

# PUBLIC POLITICS AND CAMPAIGN CYCLES

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## Abstract

*The said paper proposes the analysis of public politics' evolution and their implementation during campaign cycles. An important factor in the modern democratic system's evolution is constituted by consolidating the mechanisms of formulating, implementing and evaluating public politics. A campaign cycle usually extends to 4 years as long as a snap election does not take place. The rule is common in the majority of European states. Generally many public politics are implemented in the first and second year of mandate (especially those that are very pragmatic from an economic point of view). However, the last year of mandate is predominantly reserved for popular reforms (pay rises in the public sector, pension indexations and rises, enhanced indemnifications, tax cuts for certain categories of citizens etc.), which often expose the state budget to significant pressures that can deteriorate the balance on a medium and long term.*

**Keywords:** *campaing cycle, free elections, public politics, economic sustainability, public expenditures.*

## 1. Introduction

The free elections represent the apogee of any democracy's manifestation (liberal, popular, direct, indirect or participative). However, what is democracy in essence? According to some authors democracy involves the government by the people, who hold the supreme power that they exert directly or through their representatives, chosen through a freely expressed vote, ensured by the electoral system. In other words, and as Abraham Lincoln asserted, democracy is the government of the people, by the people and for the people. On the other hand, do the people know what is good or wrong for them now and in the future? In reality, do the people represent general common interest or the associated groups' interest? Since, most of the times, in societies with a free past (in speech, information and association) the citizens can often reach conflict situations towards the ones they have chosen at a given point. The illustration of a conflictual situation consists of the introduction and application of diverse types of public politics. Public politics are nothing more than a set of rules applied by public authorities in the social, economic and cultural life of a nation. Public politics can be formal, meaning assumed, and informal as an excuse of the incapacity to do something. Unfortunately, the citizens of the ex-socialist camp countries are barely involved in the politics life, lack the knowledge of civil society bonds and just vote. However, what do they vote? Evidently, the political parties and hardly the individuals (president or mayor). Nevertheless, are the electors

completely aware of what the political parties and electoral system signify? The political parties represent power (and opposition) presented under two forms: "impose your will" (Max Weber)<sup>1</sup> or "convince others to follow you" (Martin Luther King). According to speciality papers, political parties are groups of people constituted on the base of free consent that acts pragmatically, conscious and organized in order to serve the interests of a class, social group, human communities, with the goal of achieving political power in order to organize and lead society in accordance with the ideals proclaimed in the program platform<sup>2</sup>. "The party is a group of people reunited for the purpose of promoting through the common effort the national interest based on a specific principle accepted by all members" (Edmund Burke) or "... a group of people who wish to control the governmental apparatus by obtaining public functions in legally constituted elections" (Anthony Downs)<sup>3</sup>. In conclusion, political parties can be referred to as groups of interests.

Pluralist political parties are placed in a continuous competition by resorting to promises which are often overbet in order to attract the electorate. The smaller a party is, or the farther to the extremities it is situated, the more the probability of promising „heaven on earth"<sup>4</sup> arises. The overbet politics denote the situation in which political competitors attempt to draw from each other the electoral support by intensifying appeals and promises<sup>5</sup>.

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<sup>1</sup> Weber Max, „The Theory of Social and Economic Organization", Oxford University Press, New York, 1947

<sup>2</sup> Law no. 14/2003 on political parties with the subsequent amendments

<sup>3</sup> Burean Toma, „European parties and parties systems", course support, pdf, page 5

<sup>4</sup> Burean Toma, quoted paper, page 21

<sup>5</sup> Giovani Sartori, „The Numerical Criterion", Oxford University Press, New York, 1990.

## 2. Content

The main question of our study is: where would the delimitation stand between reforms and populism concerning the political parties' evolution and the state's development?

