Competition and Democracy

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Analogy between private industry organization and political economy
  – Ideal competition
  – Degrees of imperfect competition

Entry barriers are the key concept in both public and private applications
  – Ideal democracy: “no appreciable costs or artificial barriers prevent an individual from running for office….”
  – Actual polities have significant entry barriers
  – Parts of empirical political science have adopted this definition

Abstract from institutional detail

Collective decisions are imperfect because of small stakes/the logic of collective action
Becker’s Following Political Economy Work

• “Pressure Groups” *QJE* 1983
  – abstracts from institutional detail
  – free riding among political participants
  – Ignored? Perhaps most cited *QJE* article in 3 decades

• Two more *Journal of Law and Economics* papers that obtain empirical predictions from tastes and technology while abstracting from political-institution details
  – “The Family and the State” with Kevin M. Murphy
  – “Deadweight Costs and the Size of Government” with Casey B. Mulligan
Imperfect Competition in Theory and Practice


- "imperfect" includes: China, Iran, Iraq, Cambodia, Guatemala, Cuba, Jordan, Tunisia, etc.
- Excludes: Russia, Ukraine, Honduras, USA, etc.
- Ignores: USA imperfections, e.g., uncontested elections
- Binomial fit to empirical frequency gets 0-for-22 with odds 583,480-to-1

6-dig industries w/ HHI > 1000
(US 1997)

people living under POLITY score < 5
(Earth 1995)

Market share

0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0.0

private sector

public sector

0 = share among the 22 articles on the subject “Models of political processes” (AER 1994-98)
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Mission not accomplished…

YET