

Jean-Dominique Lafay: a pioneer in the Economic Analysis of Politics

Bruno Jérôme

Paris Pantheon Assas University
Co-director of the Master of Economics and Public Management

" Unlike the prince's advisor or the decision-maker in the field, who often have to decide very quickly, the academic world has time. It is up to them to know how to take advantage of this comparative advantage to propose truly better public policies... for the benefit of all ." Jean-Dominique Lafay, 1993.

Introduction

Having the privilege of paying tribute to Jean-Dominique Lafay means first of all recalling some personal memories. It is the memory of having wanted to join the DEA Analysis of public decisions and the Public Economy laboratory of Paris 1 directed by Jean Bénard where Jean-Dominique Lafay had just transferred. This desire was motivated by a certain interest in the link between economics and voting but also by reading the article in the *Revue économique* "The interactions between economics and politics: synthesis of theoretical and empirical analyses" co-written by Jean-Dominique Lafay, Werner Pommerehne and Friedrich Schneider, The Zurich school and the Poitiers school brought together in a single paper, in short. It is then the chance to have belonged to the core of doctoral students who participated in the refoundation of the LEP into the new LAEP (Laboratory of Public Economy) of which Jean-Dominique Lafay will take the direction. Normative public economics will therefore rub shoulders with positive public economics with its *Public Choice vision*. of the behavior of public decision-makers. Or rather the Economic Analysis of Politics as Jean-Dominique Lafay liked to call it.

It is also the opportunity and the pleasure of having worked with him on the first voting function for French municipal elections and the first regionalized predictive voting model for the 1993 legislative elections. Then it will be a thesis and a qualification to direct research supported under his supervision. Finally, it is the moving memory of a last meeting on the occasion of a thesis jury at Panthéon-Assas in 2016.

Paying tribute to Jean-Dominique Lafay is finally to mention in this article atypical works within the community of French economists. With a resolute choice to reason in terms of political-economic interactions and to go beyond the model of a "benevolent despot" State. We

will thus evoke its anchoring in the theory of Public Choice and the works that inspired it, what he will integrate into his economic analysis of politics. We will also see his interest in voting functions and electoral forecasting before remembering the great expert in the governance of institutions that he was, in theory as in practice, with this permanent concern to depict the State as it is and not as it should be.

1. An anchoring in the theory of Public Choice

Jean-Dominique Lafay's economic analysis of politics is part of the Public Choice movement¹ in the sense that he criticizes the inadequacies of a theory in which the State would be considered a "benevolent despot". This movement truly emerged following the publication in 1962 of Buchanan and Tullock's *Calculus of Consent*, which developed a new research program on the "economic analysis of non-market decision-making processes". The public choice paradigm is based on three postulates: methodological individualism, rational choices and politics as a process of exchange. The inspirers or precursors of the movement are as diverse as Adam Smith, Knut Wicksell, Joseph Schumpeter, Kenneth Arrow, Duncan Black and Anthony Downs.

This positioning breaks with the dominant normative approaches of the 1950s and 1960s in several ways. Whether it is Jan Tinbergen's theory of economic policy, Keynesian macroeconomics or neoclassical theory, all in their own way idealize a State (by restriction the government) behaving like a "benevolent despot" according to Wicksell's formula. This is understood to mean a State whose sole objective is to maximize collective well-being or to achieve the general interest using appropriate economic policy tools (taxes, public spending) or optimal regulatory mechanisms restoring the market when it is failing. In all cases, the State has no autonomous behavioral function and faces passive economic agents, deprived of choice, and whose happiness is sometimes sought in spite of themselves.

These approaches therefore ignore the mechanisms relating to the formation of choices in a democracy in which the "objective" function of the government must take into account the electoral calendar and where economic agents are also reactive voters maximizing their utility through their vote.

¹ See Mueller (2003) translated by Facchini, Foucault, François, Magni -Berton and Melki (2010)

Consequently, the state must be viewed as it is within the framework of a positive approach and not as it should be under a purely normative approach. This is true from the point of view of politicians as well as bureaucrats, who are nevertheless supposed to assist the former when they are in power, just as they should serve the general interest (See Niskanen , 1971). This is also the case for pressure groups (Olson, 1965) which seek to negotiate policies favorable to the interests of their members. Finally, within this framework of analysis, voters judge and evaluate the performance of governments through their vote. The voter even becomes a "positional dictator" when he is in the middle and the competing parties seek to obtain his decisive vote (Downs, 1957).

