

Redistributive Politics and Regional Economic Growth: Evidence from Japanese Prefectures

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Abstract

This paper clarifies whether or not the distribution of interregional transfer or public investment to each region is affected by political incentives and whether or not its expenditure contributes to regional economic growth. I employ a simultaneous-equation approach in order to attain this aim, and estimate the regional distribution functions and the regional growth regression using a panel of Japanese prefectural level data for a period of 1980 to 2010. Empirical results show that, (1) regional distribution of public investment or interregional transfer is affected by political factors such as governing party(LDP)'s incentive to buy votes and pressure by a local interest group, (2) the funds distributed to each region do not necessarily contribute regional economic growth. This finding may indicate that funds distributed to each region are not beneficial for citizens and become a kind of transfers for rent-seekers.

Keywords: Redistributive politics, Regional economic growth, Intergovernmental transfer, Public investment in Japan

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