

Political Competition and Public Policy: Evidence from Japan

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Abstract

This paper investigates how political competition affects economic outcomes in Japan. Theoretically, an increase in political competition reduces rent for political parties and induces politicians to choose policies that are preferred by swing voters. Using data of federal elections in the U.S., Besley et al. (2010) show that political competition reduces tax rates, increases government investment, and encourages economic growth. We confirm whether these results hold in Japan using a gubernatorial election data. Although political competition reduces public spending, it is related to smaller government spending, which is opposite results to that in the U.S. . If we believe that political competition improves efficiency of economy, these results imply that local government spending is often too large in Japan.

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