The State is therefore a conglomerate, without a stable behavioral function, within which each entity acts in order to maximize its own interests. The State must finally accommodate the political market (Tullock, 1976), on which its policy supply is confronted with the demand for policy from citizens. So much so that, like Tufte (1978), we must consider that "when we think about the economy we must think about elections, and when we think about elections, we must think about the economy". For all these reasons, Buchanan (1999) will consider that the *Public Choice approach* ultimately amounts to an "economic approach to political science".

However, the question is then whether the economist can remain constantly in a positivist posture like Robbins or Friedman as an expert and empiricist who is careful not to deliver, like a doctor, normative prescriptions. In this respect, Public Choice theory allows several approaches. First of all, it constitutes a real toolbox from which one can borrow to analyze any subject where the economic sphere interacts with the political sphere. But it also constitutes an ideological position as soon as one wishes to defend, contrary to Keynes or the theory of *Welfare* , that the "faults" of the State are greater than the "faults" of the market (Lafay, 1986). Public choice theory can then be conceived as a *normative as positive approach* .

The *Public Choice Society* was launched in 1963 at the same time as a first conference and a journal which would bear the name *Public Choice* in 1963, under the aegis of James Buchanan and Gordon Tullock. Jean-Dominique Lafay would be part of the *board* of the journal from October 1990. At the beginning, the *Public Choice Society* promoted rather formalized work offering a large place to reasoning and microeconomic tools.

In 1972, under the impetus of Bruno Frey and Friedrich Schneider, the Danish Martin Paldam and the French Pierre Salmon, the *European Public Choice Society* was launched, the first conferences of which were held in Basel until 1979. It was precisely this school that Jean-

Dominique Lafay would join. In addition to formalized work, the *EPCS* would be very widely open to empirical validation work through econometrics.

European Public Choice Society twice in Poitiers (1982) and in Paris (2001). ²Jean-Dominique Lafay was also a stakeholder in the conference on economic voting (*economic voting*) organized in 1999 by Martin Paldam and Michael Lewis-Beck in Sanjberg (Denmark) which allowed a whole generation of young researchers ³to present their work to major figures of *Public Choice* .

2. Lafay, a disseminator of Public Choice and the new political economy in France

In France, the context was not conducive to the dissemination of the work of the authors of *Public Choice* .

In the early 1960s, the country had only just come out of the Marshall Plan seven years ago and the economy was opening up again under the 3rd ^{plan}. It is fair to say that macroeconomic theory, economic policy theory and normative public economics (which includes public economic calculation) could only be dominant. It would be necessary to wait until the second half of the 1970s and the crisis of the welfare state to see this supremacy challenged.

However, in the mid-1970s, only a few liberal or liberal-leaning French economists were interested in *Public Choice*: notably, Pierre Salmon, Jean-Jacques Rosa, Jacques Lecaillon , Alain Wolfelsperger , François Seurot , Louis Levy- Garboua , Bertrand Lemennicier , Henri Lepage, Gérard Bramoullé , Guy Gilbert and of course Jean-Dominique Lafay. All of them questioned the somewhat unrealistic and angelic aspect of the treatment of the State in the dominant approaches in economics. They also wanted to be critical of the *a priori* virtuous link uniting State expansion (and therefore public spending) and economic prosperity as described in the Keynesian multiplier mechanism. According to them, the inexorable growth of the public sector (Lecaillon 's formula , 1988) translates on the contrary into more tax pressure and less growth, and this, shortly before Arthur Laffer at the beginning of 1980. Finally, these economists consider that one cannot envisage economic policy without taking into account the functioning of decision-making rules in a democracy, which implies endogenising public

² Etienne Farvaque will organize the fifth EPCS conference on French territory in Lille in 2021.

³ Fredrik Carlsen, Linda Gonçalves Veiga , Jan Firdmuc , Véronique Speziari (Jerome), Lars Feld , Toke Aidt , Guy Whitten , Christine Aymar (Fauvelle) and the author of this article.

decisions, not only taking into account the electoral economic cycle, but also by considering reactive economic agents-voters capable of rewarding or sanctioning the action of those in office.

In reality, these French researchers are part of a broad wave of going beyond the normative debate on economic policy, which has long been confined to the quarrel between monetarists and Keynesians, around the relative effectiveness of monetary and budgetary instruments. In addition to Public Choice, this going beyond will also come from the Chicago school with Gary Becker, George Stigler or Sam Peltzman but also from the emergence of the new political economy prefigured by the work of William Nordhaus (1975, 1989) on the electoral economic cycle or Douglas Hibbs (1977, 1994) on the partisan cycle.

