

CHAPTER 12

A MODEL OF THE MARKET OF POLITICAL OFFERS

Introduction

The history of modeling the market of political offers is quite long, the first and most widely known attempt was a model presented by Anthony Downs in 1957 (Downs 1957), another model was developed by scientists who created the theory of Public Choice (Buchanan 1967, Mueller 1989, Gunning 2001). All these models met with very strong criticism directed especially at the assumption that the voter's behavior is rational and voters are making their electoral decision by comparing profits they can gain by their choice. The assumption is logical but incorrect for most voters (McLeod, Becker 1981).

The starting point of my analysis is the concept of demand for a political offer with the special role of "price" in political market. Next, I present the model of creating a political offer which serves as a basis for developing a supply curve of the offer. In the end I will show how the presented model explains basic changes in the market of political offers.

Demand for a political offer

It is known pretty much about voters' behaviour, there is a great theory about it. It is known why a modern society needs to have a government (Stiglitz 2000). It is known why people vote. The problem of voters' behaviour was the chief subject of extensive research conducted in this field. There are numerous theories, from the earliest, like the sociological theory (Lazarsfeld 1944) through the psychological model (Campbell 1960), the economic theory (Downs 1957), and the retrospective concept (Key 1966, Fiorina 1981). Finally there is the complex marketing model of Bruce I. Newman (Newman 1994). Thus there is fairly impressive knowledge on the matter but there is not a concept of demand for a political offer. The reason is the missing idea of a price in the market of political offers.

A consumer in a classic market takes his decision through comparing utilities gained by purchasing and the price, that is the cost of the purchase, while demand is the amount of goods or services that he wishes to buy at a given price and in a given period of time. In a political market the stream of values gained through a voter's decision may be very different; according to the Newman's model these values can be functional, social, emotional, conditional, and epistemic (Newman 1994:70-75). What is, however, the cost of a decision? Can the cost be estimated?

Most authors writing about political market or political marketing avoid touching on the problem of price. Others try to define price as a cost society pays to conduct political elections (Muszynski 1999: 218). Such a definition is false from the economic point of view as price is an individual cost rather than a collective one. Another point of view is put forward by scientists representing the Public Choice Theory. In their opinion the price paid by voters are taxes (Buchanan 1997:115, Gunning 2001:157-172). In that theory voting is a process of comparing various values that can be gained by voting with the cost of taxes. Economically such a definition of price is very attractive, however for at least two reasons it does not match reality. The first reason is that a voter has no idea what the ruling party will do about the level of taxes. In Poland, for example, during every parliamentary election every party (no matter

which part of the political spectrum it represents) vows to reduce the level of taxes and yet the taxes keep rising. What is more, modern tax systems are so complex that a voter in many cases cannot even determine the actual level of taxation. The second reason is that a voter is seldom satisfied with just one value. A particular value can obviously dominate over others, but realising the dominating value can come at the cost of other values. For example, voting for a liberal party can be regarded as a means of achieving economic values but at the same time it might stand in opposition to the voter's emotional or ideological values. If so, it is the estimated cost of particular politicians' or party's governing to the voter that constitutes the price of a given political offer to the voter. So, here we find alternative costs that are fully subjective, rather than objective and countable, as the Public Choice scientists would have it. The question is how a voter estimates such a cost. The image of a political party or politician is considered to be the main determinant of a voter's electoral decision (Kavanagh 1997:13, Pietras 1998:419, Cwalina 2000: 60, Newman 1994:2). It is the image that makes a political offer credible or not. In the model I present in this paper the estimation of cost is assumed to be based on the credibility (C) of a party (or politician) (C_p) and its platform (C_o). Credibility in its turn is estimated according to the image, what is more its level is related to the credibility of other political offers. I will discuss that later on. Now it can be formulated a definition of demand for a political offer:

Demand for a political offer (D) is the percentage of voters (S) who want to vote for that offer in a given time period and at the given level of credibility.

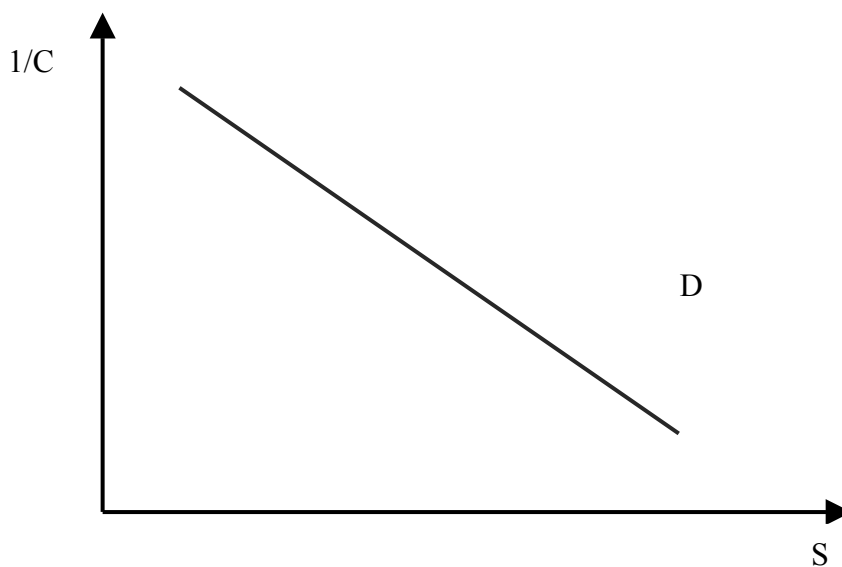
The higher level of credibility a voter ascribes to the political offer the lower he estimates the costs of ruling. Thus the price of an electoral decision is the inverse of credibility ($1/C$). It can be assumed that the higher credibility the offer achieves, the more voters it attracts. We can express it algebraically as:

$$(1) S = -(1/C) * a + b \text{ or } (2) 1/C = -d * S + e$$

where: S - percentage electoral support, $1/C$ – price of an offer, a, b – constant coefficient, $d = 1/a$ and $e = b/a$

Figure 1 graphically represents the formula as a curve of demand.

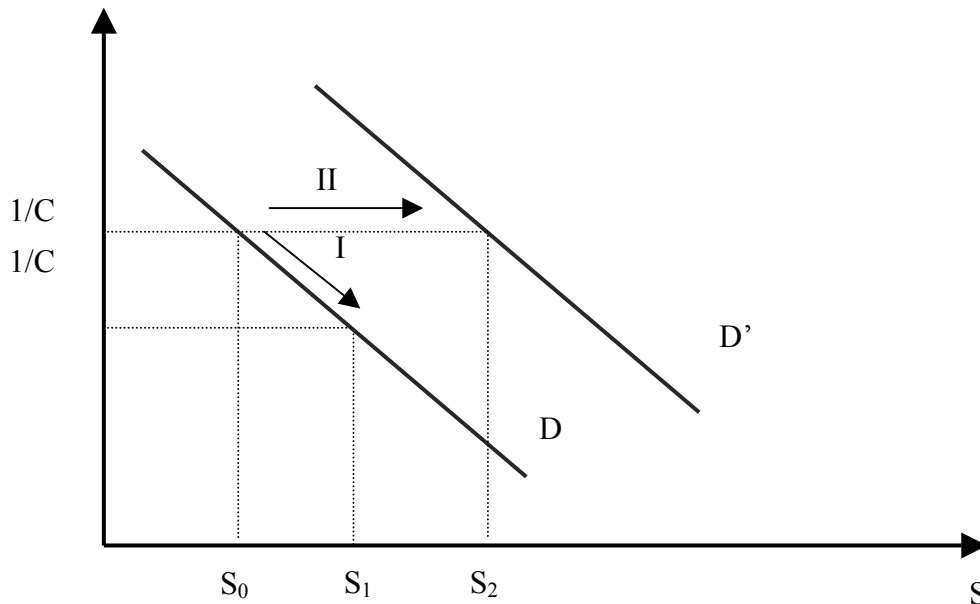
Figure 1. Demand for a political offer



Obviously, the strength of the relation between political support (S) and credibility (C) may vary. It can be easily analysed with standard economic coefficients of flexibility.

The level of support depends not only on the level of credibility, it is determined also by the credibility of opponents' political offers, cultural changes, fashion, etc. The change in the credibility of an offer results in a movement along the curve of demand for that offer, while changes in any other determinants of political support cause shifts of the entire curve, as shown in Figure 2.

Figure 2. Changes of demand



I – change of electoral support caused by greater credibility of the offer

II - change of electoral support caused by other causes (for example reduced credibility of the main opponent)

The real curve of demand will be slightly different from the one presented above. The reason is a “mob effect”. The market of political offers is a service market and, as the theory of service marketing suggests, one of the main determinants of consumer decisions is the opinion of other consumers, especially when a consumer is incapable of evaluating the offer himself (Mazur 2001: 45). An individual voter is frequently unable to evaluate a political offer because of insufficient knowledge, experience etc., which makes him rely on the image, consisting to a great degree of other voters' opinion. Therefore we can assume that the more voters accept a given offer, the more credible it appears to be. Consequently, the credibility of the offer is not simply

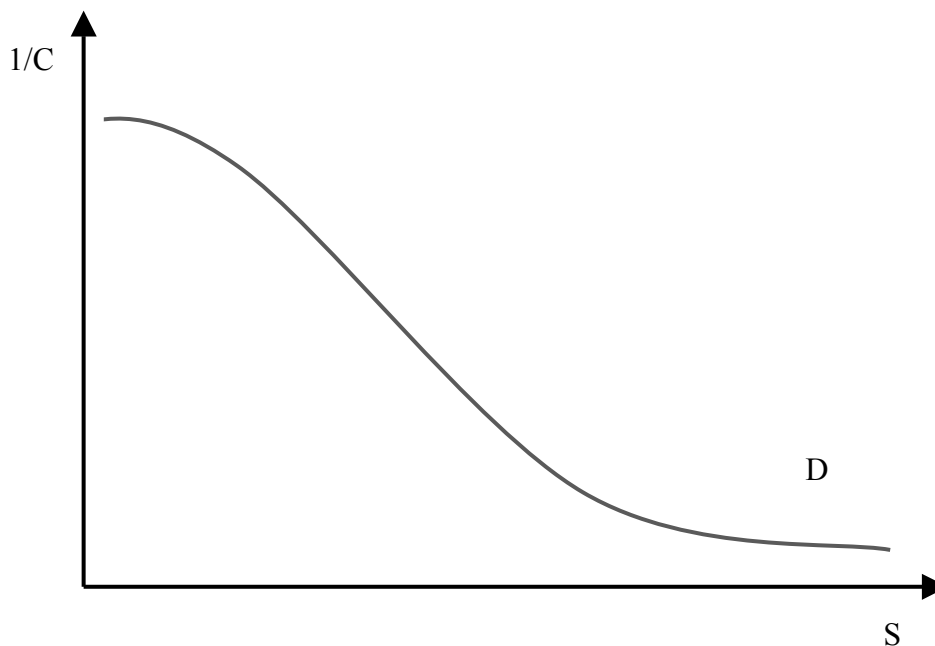
$$(3) C = C_o + C_p \text{ but } (4) C = C_o + C_p + x \cdot S$$