Democracy represents<sup>6</sup> that certain institutional arrangement required to reach political decisions, in which individuals attempt to obtain the power to decide through the means of a competition of votes. In the competition for votes, in which every vote counts, any „weapon” is used in the electoral battle, based on „the end justifies the means” principle. Normally, the politicians promise future actions by invoking the power to decide. However, every time votes are traded on the political market, the transaction risks are bore by the electors. The democracy model started in ancient Greece in which all citizens gathered in the Agora and took collective decisions regarding their statute.

Afterward<sup>7</sup>, Charles Louis Montesquien (1689-1755) mentions in his work “The Spirit of the Laws” that

„every man invested with power is apt to abuse it... To prevent this abuse, it is necessary from the very nature of things that power should be a check to power.”

Montesquien emphasized in his papers that the power division in a state is exactly the condition of freedom.

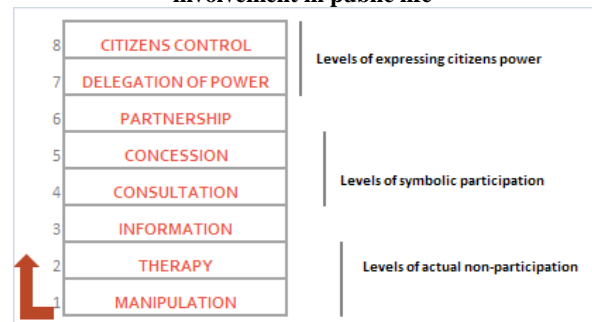
Joseph de Maisre (1753-1821) underlined that “the uncontrolled freedom of the individuals’ will represents society’s source for decadence. “ “Through ambition man has obtained power and his great mistake is abusing it...” In conclusion the author affirmed that “we are all born despots”.

Chantal Mouffe<sup>8</sup> affirmed in the same context that “the traditional parties’ incapacity to offer a distinctive form of identification around some possible alternatives is that which created a field on which the right-wing populism can flourish. Indeed the right-wing populism parties are most of times the only ones that attempt to create collective forms of identification... Politics always imply the emergence of

“**us versus them**”, hence the powerful attraction of their discourse, since it offers collective forms of identification around the people”. There have been some changes throughout time and the citizens have started to increase their involvement in political life, evidently with the differences every country implies. Dependent on historical traditions, culture or degree of information the citizens participate more or less in the democratic life. This fact was also highlighted by Arnstein<sup>9</sup> in the ladder of citizen participation in the reform of the society they belong in.

Between the levels of non-participation and the citizens’ expression of power, a symbolic participation exists which begins through the level of information. This is also the dividing line between manipulation and participation in the act of government.

Arnstein scale – regarding the citizens’ level of involvement in public life



Source: Radu Nicosevici, Corina Dragomirescu, Simona Fiț, Despina Pascal, Mircea Mitruțiu, quoted work, page 15

Evidently, the least informed or misinformed the citizens are, the easier it is for them to be manipulated. The absence of information or misinformation is an action that falls under the incidence of mass media. Otherwise, the mass media that is affiliated to several political parties can turn at any time toward the side of manipulating the news presented in a sense or another according to interests instead of fulfilling the role of moderator in disseminating information. As Thomas Jefferson judged many years ago, “Were it left to me to decide whether we should have a government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter.”

We shall present a few examples that illustrate the dilemma of public politics versus populist measures:

1) The starting point in the carried out analysis is represented by the Hellenic Republic’s situation<sup>10</sup>, a country in which adhering to the European Union and introducing the euro currency (measures that required radical economic reforms) lead to the improved perception towards the country and to diminishing the investments’ risks and costs. All these meant enormous long-term benefits for everybody but were poorly visible from the level of a Greek citizen. The governments in Athens, along with syndicates in the public sector and other interests groups, have decided to postpone as long as possible any disciplinary measures in budget expenditures since this matter involved political costs. Consequently, the absolutely necessary reforms were delayed, including the

<sup>6</sup> Radu Nicosevici, Corina Dragomirescu, Simona Fiț, Despina Pascal, Mircea Mitruțiu, „Civic and social dialogue through lobby and advocacy”, Timișoara 2012, page 10

<sup>7</sup> Ciprian Bogdan și Sergiu Mișcoiu (coord.) „Political ideology”, Adenium Publishing House, 2014

<sup>8</sup> Chantal Mouffe in Panizza, 2005, page 52

<sup>9</sup> Arnstein, Sherry R. „A Ladder of Citizen Participation”, JAIR, vol. 35, No. 4, July 1969, pp. 216-224

<sup>10</sup> Annual rapport of analysis and prognosis. Romanian Academic Society (SAR). Romania 2010, page 9

pension's reform or elimination of unjustified administrative expenditures.