These developments will feed the thinking of Jean Dominique Lafay who will always observe and disseminate the progress of the work of the New Political Economy alongside that of Public Choice. Indeed, Nordhaus's work takes into account the propensity of politicians to want to stay in power by manipulating the economy to maximize the votes of myopic, non-partisan voters, and with essentially extrapolative anticipations. This criticism of electoralism, a factor in the long-term degradation of the economy, however, results in normative prescriptions aimed at removing politics in favor of the expert to conduct economic policies. Nordhaus simply anticipates what will be applied, for example, in the governance of Europe in general and the European Central Bank in particular. For his part, Hibbs measures that the cycles where inflation and unemployment alternate in the United States are directly impacted by the alternation between Republicans and Democrats. Alberto Alesina (1987, 1991) will modernize ⁴Nordhaus's electoral economic cycle by adding the partisan dimension of competing parties that face economic agents who are voters with the ability to anticipate their actions, but with limited rationality.

3. Lafay's economic analysis of politics

Without ever denying the term Public Choice, Lafay often used an equivalent, that of Economic Analysis of Politics or that of Positive Public Economics. Perhaps this was to free himself a little from those among French economists who argued that the theory of Public Choice was too rooted in the systematic criticism of the State or even in "ultra liberalism". In all distrust of the labels that could be stuck on this or that, Lafay always affirmed, not without a consummate art of understatement, that he was nevertheless part of the camp of the "non-interventionists".

⁴ See also Alesina, Cohen, and Roubini (1992).

This is how he would lead for a little over ten years, until 1992, the IRAPE (Institute for Research and Political-Economic Analysis) in Poitiers around a team composed in particular of Jean-Pierre Berdot , Christian Aubin and Daniel Goyeau . This research group, described as the Poitiers School by Jean Bénard (1995), would produce a significant number of innovative works, most often based on empirical validation, in the field of interactions between the political sphere and the economic sphere. Lafay would make use of all the experience he had gained from a collaboration in the late 1980s with the Zurich School composed of Bruno Frey, Friedrich Schneider, Werner Pommerehne and Gebhard Kirchgässner. He would draw inspiration in particular from the research program of Frey (1978) developed in a work translated as *Modern Political Economy* .

Lafay, Schneider and Pommerehne (1981) will propose a synthesis of the work on the Zurich political-economic model in the cases of seven countries (France, FRG, United States, Australia, Sweden and United Kingdom). This model reverses the logic of Nordhaus 's electoral economic cycle . It is no longer politics that first influences the economy but the economy that first influences politics. We will thus define a function of evaluation of economic policy by citizen voters and a so-called reaction function of the governors in power. Furthermore, the model allows econometric tests whereas this was not the case with the more theoretical model of Nordhaus .

In the so-called economic policy evaluation function, citizen-voters evaluate the government's performance. Since there are no intra-mandate national elections, the judgment on the state of the economy (unemployment rate, inflation rate, growth rate, per capita income growth rate) and its consequences on well-being is measured through the popularity rating or approval rate of the head of the executive. If the government's popularity (POP) is below a certain critical value (POP^{*}) ensuring re-election, it will make an effort to restore its popularity with voters. The magnitude of the effort, in other words, of the manipulation of the economy, will be a function of the popularity deficit (POP-POP^{*}) and the proximity or otherwise of the electoral deadlines. Obviously, the closer we are to the deadline, the more urgent it is to reduce the popularity deficit. To do this, the government will play on its reaction function by manipulating the economic policy instruments (public spending, social transfers, taxes) at its disposal.

However, if the government enjoys a surplus of popularity, its election will be facilitated. It will then be able to concentrate on its ideological objectives. In this register, regarding budgetary policy, one can think that a right-wing government will try to reduce public spending and taxes while a left-wing government will operate in the opposite direction. The

mechanics of this model diametrically changes the vision that one can have of the conduct of economic policies which are, if necessary, opportunely diverted in the service of re-election. But its logic is so implacable that one can wonder whether the manipulation will not continually lead to assured re-election.

Lafay and IRAPE start from the premise that the modeling of the evaluation and reaction functions tested by the Zurich School offers an oversimplification of the behavior of public decision-makers. They will thus moderate the results of the Zurich model by embarking on the construction of the political-economic model of France as part of a report for the General Planning Commission. With its 60 equations tested over the period 1966-1982, the IRAPE model is built on disaggregated data ⁵. While most models have focused on traditional macroeconomic objectives, unemployment, inflation and growth, the emphasis will also be placed on the redistribution aspect of economic policy in accordance with the work of J. Lecaillon (1981). The model attempts to show that the State seeks to capture, at the microeconomic level, the support of certain groups.

