

Inefficiency and Self-Determination: Simulation-based evidence from Meiji Japan^{*}

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Abstract

We consider a model in which the arrangement of political boundaries involves a tradeoff between efficiencies of scale and geographic heterogeneity. If jurisdiction formation is decentralized, we show how mixed integer programming can be used to calculate core partitions via a sequence of myopic deviations. Using historical data from Japan regarding a set of centralized boundary changes, we estimate parameters using moment inequalities and find that core partitions always exist. In a counterfactual world in which there are no between-village income differences, these core partitions are extremely close to the partition that would be chosen by a utilitarian central planner. When actual cross-village income differences are used, however, sorting on income results in mergers that are both smaller and geographically bizarre.

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