Partisan theory after fifteen years*

Douglas A. Hibbs, Jr.

Trade Union Institute for Economic Research, Wallingatan 38, 111 24 Stockholm, Sweden

Accepted for publication May 1992

In this essay I selectively review the evolution of the 'Partisan Theory' of macroeconomic policies and outcomes over the last fifteen years. Special attention is given to the rejuvenation of this class of political-economic models by the research of Henry Chappell and William Keech and, especially, Alberto Alesina and collaborators on what is known as 'Rational Partisan Theory'. I point out that Rational Partisan Theory has yet to be subjected to adequate empirical tests and I identify obvious ways by which such tests could readily be undertaken. The paper closes by suggesting a couple of additional directions in which Partisan Theory might be advanced further.

1. Macro-political economy

The principal branches of the interdisciplinary field of macro-political economy – electoral or Political Business Cycle theory and party cleavage or Partisan Theory – were launched just over fifteen years ago, though the core ideas can be traced back, at least in rough form, much further than that.

The Political Business Cycle (PBC) stems from the seminal contribution of Nordhaus (1975) and is based on the idea that vote maximization is the overriding goal of governing parties, and so policies are supplied merely to win elections. Accordingly, incumbents maneuver economic policy to create abnormally favorable economic conditions at election dates, which yields a political signal in economic policies and outcomes correlated with the electoral calendar. The PBC's stylized empirical predictions are that macroeconomic policy should move in an expansionary direction and real incomes and unemployment in a favorable direction just prior to elections; disinflationary austerity comes after elections are safely over.

The Partisan Theory (PT) of macroeconomic policy was developed by Hibbs (1975, 1977) and features the idea that parties have electoral

Correspondence to: D.A. Hibbs, Jr., Trade Union Institute for Economic Research, Wallingatan 38, 111 24 Stockholm, Sweden.

*This is an invited paper.

With further extensions in Hibbs (1986, 1987b, forthcoming) and Hibbs and Dennis (1988). Of course, many others also contributed, but I make no attempt here to give a comprehensive review of the extensive literature. Work appearing up to the late 1980s is covered in Alesina (1989).

0176-2680/92/$05.00 © 1992—Elsevier Science Publishers B.V. All rights reserved
ambitions in order to implement policies favoring their core constituencies. Partisan models therefore imply a political signal in economic policies and outcomes correlated with shifts in party control of the government. The PT's stylized empirical predictions are that ceteris paribus policy should be more expansionary, output growth (and inflation) should be higher, and unemployment should be lower under Left parties than Right ones.

The PBC and the PT are of course compatible; after all parties need to win elections in order to have the opportunity to implement their objectives. In fact, the joint operation of electoral and ideological incentives for macroeconomic policies was the centrepiece of an important series of late 1970's papers by Bruno Frey, Friedrich Schneider and collaborators. [Frey (1978) supplies an overview; Frey and Schneider (1989) cover subsequent developments.] The basic idea motivating this work was that governing parties pursue their ideological preferences as long as they enjoy comfortable ratings in the polls. When poll ratings deteriorate, and as election dates approach, purely electoral motives begin to drive policy. Though the Frey and Schneider papers dealt only with fiscal policy and did not incorporate explicitly persistent cleavages distinguishing the U.S. parties, their main ideas look better to me now than ever. [This view appears to be shared by others; see, for example, the refinements of a joint model in Nordhaus (1989) the concluding remarks of Alesina, Cohen and Roubini (1991), and the U.S. empirical evidence for a joint model claimed by Haynes and Stone (1990).]²

Partisan Theory alone, however, is the topic of this essay and so PBC theory and joint PBC-PT models receive little further attention. My review is intentionally subjective and selective, rather than balanced and comprehensive, and I place primary emphasis on the empirical side of the issues discussed.

