*In the Name of God, the Most Merciful, the Most Kind*

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## An Economic Approach to Deal with Elections (Public Choice)

Afghanistan is on the verge of parliament elections and it's better to encourage people to participate in this important event but as Farid Zakaria, the famous, columnist of New York Times emphasized in his book, "the future of freedom: liberal Democracy at Home and Abroad", we can't have real democracy without "knowledge and awareness" then we should read about public choice theory although some people think it is very pessimistic approach toward politic and maybe it's not suitable in this verge of election but in fact, this theory is not against elections, but vice versa, it is emphasizing on your awareness and your demanding approach toward politicians and we know as economists say that the existence of the state is inevitable and government is an inevitable evil then we start our dynastic articles around "public choice".

Public choice or public choice theory is "the use of economic tools to deal with traditional problems of political science".

Its content includes the study of political behavior. In other words: Public choice theory is a branch of economics that was developed from the study of taxation and public spending. It emerged in the fifties and received widespread public attention in 1986, when James Buchanan, one of its two leading architects (the other was his colleague Gordon Tullock), was awarded the Nobel Prize in economics.

Public choice takes the same principles that economists use to analyze people's actions in the marketplace and applies them to people's actions in collective decision making. Economists who study behavior in the private marketplace assume that people are motivated mainly by self-interest. Although most people base some of their actions on their concern for others, the dominant motive in people's actions in the marketplace—whether they are employers, employees, or consumers—is a concern for themselves. Public choice economists make the same assumption—that although people acting in the political marketplace have some concern for others, their main motive, whether they are voters, politicians, lobbyists, or bureaucrats, is self-interest.

In Buchanan's words the theory "replaces... romantic and illusory... notions about the workings of governments [with]... notions that embody more skepticism."

In the past many economists have argued that the way to rein in "market failures" such as monopolies is to introduce government action. But public choice economists point out that there also is such a thing as "government failure."

That is, there are reasons why government intervention does not achieve the desired effect. For example, the Justice department has responsibility for reducing monopoly power in non competitive industries. But a 1973 study by William F. Long, Richard Schramm, and Robert Tollison concluded that actual anti-competitive behavior played only a minor role in decisions by the Justice department to bring antimonopoly suits. Instead, they found, the larger the industry, the more likely were firms in it to be sued. Similarly, Congress has frequently passed laws thataresupposedtoprotectpeopleagainstenvironmental pollution.But Robert Crandall has shown that congressional representatives from northern industrial states used the 1977 Clean Air Act amendments to reduce competition by curbing economic growth in the Sunbelt.

The amendments required tighter emissions standards in undeveloped areas than in the more developed and more polluted areas, which tend to be in the East and Midwest. One of the chief underpinnings of public choice theory is the lack of incentives for voters to monitor government effectively.

Anthony Downs, in one of the earliest public choice books, An Economic Theory of Democracy pointed out that the voter is largely ignorant of political issues and that this ignorance is rational. Even though the result of an election may be very important, an individual's vote rarely decides an election.

Thus, the direct impact of casting a well-informed vote is almost nil; the voter has virtually no chance to determine the outcome of the election. So spending time following the issues is not personally worthwhile for the voter. Evidence for this claim is found in the fact that public opinion polls consistently find that less than half of all voting-age Americans can name their own congressional representative. Public choice economists point out that this incentive to be ignorant is rare in the private sector. Someone who buys a car typically wants to be well informed about the car he or she selects.

That is because the car buyer's choice is decisive-he or she pays only for the one chosen. If the choice is wise, the buyer will benefit; if it is unwise, the buyer will suffer directly. Voting lacks that kind of direct result. Therefore, most voters are largely ignorant about the positions of the people for whom they vote. Except for a few highly publicized issues, they do not pay a lot of attention to what legislative bodies do, and even when theydo pay attention, they have little incentive to gain the background knowledge and analytic skill needed to understand the issues. Public choice economists also examine the actions of legislators. Although legislators are expected to pursue the"public interest", they make decisions on how to use other people's resources, not their own. Furthermore, these resources must be provided by taxpayers and by those hurt by regulations whether they want to provide them or not.

Politicians may intend to spend taxpayer money wisely. Efficient decisions, however, will neither save their own money nor give them any proportion of the wealth they save for citizens. There is no direct reward for fighting powerful interest groups in order to confer benefits on a public that is not even aware of the benefits or of who conferred them. Thus, the incentives for good management in the public interest are weak. In contrast, interest groups are organized by people with very strong gains to be made from governmental action.

They provide politicians with campaign funds and campaign workers. In return they receive at least the "ear" of the politician and often gain support for their goals.In other words, because legislators have the power to tax and to extract resources in other coercive ways, and because voters monitor their behavior poorly, legislators behave in ways that are costly to citizens. One technique analyzed by public choice is log rolling, or vote trading. An urban legislator votes to subsidize a rural water project in order to win another legislator's vote for a city housing subsidy.