By acceding to the government the political parties that promoted an inexpensive populism starting from 1980 to 2010 attracted the expenditure of all loans that were simultaneously gained with the unprecedented increase of consumption. In this situation the public debt in Greece reached 350 billion euros in 2009. In 2010 the country was approaching bankruptcy and in the year 2012 the New Democracy conservatory party was winning the elections by promising negotiations with those who lend Greece and ceasing the austerity measures. In spite of all these, very few reforms were implemented and the situation of Greece hereby presented itself in 2014<sup>11</sup>:

- over 1,5 million unemployed, out of which 65% young persons;
- new unpaid taxes of 1,5 billion euros per month;
- 2,5 million employees and 3 million retired persons;
- annual incomes of 50 billion euros in the greek state;
- 28 billion euros per year for the pensions' budget, out of which 15 billion euros supported by the state budget.

Regardless of the situation, the European countries insisted that Greek debts should not decrease. Spain and Italy would have demanded the same thing had the Helen state's financial debts been reduced. Given that the Greek debt reached in 2014 the sum of 340 billion euros, Spain and Italy's debt summed up together 3000 euros.

Returning to the situation in Greece, the party governing in 2014 did not carry out any kind of reforms and instead imposed new taxes that were increasingly harder to support by the population. Consequently, in January 2015, the elections are won again on the strength of unfounded promises by the right extremist party Siryza. This is the most blatant act of political populism. As a matter of fact, according to the online explicative dictionary, the term "populism" designated a political Russian movement at the end of the 19<sup>th</sup> century, which envisioned a socialist society, contrary to the western industrialism. Presently, the term "populism" designates a favorable attitude for satisfying the nation's wishes, even in contradiction to its real interests. The populists accuse the elite and criticize the money element or social minorities (ethnic, political or administrative), accused for a possible power seizure. The populists counter them with a majority that they would represent.

At the beginning of 2014 Greece had a public debt of approximately 323 billion euros which exceeded 175% of the country's GDP<sup>12</sup>.

Greece's main creditors (Billion euros)

Germany	56
France	42
Italy	37
Other euro area countries	34
FMI	32
Spain	25
International Monetary Fund	20

Source: [www.wallstreet.ro](http://www.wallstreet.ro)

The measures proposed by the Syriza party for the economic domain regard the following actions<sup>13</sup>:

- erasing a great part of the public debt's nominal value and the rest is suggested to be payed in terms of Greece's economic growth;
- increasing the public investments carried out by the government with at least 4 billion euros (targetting the error's annulment caused by the salvation program offered by the euro area and IMF, considered by Siryza to be major errors);
- increasing wages and pensions aiming at stimulating the population's request and consumption, including also an increase in the monthly minimum wage from 683 € to 751 €.
- social measures with a budget of 2 billion dollars intended for the „humanitary crisis” which regard: free electricity for aproximately 300.000 households on the brink of poverty; alimentary funds for other 300.000 families with no income and free medical care for uninsured employees.
- reducing the tax quantum per property with the exception of large ones – a measure that estimated to have a budgetary impact of 2 billion dollars.

All these measure (public politics) seem attractive to the voting citizens. The problem arrises when we analyse the applicability and sustainability of these apparent generous measures.