2. The political foundations of Partisan Theory

Partisan Theory rests on the stylized empirical observations that downscale classes make up the core constituency of Left parties, they for the most part hold only human capital (their economic well-being depends almost entirely on earnings from labor), and they tend to occupy unsheltered, lower status jobs. Supporters of Left parties therefore have greater exposure to rising unemployment than supporters of Right parties, and they bear a disproportionate share of the economic and broader social costs of cyclical

²Haynes and Stone's results look to me, however, more consistent with the predictions of Rational Partisan Theory (discussed at length ahead) than with those of a combined PBC-PT model.
contractions. Consequently, their relative position in the income distribution, as well as their absolute level of economic well-being, is typically improved by a high activity macroeconomic environment yielding low unemployment and tight labor markets.

Up-scale groups form the core constituency of Right parties, they hold the lion’s share of financial capital in the household sector, and they tend to occupy higher status, and more secure jobs. So Right party supporters absorb greater losses from extra inflation than core constituents of Left parties, and they experience the greatest gains from disinflation. Yet all voting blocs have strong distaste for inflation. Left and Right party supporters are distinguished by the relative weights placed on unemployment and inflation. (In other words, they have differently sloped indifference curves in the Phillips curve space.)

Parties behave to a significant degree ‘ideologically’, meaning that they promote policies broadly consistent with the objective interests and revealed preferences of their core constituencies. (In general, there is no cross-party policy convergence or policy cycling.)\(^4\) Cleavages in the interests and preferences of party clienteles are reflected in the ‘partisan’ pattern of macroeconomic (and direct distributional) policies and outcomes observed under Left and Right party governments. On the side of the macroeconomy, Left party governments are more likely than Right governments to pursue expansive policies designed to yield lower unemployment and extra growth, but running the risk of higher inflation. Right party governments weight the prospect of extra inflation more heavily. As a result, they are more cautious about stimulating aggregate demand, and they entertain less ambitious targets for demand-side fueled employment and output growth.

Neither Left nor Right parties, however, adhere rigidly to fixed ideologies or preference schedules. All governments respond to high and rising inflation with contractive policies, and to prolonged or sharp downturns with expansive ones. Partisan theory calls attention to empirically meaningful differences on the margin.

The political-distributional foundations of the Partisan Theory do not seem to be particularly controversial.\(^5\) The main sources of contention are

---

\(^3\) Hibbs (1987a,b) and the numerous studies cited therein, provide much empirical documentation of these characterizations.

\(^4\) There is a large theoretical literature yielding predictions of ‘non-partisan’ convergence or opportunistic policy cycling (depending on the distribution of preferences and the dimensionality of issues). Notable theoretical attempts to account for the empirical fact that party policies generally exhibit persistent and predictable differences (which I take as given in this essay) and, hence, neither converge nor wander in free-form fashion over the feasible policy space, include Alesina (1987, 1988), Chappell and Keech (1986b), and the germinal work of Wittman (1973, 1977, and 1983).

\(^5\) A significant exception is Sheffrin (1989), who forcefully questions both the political and economic foundations of partisan theory.
the aspects of new classical-rational expectations thinking that must be relaxed or discarded in order to wind up with an economy allowing partisan-motivated policy action to generate macroeconomic predictions consistent with empirical data.

The earliest PT (and PBC) research relied on a stable, or at least exploitable, Phillips curve of 1960s to early 1970s vintage as the macroeconomic constraint. Parties could simply pick their preferred points in the inflation-unemployment (or inflation-output growth) trade-off space, which perhaps became less favorable, or even vanished altogether, over time (via Friedman–Phelps expectation adjustments), but nonetheless offered political authorities genuine opportunities to affect quantities (not just prices) for periods of significant duration.

First generation PT work took no account of the new classical-rational expectations revolution in macroeconomics (which, ironically, was underway just as the first PT and PBC papers appeared) that forcefully demonstrated, by theory, that only unanticipated nominal policy (aggregate demand or inflation 'surprises') could move the real economy (output and employment). In the absence of a usable Phillips curve, which for many years was thought to be demolished by the policy ineffectiveness arguments of Lucas (1973) and Sargent and Wallace (1975), PT and PBC research languished, particularly in economics.


