Economic Platforms: 
A Guide for Political Parties

Center for International Private Enterprise
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Strong and well-functioning political parties are essential to democracies because political parties link citizens with their governments. Parties’ platforms help political parties connect effectively with citizens, influence policy, and bring about economic growth. This publication can help guide political parties in developing platforms, particularly platforms’ economic component, through consultation with constituents and stakeholders. Think tanks and civil society organizations can also refer to the contents of this guide. These organizations can work with political parties or by themselves to incorporate public discussion of economic issues into the political discourse of parties and society’s policy debates.

Political parties perform key functions as intermediary organizations. They aggregate and articulate the interests of citizens, recruit and select candidates for public office, mobilize the electorate, and create and implement policy. Translating a party’s ideology and values into a set of coherent policy alternatives, a party’s platform helps political parties influence policy that will respond to people’s demand for improved economic performance and better standards of living.

Strong economic platforms can help parties address the challenges they confront. Despite their relevance as intermediary organizations, political parties across the globe have been losing credibility. Weak party programs and overall disconnect with voters are two of the most relevant obstacles for parties to overcome.

The challenges political parties face are most salient in single party states, where unaccountable leaders rule, or where multiparty competition is either restricted or manipulated to benefit only those close to decision-makers. In such countries, the public may see non-ruling political parties as irrelevant political actors. Strong economic platforms, however, communicate to voters that parties will fulfill their role as intermediary organizations, committing party members and its leadership to raise the level of policy debates. Most importantly, strong economic platforms are evidence of a party having realistic and concrete plans for addressing the socioeconomic concerns of the general population.

As opposed to vague unsubstantiated promises to create more jobs, a strong economic platform is a bold statement that connects people’s concerns with concrete policy solutions. These realistic policy solutions indicate to the public how a party intends to improve overall standards of living.
Consultations with constituents and research help political parties prepare realistic policy solutions to present to the public. This guide encourages political parties to engage representative business associations during the platform development process. These groups represent the voice of the many different segments of the private sector, which creates jobs, and spurs economic growth. Reaching out to business associations will help political parties develop economic policy alternatives that once implemented will have a positive impact on the private sector’s capacity to lead the growth process, create jobs, and increase people’s standards of living.

To illustrate the process of how political parties prepare their economic platforms, this guide is divided into four sections. In the first section, the guide highlights how economic platforms are policy alternatives parties use to influence policy. Moreover, this section highlights the need for parties to work with representative business associations as they prepare economic policy solutions. The second section highlights the benefits political parties derive from strong economic platforms.

Next, the guide focuses on the process of developing economic platforms. The step-by-step process described here is one of many ways in which parties prepare their policy solutions. The fourth section focuses on general advocacy and communication strategies that political parties could adopt to influence policy, ensuring their platforms become actual policy. Finally, the guide concludes by encouraging political parties to review their economic platforms on an ongoing basis because economic conditions and people’s needs vary over time. The reader will find a glossary of economic terms in an annex.

Strong economic platforms help strengthen parties that hold decision-making positions as well as those that, for the moment, cannot participate in the policymaking process. Political parties whose action is restricted by unaccountable leaders or single-party regimes can make themselves heard by proposing coherent policy solutions to economic challenges. The exercise of developing a solid economic platform will prepare parties to govern effectively as opportunities for change open in restricted regimes.
The Center for International Private Enterprise (CIPE) strengthens democracy around the globe through private enterprise and market-oriented reform. To improve governance and build understanding of market-based democratic systems, CIPE supports local initiatives that involve the private sector in policy advocacy and institutional reform. CIPE encourages political parties to use this publication as they prepare plausible economic platforms, offering its support by facilitating dialogue between business associations, think tanks, and other private sector organizations throughout the platform development process.
Political parties are key institutions in representative democracies, connecting citizens with governments. Political parties identify and aggregate people's demands, represent societal groups, select candidates for public office, and compete in elections to translate public demands into responsive policy. Successful political parties have high levels of linkages with society, as evidenced by a party’s active participation in policy discussions and voter support election after election.

In countries where governments restrict civil liberties and political rights, political parties play a significant role. In these situations, parties act as an additional voice to advocate openness, raise issues not addressed by those in charge, and offer alternative policies that will address people's concerns.

In any political system, a party’s capacity to influence policy determines its success. A party platform thus becomes instrumental for parties to participate effectively in the discussion and implementation of policies. Party platforms lay out a party’s vision by translating its ideology and values into a set of coherent policy alternatives that party representatives will seek to implement. As a coherent set of policy alternatives, a party platform attracts voters and broadens its base of support.

The economic component of a platform is crucial to create and implement policies that deliver economic growth and opportunities to people. Once implemented, the ideas presented in an economic platform will influence the operation of businesses, which are the economic agents that create jobs, innovate, and lead the growth process. This section first describes economic platforms as policy alternatives. Then, it recommends that parties reach out to the business community as they prepare their economic policy solutions.

### 1.1 Economic platforms as policy alternatives

The economic component of a platform includes the set of policies a party proposes to shape the conditions under which firms and individuals operate. These policy alternatives connect parties with voters and serve as a party’s roadmap to govern when voters elect party representatives for public office.
When political parties are excluded from decision-making positions, their economic platforms still have a purpose. Solid economic platforms help parties raise issues not addressed by governments, present alternative policy paths to those endorsed by incumbents, build support among other like-minded actors advocating political openness, and develop a policy-based reputation.

Across the globe, political parties propose in their platforms that they will create jobs, attract investment, facilitate entrepreneurship and innovation, or improve their fellow compatriots’ overall well-being. Yet in many cases, it is not clear how a party will transform the desire for more jobs or an improved climate for entrepreneurship into reality.

A solid economic platform articulates all interrelated variables that affect an issue, such as job creation, in a policy alternative that is feasible given country conditions. Moreover, a solid economic platform presents those feasible policy alternatives in language that is accessible and deliverable to the electorate.

**General statements are not platforms:**

Party A will create jobs and provide better services to the community.

**Platforms are solid statements that identify a problem and explain how a party will address that problem:**

A cumbersome tax system is affecting businesses’ capacity to create jobs, discouraging new entrants and decreasing the country’s competitiveness. On average, businesses of all sizes currently spend 200 hours fulfilling tax liabilities. Party A proposes a five-year road map for profound tax reform. The first step in this overhaul includes a tax simplification scheme that would decrease the amount of time businesses spend fulfilling tax liabilities from 200 hours to an average of 80 hours. The tax simplification scheme would require approval from a bill by Congress, which Party A has already prepared.
An Issue: The Informal Sector

A large informal sector represents a policy challenge in countries around the world. The informal economy represents all legal economic activity that takes place outside of the legal framework affecting firms and workers. A wide range of policy solutions focusing on taxation, social security, labor regulation, business regulation, and strengthening enforcement may help reduce the size of the informal sector and provide incentives for firms and individuals to comply with regulations. The effects a large informal sector has on a country’s economic performance are varied. In particular, the persistence of fairly large informal economies slows growth and productivity, hinders social well-being, and is evidence of a broken social contract. While preparing policy solutions that address the informal sector, policymakers and soon to be policymakers such as political party officials should understand all reasons firms and individuals have for being and remaining informal; the factors driving the evolution of the informal sector; and the social and economic ramifications of this phenomenon.