2) Populist measures existed in France as well. In the electoral campaign of 2012, the president Francois Hollande proposed a tax for large fortunes that almost reached 75% (it was named exceptional contribution of solidarity)<sup>14</sup>. The legislative proposition was moderated after Francois Hollande won the elections. Nevertheless, in December 2012, the measure was

<sup>11</sup> <http://economie.hotnews.ro/stiri-finante-19267605-analiza-cum-ajuns-grecia-fie-condusa-partidul-populist-syriza-cum-trece-tara-luna-februarie-critica-pentru-finantele-tarii.htm>

<sup>12</sup> CNN Money

<sup>13</sup> <http://www.wallstreet.ro/articol/International/179049/efectul-de-domino-al-datoriei-greciei-asupra-creditorilor-pe-cine-ar-afecta-sustra-gerea-de-la-plata.html>

<sup>14</sup> <http://economie.hotnews.ro/stiri-finante-19000551-franta-pregateste-ingroape-liniste-fara-ceremonii-celebra-controversata-taxa-75-asu-pra-salariilor-foarte-mari.htm>

initially rejected by France's Constitutional Council which considered it to almost be a measure of confiscating fortunes. Finally, the tax was promoted in December 2013 in a highly modified version which represented a tax paid by large companies for employees with incomes over 1 million euros but with a cover of 5% of the business number. The measures determined a number of actors, business men or enterprising citizens to continue their activity abroad (Belgium or Great Britain) and even to renounce their French citizenship.

The French Prime Minister Manuel Valls announced the end of this measure in October 2014 especially because it did not obtain the anticipated results.

3) At the beginning of 2015 a new crisis emerges on a European level. Switzerland's Central Bank decided to renounce the minimum ceiling of monetary exchange, considering that its existence is no longer justified. Thus the Swiss franc's value increased with 30% against the euro and reached a record level. Well before this measure the debtors in CHF had great difficulties in reimbursing the Swiss franc loans.

Campaigns of promoting Swiss francs credits had existed in many European states since 2007. This currency was presented as a viable solution for those who did not fulfill the loan standards in other currencies. For example, in Romania, the CHF course was 1,99 RON in August 2007. It was clearly an attractive course which seemed the miraculous solution for easily sustained loans. A loan contract represents a bilateral agreement between a bank and client and both parts assume through it the advantages as well as the risks that reside in the said loan contract. We must take into account the fact that in most cases the clients obtain their incomes in a currency other than CHF. It was forgotten that any currency loan supports some major risks: exchange rate increases, rate interest evolutions in the financial-banking market and, just as important, the evolution of personal income. In 2008 the financial crisis began and it determined evolutions that were difficult to anticipate. Regarding interest rates on the financial-banking market, these evolved favorably in the largest part of the 2007-2015 interval. The problems emerged with the incomes of families that took loans (young families which mostly took real estate loans) in CHF. The crisis generated massive unemployment in many European states and an accentuated decrease of incomes.

**BNR exchange rate for the Swiss franc**

Year	CHF – RON rate on January the 1 <sup>st</sup>	% variation
2007	2,1044	-

2008	2,1744	3,3
2009	2,6717	22,87
2010	2,8496	6,66
2011	3,4211	20,05
2012	3,5528	3,85
2013	3,6681	3,24
2014	3,6546	- 0,37
2015	3,7273	1,99

**Data source: BNR**

We can observe in the chart that the maximum variation years in which the CHF increased were 2009 (22,87%) and 2011 (20,05%). These evolutions were also manifested in other European states: Hungary, Poland, Croatia etc. The crisis' climax culminated with the measure taken by Switzerland's Central Bank in January 2015. Some states tried to protect the CHF debtors well before January 2015. In many cases the measures taken were neither moral nor sustainable on a long-term. The costs being assumed by the state budget means nothing else than involving all contributors. The measures taken in Europe either target populism or economic pragmatism<sup>15</sup>:

a) Poland represents the most affected European country by the CHF crisis (over half a million Polish families have credits in Swiss francs). Without reaching a concrete measure the opinions oscillated in regard to:

- populist measures (the Law and Justice party presented a proposition that will aid those with CHF credits – the possibility for them to reimburse their loans on the Zlot – CHF exchange course prior to the swiss currency increase);
- waiting tactic, following the CHF trend and stabilizing the situation (deputy primeminister Janusz Piechocinski);
- economic and moral pragmatism (Leszek Balcerowicz, ex-governor of Poland's National Bank, declared it to be immoral and unjust should the State help those who took loans in CHF, thus discriminating the Polish who decided not to assume the risks and take credits in national currency. "When we take a risk and win, it is OK, whereas if we risk and lose, let others come and pay for us")<sup>16</sup>.

