Project Syndicate

Overcoming Democratic Myopia

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NEW YORK – Despite positive indicators, the global economy remains beset with risks. And because virtually every one of those risks arises from structural challenges, mitigating them will require long-term thinking by leaders. Unfortunately, there is not a lot of that on offer nowadays, particularly in the world's democracies.

The problem lies in the disconnect between political and economic cycles. A normal economic cycle lasts 5-7 years. But, according to the McKinsey Global Institute, the average tenure of a G20 political leader has fallen to a record-low 3.7 years (compared to six years in 1946). Focused on winning the next election, politicians often implement policies that will bring short-term rewards, even at the cost of long-term growth or stability.

This trade-off is exemplified by widening fiscal deficits. In the United States, according to the Congressional Budget Office, the budget deficit is on course to triple over the next 30 years, from 2.9% of GDP in 2017 to 9.8% in 2047, owing to the effects of tax cuts and other budget-busting measures implemented to appeal to voters (or, equally important, to appease donors). This undercuts the government's ability to make forward-thinking investments in areas like education and infrastructure.

With politicians effectively rewarded for myopic thinking, the Western democracies find themselves struggling to secure stable long-term growth in a way that, say, authoritarian China is not. There are at least two ways to address this problem in a democratic context.

First, governments could be bound more firmly to their predecessors' policy decisions. That way, more forward-thinking legislation that has been debated and enacted will have time actually to take effect, without the risk that it will simply be repealed by a subsequent administration.

The European Union provides one example of how long-term binding commitments can work. The 1992 Maastricht Treaty committed European governments to cap

public debt at 60% of GDP, and annual budget deficits at 3% of GDP. Since then, governments have gradually brought their countries into alignment with this standard.
But, as the EU's experience also shows, such "binding" obligations are not always treated as unassailable, particularly during times of economic stress. In the aftermath of the 2008 financial crisis, it became clear that countries like Greece, Italy, Spain, and Portugal breached their Maastricht commitments.

Nonetheless, establishing commitments for governments that extend beyond electoral cycles can imbue legislative agendas with a longer-term perspective, as they reduce partisan policy turnover. Such an approach would have been useful for US President Barack Obama's signature legislation, the Affordable Care Act. Ensuring that the ACA would remain in place for some minimum fixed term, rather than leaving it vulnerable to immediate repeal by Donald Trump's administration, might have enabled a more fundamental transformation of America's flawed health-care system, including through improvements to "Obamacare" itself.

Another way to encourage longer-term thinking among policymakers would be to extend their terms in office to, say, six years – roughly the length of economic cycles. Instead of spending their entire term campaigning for reelection, policymakers would have the time and political space to consider the nuances of complex structural challenges and formulate policies that boost the economy's potential growth.

In some countries, political leaders already serve longer terms. In Brazil, for example, federal senators are elected for an eight-year term. In Mexico and the Philippines, each presidential term lasts six years. In the US, by contrast, members of the House of Representatives face an election every two years, forcing even the president and senators – who serve four- and six-year terms, respectively – to operate, to some extent, on a two-year time horizon.

Of course, longer electoral terms are risky, as they could enable incompetent and otherwise problematic leaders to remain in power for longer. That is why the change would have to be pursued in tandem with another reform: changing the eligibility requirements for would-be policymakers, with an eye to securing leaders who have experience not just running for office, but also handling real-world challenges.

In a 2012 article, the University of Nottingham's Philip Cowley noted that, in late 2010, the leaders of the major British political parties had less experience than any others of the post-war era. Similarly, a 2012 study by the British House of Commons Libraryrevealed that, from 1983 to 2010, the number of career politicians in Parliament had more than quadrupled, from 20 to 90.

The rise of career politicians has coincided with growing cynicism about the effectiveness of elected leaders. In fact, according to a 2016 World Economic Forum survey, citizens in democratic countries trust their leaders less than those elsewhere, while a 2015 Pew survey found that more than 80% of US citizens do not trust the federal government to do what is right consistently. Such suspicion probably contributed to the victory of the political neophyte Donald Trump over Hillary Clinton in the 2016 US presidential election.

In any case, today's economic risks will not go away, and they can be minimized only with the type of reforms that must form part of a long-term policy agenda. In terms of crafting such agendas, democracies seem to be at a disadvantage. But this need not be the case.

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