Abstract

In Japan, the Lower House seats were severely malapportioned until an electoral reform substantially equalized the geographical distribution of representation for the 1996 election. We use this episode as a quasi-experimental setting to investigate the causal effect of malapportionment on the relative performance of local economies. We find that an additional seat in the Lower House significantly expands local governments’ fiscal space. An extra delegate is associated with more fiscal transfers, more borrowing and more spending (largely on public capital). However, over-represented communities ultimately do not seem to benefit from this political and fiscal gift. We detect no discernible effects of legislative representation on establishment or employment. We document crowding-out effects in local labor markets. An additional representation (and the resulting additional transfers) produce more construction and public sector jobs, and yet these positive effects are entirely offset by comparable losses of jobs in other sectors.

Introduction

Malapportionment, or unequal legislative representation, is a highly contested, and yet a common and persistent feature of electoral systems in many countries, where more delegates per capita are granted to rural, sparsely populated, and economically struggling regions. For example, the US Senate seats are exceedingly malapportioned since every state is given the same number of seats in spite of sizable differences in population. California and Wyoming are represented by two senators although the population of California is 66 times larger than that of Wyoming. If malapportionment were eliminated to the detriment of over-represented communities, would they endure severe economic contraction? Legislative bargaining models predict that malapportionment leads to favorable district bargaining outcomes. However, a common and persistent feature of electoral systems in many countries is that polity and fiscal gnomes. We detect no discernible effects of legislative representation on the relative performance of local economies.

The vote and bargaining power of each delegate is unrelated to her district size of California is 66 names larger than that of Wyoming. If $b < 0$ for employment per capita, it means that municipalities in previously over-represented districts (i.e., large Delegate), performed more poorly after the reform than other municipalities. We also estimate local fiscal jobs multiplier using Delegate, Reform, as IV, while controlling for voter preferences and industry shocks. The vote and bargaining power of each delegate is unrelated to her district size of California is 66 names larger than that of Wyoming. If $b < 0$ for employment per capita, it means that municipalities in previously over-represented districts (i.e., large Delegate), performed more poorly after the reform than other municipalities.

We use the survey data on employment and establishment from 1991, 1996, and 2001, which straddle the 41th Lower House election in October 1996. The vote and bargaining power of each delegate is unrelated to her district size of California is 66 names larger than that of Wyoming. If $b < 0$ for employment per capita, it means that municipalities in previously over-represented districts (i.e., large Delegate), performed more poorly after the reform than other municipalities. We also estimate local fiscal jobs multiplier using Delegate, Reform, as IV, while controlling for voter preferences and industry shocks. The vote and bargaining power of each delegate is unrelated to her district size of California is 66 names larger than that of Wyoming. If $b < 0$ for employment per capita, it means that municipalities in previously over-represented districts (i.e., large Delegate), performed more poorly after the reform than other municipalities. We also estimate local fiscal jobs multiplier using Delegate, Reform, as IV, while controlling for voter preferences and industry shocks.