Contrary to the work of Frey et al., the government does not pursue only political or ideological objectives, which are very important. In addition to political logic, the government pursues a logic of economic stabilization, a logic of budgetary balance and finally, a bureaucratic logic. There will therefore always be a compromise between the ideological objectives of the government, the preferences of the bureaucracy (Breton and Wintrobe, 1982) and strict economic logic. Let us add that the government cannot escape its economic responsibilities and more precisely its budgetary responsibilities, even if its political interest depends on them. This clearly shows that economic policy is not only a matter of short-term political benefits. That being said, over the course of a mandate, the government will tend to behave like a manager during the first part and will slip into the clothes of a politician on the campaign trail during the second part.

Finally, the model takes into account the behavior of the private sector. It is considered that the public sector does not have a monopoly on information. If private agents form (relatively) rational expectations, they will anticipate economic measures according to the political climate and the situation of the power in place. Political variables can therefore influence the behavior of the private sector. This third point has been little addressed, or even often forgotten, by the literature on political-economic models.

There is a final contribution from the work of Lafay and IRAPE and it concerns the

⁵The model is built from the overall economic tables (TEE) of the quarterly national accounts. The institutional sectors are reorganized in order to explicitly show a decomposition between the private sector and the public sector.

measurement of credibility. The new macroeconomics of the late 1970s and early 1980s developed with Fellner (1979), Kydland and Prescott (1977), Barro and Gordon (1983) or Cohen and Michel (1991) the concept of credibility of economic policy in the form of a game between authorities and private agents. Thus, faced with reactive and rational economic agents, a government or a monetary authority has an interest in announcing credible economic policy objectives (inflation, interest rates, growth) under penalty of seeing the recipients of the policy anticipate in the opposite direction to expectations during subsequent announcements. In a word, the normative prescription that is put forward is that a credible and temporally coherent policy (without denial over time) reduces the induced social costs of the latter. For example, the cost in terms of unemployment of a disinflation policy. But in practice, a government can be forced or led to renege. From a disinterested perspective, the announcement made can be thwarted by an exogenous shock, thus ruining temporal coherence and credibility. From a more cynical perspective, the renege can be desired, with two scenarios. A government can be tempted to renege by announcing a shift from austerity to budgetary expansionism to "climatize" public opinion, thinking it will benefit from a demand shock to revive economic activity. But it can also do so to optimize its chances of re-election at the opportune moment. The success of this "lie", which amounts to manipulation, and its consequences on future governance, then depend on the assumptions made on the memory, the myopia of the agents and on the asymmetrical or non-asymmetrical nature of the information between them and the politician. Most of the work on the subject has used game theory without attempting empirical validation.

This is how Lafay et al. rightly analyzed the empirical link between the popularity of the executive and credibility. Popularity can be analyzed in terms of flow and stock. At the time of the study, up to a certain level of discontent (for example up to 30%) total credibility is measured at 100% while from 45% of discontent the credibility is zero. We can then affirm that the gap in popularity between the time of the announcement and the measurement and the time of its materialization gives an evaluation of the state of the credibility stock.

However, the IRAPE team will highlight a real paradox of credibility developed by Goyeau (1985). Indeed, a government with significant political support can manipulate private expectations, however, it does not theoretically need to do so since its high level of popularity is always correlated with a satisfactory state of the economy. However, a government should be able to manipulate expectations when its popularity is low. But, this will prove ineffective since agents will not take official forecasts into account. Finally, the manipulation of household expectations is only possible in intermediate situations where the popularity of the government is average and economic difficulties are not significant.

If we take into account the electoral calendar, there is no point in manipulating expectations as long as the electoral deadlines are still far away. On the other hand, in accordance with the Zurich School and the political-economic model of France, it is advisable to have a significant popularity before the elections.

Popularity functions will become a research topic in their own right for Jean-Dominique Lafay. They measure the impact of the economic situation on the popularity of governments (Lafay, 1977, 1985) understood as their credibility as we mentioned above. Lafay and Lecaillon (1990) will show that the economy in France represents at least half of the popularity of the executive before domestic affairs and foreign policy. However, the share of responsibility attributed to the President and the Prime Minister under the Fifth Republic must be qualified. The President is considered to be the main person responsible for the results of the economic policy that is conducted except in the case of cohabitation (Lafay, 1991).