The two projects may be part of a single spending bill. Through such log rolling both legislators get what they want. And even though neither project uses resources efficiently, local voters know that their representative got something for them.

They may not know that they are paying a pro-rata share of a bundle of inefficient projects! And the total expenditures may well be more than individual taxpayers would be willing to authorize if they were fully aware of what is going on.

## Saudi Arabia and Iran woo incoming Pakistani prime minister

**By James M. Dorsey**

An offer by a Saudi-backed bank to lend financially strapped Pakistan US$4 billion is likely intended to bolster Saudi influence when former international cricket player Imran Khan is sworn in the coming week as the South Asian country's next prime minister.

The offer was most immediately related to a statement by Asad Umar, Pakistan's new finance minister-in-waiting, that Pakistan would decide on whether to seek a bailout from the International Monetary Fund (IMF) or friendly nations such as China and Saudi Arabia by the end of September.

Pakistan reportedly is looking to possibly ask the IMF for a US$12 billion bailout package. The country's foreign exchange reserves have plummeted over the past year. Chinese loans have so far kept Pakistan afloat. Pakistan's currency, the rupee, has been devalued four times since December and lost almost a quarter of its value.

It was unclear whether the loan by the Jeddah-based Islamic Development Bank (IDB) would be in addition to IDB's activation in late July of a three-year US$4.5-billion oil financing facility for Pakistan intended to stabilize the rupee-dollar exchange rate in the interbank market that has largely remained under pressure. The International Islamic Trade Finance Corporation (ITFC), an IDB subsidiary, at the same time rolled over a loan to Pakistan of $100 million.

Nonetheless, the offer even before Mr. Khan takes office, is also related to Saudi uncertainty over what his rise to power means geopolitically for the kingdom's bitter rivalry with Iran, Pakistan's neighbour.

A populist, Mr. Khan appears to be something of an enigma when it comes to Saudi Arabia, a close ally, and Iran. Saudi Arabia likely takes heart from the fact that Mr. Khan appears to be socially a conservative.

But in terms of Iran, Mr. Khan, whose Pakistan Tehreek-e-Insaf (PTI) party won the most votes in July 25 elections, has suggested that he may adopt a more independent course.

In a phone call with Iranian President Hassan Rouhani, Mr. Khan this week accepted an invitation to visit Tehran. Mehdi Honardoost, Iran's ambassador to Pakistan, was among the first diplomats Mr. Khan met after his election victory.

Mr. Khan met days earlier separately with Saudi ambassador to Pakistan Nawaf bin Said Al-Malki. Mr. Al-Malki said Saudi Crown Prince intended to visit Pakistan soon in a bid to strengthen bilateral relationship.

In a post-election televised speech Mr. Khan made a point of discussing his country's relationship with Saudi Arabia and Iran.

"We want to improve ties with Iran. Saudi Arabia is a friend who has always stood by us in difficult times. Our aim will be that whatever we can do for conciliation in the Middle East, we want to play that role. Those tensions, that fight, between neighbours, we will try to bring them together," Mr. Khan said. The prime minister noted in separate remarks that "if any country needs peace right now, then it is Pakistan… (Saudi Arabia) has stood by us in our toughest times. We would like to be a reconciliatory state and help them resolve their inner tensions."

Saudi Arabia has so far given no indication that it is interested in mediated efforts or a negotiated resolution of its dispute with Iran. If anything, Saudi Arabia has welcomed US President Donald J. Trump's withdrawal from the 2015 nuclear agreement that curbed Iran's nuclear programme and his efforts to economically strangle the Islamic republic with harsh sanctions.

Saudi Arabia has also created building blocks in Pakistan's troubled Balochistan province to stir unrest among Iran's ethnic groups should it opt for a more aggressive anti-Iranian strategy

In a sign that Mr. Khan's room to manoeuvre may be limited, Pakistan's military earlier this year agreed to send troops to Saudi Arabia on a "training and advise mission" that would according to a military statement, not expand beyond the kingdom's borders. Pakistan's parliament rejected in 2015 a Saudi request that it authorize Pakistani troops to participate in its troubled military campaign in Yemen.

Nonetheless, Saudi Arabia is likely to be concerned about the possible appointment as defense minister of Shirin Mazari, a controversial academic, who last year criticized in a series of tweets the fact that Pakistani general Raheel Sharif commands the 41-nation, Saudi-sponsored Islamic Military Counter Terrorism Coalition (IMCTC).

Earlier, Ms. Mazari asserted that Pakistan should not cooperate in Saudi Arabia's alleged pursuit of a US agenda and should instead forge ties to Iran and India.