An essential component of any policy addressing a large informal sector requires in-depth understanding of who produces or sells legal goods outside of the legal framework. At the firm level, policymakers must understand what drives firms to conduct their business without proper registration and without compliance with regulations such as paying employees’ social security benefits. Similarly, policymakers need to understand why some registered firms hide output to avoid taxation, or why they hire workers without following labor regulations. At the worker level, decision-makers must also understand what keeps self-employed individuals in the informal sector from obtaining salaried jobs, and why informal salaried individuals do not seek jobs in firms where employers will assume the costs of labor regulations.

Different policy solutions may help reduce the size of the informal sector and provide incentives for firms and individuals to comply with regulations. In general terms, policies aimed at increasing aggregate productivity have a strong impact on the size of the informal sector. These policies include investment climate reform that helps firms expand and pay higher wages. They also include interventions aimed at increasing human capital accumulation through skills development, including long-term strategies combining social protection schemes (for example, early childhood development). Building an effective and inclusive social contract should be one of the main goals of any strategy seeking to address a large informal sector.

Some major policy interventions to reduce firms’ and individuals’ incentives to operate in the informal sector include:

- Policies that alter firms’ and individuals’ cost-benefit analysis so that they will opt for formality. At the firm level, potential policies should give special attention to firms close to the margin between formality and informality and large firms that remain partially informal. These policies include a combination of carrots and sticks.
**Carrots:** Efforts to include labor market reform to prevent labor market segmentation – i.e. the incapacity to transit from the informal sector to the formal sector, and business environment reform to reduce costs and increase benefits of formalization. Specific interventions include:

- Administrative simplification programs to reduce transaction costs associated with operating legitimate businesses,
- Business development programs and training services to increase benefits of formalization,
- Programs aimed at increasing currently informal businesses’ links with larger private firms, and
- Mechanisms that provide information to entrepreneurs wishing to formalize their businesses.

**Sticks:** Policies that enforce regulations and actions to change the culture of noncompliance. Some interventions include:

- Facilitating tax collection and applying penalties for noncompliance often and consistently,
- Promoting tax payer education, and
- Developing tax payer services for filing returns and paying taxes.

- Labor market reforms can also boost productivity. Some interventions include:
  
  - Reducing labor costs that arise through legislation, including non-wage burdens,
  - Dealing with unrealistic demands such as unreasonable minimum wages, labor taxes, severance costs, among others,
  - Incorporating a flexible labor legislation framework,
  - Strengthening capacity in labor ministries and relevant public agencies so they can facilitate labor productivity growth, and
  - Education and training on skills relevant for entering the labor market.

- Well designed social protection policies provide benefits to all citizens, de-incentivizing informality. Social protection schemes may have as an objective to cover the impact of economic shocks on individuals in order to reduce shocks’ external costs on society. General taxes, as opposed to labor contracts, should finance proper safety nets and well-designed worker protections. These protections may include:
  
  - Poverty prevention pension targeted toward the poor, and
  - Essential health care coverage.

An Example: Coherent Policy Alternatives

Coherent policy alternatives are not general statements. Coherent policy alternatives (a) identify a problem, (b) propose a policy solution, (c) explain how to finance the policy's implementation, (d) identify whether the policy requires new legislation, and (e) explain the new policy's expected outcome.

a) **Problem:** An inflexible labor market explains high rates of unemployment despite positive and sustained growth rates. Specifically, hiring and firing high costs contribute to labor market inflexibility because high non-wage costs, such as health and pension contributions or payroll taxes, discourage employers from hiring. Payroll taxes, which the government uses to finance some governmental programs, are the main non-wage burden on employers.

b) **Policy solution:** Reduce non-wage costs associated with hiring and significantly cut down payroll taxes.

c) **Source of funding:** Reductions in payroll taxes will not require additional sources of funding. Allocations from the national budget will finance programs previously financed by non-wage taxes.

d) **Required legislation:** To reflect the cut in payroll taxes, this proposal requires a bill that modifies existing legislation regarding employers’ obligations. In addition, legislative action will have to allocate funds for programs that payroll taxes previously funded.

e) **Expected outcome:** The cut in payroll taxes will reduce employers’ non-wage costs and incentivize employers to increase their hiring rates. The cut will reduce non-wage costs by 15 percent and it is expected that it will thus reduce unemployment rates from 22 percent to 15 percent. If positive and sustained growth continues at the current rate, and decision-makers promptly approve legislation, employment rates will likely improve within two years.

f) **Coherent policy alternatives are not general statements:** Coherent policy alternatives identify a problem and propose a policy solution; explain how to finance the policy’s implementation; identify whether the policy requires new legislation; and suggest the policy’s expected outcome.
The coherent policy proposals included in a party’s economic platforms will cover different topics. Policy proposals will range from the set of policies that affect firms’ and individuals’ behavior while they produce and demand goods and services, to those policies that affect core economic targets – high and stable economic growth, low inflation, low unemployment, and the balance between imports and exports.

Coherent policy alternatives are not general statements. Coherent policy alternatives identify a problem and propose a policy solution, explain how to finance the policy’s implementation, identify whether the policy requires new legislation, and suggest the policy’s expected outcome.

To generate these economic policy alternatives, political parties undergo a thorough process to identify challenges at the national, regional, or municipal levels. Once a political party identifies those challenges, it will have to present to the public feasible policy solutions to confront those problems.

The process of developing an economic platform requires extensive and ongoing consultation with those individuals from whom a party expects to receive support (constituents), as well as those groups or individuals that party’s actions can affect (stakeholders). The private sector is a key constituent and stakeholder that political parties should approach when developing their economic platforms.
1.2 A partnership with the private sector

Governments make economic policy decisions that affect, among other things, taxes, labor regulations, government spending, and prices. These policies have differentiated impacts on small and medium enterprises, large businesses, foreign investors, and other firms’ incentives to enter a market; represent costs to business operations; and enhance or hinder sustainable economic growth. Policies are thus inputs in business operations.

What is a free market economy?

A free market economy is an economic system in which the production and distribution of goods and services take place through mechanisms guided by a free price system rather than by the state. In a market economy, people exchange goods and services rather than simply take them from other people. To guarantee exchange, in opposition to take over, the market economy consists of the following characteristics:

1. Economic arrangements arise out of voluntary and free exchange of value between individuals and/or firms. Values associated with exchanges of goods and services are set by supply and demand as registered in an uncontrolled price system. Both parties to transactions perceive benefits from the exchange.