Macroeconomic theory, however, soon supplied an avenue for Partisan Theory revival (but not PBC revival) by divorcing the neoclassical assertion of fast, market clearing price adjustment from rationality of expectations. Papers by Fischer (1977) and Taylor (1980) showed that under the institutional regime of unconditional, long-term (or staggered) wage contracting, properly timed manipulation of aggregate demand policy could affect quantities even with rational expectations. In fact, if distributed regularly enough through time and space, non-indexed multi-year wage contracts can yield wage adjustments to prices that are observationally equivalent to, but in the academic atmosphere of the period vastly more appealing theoretically than, Friedman (1968) and Phelps' (1968) sluggish expectations, natural rate Phillips curve models.

The theoretical opening supplied by Fischer and Taylor was exploited a decade later by Henry Chappell and William Keech (1986, 1988) and Alberto Alesina and collaborators [Alesina, 1987, 1989; Alesina and Sachs (1988)], who simultaneously and, evidently, independently introduced a second generation class of PT models integrating the basic idea of Hibbs' initial PT with an economy governed by rational expectations and multi-period wage
contracting. The new setup, which in my view is almost wholly responsible
for the renewal of academic interest in the Partisan Theory of macro-
economic cycles, was dubbed by its most vigorous and eloquent proponent,
Alberto Alesina, as 'Rational Partisan Theory', or the RPT.

The work of Chappell and Keech and Alesina et al. demonstrates that
with fixed party objectives known to all agents [and written out in the form
of Barro and Gordon's (1983) policy-maker maximand], partisan influence
on output and employment is possible as long as their is uncertainty at the
time wage contracts are forged about which party's aggregate demand policy
will be operative in future periods. The unpredictable component of nominal
policy shifts generated by uncertain (probabilistic) changes from one party
government to another are therefore taken as particular (electoral) realiza-
tions of Lucas, Sargent and Wallace aggregate demand (inflation) surprises.
As Alesina and Sachs put it (1988, p. 64): 'In our model only “unexpected
policy” matters: the economy would exhibit complete policy neutrality in a
one-party system with no elections. However, the elections create an
important source of uncertainty: the public does not know which party will
be in office in the future'. Or, in Chappell and Keech's words, 'Despite the
assumption of rational expectations, systematic party related differences ...
emerge as a consequence of money growth surprises caused by election
uncertainty' (1988, p. 108) ... 'the bigger the surprise, the bigger the induced
deviations...' (1986, p. 73).

If the natural rates of output growth and unemployment are unaffected by
demand policy (as the trend-reverting Lucas supply set-ups used thus far in
RPT work assumes), real effects achieved through the partisan surprise route
must of course be transitory – dissipating as pre-election contracts expire and
wages adjust ex post to the observed inflation regime of the party winning
power. The early version of the RPT therefore made the stylized prediction
that output and employment should exhibit partisan effects only in the first
part of the administrative term: ‘...at the beginning of the term of office of
the more expansionary party one should observe an output expansion....;
when the less expansionary party is elected, a recession ... should be
observed. There are no electoral surprises in the second part of the terms of
office; hence, in the second part of both types of administrations real
variables should exhibit the same behavior (ceteris paribus)’. [Alesina and
Sachs (1988, p. 64).]