"US always speak about promoting democracy but it supports an entirely different policy in the Middle East. We should review our foreign policy as Saudi Arabia is acting on a specific agenda. Pakistan should not become party in this agenda and we should establish cordial relations with all neighbours like India, Iran and Afghanistan," Ms. Mazari said.

Ironically, controversy about Ms. Mazari focused on her advocacy two decades ago of nuclear strikes on Indian population centres in the event of a war between the two countries. Mr. Khan has suggested that he was willing to go the extra mile to improve relations with India.

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## Are Trump's Policies Hurting Long-Term US Growth?

**By Kenneth Rogoff**

President Donald Trump regularly thumps his chest and claims credit for each new uptick of the fast-growing US economy. But when it comes to economic performance, US presidents have considerably more influence over long-term trends than over short-term fluctuations.

To be sure, Trump's tax cuts and spending hikes have provided some extra short-term stimulus. So too, apparently, have foreign buyers of US products such as soybeans, who are rushing to stock up before the tariff war fully heats up. Still, it is not easy to speed up a $20 trillion economy, even by running a budget deficit of nearly $1 trillion, as Trump's administration is doing. In fact, short-term fluctuations in business inventories have arguably held down growth as much as other factors have temporarily propped it up.

In a cantankerous political environment, it is not easy to think about the long term. But, thanks to the magic of compound interest, measures that marginally raise long-term growth matter a lot. For example, the transportation deregulation policies of President Jimmy Carter's administration in the late 1970s set the stage for the Internet retail revolution. President Ronald Reagan's massive tax cuts in the 1980s helped restore US growth in the ensuing decades (but also exacerbated inequality trends). And President Barack Obama's efforts (and before him President George W. Bush's) to contain the damage from the 2008 financial crisis underpin the strong economy for which Trump wants to take full credit.

What will be the cumulative effect of Trump's economic policies on the economy ten years from now? Political ruckus aside, the jury remains out.

Let's start with the likely positive side of the ledger. The end-2017 corporate tax reform was one of those rare instances where the US Congress comprehensively streamlined and improved the US's Byzantine tax system, though the corporate tax rate should have been set at 25%, not 21%.

Obama would likely have been very happy to pass a similar bill. But, during his presidency, the Republican-controlled Congress insisted that any proposal had to be "revenue neutral" even in the short term, which is a tough political hurdle for any fundamental tax reform. Trump's efforts to scale back regulation, particularly on small and medium-size businesses, are probably also a plus for long-term growth, reversing some excesses that crept in at the end of Obama's term (though Trump is throwing out good regulations with bad ones).

One little-noticed area where the Trump administration seems to be trying out fresh thinking is the retraining of displaced workers and the improvement of vocational training at the high-school level. In principle, technology and big data allow the federal government to help provide better information to parents and workers on what skills are most in demand, and well as the geographic location of jobs.

The president's daughter, Ivanka Trump, is spearheading the effort. While it is easy to be cynical (some say the new program is just an excuse to cut funds from existing retraining programs), the idea that digital platforms can massively improve re-education and training is a good one.

But while the Trump administration has strengthened the US economy's long-term growth potential in some ways, the other side of the ledger is rather grim. For starters, a wide range of studies – from the work of the late economist David Landes to more recent research by MIT's Daron Acemoglu and the University of Chicago's James A. Robinson – find that institutions and political culture are the single most important determinants of long-term growth. Recovery from the damage Trump is inflicting on institutions and political culture in the US may take years; if so, the economic costs could be considerable.

Moreover, in accordance with the administration's disdain for science, the proposed budgets for basic research, including for the National Institutes of Health and the National Science Foundation, were reduced sharply (fortunately, the US Congress rejected the cuts). And antitrust enforcement, needed to counter excessive monopoly power in many parts of the economy, is essentially dormant. That will exacerbate inequality over the long term; Trump's coal mines and trade tariffs are at best band-aids on a bullet wound.

Last, but not least, many of the regulations that Trump is targeting ought to be strengthened, not eliminated. It is hard to imagine that gutting the Environmental Protection Agency and withdrawing from the Paris climate agreement are helpful for long-run growth, given that the costs of cleaning up pollution later vastly exceed the costs of mitigating it today.

As for financial regulation, the reams of new rules adopted after the 2008 financial crisis have been a dream come true for lawyers. Rather than try to micromanage banking, it would be far better to ensure that shareholders have more "skin in the game," so that big banks are more inclined to avoid excessive risk. On the other hand, neutering existing legislation without putting anything adequate in its place sets the stage for another financial crisis.

So, although the US economy is indeed growing rapidly, the full extent of Trump's economic legacy might not be felt for a decade or more. In the meantime, should a downturn come, it will not be Trump's fault – at least according to Trump, who is already gearing up to blame the US Federal Reserve for raising interest rates and ruining all his good work.

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