2. The law establishes and guarantees freedom of association for economic activity. Individuals can engage freely in firms, cooperatives, unions, and other forms of economic collectives.

3. The law guarantees and protects freedom to own and exchange both personal property and the means of the production for all individuals, regardless of socioeconomic background.

4. The law guarantees freedom of movement and information.

5. The law guarantees free entry into and out of markets for individuals and firms.

6. Legal and regulatory systems maintain competition in markets by restraining barriers to trade, price fixing, monopolies and/or collusion.

7. The role of government is to regulate the creation and maintenance of the market system through establishment of objective laws (rules) that protect individuals and firms from corrupt practices. Regulations should be objective and preventive in nature, not command oriented. Taxation must be applied objectively and must not be confiscatory in nature. Access to government services and public goods must be open to all.

8. Institutions create incentive systems to ensure market efficiency and that all of the above occurs.
Market Economy and Democratic Governance

The key to successful reforms builds on the linkages between democratic governance and market economies. Democratic governance and market economies rest on the same core set of principles.

- **Rule of Law:** Markets cannot function without the predictability and elementary fairness of law, protection of property rights, and contract enforcement.

- **Competition:** The ability to compete freely and on equal terms is the lifeblood of a market economy. Competition unleashes creativity, encourages entrepreneurship, spurs innovation, and increases efficiency. In democracies, political parties compete fairly for decision-making power.

- **Participation:** Just as democracy is not complete without universal suffrage, a market economy does not exist in its full form unless all members of society have an equal opportunity to participate. Participation means the ability to engage in business transactions on a level playing field. It also means the ability of various parts of civil society, including diverse business groups, to have their voice heard in policy debate.

- **Transparency and Accountability:** At all levels of political and economic governance – be it in governments or private sector corporations – transparency and accountability are instrumental to sustaining good performance. Internal checks and external watchdogs should hold policymakers responsible just as board members and shareholders hold company managers responsible for their business decisions.

- **Freedom:** Freedom is at the heart of a market economy. Without the liberty to pursue their creative ideas, individuals and societies cannot realize their full potential. Whether defined as freedom of business initiative and association or freedom from government interference, economic freedom complements political liberty and fosters a culture of entrepreneurship.

- **Equality:** A functioning market system provides equality of opportunity and guarantees equal treatment before the law. In a democracy, all are equal before the law.

- **Responsiveness:** Responsiveness is the ability of government to react to citizens’ wishes and concerns. In the context of a market economy, it refers to meeting society’s need for sustainable policies.

Businesses generate wealth, create jobs, and provide goods and services for society. Political parties enhance the capacity of the private sector when they prepare and enact policies that allow businesses to operate efficiently and according to the rules of the market — fair play, transparency, prudence, and a sense of responsibility to all stakeholders.

Market economy principles are also common to democratic governance. Rule of law, competition, participation, transparency, accountability, equality, and responsiveness are core values that link market operations with democratic governance. When law abiding-firms participate in a market characterized by these principles, they will innovate, provide products and services that satisfy consumer demands, and improve the economic performance of a country.

Firms that participate in a market do not always have the same characteristics. While producing and selling their products, some firms may burden society by wasting resources, suppressing competitive market forces, keeping out innovation, and corrupting the legal system. As opposed to that group of firms, other companies seek to alleviate poverty, create jobs, remove trade barriers, and introduce new technology while they produce goods and services. In this sense, the business community is not a monolith because various companies have different interests and often operate under different rules, which on occasion undermine market economy principles and affect the democratic process.

**Business Associations and Democracy**

Business associations strengthen a country’s democratic process by facilitating private sector participation in open policy dialogue. Through advocacy and representation in policy debates, business associations demand good policies from governments, resist abusive or arbitrary state action, nurture businesses’ support for democracy, and compel governments to respond to democratic processes. Moreover, business associations that make their demands transparently—not behind closed doors—set an example for good democratic practice. In this way, all can learn, debate, and ultimately hold a government accountable for policy decisions.

Despite representative business associations’ contributions to democracy, political reformers and other members of civil society often overlook the positive effects of the private sector’s collective action. These actors believe that businesses intend to corruptly distribute public wealth without generating productive value. Indeed, as the business community is not a monolith, there are firms and individuals that seek favors, special privileges, rents, and protection from government and party officials. These types of privileges hinder competition and thus negatively affect a country’s economic performance.

In opposition to these firms and associations seeking privileges, representative business associations demand policies—not favors. By demanding concrete policies, representative business associations’ actions benefit a broad spectrum of firms and entrepreneurs when, for example, they seek to eliminate the types of regulatory distortions that make possible privileged access to rents for select businesses.
When firms operate under the rules of the market, the private sector develops resources, human capital, and problem solving capabilities, which contribute to improved economic performance. To channel these resources more efficiently, the private sector organizes itself in representative business associations that may take the form of national or regional business associations, chambers of commerce, industry associations, or institutes of directors. These associations are membership-based organizations whose members are individual firms – e.g. Manufacturers Association of City A – or other business associations – e.g. National Federation of Manufacturers. An association’s members own and run the organization, and its decision-making is independent from government influence.

Representative business associations are politically engaged groups that unite the business community around a common set of issues, needs, recommendations, and policy alternatives to improve businesses’ operations and a country’s overall economic performance. In order to achieve their goals, business associations engage with decision-makers to advocate policies that would allow businesses to operate efficiently, create wealth, improve a country’s economic performance, and achieve sustainable economic development.

National Business Agendas (NBAs) are an instrument that business associations use to participate in the policymaking process. NBAs primarily identify laws and regulations that hinder business activity. They also include concrete policy recommendations that governments can implement to remove barriers to business activities. Through NBAs, business associations can transparently make demands, influence policy, and set an example for good democratic practice.

Business associations are thus natural partners for political parties developing their economic platforms. Both political parties and business associations aim to influence policies that will allow the private sector to create wealth and improve people’s standards of living. Successful political parties understand businesses’ needs and reach out to representative business associations while preparing their economic platforms.

Furthermore, business associations provide opportunities for political parties to consult and reach out to the business community as a whole, as opposed to approaching individual businesses that have particular interests and might seek to obtain special benefits and protection from policy interventions, undermining overall economic performance.

While seeking to influence policy and fulfill their role as intermediary organizations, political parties will find business associations to be an important source of information and support.
What falls under the umbrella of economic policy?