The literature on popularity functions is part of the theoretical corpus of VP (vote-popularity) functions (see Nannestad and Paldam, 1994 and Lewis-Beck and Stegmaier, 2013). Both types of functions are constructed in the same way but raise a whole set of questions. Which economic variables are most likely to influence voting or popularity? "Objective" variables such as unemployment, growth or inflation or "instrument" variables such as taxes, public spending, social transfers or interest rates? Are citizen-voters myopic? Are they purely rational or boundedly rational? Is their judgment prospective or retrospective? Does voting or popularity depend on the perception of the overall economic situation (sociotropic attitude) or on individual perception (egotropic attitude)? Do citizen-voters reward governments for good results with the same intensity as they punish them for poor results (concept of blame asymmetry)? How long does the "state of grace" last and when can we talk about a cost of ruling *for a government*? Jean-Dominique Lafay has written many articles on these questions, while introducing a nuance. Vote and Popularity are endogenous variables of a different nature. Voting punishes a record in a decisive manner, sometimes leading to an alternation. On the other hand, the determinants of popularity are measurable over the course of a mandate, as it serves as a tool for evaluating policies announced during the election campaign. But above all, popularity records the short-term subjective judgment of voters. Finally, popularity is not entirely comparable to voting in the sense that a popular government has a stock of credibility conducive to its re-election, but voting also depends on purely political variables (ideology, internal and external affairs, voting system, belonging to a political stronghold, electoral alliances, etc.), on the evolution of long-term macroeconomic variables, or even on socio-demographic determinants.

There were many studies on popularity functions in collective works dedicated to the link between economics and politics from 1980 to 2000. Jean-Dominique Lafay published his work on the impact of economic variables on political behavior in Hibbs and Fassbender (1981) then his work on the stability of popularity functions in Eulau and Lewis-Beck (1985) and finally the study of popularity functions in cohabitation between the President and the Prime Minister in the work of which he will be the co-editor entitled *Economics and Politics : The Calculus of Support* (Norpoth , Lewis-Beck and Lafay, 1991).

However, these studies will gradually begin a slow decline, giving way to work on voting functions ⁶. According to Jérôme and Jérôme- Speziari (2010), out of 10 articles devoted to VP functions in 1980, two were devoted to voting functions, compared to six in 2000. This rise in the power of voting functions can be explained by the ever-increasing number of observation points, over time, the availability of electoral databases from all geographical strata and the growing interest in using them as an electoral forecasting tool to complement voting intention surveys.

4. Voting functions and election forecasting

Jean-Dominique Lafay thought very early on about predicting elections using statistical models. In particular, he tried to predict the outcome of the 1978 legislative elections (Lafay, 1977) using macroeconomic variables. He noted that the number of observation points was too low and had to fall back on popularity ratings, not without providing some thoughts on the transition from popularity to voting. ⁷

The first voting functions were developed by the political scientist Kramer (1971) on the American congressional elections. The economists Stigler (1973), Niskanen (1975) and Fair (1978) followed by dealing in turn with the case of the Congress and the American presidential election.

⁶ In 2015 popularity functions French women are once again the subject studies with the work of Turgeon, Bélanger and Nadeau on the series long Ifop and Sofres -Kantar.

⁷In the case American , Tuftte (1975) will test the effect of popularity on voting in congressional elections.

In the French case, the first study will be conducted by Rosa and Amson (1976) on the French legislative elections. The political scientists Lewis-Beck and Bellucci (1982) will analyze for their part the determinants of the vote in the French and Italian legislative elections.

Until then purely explanatory, the voting functions will evolve towards prediction on the occasion of the 1986 legislative elections (Lewis-Beck, 1985). The GDP growth rate is then the main economic predictor of the vote, this at the aggregate level and on a restricted set of observation points. The model nevertheless indicates the right trend, in this case the defeat of the outgoing left.

In 1993, Jérôme, Lewis-Beck and Lafay modeled for the first time the vote in the French legislative elections using regionalized data (use of panel data or *pooled time series*) with the variation of unemployment one quarter before the election as an economic predictor of the vote. Popularity considered as a subjective measure of the economic and political performance of the government in the short term is added among the explanatory factors. The model also integrates political variables such as the regional strength zones of political parties. The political-economic forecast will anticipate the historic defeat of the left by being wrong by 18 seats.

Lafay and Jérôme (1991) were also the first to construct an ex-post municipal voting function for the 1989 election. In this model, the vote is explained by delayed voting and various indicators of management quality established by the magazine *l'Expansion* on a panel of 100 cities with more than 10,000 inhabitants. However, the management quality variables do not allow the prediction or reproduction of the model.

