There is no doubt that politicians want to be elected. Developments in transport and telecommunications has meant that they can shake your hand in any street or reach into every living room and convey this message. Whether an incumbent government will be granted another term of office often depends on how well the economy is perceived as performing. If performance does not match expectations then the rhythm of footfalls in the corridors of power may well change. Now we would expect the current leaseholders to see this. Clearly there must be a temptation for an incumbent government to attempt to manipulate the economy and thereby enhance its re-election prospects. This is a dangerous notion, for such politico-economic engineering can set in motion a business cycle which may amplify the underlying movements of the economy with serious long-term consequences. However, a government may discount this and instead ponder two questions: can the economy be manipulated to our electoral advantage and, if so, how best might this be accomplished? This paper sets out to explore these issues through an imaginary exchange of memos. The actors are a Minister who is willing to produce any output to maintain his position and two advisors. Hopefully the paper will also make explicit some of the assumptions lying behind the econometric approach to politics and raise some doubts about them.

The starting point is a simple note from the Minister to his Chief Advisor asking, ‘Can we operate on the economy to improve our chances in the forthcoming election?’

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There is ample evidence that economic variables influence the outcome of elections. The government can expect its popularity to fall when either inflation or unemployment rises and for popularity to be positively related to growth in real disposable income. However, it is generally held that a reduction in unemployment will be accompanied by a rise in the rate of inflation. The net effect on popularity will depend upon the electorates' relative valuation of inflation and unemployment.

The influence of economic variables on popularity can be illustrated by a simplified diagrammatic representation of the economy (see Figure 1). The economy is described by the $P$ curves (short-run Phillips Curves) and the line $N$ (the long-run 'natural rate' of unemployment). Popularity is depicted by the $V$ curves where popularity decreases the further from the origin is any given curve.

If the economy is at 1, re-election prospects can be enhanced by generating a movement to 2 using the appropriate policy instruments. It must be stressed that such a strategy will have future consequences. Gradually the economy will creep to 3 as the induced rate of inflation is recognised. At 3 the government is less popular than at the original position. Clearly it is prudent to ensure that this happens after the election. To improve the

![Figure 1.](image-url)