Economics is essentially the study of the allocation of scarce resources to satisfy unlimited human wants. Economic policymaking thus often requires difficult and unpopular decisions. Furthermore, every government decision can be described in terms of economics. There are policies that deal with macro types of issues, such as inflation, and micro issues, such as business registration procedures or labor codes.*

Determining the level of government involvement in the economy may be even more difficult than determining economic policies. While the government plays a role in developing laws and enforcing them, it does not need to insert itself into every private sector activity. When governments begin micromanaging the activities of the private sector there is a real danger of inhibiting competitiveness, innovation, and economic growth.

Overall, economic policy refers to government’s actions that affect the conditions under which firms and individuals operate. Economic policies could affect the following areas:

**Business regulations** – How does the government affect employers and commercial activity through regulation, banking laws, and taxes? Does the government treat all industries fairly when making decisions on infrastructure improvements or privatization?

**Fiscal policy** – The government directly affects the economy through its approach to taxes and public spending on government programs. How responsibly the government acts in setting and adhering to its annual budget can impede or accelerate the health of the private sector.

**International economics** – How can a country become more competitive in the global marketplace? Pertinent issues include the strength of the national currency, trade policy, the impact of globalization, and foreign direct investment.

**Institutional foundations** – Every functioning market economy relies on fundamental institutions to operate efficiently. These include protection of private property rights, a functional judicial system, effective anti-corruption measures, and the free flow of economic and political information.

**Social policy** – Economic performance will also depend on the availability of an educated workforce, the affordability of quality health care, the conservation of natural resources, and the scourge of crime.

These illustrative categorizations can easily overlap because they are interrelated to some degree. In the end, different policies will have an impact on a country’s economic performance in different ways, which, in turn, affects the standard of living, the availability of jobs, security, and the quality of public services. Successful political parties will choose policies that achieve their economic goals in the various components they see fit.

*The annex includes a glossary of terms.
Political parties benefit substantially from having solid economic platforms. Primarily, economic platforms strengthen political parties by helping parties build better relationships with constituents and increasing a party’s capacity to influence policy.

As a political party engages in the process of developing its economic platform, party leaders and members should keep in mind that the solid economic platform they develop will provide the following advantages:

- **A realistic plan**: An economic platform is not a loose set of ideas. Rather, an economic platform explains what a party intends to do — such as attract investment or create jobs — as well as how a political party will do it. Economic platforms thus indicate a specific package of policies that a party will implement to achieve its policy goals. In addition, an economic platform provides a plan for advocacy if a party does not gain access to decision-making positions through elections or if a non-democratic regime restricts channels for political participation. Economic platforms are a plan to follow and implement.

- **An effective message to voters**: A political party’s economic platform identifies main economic issues affecting a country and provides specific solutions to economic problems. Proposed solutions should address voters’ concerns in a simple yet comprehensive way. Voters will clearly understand the policy solutions that a party is offering and will know what to expect from a party whether that party is in or out of office.

- **Winning elections**: When elections are free and fair, many factors affect a party’s performance. A solid economic platform gives voters additional reasons to support a party in the ballot box, regardless of whether a party’s main base of support is tribal or ethnic kinship, religion, regional identification, ideology, or other issue.

- **Accountability**: Thanks to a party’s economic platform, party members and the public know what policy reforms to expect from a party. As such, they will either support a party’s decisions or ask party representatives to realign priorities and achieve the economic goals in a party’s platform. An economic platform thus helps sustain feedback mechanisms that connect party representatives to citizens, party...
members, supporters, and other stakeholders such as representative business associations, think tanks, and other private sector organizations.

- **Differentiation from other parties:** Economic platforms are extensions of parties’ values and ideologies. As such they will differ from party to party. For example, one political party could propose a 10 percent annual increase in employment over the next five years by improving conditions in which private businesses operate and innovate. Another political party may suggest job increases without addressing rigid labor restrictions that affect business operations and restrict employment. Both political parties understand that unemployment is an issue of concern; however, their policy responses vary. A party’s economic platform highlights and strengthens the aspects of a party that make it different from other parties and their policy alternatives. A party’s economic platform thus helps voters compare political parties.

- **Party cohesion and sustainability:** The process of creating and endorsing an economic platform contributes to party cohesion and internal strength. Although platforms may reflect the individual policy preferences of party members, ultimately platforms are a compromise between members’ policy proposals. In this way, platforms unite members around policies that respond to public demands. Moreover, establishing an economic platform helps a party outlive the charisma or leadership of an individual party member. Therefore, economic platforms contribute to party unity and sustainability over time.

- **Coalition building:** When political parties develop the economic component of their platform, they build relationships with other groups and individuals. These relationships may lead to a support base consisting of business associations, think tanks, experts, or other private sector organizations. Working together with these groups, a party can build support for the shared goals of improving economic performance and efficiently convey its message to constituents. Even if a party does not win elections, a coalition of partners can help political parties advocate reform between elections.

A political party may find additional advantages to those listed above during the process of developing real solutions to real problems. The following section focuses on how political parties develop their economic platforms.
How do parties go about developing an economic platform? Successful political parties engage in an *ongoing consultation process* to develop their economic platforms. This process involves broad participation from party members as well as constituents from the private sector.

The process of developing an economic platform allows political parties to present the public with a set of economic policy alternatives that address problems with coherent solutions. As country conditions vary and economies fluctuate, a political party should review its platform frequently so that its policy alternatives respond to current challenges facing its country.

This section will first describe who within a party is responsible for developing an economic platform. Then, it will provide general guidelines for understanding a country’s economic environment. Next, this section will explain how political parties harmonize diagnosis with policy solutions in a solid economic platform. Additionally, it will describe how party leaders and members come to understand and build consensus around the policy solutions in a party’s economic platform. The final section provides suggestions for parties to validate an economic platform among party members.

The different steps explained below are only examples of how political parties develop their economic platforms. While developing their economic platforms, political party representatives engaged in the process may find they need to adapt these steps to respond to their own context and country dynamics.

## 3.1 Assigning responsibilities

The solid economic policy alternatives that parties develop to present to the public, attract voters, and influence policy are the result of party members’ hard work. These policy alternatives are also the result of consultation with constituents and stakeholders.

A management team and a number of working groups are in charge of reaching out to constituents and other stakeholders to prepare policy alternatives that address constituents’ and stakeholders’ concerns. Simultaneously, policy discussions occur among party leaders and members.
Working groups are a key component of the platform development process because they create forums for a variety of actors to interact and discuss economic issues.

The following three subsections explain the roles and duties of both bodies.

**Management Team**

A management team coordinates the economic platform development process. Depending on a party’s internal rules, this team may take the form of a platform committee, a policy secretariat, or similar group of individuals.

There are different ways to determine which party members will be part of an economic platform management team. Party leadership may appoint the members of the team. Other bodies within a political party may also elect members to the management team, or members may be delegates from sub-national branches of the party. In other political parties, a party’s research branch may lead the platform development process. Participation in the management team may also develop ad hoc, as not all political parties have the same institutional capacity or operate in the same way.