The CHF situation is supervised and analysed by the Committee for Financial Stability, the Polish Government, Finance Ministry, Central Bank and commercial banks representatives.

b) Hungary is the first country to adopt a populist measure in regard to the CHF credits. Governor ORban forced the banks to support the largest part of the currency shock by implementing a mechanism through which the citizens may reimburse

<sup>15</sup> [http://economie.hotnews.ro/stiri-finante\\_banci-19137947-polonia-moral-statul-ajute-cei-imprumutati-franci-cand-riscam-castigam-dar-cand-riscam-pierdem-vina-altii-plateasca-pentru-noi-vezi-cum-reactioneaza-guvernele-din-jur-problema-chf.htm](http://economie.hotnews.ro/stiri-finante_banci-19137947-polonia-moral-statul-ajute-cei-imprumutati-franci-cand-riscam-castigam-dar-cand-riscam-pierdem-vina-altii-plateasca-pentru-noi-vezi-cum-reactioneaza-guvernele-din-jur-problema-chf.htm)

<sup>16</sup> Dan Popa - <http://hymerion.ro/2015/01/19/cum-reactioneaza-tarile-din-jur-la-problema-chf-polonia-ar-fi-imoral-ca-statul-sa-ajute-pei-cei-imprumutati-franci-cand-riscam-si-castigam-e-ok-dar-cand-riscam-si-pierdem-sa-vina-altii-sa-pla.html>

the CHF credits at a fixed course well under the market one (256,6 forints for a CHG while presently the level is 319,2 HUF/CHF). The measure was taken in 2010 (propagandistically used by Victor Orban in the electoral campaign) and further denounced by international financial forums as being a measure that endangers the Hungarian and European monetary system's stability.

c) Croatia tried an early approach to resolve the CHF in the year 2011. Prime minister Jadranka Kosor proposed to the banks to reprogram the credits so that the monthly rates' value would be as close as possible to the rate from the moment the credit was given and to practice a fixed rate of the CHG as opposed to the Croatian kuna (the CHF represented 5,8 Croatian kuna or 0,78 euros).

The difference between the real and the fixed exchange rate, respectively the effective cost of this measure, should have been kept as the debtor's particular debt, without interest, for a period of ten years. In this period a favorable realignment of the monetary courses was anticipated in such way that the debt would erase itself. The government forced the banks to accept these measures by imposing their application for debtors in Swiss francs. Furthermore, in a decision that can create precedent, a court of justice in Croatia sentenced in a commercial law file that the banks should transfer the CHF mortgage credits into national currency loans because at the moment when they closed the contracts the clients were not informed of the interest's increases provided that the Swiss franc appreciates.

The judicial decision affected the subsidiaries of nine international banks (Zagrebacka Bank, Privredna Bank, Erste Bank, Raiffeisenbank, Hypo Alpe-Adria-Bank, OTP, Splitska, Volksbank and Sberbanke). The costs of this measure, estimated by economic analysts, are of approximately one billion euros. The Croatian court also decided that the commercial banks should establish fixed interests and decrease the balance based on the monetary exchange rate that the mortgage contract was finalized. Over 100.000 Croatians contracted loans in CHF, out of which 75% were mortgage loans. The majority of banks in Croatia renounced on giving loans in Swiss francs in 2008.

d) In Romania there are 75.412 physical persons with loans in Swiss francs and 95% of the loans are concentrated in six commercial banks. The CHF financings weigh 4,5% in the total balance of loans in the Romanian monetary system, out of which 3,8% returns to the population and 0,7% to firms. The measures proposed by the political environment have been placed between an extreme populism (the conversion of CHF credits to RON at the rate from the

moment in which the contract was signed – the measure's cost being assumed by the state) and economic rationality (the 3 months rates will be paid at the December 2014 rate or the costs will be supported by the bank as well as the clients through individual treaties).