where x is a coefficient expressing the strength of the impact of electoral support on the credibility level. If so, the algebraic formula of demand is:

$$(5) 1/C = (S-b) / (-a - x \cdot S^2 + b \cdot S)$$

The corresponding demand curve is shown in Figure 3

Figure 3. The real curve of demand for a political offer



For the purpose of this paper I will use the simpler version of the curve. It does not change the sense of the model but it makes it more transparent.

Now since I have formulated a model of demand, let me examine the supply part of the market.

Model of creating a political offer and the supply of the offer

The starting point for the analysis of supply in the case of a political offer is the question about goals that a political party or politician attempts to achieve. Most scientists agree that the goal is winning elections by gaining electoral support (Downs 1957:28, Buchanan 1997: 115, Muszynski 1999:48, Newman 1994:4, Newman 1999: 3). J. Bartle points out that although political parties have also other goals, especially ideological ones, the main objective in the longer period of time is always gaining electoral support since any party unable to secure a significant support from the voters is pushed out of the market (Bartle 2002:39-65). Whatever the ultimate goal of a party or politician may be (ideological or pragmatic), in order to achieve it, the party must attract voters. Therefore in the model presented here I assume that the main goal is gaining maximum electoral support.

In the earlier part of this paper I pointed out how crucial the role of credibility is in the process of gaining electoral support. I will have a closer look at it now. Any party wishing to gain some level of electoral support has to prepare its offer as a mix of incentives and promises. Since the political market has no tools capable of making a party keep its promises, the political offer all too frequently becomes more or less populist. Let me mark the populism level as P. However, contrary to certain psychological and sociological theories, voters are no fools, so the offer has to be perceived as credible. Therefore, the level of electoral support (S) can be describe as a function of populism on the one hand and credibility (C) on the other hand:

$$(6) \quad S = P \cdot C + S_0$$

where S_0 is a level of support that a party would gain without any campaign.

We should remember that support is not “given”. Any party can lose it during the campaign.

Let me have a look at the sole credibility. As argued in the earlier part of the paper, it can be distinguished two components of the overall credibility: the credibility of a political party and the credibility of its offer. An average voter finds it very difficult to judge the credibility of a political offer, but one thing have to be admitted: the more we promise the less credible our offer is. Thus the credibility of an offer (C_o) can be described as a negative function of its populism:

$$(7) C_o = -e * P$$

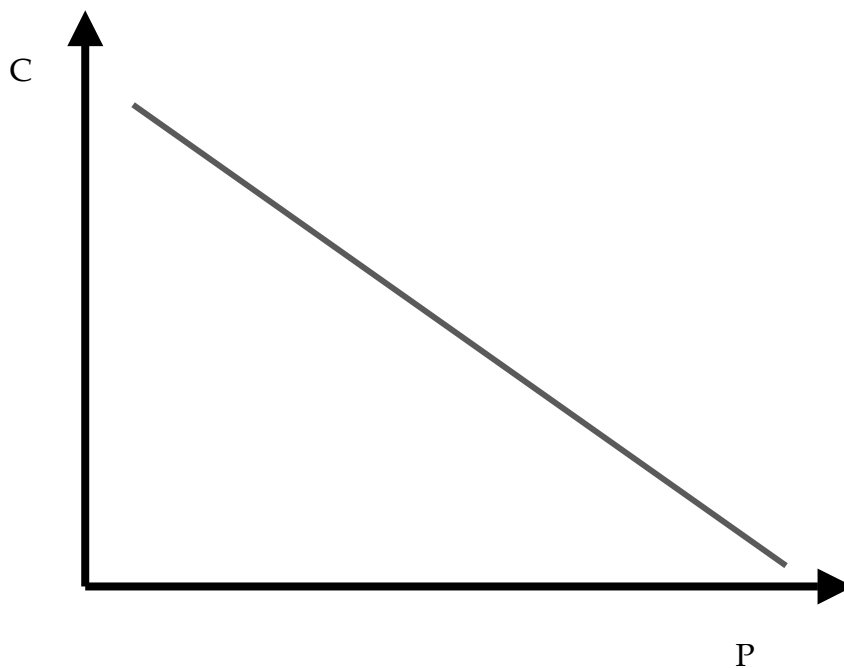
where “e” is a coefficient describing the impact of populism on the perceived credibility of an offer. The impact varies in different voter segments as a result of differences in voters’ knowledge, experience, social position etc. and the coherence of a presented image (Plonski 2005:51-65).