The management team coordinates all efforts involved in the economic platform development process. Specifically, the management team will:

- Coordinate working groups’ activities,
- Harmonize working groups’ policy proposals with the political party’s core values,
- Assess policy solutions to ensure that they are feasible, as opposed to general statements or “wish lists,” and
- Compile a final draft of the economic platform.

In these functions, the economic platform management team plays a technical and political role. The team’s technical responsibilities include leading discussions, following up with working groups, and harmonizing policy proposals. Political tasks include managing party leaders’ and party members’ policy preferences, prioritizing issues, and facilitating compromises to guarantee all party members’ support for the platform.
Consultation with constituents and stakeholders is essential to develop an economic platform. A management team may find it useful to structure consultation efforts through the following activities:

- Organize frequent meetings with the business community through their business associations. These meetings can take the form of policy forums, roundtable discussions, conferences, etc. These meetings serve to identify the concerns of the business community in a number of issues such as taxation, capital controls, weak infrastructure, etc.

- Listen attentively to issues raised during meetings with the business community and other stakeholders. In addition, pay attention to any policy proposals put forward by representative business associations in other fora.

- Communicate to working groups discussion points raised during consultation with constituents and stakeholders according to the topics each group covers.

  - Alternative: Before reaching out to representative business associations to understand issues affecting businesses’ operations, a management team can prepare a working paper to help guide the discussion process.

How a management team approaches the platform development process varies from political party to political party.

In some cases, the management team coordinates direct consultation with stakeholders to prioritize the issues that working groups will cover in their activities. In other cases, a policy secretariat, platform committee, or team responsible for the economic platform prepares a working paper that describes major challenges facing an economy. This paper serves as an outline for potential policy alternatives that a party will adopt as well as discussions within working groups. A well-researched working paper analyzes the economic dynamics of a country, outlines major issues – e.g. unemployment, low productivity, low participation of private sector in growth, high reliance on natural resources, debt levels, etc. – and groups these issues into major themes.

Research and constituent consultation are not mutually exclusive. Parties combine them to prepare stronger economic platforms that effectively connect parties with voters. What matters is that political parties base their economic diagnosis on strong research and ongoing consultation with those whom policy decisions directly affect.
Working Groups

Working groups are the backbone of the economic platform development process because they channel a political party’s open consultation with a variety of constituents. Working groups prepare issue or topic diagnoses, discuss economic issues, have a clear understanding of the economic dynamics of a country, and prepare policy alternatives.

The rules of a political party determine who participates in working groups; however, participation should be open to all party members. Party leaders may also want to encourage volunteers to participate and solicit contributions from party members with professional or academic backgrounds on economic issues. Furthermore, a working group should include members from different regions and represent a political party’s internal composition.

Each working group should have a coordinator or point of contact who will report to the economic platform management team. The point of contact person will be crucial in advancing the platform development process.

Working groups channel party’s consultation with a variety of constituents. They do so by reaching out to business associations, non-partisan and partisan research organizations, think tanks, academia, party members, and other stakeholders. As they engage with these constituents, working groups gather useful information that will contribute to preparing the different policy alternatives to be included in a party’s economic platform. Meetings and outreach efforts will connect working groups to constituents. The issues constituents and stakeholders identify and discuss with members of working groups can serve as the main source guiding policy discussions within political parties.

Consultation with constituents and stakeholders results in a policy document. This document will diagnose economic concerns, present the working groups’ findings, coherently articulate possible policy alternatives, and help the party move forward in developing an economic platform. Each working group is responsible for submitting a final policy document to the management team.
In sum, working groups’ responsibilities are as follows:

- Prepare initial situation analysis and diagnosis by topic
- Consult with stakeholders such as the business community, experts, academia, etc.
- Assess discussion points from consultations
- Discuss current policy responses and organize alternative policy proposals
- Prepare policy documents that include stakeholders’ suggestions for policy alternatives
- Report back to the management team or platform committee

**Topics covered by working groups**

Working groups cover topics such as macroeconomic policy, infrastructure development, financial and capital market regulation, access to credit, and competition policy, among other topics. The discussions each of these working groups will have may focus on, for example, understanding the different factors that affect business operations, explaining what keeps individuals trapped in unemployment or underemployment, and determining the sources of low productivity of workers.

Party A provides an example of how a party decides which topics to address through its working groups. After initial consultation with stakeholders and constituents, as well as solid background research, Party A decided to focus its platform on two major policy areas or themes: competitiveness and business opportunities. The decision to focus on these two themes responds to the concerns of the business community, expressed by statements issued by a major business association in Party A’s country on several occasions. Party A’s decision also responds to people's demands for more jobs, and to other issues highlighted in academic and non-academic publications.

In the first policy area, competitiveness, Party A decided to focus on labor market inefficiencies and weak infrastructure, two policy areas that require intervention because they cause a major lag in Party A’s country competitiveness. Similarly, Party A’s second policy area focused on business opportunities. A complex regulatory framework as well as a complex tariff system limits business market opportunities and its productivity levels.
As a result of its findings, Party A decided to cover these two major policy areas by working through four working groups: labor markets, infrastructure, business regulations, and trade policy (see chart).

The number of working groups participating in the economic platform development process, as well as the number of issues each one covers, will vary from one political party to another. A party must consider its internal capacity when deciding how many working groups will engage in the process.

A party may want to limit the number of issues working groups can address. Being selective and addressing only certain issues does not mean that a political party will fail to address the different interrelated variables affecting a country’s economic performance. On the contrary, it will help a party highlight those variables it believes will have the most impact on a country’s economic performance.
Policy documents

The discussions members of working groups have, and the information they gather while consulting with different constituents and stakeholders result in policy documents. These policy documents assert the challenges working groups identified as well as which policy solutions would be best suited to address those issues. These policy alternatives should respond to the issues under examination and address challenges with coherent feasible solutions given the fiscal capacity of a country.

