

Comments on Kauer et al.(2021)

XXX

2021/8/DD

Summary of this paper (based on my understanding)

- ▶ Using the Indian-states panel data from 2003 to 2019, this paper analyzes whether the fiscal grant cause the fly paper effect or not.
- ▶ This paper focus on the delegation of some parts of the tax revenue from the central government to some state governments.
 - ▶ This delegation is called “tax devolution” or “ecological fiscal transfer (EFT)” in this paper.
 - ▶ The tax devolution was done for forest conservation by state governments.
 - ▶ The devolution formula depends on the condition of the forests.

Summary of this paper (based on my understanding)

- ▶ The panel data analysis finds that the tax devolution increase the expenditure for forest conservation.
- ▶ According to the authors, the result about the flypaper effect is mixed.

Fly paper effect (based on my understanding)

The lump-sum transfer from the central government sticks to certain expenditure(s) although it is lump-sum.

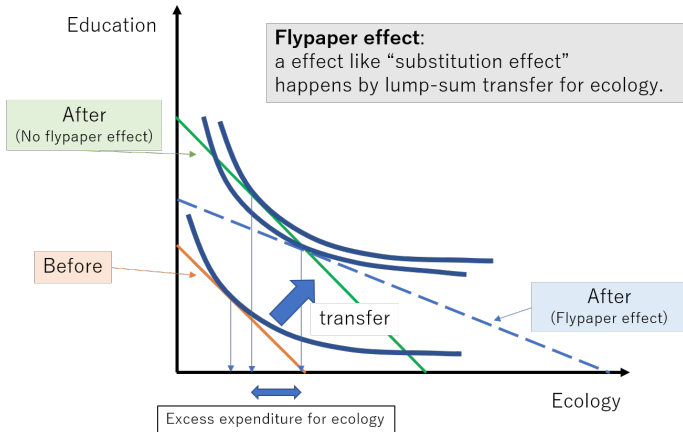


Figure: The image of the flypaper effect
(Made by T. Goto based on Sato (2009) and Chalil (2018))

Comment 1

- ▶ Considering the flypaper effect, it seems that the analyses on several expenditures are needed.
 - ▶ See Kakamu et al. (2014) and Langer and Korzhenevych (2019) for example.
- ▶ However, the current version of this paper considers only the expenditure for ecology.
- ▶ The analyses on several expenditures are needed.

Comment 2

- ▶ The title of this paper is “Ecological fiscal transfers and local government spending: The flypaper effects in **the era of pandemic**”
- ▶ Which parts are related to the pandemic of Covid-19 in this paper?
 - ▶ This paper uses Indian panel data from 2003 to 2019.
 - ▶ Is the data affected by the pandemic? If so, why not refer to it in the paper?

Comment 3

- ▶ The suitable identification strategy for this paper may be “difference-in-difference” (DD).
 - ▶ This is because the tax devolution was distributed to the certain states with forests.
 - ▶ Average Treatment Effect on the state with forests may be derived though ATE itself cannot be.
- ▶ Please note when the tax devolution began in the paper.

Minor Comments

- ▶ Summary stat must be written in the paper.
- ▶ The detailed hypothesis (e.g. the expected sign of coefficients) should be described.
- ▶ Interpretations about the results of analyses should be described.
- ▶ The omission of outliers seems arbitrary.

References

- ▶ Chalil (2018) "The Size of Flypaper Effect in Decentralizing Indonesia." The Indonesian Journal of Development Planning. 2(2). 101-119.
- ▶ Kakamu, Yunoue, and Kuramoto (2014) "Spatial patterns of flypaper effects for local expenditure by policy objective in Japan: A Bayesian approach." Economic Modelling. 37. 500-506.
- ▶ Langer and Korzhenevych (2019) "Equalization Transfers and the Pattern of Municipal Spending: An Investigation of the Flypaper Effect in Germany." Annals of Economics and Finance. 20(2). 737-765.
- ▶ Sato (2009) "Introductory local public finance." Shinseisya. (Japanese).