We will have to wait for the voting function of Jérôme- Speziari and Jérôme (2002) constructed on the occasion of the 2001 municipal elections to renew the approach. The voting function is based on 236 municipalities with more than 30,000 inhabitants over the period 1989-2001. Alongside the explanatory variables representing electoral strategies and implementation, we adopt the hypothesis that municipal voting in France is based on economic and political determinants that are both local and national. Finally, we show that municipal elections in France (in cities of the size considered) are never completely local elections, even if we can admit that their "degree of localism" varies according to the proximity of national deadlines. The consequence is then direct: municipal voting includes a share of reward vote or sanction

vote for the government in place through the mayors who support it. ⁸In the end, the prediction proved reliable in 198 out of 236 cases, a success rate of 83.9%.

It remains nonetheless that Lafay and Jérôme (1991) lay the foundations of a method for transposing national voting functions to the local level. Thus:

- mobility which is always stronger at the local level than at the national level, always introducing a degree of volatility between two elections, in particular when economic agents change municipalities (by *voting with their feet*) following a change in their initial conditions of well-being (employment, change in taxation, change in housing conditions, quality of the environment, insecurity, etc.),
- the vote for the outgoing municipal majority is strongly dependent on the score it achieved six years earlier. However, given the mobility of the electorate, the weight of past results should be lower than that estimated for national elections.
- the cost of information is lower at the municipal level, because the link between the instruments and the objectives of municipal public policies is immediate, the voter therefore has every chance of adopting a rather egotropic behavior . Let us add that the comparisons with the surrounding municipalities are more readable (*yardstick aspects competition*). Under these conditions, rationality is less "limited" and electoral choices correspond better to an "objective" assessment, both of the results of municipal economic policy and of the local economic situation.
- Voters punish incumbents more intensely for poor performance than they reward them for positive outcomes from local economic policies. This is consistent with the hypothesis of *grievance asymmetry*.

However, there is still a question about whether the municipal vote is more prospective or more retrospective. Investments made at the local level, and the resulting tax policy, are extremely concrete elements for citizens. Local elected officials play on the investment cycle, and constantly report on the progress of projects (roads, public facilities, environmental quality, etc.), one to two years before the end of their term. They therefore *a priori* play their re-election on their record. For its part, the opposition is more likely to rally around criticism of past management than on the promise of new investment spending (which would be interpreted as more taxes) or on the draconian savings that would have to be made, when the previous team was too spendthrift. The municipal vote therefore has every chance of being more retrospective

⁸ For a complete overview of the work on the determinants of local voting, see Nadeau, Foucault, Jérôme and Jérôme (2017).

and very often, the opposition's arrival in power is more the result of the rejection of the past policy of the outgoing team than of a prospective cost-benefit analysis ⁹.

In 2007, in view of the presidential election, Lafay, Facchini and Auberger (2007) will use the popularity of political parties to predict the outcome of the presidential election. By taking into account the popularity of the Socialist Party as the main factor in the left-wing vote, the authors will estimate that Nicolas Sarkozy would win in the second round of the presidential election, which has proven to be realistic. It should be noted that the model gives a correct retrospective forecast of the presidential elections from 1981 to 2002. This equation will be reused in 2022 without the expected success (Facchini, 2022 in Nadeau, Jérôme and Lewis-Beck, 2022). In reality, it will probably have to be modified to take into account the tripolarization or even the quadripolarization ¹⁰of French politics.

Finally, Lafay (1992) will make an incursion into the formal theory of voting through probabilistic voting. Taking political factors into account in economics poses many methodological problems. The political sphere seems to be the symbol of disequilibrium to such an extent that Riker (1982) will speak of political science as being an obscure science. According to Salmon and Wolfelsperger (1991), the concept of equilibrium used in economics is not a priori adapted to political theory. Lafay will show that the introduction of uncertainty has progressively and completely modified this pessimistic vision and how in return, the theory of rational voting increasingly resembles traditional microeconomics and general equilibrium theory. Indeed, if voters reward a candidate promising them greater satisfaction, which increases the probability of voting for him, then electoral competition for votes will lead candidates to propose programs that maximize collective well-being, in the manner of the "invisible hand". We can no longer reject the analogy between the political market and the market in pure economics.

5. A specialist in institutional governance: from theory to practice

Jean-Dominique Lafay was a theoretician of the functioning of institutions, whether national or international, and always from the angle of a positive approach where each actor seeks to impose their own interests.

⁹Despite its more rational choice theory-compliant nature.

¹⁰ If we separates the classic right of the center alongside the left and the extreme right .