Sample policy document outline:

- Issue being addressed. E.g. National secondary roads
- Party’s principles and values as they relate to the topic that the working group covered
  - E.g. Party A believes in open markets, rule of law, and a democratic system.
- Policy diagnosis, including positive and negative effects of current policy responses
  - E.g. The current government has not yet paid sufficient attention to secondary roads, which could serve as alternative and complementary routes of transit. Furthermore, secondary roads do not currently connect to major roads. As a result, the country’s main roads receive heavy traffic and are highly deteriorated. The condition of roads affects the integration of local markets and the country’s integration with the regional economy. Better secondary roads that connect to major highways would reduce highway traffic, connect markets within the country, and integrate the country’s economy with neighboring economies.
    - Negative facts: show data, quote statements from an overland transportation association or a bilateral trade association
- Challenges ahead for the subject being addressed
  - High investment required for improving secondary roads
- Objectives of the political party in dealing with the issue being addressed
  - Improve road infrastructures to achieve market integration and increase trade
- Working groups’ policy proposals
  - Five-year plan to prioritize improvements in secondary roads, reduce burden of traffic on primary roads, and contribute to open and integrated markets
- Policy proposals’ feasibility
  - Highly feasible due to stable government finances and fiscal environment. Procurement laws are transparent.
- Expected impact
  - Increase in the quality of secondary roads 60 percent in five years. Increase in overland transportation to neighboring countries by 15 percent in three years.
In the simplest way, a policy document starts by outlining a party’s core values and principles. It then includes a diagnosis, followed by an explanation of current policy responses and their impact. The policy document should detail what ongoing policy responses have lacked or evaluate current responses’ effectiveness in addressing the issue they intend to tackle. Finally, the policy document presents the policy proposals suggested by a working group, their expected impact, and sources of funding.

### Summary box

**Management team**
- Takes the form of a platform committee, policy secretariat or any other group of individuals
- Undertakes responsibilities that vary from political party to political party
- May prioritize issues that working groups will cover in their activities
- Receives and reviews policy documents from working groups
- Harmonizes all policy alternatives suggested by working groups and presents a unified economic platform
- Confirms that the economic platform presents coherent policy solutions to address real problems

**Working groups**
- Serve as the backbone of the platform development process
- Conduct research on economic issues facing their country
- Engage in open consultation with a variety of constituents, including the business community
- Present diagnosis and policy alternatives to the management team in the form of policy documents that draw on consultations with constituents
Useful questions for working groups and the management team

Working groups and an economic platform management team weigh facts and evaluate merits of potential policy solutions. Participants in the management team and working groups (especially working groups’ coordinators) may find the following questions useful while reaching out to constituents and preparing policy alternatives. The questions are not meant to be exhaustive, but will help guide the discussions of working groups and the management team.

• What is the core issue?
  • Example: For a working group dealing with access to finance, the core issue may be that companies face difficulties when accessing credit necessary to grow and innovate.

• What are the underlying elements causing the problem?
  • Example: Minimum capital requirements to open bank accounts are too high; financial institutions require collateral but existing policy does not adequately guard, uphold, or recognize property rights.

• What sectors of the population does the economic issue directly affect?
  • Example: Information reported by banks and other financial service providers shows that their only clients are businesses with over 100 employees; however, the majority of the country’s private sector consists of companies with less than 50 employees. Therefore, small and medium size enterprises may lack financial access to grow their operations.

• What sectors of the population does the issue indirectly affect?

• What existing policies address the issue and what has been the result?

• What else needs to be done? What set of policy decisions would better address the issue?

• Is the policy’s effectiveness contingent on passing other laws? If so, which ones?

• Are working groups’ and/or management teams’ policy proposals feasible?

• What do parties expect from the policies they propose? Will the solution solve the problem?
• Will the policies garner party members’ support?
• Which stakeholders would oppose this approach? Who would support it?
• Are other people or parties offering this idea?
• Have others tried this approach before?

When should parties start developing an economic platform? How long does it take to develop an economic platform?

The moment a party decides to prepare its economic platform will vary from party to party. The occurrence of a major internal event, such as a party’s assembly or congress, could drive the economic platform development process. In particular, this tends to occur in parties where these practices are routine. The economic platform development will conclude with the platform’s approval in the party congress or assembly, which will prepare party officials to contest elections based on the policy alternatives included in the party’s platform. In this case, the process of developing an economic platform will start several months in advance to the party’s congress, and several months in advance to elections.

In other circumstances, such as in newly formed parties or parties with weak internal organizations, the proximity of elections will determine when parties start preparing their economic platforms.

In either case, the process of preparing an economic platform is a major responsibility. Successful political parties allow a significant amount of time to prepare this important document. Some parties spend between 10 months and two years developing economic policy alternatives before presenting an economic platform to the electorate.

The process of drafting an economic platform is time consuming because it requires consultation with constituents, a clear understanding of economic issues, and preparation of coherent policy alternatives. After all, the economic component of a platform and a platform itself is a party’s roadmap to influence policy, improve a country’s economic performance, and increase people’s standards of living.
3.2 Understanding the economic environment

An economic platform includes policy alternatives to allocate resources, affect the conditions under which businesses operate, satisfy people’s needs, and expand the overall potential of an economy. Those leading and participating in the preparation of the platform need to understand a country’s economic environment.

As mentioned earlier, successful political parties meet with constituents and stakeholders to discuss their views of the economy and ultimately draft stronger economic platforms. In-depth research should also complement consultation with constituents.

Throughout the economic platform development process, political party representatives participating and leading the process should be able to respond to the question: where is the country’s (or city’s, or region’s) economy at this moment?

What is the status of the economy?

A political party can use different resources to answer this question. As stressed before, consultation with constituents such as the business community helps political parties discuss different perspectives on economic problems and draft more responsive economic platforms. In addition, a party’s own research and other available public sources can help a political party evaluate its country’s economy. Furthermore, political parties can also use surveys as additional tools to understand constituents’ concerns.

These are some questions that may help parties understand the status of their economies:
The big picture
- Has the economy delivered increasing levels of material prosperity? At what rate has it done so?
- What are your economy’s tangible and intangible resource endowments?
- What drives economic growth in your country or region?
- How integrated is your internal market?
- How integrated is your economy with the global economy? How about with your country’s surrounding regions?
- How open to trade is your economy?
- To what extent does your economy attract local and international investors?
- Are property rights secure? Does the state enforce contracts under a rule of law?
- How do factor costs compare to those in other regional economies and similar economies around the world?

What affects individuals?
- What economic issues concern people?
- What do people want in the short term? What do they expect in the medium term?
- Are social security benefits reaching all segments of society? Who does not receive these benefits?
- Are individuals better off if they live in one part of the country than another? Why?

What affects businesses?
- What prevents firms from entering the market?
- What are the true costs of doing business?
- What are the institutional reforms that will generate private sector-led growth?
- How much does the private sector contribute to economic growth?
- How much do factors of production cost in your economy?

The role of government
- What is government’s share in economic growth?
- What are the current public spending priorities? How would your political party adjust those priorities?
- How does the government finance its operations?
- Is the economy capable of honoring its obligations?
- Does the current government commit itself to honoring these obligations?
- Is your political party interested in honoring these obligations if in power?
Relevant resources

Management teams or working groups can conduct research to analyze major economic issues facing a country, such as unemployment levels, low productivity, low participation of private sector in growth, high reliance on natural resources, debt levels, etc. Research complements consultation with the business community and other constituents.

