

## Do Governments Respond to Political Incentives?\*

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We feel pleased and honoured that Alt and Chrystal (1982) respond at such length to our contribution in this journal and elsewhere (Frey and Schneider, 1978; 1981; 1982). Without mentioning it, the two authors address themselves to a limited part of our paper only, the one referring to the United Kingdom, leaving out of account the models and empirical estimates for the United States and West Germany.

Alt and Chrystal claim to present a politico-economic model 'rooted in actual institutional behaviour'. It is difficult to detect, however, any analysis of such (governmental) behaviour. To cite the *intended* actions of a committee at a particular period and for a particular country is no substitute for a serious study of what motivates and constrains politicians and administrators. Alt and Chrystal maintain that these decision-makers want to keep expenditures a stable share of anticipated national income, but no reason is given why they should desire to do so. 'Explaining' government expenditures by national income of the *same* period is rather uninformative, and does not allow us to make any true forecast of what the government is going to do, except *ex post facto*, when the level of national income is known.

The same shortcoming applies to the 'stabilization' part of the Alt/Chrystal approach. To refer to the task of counter-cyclical policy is normative, but does not explain how governments *actually* behave. The two authors first state that it is 'generally agreed' that unemployment, inflation and (in the particular case of the United Kingdom) the balance of payments are the government's goals; it is therefore a mystery why they consider unemployment only when they undertake the empirical estimates. † Does this mean that inflation has been of no importance to the government in the 1970s? In our own politico-economic models the government reacts to the state of its popularity which in turn depends on unemployment and inflation, as well as on the growth in income.

The positions of the authors involved in the dispute are rather surprising. The political scientist (Alt) claims that governments react exclusively to *economic* events,

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† *Editors' note:* Alt and Chrystal have since pointed out that their work (1983, ch. 10) contains extensive discussion of estimates with the complete set of targets. Inflation is found to have major effects in the period 1973-76 but this does not affect the forecasting results presented in their paper.

while we (political economists) claim that governments have *political* aims (to secure their re-election and to fulfil ideological goals), but are subject to economic constraints. Our politico-economic models are of course extremely simplified and can certainly not catch all the details of reality. Instead of falling back on 'economistic' explanations of government behaviour, future research would be more fruitfully directed towards including first of all interest groups and the public administration in politico-economic models, actors about whose importance there can be little dispute.

#### REFERENCES

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