The credibility of a political party (C_p) is based on the voters’ experiences concerning that party or its politicians collected throughout their lifetime. It is not an absolute value, but a relative one, dependent on the credibility of opponents. Thus the overall credibility can be described as:

$$(8) C = -e * P + C_p$$

Figure 4 shows the relationship between credibility and populism.

Figure 4. Relationship between credibility (C) of a political offer and the level of populism (P)

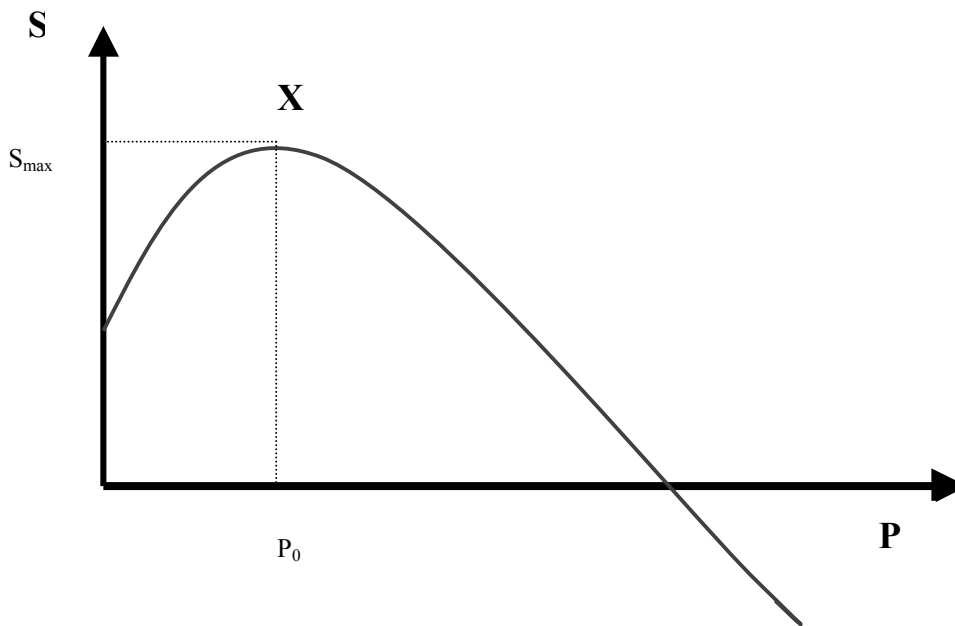


Let me go back to the electoral support now. It can be described it as:

$$(9) S = P * (-e * P + C_p) + S_0 = -e * P^2 + P * C_p + S_0$$

The function is represented by figure 5.

Figure 5. The curve of electoral support



Initially the main source of the growing support are the increasingly lavish promises but as the level of populism grows, the offer becomes less credible to more and more voters.

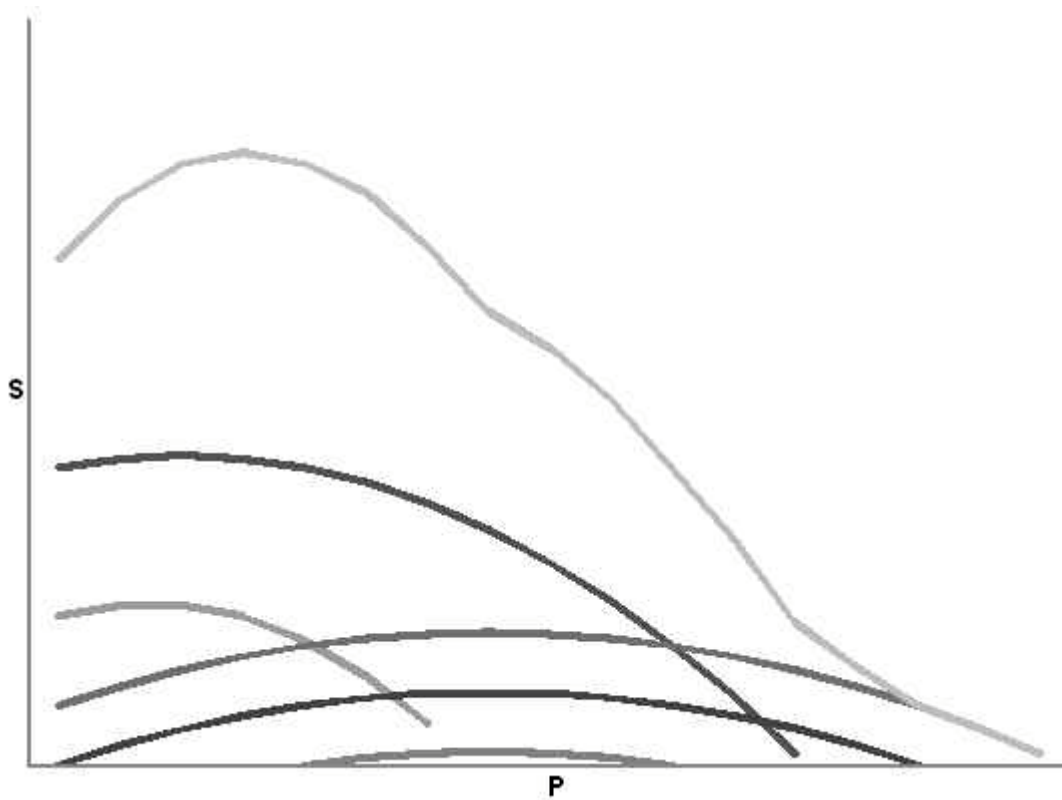
The P_0 level of populism represents the level of promises which guarantees maximum electoral support. When the level of populism in a political offer is either lower or higher than optimal, the electoral support gained by the party is lower than possible. In the former case the offer is not attractive enough, and in the latter it is not sufficiently credible. If, as I assumed, the main goal of a party (or politician) is maximising electoral support, it will try to keep populism at the level that guarantees the credibility with maximum support. What is more we can estimate factors that determine the optimum level of populism (P_0) by analysing the optimum of the curve of political support:

$$(10): S_{\max}: P_0 = C_p / 2e$$

If so, the optimal level of populism, optimal level of credibility and maximal level of electoral support are given by factors from beyond the electoral campaign.

The analysis presented above appears very optimistic. A party cannot “spoil” democracy by producing increasingly impracticable offers for if it did, it would lose its credibility and be pushed out of the market. Can we rely on this mechanism? Unfortunately, there is no clear-cut answer. It should work with respect to a single party but in democracy a party is never isolated - there are other, competing, parties, and the credibility of each party is judged against the credibility of others. If all parties in the market are increasing their populism, it is possible to imagine a situation where one of them, despite its populism, is gaining a higher level of credibility.

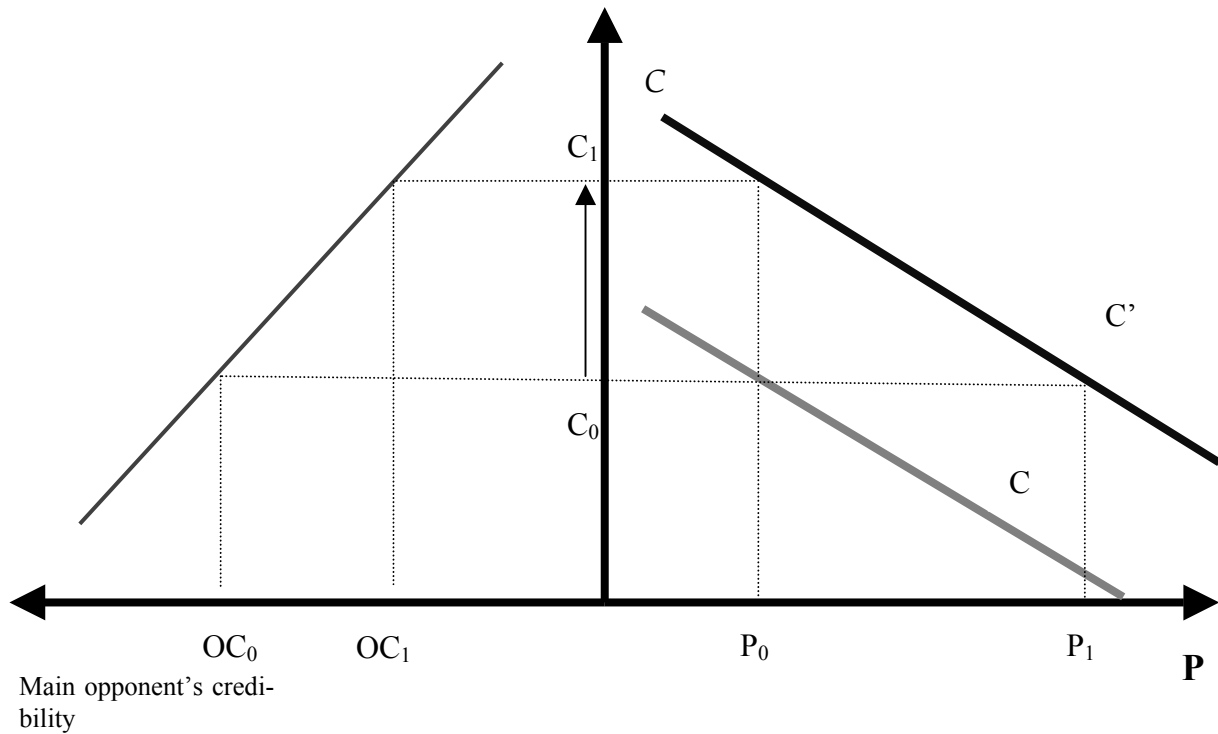
Until now we have been analysing the market of political offers as homogeneous. But the coefficients “ e ” and “ C_p ” can vary for different market segments. That is why the real curve of support should be taken as a sum of political support curves for particular segments of voters, as in figure 6.

Figure 6. Real curve of political support

The diagram represents a market made up of five segments accessible to a party. It is worth mentioning that a party may find certain segments of voters entirely inaccessible. What is more an attempt to reach some segments may result in losing others, so targeting in a political market should be very careful.