The mystery in the RPT's political economy is why optimizing agents with

\[6\] Chappell and Keech and Alesina take election probabilities as given (exogenous). Ellis (1991),
however, shows that endogenizing voting in RPT set-ups affects magnitudes but not signs of
partisan effects. Ellis' results merit both further theoretical investigation for robustness to
alternative assumptions and empirical testing. In the concluding section I argue that partisan
goals should also be made endogenous.
rational expectations repeatedly lock themselves into multi-period nominal wage contracts with start dates just preceding (rather than just following) elections. The RPT therefore shares the main inconsistency of New Keynesian (Fischer–Taylor) models of the late 1970s and early 1980s: the peculiar coexistence of individual hyper-rationality with rather glaring irrationality of contractual institutions. In the light of forty-odd years of partisan cycling in U.S. data documented by, among others, Alesina, Chappel and Keech and Hibbs (not to mention the empirical evidence accumulated for other countries), building a rational political theory of the business cycle on the perpetuation of suboptimal contracting is perhaps not a great deal more satisfactory on theoretical grounds than older sluggish expectations models of why real output and employment respond to nominal events, and a good deal less satisfactory than recent New Keynesian theories of 'slightly irrational' price rigidities in the goods market. [Concerning the latter, see, for example, the reviews of Gordon (1990); Mankiw (1990) and Rotemberg (1987).]

Moreover, the multi-period wage contracting story essentially has policy authorities pushing the economy up (or down) its aggregate production function on the back of falling (or rising) real wages, but empirical studies haven't been able to recover much of a macroeconomic relation between real wage movements and fluctuations of quantities. If anything, real wages appear to be slightly procyclical. And, even if neoclassical downward sloping demand for labor curves prevail empirically, the wage contracting-partisan policy surprise story would seem to have only modest relevance for systems with annual bargaining rounds (Japan and most of Europe), and perhaps also the United States, where at the union membership peak multi-year wage contracts covered less than one-quarter of the labor force and now cover less than one-tenth.

Oddly, the RPT’s central theoretical innovation – partisan effects depend on ex ante electoral uncertainty – never has been tested. In fact, to my knowledge the only empirical paper even to include uncertainty about partisan change (based on poll data) in an RPT-type model is Chappel and Keech’s (1988) analysis of partisan influence on U.S. unemployment. The partisan surprise factor, however, is imposed as part of the maintained hypothesis, not tested against alternatives, in this work. In any case, Chappel and Keech’s regressions failed to yield evidence consistently favoring the

---

7The same is true, implicitly, in earlier conventional Phillips curve stories, though the sluggish adjustment of wages to prices was not governed explicitly by the periodicity of contractual practices.

8An alternative version of the surprise story, originally proposed by Lucas (1973), has producers varying quantities in response to misperceptions of relative prices caused by inflation surprises. The price misperception explanation of cycles seems to me much more far fetched than the irrational contracting mechanism.
RPT\textsuperscript{9} (many of their uncertainty-weighted monetary surprise terms evidently were incorrectly signed), which squares with my casual understanding of the U.S. record.

The 1964 victory of the Democrats (when Lyndon Johnson trounced Barry Goldwater) and the 1980 victory of the Republicans (when Jimmy Carter lost decisively to Ronald Reagan) were among the least surprising presidential elections of the postwar period. [Judging from polls taken during the year prior to the elections and other contextual evidence, it is doubtful that anyone could have been very surprised by the outcomes. See Chappel and Keech (1988, Appendix) and Hibbs (1987b, Chap. 6).] Yet 1964 ushered in the most robust expansion, and 1980 was followed by the deepest contraction, in postwar American history, and these observations carry great weight in regression equations designed to estimated partisan effects on output and unemployment. [See Hibbs (1987b, p. 229).]

By contrast, pre-election poll projections strongly indicated, and actual vote counts confirmed, that the 1960 and 1968 elections were real toss-ups. Yet the uncertain shift from a Republican to Democratic administration in 1960 when Kennedy defeated Nixon by a whisker, and from a Democratic to a Republican one eight years later when Nixon just barely beat Humphrey, were followed by relatively weak (though, from the point of view of Partisan Theory, correctly signed) movements in output and unemployment. My reading of these cases implies that the RPT surprise hypothesis should perhaps be inverted, at least for the United States. My reading is also wholly anecdotal and has little or no scientific value. What we need (see the concluding section) are serious empirical tests of the RPT's central theoretical property.

