

Draft Title: Can Fiscal Decentralization Enhance Macroeconomic Stability?  
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This paper examines a question of increasing importance, what is the influence of fiscal decentralization on macroeconomic stability? While the relationship between fiscal decentralization and macroeconomic stability is one of the more contentious issues in the fiscal decentralization literature, the theoretical and empirical underpinnings for this relationship remain largely undeveloped. Given the current drive among developing and transitional countries to decentralize expenditures and revenues to subnational governments, it is important to ask whether fiscal decentralization can enhance, or at a minimum not detract from, macroeconomic stability. While there appears to be a general consensus that poorly designed or implemented systems can decrease macroeconomic stability, there is corresponding lack of consensus on whether decentralization per se influences macroeconomic stability. What evidence exists on the potential relationship between fiscal decentralization and macroeconomic stability is scant at best and does not present a convincing argument in either direction on the effect of fiscal decentralization.

This paper reviews the current state of knowledge in the economics literature on the relationship between fiscal decentralization and macroeconomic stability; empirically examines to what extent such a relationship exists; and discusses what impact this relationship may have on economic growth. Contrary to the arguments of some in the literature, we do not find evidence to support the contention that decentralization creates obstacles to achieving macroeconomic stability. Our findings appear to suggest that decentralization, at a minimum, does not present obstacles to achieving macroeconomic

stability and appears to positively influence macroeconomic stability in the sample countries.

Points for Abstracts:

1. Be concise. Do not attempt to write the entire paper.
2. Be sure to include your research question as a thesis statement.
3. Maximum of 2 pages
4. Pick a style guide and follow it consistently.
5. An abstract is your opportunity to present your research question for comment and receive guidance on your research before you invest significant time in a draft paper. The more focused the abstract is on your research question, the more comments you will receive that will assist you in preparing your draft paper.