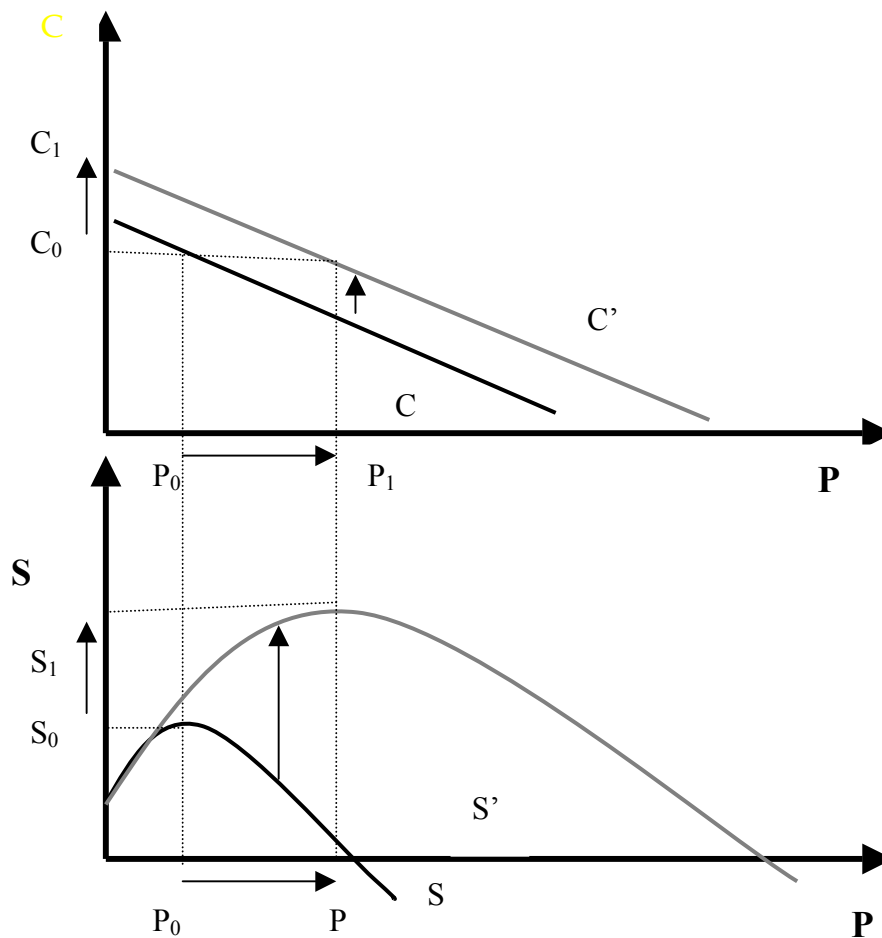
But let us return to our search for supply of a political offer. As I have already observed estimating credibility is a very subjective process. Let me consider the credibility of a party (C_p). The level of such credibility depends on numerous factors, some of which have already been mentioned. One of them is the credibility of other parties (or politicians) – it is a relative value. Credibility of any given party is the lower the higher credibility of its opponents. Figure 6 represents this relationship.

Figure 7. The impact of changes in the main opponent's credibility on the credibility of a political offer



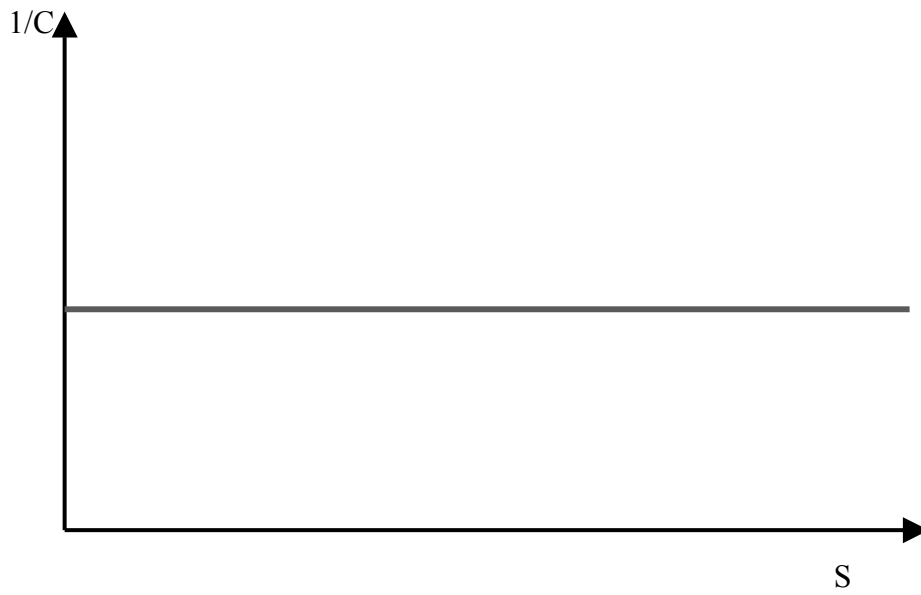
Let me assume the following situation: the level of populism in the offer of party X is P_0 and the party's credibility is C_0 while the main opponent's credibility is OC_0 (we can also use the average opponents' credibility, if there is more than one and we are unable to establish the main one). Then the main opponent party loses its credibility to the level OC_1 because of some mistakes or a negative campaign by party X. In such a case the level of credibility of the offer presented by party X rises to C_1 . Consequently, the party could increase its populism to P_1 and its credibility would not suffer, remaining at the level of C_0 . That is so because a change in the main opponent's credibility shifts the credibility curve of party X from C to C' by increasing the credibility of the party from C_p to C_p' . How does this situation affect the level of electoral support? It can be observed in figure 8.

