

(For Japan Economic Association Autumn Meeting 2012)

Why Are Magical Economic Policies Chosen?

Shigeki KUNIEDA
Hitotsubashi University

ABSTRACT

In this paper, I consider why magical economic policies (implausible, but very happy policy) are chosen by voters and picked up by political parties. Voters may choose implausible policies if the policies seem to provide very happy results when they succeed. Political parties may pick up magical economic policies as their proposals when they attach more weight to winning the immediate election even though the failures of their proposed policies may cause serious damage to image of the political parties in future. Even when economic crisis is deteriorating after failures of magical economic policies, voters may choose another magical economic policy, since more painful reform is required to stop deeper economic crisis by realistic economic policies. Some episodes of the failures of the budget deficit reduction proposals in Japan are considered using this “magical economic policy model.”

JEL Classification Codes: D7, E62, H62

Keywords: political economics, election, budget deficit