Is There an Optimal Level of Political Competition in Terms of Economic Growth? Evidence from Italy

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Abstract

As competition in the economic market yields consumer benefits, political competition is supposed to be welfare-enhancing for citizens in terms of providing information, increasing political choice, promoting competence and good behaviour. Even so, recent literature concerning the benefits of political competition underlines its costs, opening the possibility of a non-biunivocal way in which the degree of political competition affects economic growth. The parallel between economic and political competition allows the use of the normalized Herfindahl index as a measure of competition among parties. Within the Italian regional elections scenario from 1980 to 2008, our findings confirm an inverted-U relationship between the degree of political competition and the regional growth rate. An "optimal" level of political competition allows for a reduction in the trade-off between political accountability and government instability. Moreover, political competition can be used as a "tool" for the growth enhancement of political corruption. However, the question posed by the findings is how to drive political competition to its optimal value.