On the Electoral Dimension of International Policy Coordination

António Caleiro

Departamento de Economia & CEFAGE-UE
Universidade de Évora
Largo dos Colegiais, 2
7000-803 Évora
Portugal
`Email:caleiro@uevora.pt`

Abstract - **The paper formalizes some of the interactions between inter-national and inter-temporal problems of policy coordination through the analysis of the implications of the synchronization (or not) of election dates on international policy cooperation. This makes it possible the determination of the gains and losses of international policy coordination and to an analysis of how the synchronization of election dates may help (electoral) international policy coordination.**

Keywords: *Electoral Business Cycles, International Policy Coordination, Elections Synchronization.*

1. Introduction

The recent worldwide economic crisis has caused economic agents to be concerned with the design of institutions that, by their nature, will help overcome the problems that have affected many countries. In particular, the focus has been placed on how different countries can cooperate in putting into practice economic policies coordinated at international level in order to overcome the economic crisis.

As a matter of fact, despite some interest in the design of international institutions (Morales & Padilla, 1995; Schubert & von Wangenheim, 2006) and a considerable interest in the international coordination of economic policies (Miller & Salmon, 1990; Miller et al., 1991), the fact is that the electoral dimension in these matters was always an issue to which the literature has devoted little attention (Easaw & Garratt, 1996; Lohmann, 1993; Tabellini, 1990). This is a disconcerting fact as it corresponds to an ignorance of an issue, i.e. the time horizons of governments (Caleiro, 2009), which is obviously relevant in the international coordination of economic policies within the framework of participation in some kind of economic institution.

For instance, concerning the third stage of the Economic and Monetary Union, the European Commission (1997: 26) acknowledged at the time that giving up national monetary policy could involve

costs if countries experienced de-synchronized business cycles. Despite this concern about the importance of business cycle synchronization, little research has been done on the importance of temporal horizons for business cycles synchronization and, to the best of our knowledge, almost none has been done on the impact of the synchronization of election dates on the synchronization of business cycles between economies. Some exceptions are Breuss (2008), Caleiro (2010), Kayser (2006), and Sapir & Sekkat (1999).[1]

In order to fill part of the gap in the literature, the paper formalizes some of the interactions between inter-national and inter-temporal problems of policy coordination through the analysis of the implications of the synchronization (or not) of election dates on international policy cooperation. In doing so, it is our objective also to help answering the following question: "Does international cooperation or coordination of economic policies become easier or harder when domestic elections across countries are synchronized?" (Caleiro, 1996: 11). Specifically, the paper adds to the literature by computing the cooperative and non-cooperative solutions in a model where governments face elections at possibly distinct moments of time. This leads us to the determination of the gains and losses of international policy coordination and to an analysis of how the synchronization of election dates may help (electoral) international policy coordination.

That said, the rest of the paper is structured as follows. Section 2 presents the two-country model that will be used throughout the paper. Section 3 presents the non-cooperative solution for the synchronized and non-synchronized elections cases. Section 4 presents the cooperative solutions for these two cases. Section 5 concludes by showing the circumstances under which is it better to have synchronized elections.

---

[1] Also, in Caleiro (2000) a difference games case was considered to study how distinct electoral period lengths may influence the benefits from international policy coordination.