). Given the connection, literature related to these two aspects was identified. One database (WOS) was used with the keywords "Pareto Efficiency" + "Public Goods" and the results of data screening are shown in Table 4.

**Table 4: Resume of WOS – “Pareto Efficiency” + “Public Goods”**

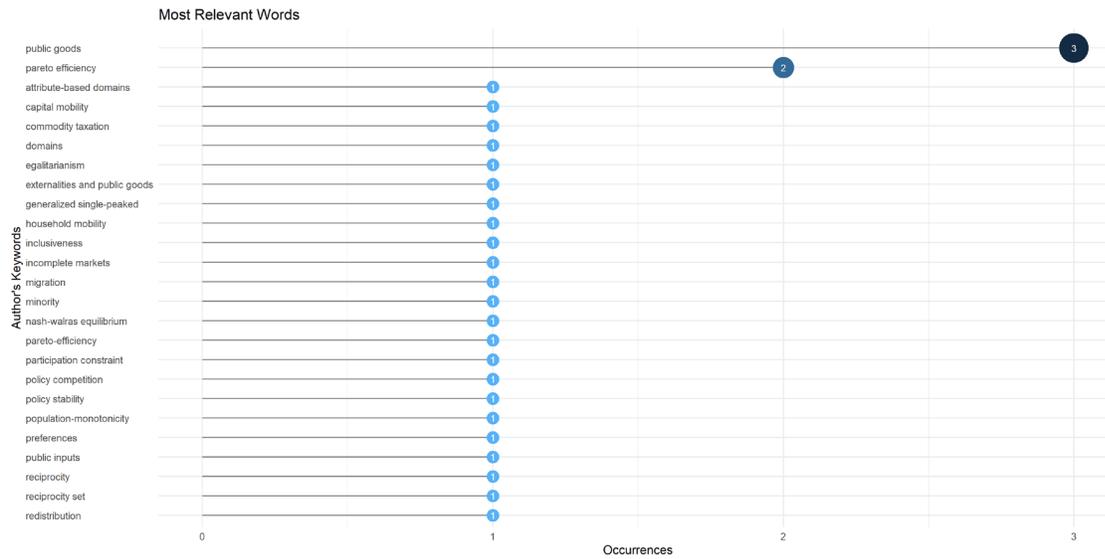
| <b>"Pareto Efficiency" + "Public Goods"</b> |                              | <b>N</b>  | <b>Excluded</b> |
|---|------------------------------|-----------|-----------------|
| <b>Item Records</b>                         |                              | <b>25</b> |                 |
| <b>Included</b>                             |                              |           |                 |
| Publication Years                           | 2016-2024                    | 11        | 14              |
| Document Types                              | Articles                     | 9         | 2               |
| Language                                    | English                      | 9         | 0               |
| Study Areas                                 | Business Economics           | 8         | 1               |
|   | Social Sciences Other Topics |           |                 |
| <b>Included</b>                             |                              | <b>8</b>  | <b>17</b>       |

Sources: Data Processed (2024)

The keywords "Pareto Efficiency" + "Public Goods" were applied to several criteria including (i) Publication years ranging from 2016 to 2024, (ii) Document type in the form of articles, and (iii) Study areas being "Business Economics" and "Social Sciences Other Topics." A total of 25 articles were found, with 17 being excluded, leaving only 8 eligible. Figure 10 shows the dominant keywords that appeared in the 8 articles analyzed.

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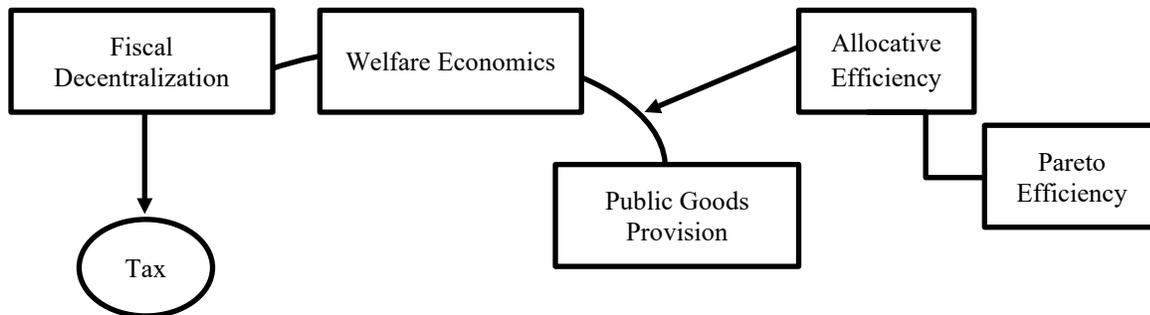
**Figure 10: Most Relevant Keywords (Pareto Efficiency + Public Goods)**