Figure 8. The impact of a change in the credibility of a party on the curve of its electoral support



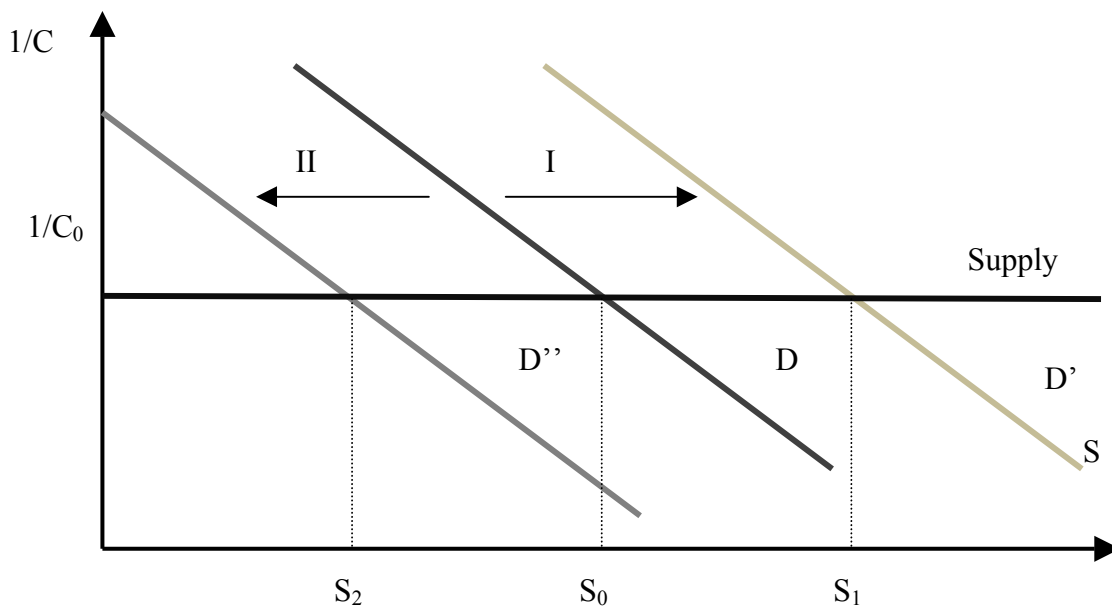
As it can be seen, the shift of the credibility curve from C to C' causes the support curve for party X to shift from S to S' . Now the optimal electoral support is no longer S_0 with populism P_0 and credibility C_0 , but S_1 with populism P_1 and the unchanged credibility C_0 . If an opponent loses its credibility, the party's offer gains higher credibility but the level of credibility is not optimal— it does not guarantee the maximum level of electoral support. In such a situation a party maximising its share of the market will have to increase its level of populism, while lowering the credibility level to the previous one. Thus the level of credibility appears to be in some way constant during the election campaign. The opposite happens when an opponent gains greater credibility: the party loses some of its credibility and has to improve it by reducing the level of populism in order to achieve maximum possible support. Based upon that analysis, it can be assumed that **during the election the credibility of an offer tends to be constant**. Therefore, the supply in the market of a political offer can be defined as **the level of credibility that a party or politician gains during the election**. It is represented in figure 9.

Figure 9. The supply curve in a political market



This model can be used not only to derive the shape of the supply curve of a political offer, it also explains shifts of demand in that market. Let us go back to figures 6 and 7. The decrease of an opponent’s credibility means that at the same level of credibility the demand for a given political offer grows, which can be represented as a rightward shift of the demand curve, as in figure 10. In the same way, when the opponent’s credibility rises, the demand curve shifts to the left.

Figure 10. Shifts of the demand curve caused by changes in an opponent’s credibility

