

# Dynamic Analysis of Bureaucratic Quality and Occupational Choice

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## Abstract

This paper analyzes mechanism and effects of bureaucratic quality and economic development. By constructing a general equilibrium model with occupational choice, it is shown that as capital accumulation proceeds, bureaucratic quality changes through occupational choice. There are two cases. The one is bureaucratic quality improves as economic development. The other is the quality improves in middle stage but worsen in further stage. Thus, there are two types of steady states: a high quality bureaucracy with large output or a low quality bureaucracy with small output. Workers and bureaucrats earn higher income under the low quality bureaucracy. When the quality changes from low to high, income inequality between unskilled and skilled individuals expands while inequality within skilled individuals shrinks.

**Keywords:** Bureaucratic quality; Rent-seeking; Occupational choice; Dynamic analysis

**JEL Classification:** O11; D72; J24

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