Sources: Data Processed (2024)

Several keywords have been mapped in the context of “Pareto Efficiency” + “Public Goods,” including (i) Capital Mobility, (ii) Commodity Taxation, (iii) Egalitarianism, (iv) Externalities and Public Goods, (v) Household Mobility, (vi) Inclusiveness, (vii) Incomplete Markets, (viii) Migration, (ix) Nash-Walras Equilibrium, and others. The results show that there is a connection between the two concepts. Ly in a study conducted in 2016 linked the imposition of taxes on public goods with the assumption of smooth capital mobility. The study suggested that the mobility of capital, labor, and households in a perfect market will not only facilitate the separation of tax instruments among the three entities to create efficiency but also impose additional marginal costs on local governments due to changes in the population size (Marginal Fiscal Cost, MFC). Furthermore, the presence of MFC implies that the assumption of perfect mobility can impact the provision of public goods by the government. In most cases, any change in the population size of a region will affect the cost adjustments for the government in providing public goods, making MFC crucial in planning resource allocation. By using fiscal decentralization, (i) Local taxation can be applied to adjust public goods and services that need to be redistributed due to changes in population size, (ii) Governments will have a clearer understanding of regional needs, and (iii) Increased competition among regions may lead to higher MFC.

**Figure 11: The Mind Map of The Linkage Between Fiscal Decentralization and Welfare Economics**



Sources: Author (2024)

Based on the results, the connection between fiscal decentralization and the concept of welfare economics is evident in the efficiency of public goods provision. This relationship can be linked to the concept of Pareto Efficiency, where the MRS must equal the MRT. In other words, the appropriate local tax policies help the government achieve a Pareto-optimal condition. Conversely, improper taxation creates disincentives, both in terms of capital mobility and the ability to provide public goods.

### Conclusion, Implication, and Recommendation

In conclusion, studies on fiscal decentralization have experienced an annual increase, as evidenced by the upward trend observed in both WOS and SCOPUS. The literature on fiscal decentralization showed high centrality, showing that the topic was often linked to other issues, including the concept of Welfare. The concept of welfare was connected with fiscal decentralization using the keywords "Welfare State + Fiscal Decentralization." The subsequent analysis showed several dominant keywords, including Federalism, Democracy, Interstate Competition, Corruption, Economics Growth, Education Policy, Climate Change, and Consolidation. A study concluded that fiscal decentralization is a solution for improving the efficiency of public goods provision and quality. Moreover, there is a link between the concepts of efficiency and public goods provision. Further exploration was carried out using the keywords "Pareto Efficiency + Public Goods," which mapped additional keywords including (i) Capital Mobility, (ii) Commodity Taxation, (iii) Egalitarianism, (iv) Externalities and Public Goods, (v) Household Mobility, (vi) Inclusiveness, (vii) Incomplete Markets, (viii) Migration, (ix) Nash-Walras Equilibrium, among others. Only one study connected taxation and public goods with the assumption of perfect capital mobility, where local tax policies could lead to efficiency but simultaneously create MFC. Therefore, the overall relationship between fiscal decentralization and the concept of Welfare Economics can be viewed through the lens of efficiency in the provision of public goods and services, based on the principle of Pareto Efficiency.

The practical implications of these conclusions suggest that the efficiency of public goods provision must take into account the disparities in fiscal capacity across regions. The ability of local governments to generate tax revenues makes it relatively easier to provide public goods. In this context, fiscal independence is a key factor in supporting the creation of a Pareto Optimum condition in the provision of public goods.

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