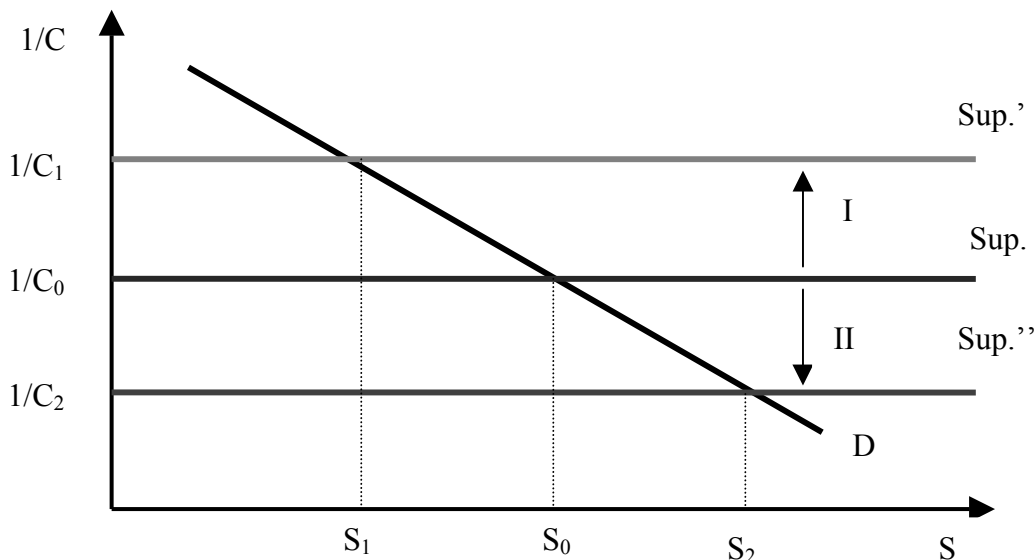


Shift “I” is caused by a decrease in the main opponent’s credibility, which boosts electoral support for the given party to S_1 , while shift “II” is caused by an increase in the main opponent’s credibility resulting in the fall of support to S_2 . As mentioned earlier, such shifts

can also be an effect of some other factors like changes in culture, fashion, economic circumstances or other.

A party or a politician can also change supply of their political offer but, as mentioned earlier, such a change (i.e. changing the image of a party or politician and hence their credibility) requires time and should be based on a long-term strategy rather than makeshift electoral tactics. Such a change is shown in figure 11.

Figure 11. Shifts caused by image changes



Shift "I" represents a counterproductive attempt at changing the image that reduced the credibility of the party (from C_0 to C_1) and increased expected costs of its term in power. The support level fell to S_1 . Shift "II" reflects a successful attempt at changing the image that raised the credibility of the party, decreased its expected "cost of ruling" and increased its support to S_2 .

The main focus of the paper is to present theoretical basis for an economic model of the political market, which I have just accomplished, but I would also like to point out some of the more interesting practical consequences of the model.

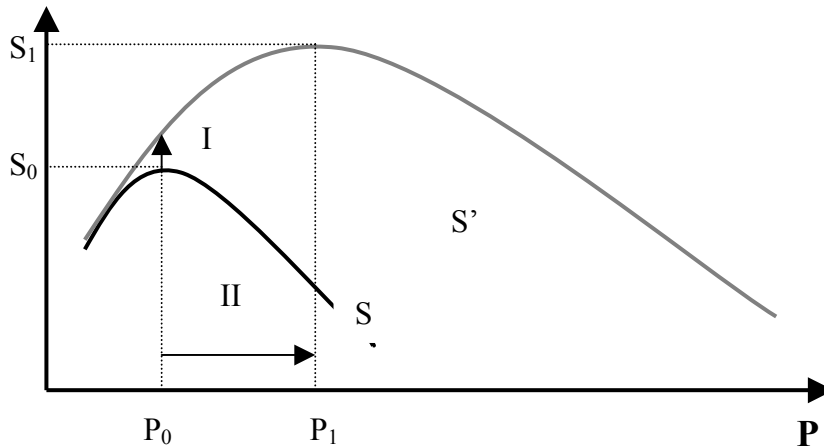
Some practical consequences of the economic model

The first consequence is the importance of the image created by a party or politician before the election campaign for the electoral result. As a matter of fact, from the strategic point of view the pre-electoral time of creating the image is more important than election tactics. It is before the election that the base credibility of a party or politician is established and according to the presented model it determines the maximum possible level of support. Some politicians are apparently aware of that fact - one might point at the image crafted by Hilary Clinton, it took several years and a long-term strategy to put her in the present position.

The second is the necessity of a negative campaign during the election. As the model suggests, a positive message has a limited effect on electoral support. A party or politician can adjust it to the market to maximise their support but a positive message cannot increase the demand. The demand curve can be shifted to the right mostly by reducing opponent's credibility. The credibility can be decreased through a negative campaign (though, of course, it is

better when the negative message is not associated with us so that we should avoid the boomerang effect). Thus, during the campaign a negative message is used to push out the opponent from his position in voters' minds decreasing his credibility, and then a positive message is used to gain and keep the ground (see figure 12). In the light of this model, negative and positive campaigns are to be closely bound. Consequently, the postulate of exclusively positive campaigning is likely to remain unfulfilled.

Figure 12. Effects of positive and negative messages



The shift marked as “I” shows the effect of a negative message, and the shift marked as “II” shows the effect of a positive message.

The third practical consequence is the importance of accuracy in image targeting. If a party or politician target a wrong segment of voters, this may decrease their credibility in other, more crucial segments. As the real curve of support (Fig.6) suggests, some segments are mutually exclusive. Each party has to know which segments are the most important to them and how they relate to other segments. Wrong targeting can push the supply curve up and destroy the support the offer could achieve.

Conclusion

The model presented in this paper is an attempt to take a new look at modelling the market of political offers including the key issue of political marketing: the image of a political party or politician and their offer. The model should be treated as a voice in the discussion rather than a finished product, it should be developed and improved upon, it is an invitation to undertake the task of modelling the market of political offers. The task should be undertaken for at least two reasons: first economic and second academic. Economics is a science concerned with how people and societies allocate their limited resources in the face of unlimited needs. Thus, the political process is crucial to economics, especially when we consider allocative consequences of political decisions taken by societies, and there is a gap in economic theory which is not filled even by the theory of Public Choice because of its unrealistic assumptions. From the academic point of view, I have a strong belief that an economic model of the political market has a great potential in explaining the mechanisms of modern democracies.

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