Special issue (part II) on economic analysis of law, politics, and regions

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This issue (part II) follows the special issue “Economic Analysis of Law, Politics, and Regions” in Vol. 1 No. 2 of *APJRS*. This project was realized by the interests and contributions of many researchers. As for legal realms, there are international debates on issues of antitrust law, environmental law, international law, etc. Legal reform is always up for discussion. In many countries, the political systems are also different. These differences may influence not only the political performance, but also economic performance of each country. Therefore to investigate the degree of political centralization and regulation in Asian-Pacific regions from the point of regional development will be significantly useful.

This special issue of *APJRS* consists of two parts. The first part, focused on political economics and legal analysis, is composed of five papers. India is characterized by a unique federal system. Chakraborty and Chakraborty (2018) examine economic convergence across States in India by incorporating federal fiscal asymmetries and differentials in gross fixed capital formation at the state level. Using dynamic panel models, they have examined economic convergence among Indian States, taking into account federal asymmetries in terms of capital availability, social and demographic outcomes, and differentials in public capital budgeting. They show that public capital expenditure has positive and significant growth and health-related variables matter for economic convergence among states in India.

Dartant (2018) investigates whether economic voting mattered in 2014 Indonesian Presidential Election. This is an ambitious analysis of political economics about 2014 presidential election that marked Indonesia’s transition into a mature democratic Islamic country. This study merges data from the Village Potential Census and the crowd source data from vote recap to investigate the existence of economic voting and the effect of socioeconomic conditions at the village level on voting

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behavior. It confirmed that economic access, conditions of infrastructure, and middle-class group played major roles in the Jokowi victory. The middle class tended to choose Jokowi because his ideology best matched their own.

Ikeshita (2018) analyzes the effect of campaign contributions on patent policy, innovation, and welfare by incorporating special-interest politics into a quality-ladder model. In particular, this paper focuses on political conflicts and incentives for campaign contributions. It is shown that patent holders desire stronger patent policy than households that do not have patent holders. Therefore, if the government values campaign contributions, it chooses stronger patent policy over welfare-maximizing policy.

Currently, the refugee problem is a very serious one the global economy is facing. Kondo (2018) timely considers a restriction policy for illegal immigrants to a developed country. Considering that high-risk entrance with low-risk of detection during their stay (type F migration) and low-risk entrance with high risk of detection (type S migration), he finds that if medium productivity workers migrate illegally as type S immigrants, and if lower productivity workers migrate illegally as type F, internal investigation policies for type S immigrants will contribute to enhance the average productivity of illegal immigrants. Therefore, this conclusion gives an important implication for recent illegal immigration problem.

Immigration problem has also become one of the important issues in terms of justice and political philosophy. Zheng (2018) wrote a paper “Subjective value judgments of distributive justice and legal decision-making”. Distributive justice is a fundamental issue in the legal decision making. He uses Savage framework to derive a representation of subjective value judgments of distributive justice from the coherence of the decision maker’s preferences over income distributors. The representation function can incorporate in a unified way the widely held beliefs such as inequality aversion, desert, need, equity and egalitarianism. This paper illustrates the application of the justice representation functions in law and economics by studying the income distribution rules or different beliefs of distributive justice.

The second part in this special issue is composed of four papers. The part is mainly devoted to the theoretical and empirical investigation of the impact of the environment and public activities on the regional economy.

Limskul (2018) investigates climate change impact on labor productivity in Thai manufacture. The study applied Business and Manufacturing Census 2012 and found that 10 out of 12 sub-sectors are statistically significant with an expected negative sign of climate change impact on labor productivity. For all sub-sectors, this study has found that if temperature would increase by 1°C, the average manufacture output would decline by −4429.88 baht per person or in total 20,107 million baht per year. Damage is expected to be 4.63% in 2020 and 3.95% in 2050 of gross output of manufacture (in 2012 prices), respectively. This suggests that the government should use fiscal and monetary policy to reshape the cost–benefit of investing in the adaptation of roofing and internal air temperature control.

By incorporating the environmental problems caused by consumption into a theoretical model of rural–urban migration, Nakamura (2018) analyzes the effect of a reduction in pollution generation rate and factor accumulation. The environment of each rural and urban area is assumed to deteriorate due to pollution

from consumption of the respective inhabitants. This study shows that, although reduction in the pollution generation rate improves the environment in both areas, whether it mitigates urban unemployment depends on certain conditions, and an increase in capital endowment decreases the level of unemployment if and only if the environmental effect outweighs the Rybczynski effect.

To consider the policy initiatives between the central government and local governments is one of very important issues in developing countries, Lee (2018) examines strategic behaviors on privatization between two regions. This paper shows that in the case of centralized regime, partial privatization is socially desirable if the substitutability between goods is relatively high; if not, full nationalization is socially desirable. In the case of decentralized regimes, local governments take partial privatization in the equilibrium irrespective of substitutability. However, the local governments tend to lower the partial privatization rate of public firms as the substitutability between goods increases. Second, the central government is more (resp. less) aggressive for privatization than the local governments when the substitutability is higher (resp. lower) than the critical level.

Finally, Nagashima (2018) addresses the question of whether new job creation in urban areas always increases urban unemployment in the Harris–Todaro model. The results of this analysis lead to the derivation of a necessary and sufficient condition under which urban unemployment does not increase when urban social infrastructure is improved and new employment is created. In short, this condition circumvents Todaro's paradox. It involves the relationship between an institutionally and legally fixed urban minimum wage in the model and agricultural productivity. The condition itself is simple, but it offers significant suggestions for actual policy design.

To gather many excellent papers, it took time to review and as a result this special issue was divided into two volumes. The basic qualification of this special issue is a new perspective to incorporate the methods of legal economics and political science into the field of regional science. With this opportunity, new researches from such an interdisciplinary viewpoint will become more attractive and popular. I hope that such a theme of research can again be organized as a special issue of *APJRS* in the near future.

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