Lafay (2005) clarifies his thinking in an issue of the societal review devoted to the theme "What is good government?" He invokes what good practices should be from a normative point of view but underlines the need once again to "endogenize the behavior of public decision-makers at the risk of missing out on a realistic analysis of the action of the State, governments or public enterprises. Lafay (1985) will always criticize traditional political economy of a normative nature for showing little interest in the costs of State intervention. It will thus have great difficulty in explaining the positive reasons for public appropriation and in analyzing the effective functioning of public enterprises. Conversely, the economic theory of politics allows, firstly, a systematic examination of the political advantages and costs of public production. And this highlights the determining role played by the motives of income, distribution and stabilization, while traditional theory wrongly emphasizes the motives of resource allocation.

The economic theory of politics also allows us to pose the problem of the control of the administration or public enterprise by the government. This is how Lafay, once in competition with Greffe (1981) in this area, popularized the economic analysis of Bureaucracy. This branch of Public Choice was initiated by Niskanen (1971) who describes the bureaucrat as an entity internal to the State, in monopoly, serving himself and not serving the general interest. In this, his objective is to maximize the quantity of collective goods offered and the budget associated with it. The utility function of the bureaucrat includes the level of remuneration, the advantages of the position, reputation, power, patronage and the product of the office. Migué and Bélanger (1974) object that certain objectives are contradictory, for example, the search for status or privileges can be done in contradiction with the increase in the product. They therefore introduce the notion of discretionary budget, resources under the control of the public manager, which can be alternatively used to extend production or increase personal advantages.

Let us add that the bureaucratic manager in monopoly benefits from an asymmetry of information compared to his tutor. He is therefore the only one to know the "real" costs of his office. The consequence is a production of collective goods greater than that which is socially optimal, of course generating a waste of public spending, with the ultimate effect of increasing taxes.

Breton and Wintrobe (1982) will bring elements of agency theory into the analysis. The principal (the guardian) is in information asymmetry with respect to the agent (the bureaucrat) which poses control problems. The bureaucrat can indeed adopt selective behavior towards the guardian, and this in a manner that is all the more strategic as we approach the electoral deadlines. Control of information therefore becomes an essential factor. The authors insist on horizontal and vertical "relationships of trust" with the bureaucracy, as a mechanism of

incentive to cooperate. As Lafay states, taking into account the economic theory of politics allows for a more relevant analysis of the problem of the effective functioning of the State. Lafay will produce a very complete article on the theory of bureaucracy in the dictionary of economic sciences (Jessua et alii, 2001).

The analysis of institutional governance will lead Lafay to focus on the sharing of roles between the private and public sectors, in other words via the mixed economy. If we rely on Samuelson's typology (1954), goods and services characterized by non-exclusion of use, non-rivalry and indivisibility of consumption must be managed and produced by the State. However, it turns out that most public goods are more "mixed" or "fuzzy" than pure. From then on, it is the central authority which, according to its conception of the general interest, decides to move the cursor between public management and private management by virtue of the principle of *concern* (Bénard, 1985). Lafay and Lecaillon (2015) explain that recourse to the mixed economy has become a kind of doctrinal compromise taking into account both market failures and those of the State. In a way, an ideal state of cooperation keeping the best of private management and public management. The authors then ask three questions. By wanting to combine the advantages, do we not risk accumulating the disadvantages? Can we bet on the private-public partnership without having analyzed their respective rationalities? Finally, what is the right balance between private and public in the context of joint management?

Far from positive stereotypes, Lafay and Lecaillon use *Public Choice analysis* to demonstrate that the two sectors cannot be mixed without first analyzing the consequences of their respective sources of inefficiency.

After tackling political-economic interactions in Eastern countries (1979) and the economy of revolutions (1991), Lafay will show the interest of studying development problems from the angle of Public Choices (Lafay, 1993). Development economics is less far from the economic analysis of politics than it seems, provided that we change the paradigm. Development economics initially neglected the analysis of state systems. The State often acts as a perfect machine applying optimal plans. A positive approach will show, on the contrary, that the State is a place of cooperation or lack of cooperation between its components. Then, the experts responsible for implementing development policies always claim to remain at the normative level in the name of political neutrality. For similar reasons, international organizations prefer to stick to the allocation of resources and social equity. Finally, the national governments receiving aid believe that they are the only ones who should manage the political issue. According to Lafay, this "modesty" in taking into account political determinants comes from the fact that we confuse "doing politics" with "analyzing politics". Hence a lack of

understanding, even anger on the part of the populations concerned by structural adjustment plans (see Alesina and Drazen, 1991) which are often sold as being disembodied and "politically neutral", whereas they are initiated by politicians influenced by a political orientation (Washington consensus for example) with political consequences.

According to Lafay and Lecaillon (1993), the problem of political feasibility does not consist in a "fair" redistribution of income but in a redistribution which minimizes the violence of the anticipated protests of different social groups.