4. Coming half circle: The 'more general' RPT

In more recent papers Alesina (1991) and Alesina and Roubini (1990) have abandoned 'strict' rational partisan theory, arguing that in empirical work partisan surprises are 'difficult if not impossible' to measure (which, as I point out ahead, is surely wrong) and that in any event expected as well as unexpected aggregate demand policy may have real effects 'with long and variable lags' (which is almost surely right).

Although this posture is designated a 'weaker' or 'more general' version of Rational Partisan Theory, by discarding the neutrality of anticipated policy on both empirical and theoretical grounds, Alesina et al. have divorced the

\textsuperscript{9}Although general applications of the nominal policy surprise idea received some early empirical support in studies by Barro (1978) and Barro and Rush (1980), subsequent empirical work supplied persuasive evidence that output responds both to anticipated and unanticipated demand changes. See, for example, Bean (1984), Demery (1984), Gordon (1982) and Mishkin (1983).
RPT in practice from electoral uncertainty and rendered rationality (or irrationality) of expectations irrelevant to the model, thereby robbing the RPT of most of its theoretical novelty. Stripped of its central policy surprise hypothesis, 'more general' Rational Partisan Theory is not sharply distinguished from first generation Partisan Theory. The RPT has quickly come half circle.

Thus far, the main (and important) established contribution of RPT research is empirical. As in the earlier PT papers. RPT-inspired studies have investigated the output and employment (and inflation) responses to changes in party governments, whether expected or unexpected. But the empirical test equations have been applied to a much richer set of international observations than in previous studies, they explicitly have allowed for transitory real-side partisan effects, and they systematically have contrasted the predictions of old and new Partisan Theory to those of old and new Political Business Cycle theory. [Alesina (1989); Alesina and Roubini (1990); Alesina, Cohen and Roubini (1992). Also see the extensive comparative analyses of Paldam (1989/6) and Paldam (1989/8), who uses rather esoteric non-parametric test procedures.]

This extensive cross-national empirical program has yielded results documenting that partisan (but not PBC) macroeconomic effects are widespread in time and space, that they are roughly similar in magnitude to those reported earlier in less comprehensive investigations, and that they are in some cases of shorter duration (particularly for U.S. unemployment) than reported before. These findings have enormously enriched our empirical knowledge of connections between partisan change and macroeconomic fluctuations. Yet I think they are, at best, only weakly informative about the main theoretical innovation of Rational Partisan Theory, which resides in its 'strict' form: Under individual rationality of expectations and institutionalized contractual sluggishness of wage adjustment to realized inflation, partisan effects on output and employment depend on ex ante electoral uncertainty.

Alesina and collaborators interpret the 'more general' RPT empirics to be consistent with 'strict' RPT theory if: (1) Movements of output growth and unemployment regularly follow shifts in partisan control of the government (rather than lead elections as under the PBC) and are short-lived; and (2) Autoregressive test equations for output growth and unemployment show that binary PBC variables are not in general significant and that binary PT variables exert greatest influence when coded 'on' for 'short' durations.\(^\text{10}\)

---

\(^{10}\)The test equations used by Alesina et al. have typical functional form:

\[ Y_t = a + \sum b_i Y_{t-i} + c PDUM(i) + \epsilon_t, \]

where \( Y \) is the output growth rate or unemployment rate (normed, by deviation or inclusion of an additional regressor, to the respective weighted average international rates), \( PDUM \) is a binary political variable (coded, in the case of Partisan Theory tests, in the fashion \(-1\) or \(0\) for
and (2) are of course compatible only if output growth and unemployment revert to natural rates that are fixed, or at least unaffected by politically inspired aggregate demand policy.