These are sources to consult as political parties conduct research to prepare their economic platforms:

<table>
<thead>
<tr>
<th>Official data</th>
<th>Check for information from National Statistics Agencies, National Budget Agencies, Tax Administration, Trade Agencies, and Central Banks.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic institutions and international organizations</td>
<td>Refer to research from non-governmental organizations, local and foreign think tanks, and international organizations such as the World Bank Group, United Nations, World Trade Organization, OECD, etc.</td>
</tr>
<tr>
<td>Business associations</td>
<td>Look for studies and surveys by national business associations, bilateral business associations, and other representative business associations. Specifically, refer to National Business Agendas (NBAs).</td>
</tr>
<tr>
<td>Prospective exercises or National Accords</td>
<td>Some countries have led collective or semi-collective efforts to identify important issues facing their economies. Participatory exercises, prospective exercises, and national accords have helped countries identify common goals for their future and outline policies to achieve those goals.</td>
</tr>
</tbody>
</table>
Additional tools: Surveys

To get a more direct picture of issues affecting people’s ability to find and keep jobs, or barriers businesses face as they produce and sell goods, political parties can conduct surveys. Surveys complement parties’ consultation and research efforts. If properly conducted, survey results may help political parties prioritize issues to address in their economic platforms.

Surveys are tools to gather data about attitudes, behavior, knowledge, preferences, and beliefs from the public or specific populations. Since it is not possible to reach out to all firms and individuals, a survey serves to study a group of firms and individuals – a sample – to make inferences about all firms and individuals. Good survey design randomly selects a sample from a population.

Data collected from surveys would inform those involved in the economic platform development process about respondents’ opinions or perceptions on issues in the survey. Data collected may also help to prioritize key issues that an economic platform should address.

When used appropriately as a complement to research, consultation with stakeholders and constituents, and in-depth analysis, surveys are powerful tools to help political parties develop strong economic platforms that respond to people’s needs. Good surveys ask targeted questions, have a truly random and appropriately sized sample, and elicit a high response rate.
3.3 Putting it all together

Political party leaders involved in working groups and the management team may think their work is done once they have consulted the business community through its representative business associations, researched and prepared issue diagnosis, and presented solid economic policy alternatives. That is not the case. Party representatives still have work to do: a party must compile one solid set of policy solutions.

Political parties must make sure that consultation, research, and hard work result in a final economic platform that articulates diagnosis with policy solutions. The platform as well as each of its individual components must address real problems with real solutions.

**Problem:** Despite positive and sustained recent growth rates, high unemployment remains pervasive. This is explained by an inflexible labor market. Steep hiring and firing costs as well as high non-wage costs explained an inflexible labor market. Non-wage costs include health and pension contributions or payroll taxes, taxes that the government levies to finance some governmental programs. These non-wage costs place a non-wage burden on employers that keeps their employment rates low.

**Policy solution:** Reduce non-wage costs associated with hiring and significantly cut down payroll taxes.

**Source of funding:** Reduction of payroll taxes will not require additional sources of funding. Allocations from the national budget will finance programs previously financed by non-wage taxes.

**Required legislation:** To reflect the cut in payroll taxes, this proposal requires a bill that modifies existing legislation regarding employers’ obligations. In addition, legislative action will have to allocate funds for programs that payroll taxes previously funded.

**Expected outcome:** The cut in payroll taxes will reduce employers’ non-wage costs and incentivize employers to increase their hiring rates. The cut will reduce non-wage costs by 15 percent and it is expected that it will thus reduce unemployment rates from 22 percent to 15 percent. If positive and sustained growth continues at the current rate, and decision makers promptly approve legislation, employment rates will likely improve within two years.
A party must make sure that each policy solution explains how it would be financed, whether new legislation would be required for its implementation, and what would be the expected outcome after the policy is implemented.

**Choosing broad topics**

Political parties can organize their policy proposals in many different ways. In the simplest way, political parties may opt to harmonize their platforms by listing all issues with their correspondent policy alternatives.

Alternatively, political parties can group their policy alternatives by major topics that resonate with the public. In this case, a political party opts to define and construct a problem emphasizing all proposed policy alternatives by connecting them with topics that easily drive the attention of the business community in particular and the public in general.

As these two examples show, there are different ways to group all policy alternatives. In either case, party representatives harmonizing policy proposals need to think strategically.

### Outline of Party A’s Economic Platform

1. Introduction: Economic challenges facing the country
2. Goals and values of Party A
3. Specific policy proposals
   - A. Taxation: proposed policy alternatives
   - B. Investment: proposed policy alternatives
   - C. Trade: proposed policy alternatives
   - D. Energy and resources: proposed policy alternatives

### Outline of Party B’s Economic Platform

1. Introduction: Country’s economy is lagging behind other similar economies because it is not competitive. Introduction continues and describes economic challenges as they relate to country’s competitiveness.
2. Goals and values of Party B
3. Improving labor competitiveness
   - A. Education: proposed policy alternatives
   - B. Labor costs: proposed policy alternatives
4. Increasing factors’ competitiveness
   - A. Securing property rights: proposed policy alternatives
   - B. Improving the financial system: proposed policy alternatives
   - C. Building infrastructure for market consolidation: proposed policy alternatives
5. Sustaining long term competitiveness
   - A. Establishing sound macroeconomic policy
   - B. Providing a stable legal framework for all firms
While harmonizing all policy alternatives in one solid economic platform, a political party’s representatives will find it useful to ask themselves the following questions:

- What elements are common to each of the working groups’ diagnoses?
  - Example: There are cumbersome regulations in each sector that create inefficiencies.

- What are the manifestations of the issues that participants addressed in working groups?
  - Example: There are low levels of investment; there is persistent unemployment; businesses are relocating in neighboring countries.

- What do people think about each issue?
  - Example: Surveys show that people are most concerned with unemployment; studies have shown that domestic conflicts are more frequent in households where there is persistent unemployment.

- How do these issues affect the economy and society overall?
  - Example: Regulations that create inefficiencies explain capital flight; in general, people perceive that there are not many opportunities in society.

The above examples may lead a political party to group all policy alternatives around the overall absence of opportunities. Using this framework, a political

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**Excerpts from Party Platforms**

- By creating a dialogue with economic actors at the national, regional, and local levels, the Green Party seeks to find alternatives on how to expand employment and solve problems facing firms while they conduct their operations.

- To increase job opportunities and household incomes, policy decisions will seek to achieve an average annual GDP growth rate of 6 percent over the next four years. To achieve this goal, the Blue Party will create an environment that allows investments to increase five percent annually. The Blue Party will enact policies to reduce barriers that affect creation of businesses. The Blue Party will also promote competition and incentivize innovation, entrepreneurship, creativity, and efficiency.