A Public Choice approach therefore makes it possible to explain why actual decisions (positive choices) will diverge significantly from optimal policies. The divergence will be all the greater if the final choice results from a strategic negotiation between the different members of the government and the administration (bureaucracy) responsible for implementation, under pressure from interest groups. The authors conclude that on a strictly empirical level, even if it is necessary to adapt to fewer and lower quality economic and political data, the construction of political-economic models adapted to developing countries proves to be fully feasible.

Jean-Dominique Lafay, who has often worked on the role of the academic expert in politics, will often move from theory to practice. This issue, which sometimes involves cognitive dissonance, has been very well described by Niskanen (1998). As a political analyst, he had to focus on government activity, optimistically thinking that good analysis would lead to good policies. But as a *political economist* of public choices, the study of the constraints and incentives that affect the decisions of voters, politicians and bureaucrats leads to a certain pessimism about the functioning of institutions. Enough to navigate between two feelings, being optimistic about what is possible but being pessimistic about what is probable. In moving from theory to practice, Jean-Dominique Lafay often had to think back to Niskanen's words. Thus, as an expert when he was still heading IRAPE, Lafay led two reports for the General Planning Commission, *The Political-Economic Model of France (1966-1982)* in 1985 and *The Determinants of the Growth of Public Spending in France* in 1987.

At the time when he was director of the LAEP of Paris 1, he was the co-author of the reports *The political feasibility of adjustment in Africa (1980-1990)* (Morrisson, Lafay and Dessus, 1993) and *The Political Dimension of Economic Adjustment* (Lafay and Lecaillon, 1993) for the OECD Development Centre. He later joined the Cercle des économistes created by Jean-Hervé Lorenzi in 1992.

He will finally occupy the position of scientific director of law, economics, management at the Ministry of National Education, vice-chancellor of the Universities of Paris and then director of the National Center for University Works (Cnous).

6. The legacy of Jean-Dominique Lafay

Jean-Dominique Lafay's contribution to the theory of public choice and more particularly to the economic analysis of politics, a term he favoured, is considerable.

He helped popularize an analytical framework that was little developed and little taught in France, long considered not to be *mainstream enough* and probably too "marked" by French proponents of macroeconomic analysis as well as by those of microeconomic analysis. He supervised nearly 35 theses and those he directed in the 1990s will remember that he often warned them of the risks of choosing subjects that were too *Public Choice*, especially if they were considering an academic career. The future of *political economists* in France was therefore highly uncertain. Thus, he often said that French political scientists (especially non-quantitative ones) would always consider us as economists and that economists (rather "orthodox") would reject us into the political science camp. This perhaps explained his distrust of "labels" and why he was never able or willing to lead a French Public Choice movement. Jean-Dominique Lafay nevertheless allowed the first doctoral students of the new LAEP ¹¹of Paris 1 to meet Albert Breton, Stéphane Dion, Douglass Hibbs , Michael Lewis-Beck, Werner Pommerehne , Howard Rosenthal, and Gordon Tullock (non-exhaustive list).

Fortunately, this delicate period seems to be over. On the theoretical level, the economists of the new political economy inspired by Nordhaus , Fair , Hibbs and then Alesina have gradually integrated political factors into the framework of the analysis of economic policies. This has allowed, moreover, many researchers in macroeconomics to use the tools common to public choices without openly claiming to be part of this school of thought. For some 20 years, candidates for qualification in economics at the National Council of Universities no longer risk having a somewhat complicated career by presenting work oriented towards

¹¹ Jean-Dominique Lafay became director of the new Laboratory of Public Economics of Paris 1 in 1992, succeeding Jean Bénard, until then director of the Center of Economics Public and Planning. The acronym LAEP was initiated by a first founding core of doctoral students , Patricia Vornetti , Samuel Adeleye , Bruno Jérôme and Véronique Speziari (Jérôme) who will be joined shortly after by Christine Aymar (Fauvelle). The LAEP was absorbed by the Sorbonne Center for Economics (CES) in 2009.

Public Choice or New Political Economy. In this respect, a publication in *Public Choice* or in the *European Journal of Political Economy* is very popular today.

Hoping that this is not a parenthesis, the most beautiful symbol of this spirit of pluralism between the different approaches to political economy in general and to the analysis of the State in particular is undoubtedly the collaboration between Stiglitz, Lafay and Walsh (2014) then Stiglitz, Lafay and Rosengard (2018) who will co-produce respectively the *Principles of Modern Economics* and the *Economics of the Public Sector*.

Whatever happens, all those who have worked with Jean-Dominique Lafay or received his teachings will always remember that one cannot consider economics without politics and politics without economics.

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