

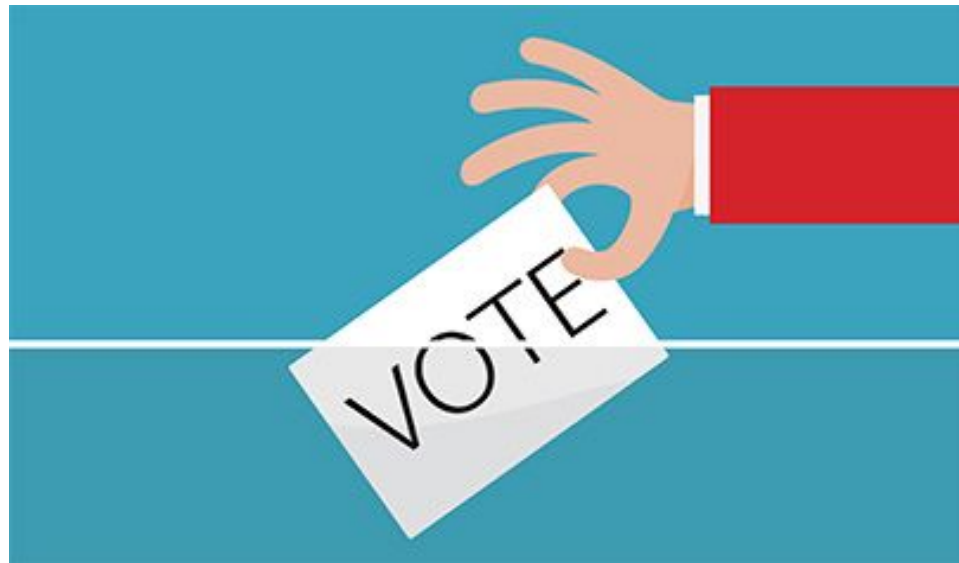
## How Do Elections Affect The Economy



# Introduction

Elections are often like roller coasters; they are unpredictable. Hence, their effects might also be equally unpredictable.

Some countries observe economic slowdowns, while others show little or no changes to their economy.



## Vocabulary

**Opportunistic:** Exploiting immediate opportunities, especially regardless of planning or principle.

**Electorate:** All the people who are allowed to vote.

**Spike:** To rise to a higher amount, price, or level, usually before going down again.

# The Effect Of Elections on Developing Countries

Understanding of the effect of elections on economic policy in developing countries, where the poor and largely uneducated electorate is more likely to be susceptible to political manipulation, is limited or even non-existent.

In fact, until recently most developing countries did not have stable democratic systems with regular elections, and therefore estimating the equilibrium effect of elections on economic policy in a cross-section of developing countries is a challenge.

A study of key economic variables over the past 30 years shows that economic activity lost pace significantly every time there was a general election.

Government spending went up in an average election year, which tended to fuel inflation rather than spur growth, suggesting that the extra public expenditure ahead of polls was largely wasteful.



Government spending rises in election years although that affects inflation more than real economic activity. There's a clear spike in both total and revenue spending in election years, or if the elections are held in April and May, the just-preceding fiscal year



## What Gets Affected:

- 1- The budget gets affected before and after elections. The price of various goods and services depends upon the election and the government.
- 2- Investors and businessmen postpone key decisions till a new government is formed, and wait to gauge what the future policy environment will be before launching major projects.
- 3- There are fewer industrialists lining up for bank loans ahead of elections.



## Conversation

- 1) What is the topic about?**
- 2) How else can election affect the economy according to you?**
- 3) What is your point of view on this topic?**



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