Since the strict RPT was first formulated, however, we have accumulated substantial statistical evidence of near hysteresis in the unemployment series of many European countries and of persistence in real output that is very difficult to distinguish from a random walk plus drift. [See, for example, Blanchard and Summers (1986); Campbell and Mankiw (1987, 1989) and Durlauf (1989).] Hence, shocks to output and unemployment from both supply and demand, including transitory, partisan demand policy surprises, may significantly affect the real economy over the indefinite future, and perhaps for ever. ¹¹ Accordingly, criterion (1) may tell us about the applicability of the RPT, and in more recent papers Alesina et al. quite properly feature criterion (2) as the main way to contrast the RPT with the PT and the PBC.

Alesina and Roubini (1990) and Alesina, Cohen and Roubini (1992) show that Partisan Theory test equations empirically dominate Political Business Cycle set-ups, and that ‘short’ on-codings of binary partisan variables \(N = 4\) to \(8\) outperform ‘long’ or permanent on-codings (where \(N\) = the full run of each partisan government) of the sort prevailing in earlier PT research. These results comprise a major increment to empirical knowledge about political cycles which, as Alesina and collaborators point out, are fully consistent with the implications of the strict RPT.

However, the results are equally consistent with (observationally equivalent to) the existence and gradual steepening of a Phillips curve arising from other quarters (including ‘irrational’ adaptive expectation mechanisms that populated first generation PT thinking) and/or with the adjustment of partisan goals (target rates of unemployment, output growth and inflation or the weights attached to them) to the deterioration of short-run Phillips curves in the wake of initial demand management policy actions. Unless one is willing a priori to impute transitory binary partisan variables to the intersection of wage contracting cycles and electoral uncertainty (which

---

¹¹In fact, Alesina and Roubini (1990), report partisan effects on unemployment (and level real output) for many countries that persist indefinitely.

¹²Indeed, if the structure of the economy were governed by hysteresis and endogenous growth properties, simple data tests in the form of (1) could well detect the sort of persistent real effects that Paldam and Alesina et al. interpret as favoring the PT, even though the persistence originated with transitory RPT policy surprises. This reinforces the point made earlier (and ahead) that the RPT and the PT are not well distinguished when empirical tests are not conditioned on electoral uncertainty.
Alesina et al. eschew), ruling out by assertion competing interpretations, the RPT remains plausible in theory but as yet unconfirmed in data.

5. Where should we go from here?

The RPT policy surprise idea is a major refinement of Partisan Theory and one of the most influential ideas to appear in the politics and business cycles literature during the last decade. Clearly, it deserves systematic empirical investigation, which, at a minimum, requires that partisan variables in RPT test regressions be weighted by the uncertainty associated with each party’s (or bloc’s) assumption of power. The appropriate empirics can easily be executed with readily available data. [Cf. Chappel and Keech’s (1988) work on partisan policy and U.S. unemployment.]

Electoral preference polls are known to be rather good predictors of election results in Australia, Britain, Canada, Denmark, Germany, France, Italy, Japan, Norway and Sweden and the U.S. (and, likely, in other countries for which I am unfamiliar with the evidence), are available at frequent periodicity (often monthly)\(^\text{13}\) and, therefore, are natural vehicles to calibrate public perceptions of the probabilities of partisan change at any period. Just as the real test of the RPT versus the PBC depends on the response of the economy to politics under Left party governments during the second part of the term (because under Right party governments both theories predict late-in-the-term recoveries from politically induced contractions early-in-the-term), the real test of the RPT versus the PT hinges on the magnitude of partisan effects on output growth and unemployment following expected changes in party governments (because both theories predict partisan-based real effects following surprising changes) and on the magnitude of effects following unexpected re-elections of the incumbent party (because the empirical PT, but not the RPT, implies essentially full adjustment to partisan goals after three to four years).\(^\text{14}\)