### 3. Conclusions

Public politics versus populism. The great dilemma of political people. In appearance the public politics, as well as the populist ideas (measures), "sound good for the electors". The difference is given by their sustainability in time, by the real spot in the rational priorities scale, by the real impact factor in the community etc.

As Ivan Krastev<sup>17</sup> mentioned (during the 21<sup>st</sup> of September 2014 interview with the occasion of the Conference, "And if Europe fails", organized by the New Europe College) the message of the populist regimes is "trust nobody" and thus, the people who trust nobody can change nothing. Due to the increasing economic crisis the populism reaches unprecedented proportions. For example, Hungary's case in which liberal Victor Orban wins the elections by understanding that the resources can no longer be redistributed since they have been exhausted. He redistributes the guilt situation by publicly revealing who is guilty for the economic –financial state in which the country is placed. Unfortunately the example is not singular and the world contains plenty such political liberals, Vladimir Putin or Marie le Pen for example. The countries with such leaders can experience the loss of independency in banks, mass media or NGOS. The main idea of these politicians is "give us more power if you want us to change something in good". Unfortunately, people are tempted to do this because in an authentic democracy power is so difused within society (or interest groups), that it makes it impossible to place a concrete blame. When a political character emerges and assumes a part of the responsibilities or another character with a reconciliation and reconstruction message instead, the population tends to react favorably (voting that which is right). The politician is corrupt, affirmed Ivan Krasnev<sup>18</sup> when he sustained the idea that: "I will fight everybody for your interest" while thinking in actuality of his own interest. The most eloquent example to this extent is of Russian citizens who in spite of voting for Vladimir Putin mention in all surveys that the Russian government is deeply corrupt and totally inefficient. The problem of these politicians is not winning the elections from 4 to 4 years, but the fact that after winning they try to consolidate power

<sup>17</sup> <http://www.hotnews.ro/stiri-esential-18150762-pericolul-ascensiunii-regimurilor-populiste-estul-europei-ivan-krastev-dupa-castigarea-alegerilor-incearca-consolideze-puterea-pana-ajung-imposibil-inlocuit-prin-mijloace-democratice.htm>

<sup>18</sup> Ivan Krasnev, is the president of the Liberal Strategy Center in Sofia and a permanent member of the IWM Institute of Human Sciences in Wien. He is a member of the founding council of the European Council for Foreign Affairs, a member of the advisory council of the ERSTE Foundation.

until it is impossible to replace them through democratic means. In this situation they can change the electoral system and even the constitution and not care about the minority's interests.

In the European Union, as long as economically stable states such as Germany exist, the populism cannot extend. With this purpose and from the experience of EU member states, on an European level, minimum standards of public consultation are being promoted by aiming at the potentiation of efficient endeavours of the civil participative society. These standards impose clear and precise information, identifying the interested parts, circulating information, terms for participation, acknowledging contributions and formulating responses regarding the populations' needs.

In the entire European Union a special accent is being placed on encouraging the development of an informed civilian society that can decide alongside with competent forums. Here are a few of the

advantages that occur when the civilian society participates in the democratic life:

- the mechanisms of structured public consulting offer the groups affected by the law project the possibility to express the support or amendments and argue their opinions;
- the civilian society will be part of the legislative process and will easily accept compromise;
- the civilian society will no longer be able to manifest its discontent towards an approved law project if it had the chance to previously express its point of view;
- the civilian society will become responsible with the legislative process without searching vague possibilities of influencing law projects.

Essentially, should they remain in the level of electoral campaign zest, the populist statements would not at all represent a major problem for the democratic systems.

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