

Should Electoral Cycles Disappear?

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Article Info

Article History:

Received: 03 December, 2018

Accepted: 22 December, 2018

Published: 28 December, 2018

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Abstract

This note states that a positive response to the question: “Should electoral cycles disappear?”, is not (necessarily) desirable when politicians do not even care about the upcoming elections because a single - the current - mandate is sufficient to achieve their (ideological) intentions of (strictly) private/personal nature.

Keywords: Electoral cycles; Partisan business cycles; Political business cycles; Populism

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Introduction

In simple terms, the literature on electoral cycles distinguishes those that are political/opportunistic in nature from those whose nature is ideological/partisan [1-4]. In any of these versions are usually considered their social costs. As a matter of fact, it was generally considered that business cycles created by politicians for electoral purposes were an example of wrong behavior, which should be avoided, given its socially harmful consequences (in the long run). On the basis of this argument would be (for instance) the fact that politicians have a too short time horizon (the date of the next elections), favoring measures that, apparently, should be more contractionary than the socially desirable, at the beginning of the mandate, followed by more expansionist measures than the socially desirable, at the end of the mandate. For a discussion of the optimal nature (from an electoral point of view) of this traditional pattern of electoral cycle [5-9]. The social undesirability of electoral cycles therefore raises the question: Should electoral cycles disappear?

How can Electoral Cycles disappear?

For obvious reasons leaving aside authoritarianism, electoral cycles can disappear by two (major) ways: one of benevolent nature and one of non-benevolent nature. In order to clarify the differences between these two ways, let us consider a continuous time model a la Nordhaus [1]. Thus, this note is intended to be (also) a modest tribute to Professor William Nordhaus, who was recently awarded (together with Professor Paul Romer) the Nobel Prize in Economics.

The benevolent way

A benevolent incumbent is one that, by definition, considers a (instantaneous) social welfare function, $U_s(\bullet)$ (As is well known, Nordhaus (1975) considered U_s as a function of the unemployment and inflation rates, related according to a Phillips curve (with adaptive expectations)) weighted by a social discount rate, ρ_s , over an infinite time horizon, i.e. one whose objective function is

$$\int_{t=0}^{\infty} U_s(\bullet) e^{-\rho_s t} dt. (1)$$

For our purposes, it is important to mention that a political business cycle occur when a non-benevolent incumbent considers the accumulated popularity, $V(\bullet)$, weighted by the rate of memory of the electorate, μ , during the mandate starting at $t = 0$ and ending with the upcoming elections, at $t=T$ as its objective function, i.e.

$$\int_{t=0}^T V(\bullet) e^{\mu t} dt, (2)$$

Where $V(\bullet)$ is coincident with $U_s(\bullet)$. This coincidence between $V(\bullet)$ and $U_s(\bullet)$ indicates that the electoral cycle is socially undesirable (only) because: i) the incumbent considers the date of the next elections as the time horizon, instead of going beyond that date; ii) the levels of social utility are weighted in order to exploit the diminishing memory of the electorate rather than being weighted by the social discount rate. In other words, in these circumstances, the electoral cycle exists because the (private) objective function of the incumbent, (2), is different from the social welfare function, (1), but this one, (1), is necessarily taken into account in that one, (2).

The non-benevolent way

Another possibility of the disappearance of electoral cycles is, indeed, the election of politicians whose only interest was to have been elected, using for their own benefit the delegation of power granted to them by the electorate, regardless of their subsequent electoral outcome. This argument applies not only to the incumbent but, in fact, to all those who hold positions resulting from elections. In other words, it is not necessary for some incumbents to create an electoral cycle because the current mandate is sufficient to ideologically implement their private agenda of interests, regardless of the consequences in terms of popularity, therefore social utility, accumulated in the next elections.

In formal terms, the objective function of this kind of incumbent may be

$$\int_{t=0}^T U_p(\bullet) e^{-\rho_p t} dt, (3)$$

Where U_p is the private utility function and ρ_p is the private discount rate.