I think it likely that the Rational Partisan Theory, once subjected to proper tests, will not fare well in data because the general policy neutrality – policy surprise hypothesis, of which the RPT is a special case, has not fared well in data. Yet this is mere conjecture; who knows, perhaps the RPT identifies the only context in which the Lucas, Sargent and Wallace policy

\(^{13}\text{In most parliamentary systems questions of the form ‘Which party would you vote for if an election were held today’ appear in sample surveys taken throughout each year. In presidential systems (notably France and the U.S.) party vote preferences typically are polled only a half-year or so prior to elections. Presidential approval poll readings (which are also systematically related to the vote shares going to the incumbent party’s nominee) are, however, available over the whole administrative term.}\)

\(^{14}\text{Neither the RPT nor the PT imply significant partisan effects (or, in the case of the PT, significant additional partisan effects) following anticipated prolongations of the incumbent party’s tenure.}\)
surprise proposition applies empirically. Serious empirical testing of the strict RPT is the most urgent item on the Partisan Theory agenda.

Let me close this essay by suggesting two broad additional directions – inspired in good part by the empirical patterns documented in Alesina et al.'s international research on the 'more general' RPT – in which I believe the Partisan Theory of the business cycle might be advanced further.

First, concerning economic constraints, Partisan Theory models of all vintages have, for simplicity, normally assumed that the structure of the macroeconomy (usually modelled in the form of natural rate-reverting Phillips curves of Lucas supply set-ups) is fixed and known to the public and policy authorities alike. Although it is well established empirically that demand expansions generally have greatest real effects early-on, gradually yielding less extra output and more inflation over time, the mechanisms are simply not very well understood at this stage of macroeconomics.\(^\text{15}\) (There are several unconfirmed New Keynesian stories; see the references cited.) Though no one wants to build models that hinge on grossly irrational behavior, Partisan Theory empirics should acknowledge our ignorance and take account of the fact that demand policy multipliers (Phillips curves) and sustainable rates of output growth and unemployment are most likely stochastic, and that political authorities, along with everyone else, are ex ante dynamically uncertain about, and ex post continuously attempt to learn about, the current values of structural and policy parameters governing macroeconomic fluctuations, in order to project intelligently the consequences of their policy actions.

Second, concerning political objectives, both old and new Partisan Theory set-ups typically have imposed fixed preference weights to define each party's desired (optimal) combination of real and nominal economic performance. Everyone working in the area realizes that the assumption of immutable partisan preferences is probably 'wrong'. Both Left and Right party governments shift policy in an expansionary direction when faced with deep recessions and in a contractive direction when confronted with runaway inflations; and the shifts seem much too pronounced to be consistent with 'constant emphasis' partisan objective functions. Such simplifications should be abandoned, and models should be constructed in which partisan goals are adjusted over time to expected and observed changes in macroeconomic conditions.

In Hibbs, forthcoming, I have tried to incorporate these suggestions in a revised model which, nonetheless, is high stylized, empirically tractable and yields results for U.S. demand policy, output growth and inflation that are

\(^{15}\) Indeed, Stanley Fischer has concluded that the remarkably fertile period of macroeconomic theoretical development of the 1970's to 1980's brought '...greater not less confusion at the business end of macroeconomics, in understanding the actual causes of macroeconomic fluctuations, and in applying macroeconomics to policymaking.' (1988, p. 331.)
consistent with Partisan Theory's core hypothesis. Big improvements on these and other extensions of Partisan Theory undoubtedly will be made by subsequent efforts.

References


Haynes, S.E. and J.A. Stone, 1990, Political models of the business cycle should be revived, Economic Inquiry 28, 442–466.

Hibbs, D.A., 1975, Economic interest and the politics of macroeconomic policy, Center for International Studies, Massachusetts Institute of Technology, Monograph C/75-14.


Paldam, M., 1989/6, Politics matters after all: Testing Alesina’s theory of RE partisan cycles on data for 17 countries, Memo, Institute of Economics, University of Aarhus.


