

On the Political Economy of a Backward Region

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Abstract

The paper develops a political economy model for a less developed region where a significantly large number of people belonging to the informal sector depend on political favours for their survival. The main result is that the party with a better political organization will have the incentive to maximize the size of the informal sector which will also maximize its probability of winning. In equilibrium this party choosing anti-development policies will have a higher probability to be in power. Thus universal franchise will lead to inefficiencies in such economies.