- Valley Country is facing the most difficult economic outlook it has seen in the last few years. To increase the competitiveness of the country’s small businesses, Party A will lower the small business tax rate from 11 percent to 9 percent. This tax adjustment will not have a significant impact on the national budget.
party could highlight the following elements in their platform as they relate to improving access to opportunities:

- To improve access to opportunities, national/local governments must reduce cumbersome regulations that create inefficiencies;
- To improve access to opportunities, national/local governments must strengthen the business environment to create investment opportunities for local and foreign firms; and
- To improve access to opportunities, national/local governments must correct inefficiencies due to inappropriate labor legislation.

A management team, in cooperation with working groups’ coordinators, should think creatively about how to group its diagnoses with solutions. The result will be an economic platform that addresses real problems with real solutions.

3.4 Validating a party’s economic platform

By developing an economic platform, a political party has significantly strengthened itself. The process has contributed to better relations with constituents, especially the business community and its representative business associations. Developing an economic platform has helped reach compromises between different party members through cooperation within working groups and the platform’s harmonization process. By presenting a set of policy solutions that address a country’s economic challenges, a political party demonstrates that it has a plan to govern the country and its plan responds to people’s demands.

After the management team and working groups finalize the platform, they can present it at a party’s convention or national congress. The party as a whole can then approve the economic platform.

As part of the platform validating process, successful political parties develop activities to promote understanding and ownership of a platform’s policy solutions among its members. These activities engage party leaders in discussion of the platform’s economic diagnosis, policy alternatives, and the broad topics that group a platform’s policy proposals. The end goal of these activities is to make sure that party members and leaders understand and can explain the platform’s policy solutions to different audiences.
All party members, not just the most visible figures, should discuss and familiarize themselves with the new economic platform. Three types of activities help achieve platform understanding among party leadership and membership: informal meetings, discussion sessions, and policy roundtables.

- **Informal meetings**: The party’s headquarters provide a gathering space for party members and supporters to talk about the content of a party’s platform. Taking place once or twice a week, these gatherings help party members and supporters familiarize themselves with the topics and policy alternatives in a party’s economic platform. These meetings can also take place in other ad hoc locations, such as the house of a party member or a community space.

- **Policy roundtables**: Roundtables are exercises designed to help participants understand the rationale behind each policy proposal, how they connect to real problems, and how a platform responds to a party’s core values and ideals. Typically, working groups’ coordinators drive the roundtable’s discussion by presenting and discussing an economic platform, highlighting its relevance and broad themes. Party members and supporters can participate in a policy roundtable as members of an audience, asking questions and listening to the arguments presented by working group coordinators.

- **Comparative exercises**: These exercises, which can take the form of informal meetings or policy roundtables, bring together party members and supporters in conversations that focus on comparing a party’s policy solutions with those heralded by other organizations competing in elections.

To move from the stage of understanding an economic environment, identifying economic challenges, and proposing solutions to the phase of effectively influencing policy, a political party should engage in different advocacy efforts. The following section will present advocacy strategies for parties to use when promoting their policy solutions.
Summary – Steps to Developing Solid Economic Platforms

1. Form teams and assign responsibilities
   a) Management team
   b) Working groups
   c) Working groups’ coordinators

2. Understand the economic environment by engaging in consultation with stakeholders
   A) Alternative 1 (bottom-up):
      • Management team engages in consultation with constituents – e.g. the business community – and then draws conclusions and prioritizes issues that constituents raise in these consultations. After that, the management team includes these conclusions in a working paper that working groups use as a starting point for their work. Additional in-depth research complements arguments in the working paper.
      • Working groups continue consulting the business community as they prepare policy alternatives. Additional in-depth research complements work conducted by these groups. Each working group produces a policy document.
   B) Alternative 2 (top-down):
      • The management team prepares an initial platform draft based on in-depth research. The draft includes major economic challenges and policy solutions proposed by the team. The management team hands this draft to working groups’ coordinators.
      • The initial platform draft guides working groups as they start consulting constituents. Each working group produces a policy document.
   C) In either case, in-depth research should accompany outreach efforts. This involves clearly understanding an issue and all interrelated variables that affect it by researching existing publications and available data.

3. Harmonization
   • The management team and working groups’ coordinators harmonize diagnoses with solutions.
   • The management team should think strategically when deciding to group topics in a way that connects them with issues that drive the attention of the public, as opposed to simply listing all policy alternatives prepared.
   • The process results in a solid platform that addresses real problems with real solutions. Political parties must make sure that each policy solution identifies a problem, presents a policy solution, explains its source of funding, whether it will require new legislation for its full implementation, and the expected outcome of the policy.

4. Validate a party’s economic platform
   • The management team presents the final draft of the platform at the party’s convention, national congress, or similar major decision-making event.
   • The team promotes party members and leaders’ ownership of the economic platform through roundtable discussions and other events.

In short:
   1. Form a management team and working groups.
   2. Working groups start consulting stakeholders and constituents.
   3. Working groups present diagnoses and policy alternatives to the management team.
   4. The management team harmonizes policy alternatives to make sure they are feasible and respond to the party’s values.
   5. The management team presents a final draft of the economic platform to the party’s assembly or congress for approval.
Political parties work hard and invest long hours to produce solid economic platforms. Successful political parties do not leave these platforms on a bookshelf. They take action to let the public know that their economic platform puts forth the most effective and achievable policy solutions possible. To achieve this goal, political parties readily communicate and advocate their economic policy solutions.

First, political parties need to communicate their policy solutions. By doing so, the general public and specific target audiences will be aware of how a party diagnoses a country’s economic situation and what alternatives it proposes to improve economic performance. Allowing the public to know what a party proposes is important for a party to effectively connect with voters, gain their support, and reach decision-making positions to influence policy directly.

Second, successful political parties persuade others that it is important to implement the policy solutions they propose in their economic platforms, even in challenging environments. This is particularly the case when party representatives do not occupy decision-making positions, or unaccountable leaders cloud the decision-making process.

Ultimately, successful political parties show constituents that its representatives would be capable leaders in decision-making positions and that they would be able to follow the plan outlined in their economic platforms.

Communication and advocacy – supporting ideas and persuading others – are thus essential components of political party’s economic platform development process. They are also essential during election season.

4.1 Communications and Advocacy Strategy

Communications

A communication strategy can guide political parties in educating the public on how a party’s policy alternatives would improve a country’s economic performance. Although a party’s policy solutions may be coherent and well-discussed, they will not attract public attention by themselves.

A party’s communication strategy has different components. It identifies an overall goal, the message a political party intends to communicate, the audience that the message will reach, when it will occur, and
what tools a political party will use to communicate its message. The strategy also identifies who within a political party is responsible for relaying the message of its economic platform. Most importantly, a solid communication strategy helps differentiate a political party from its competitors.

1. **The goal:** A political party should always keep in mind the goal of its communication strategy. Regarding a party’s economic platform, the goal of a communication strategy will usually be the audience’s awareness of the party’s plan once it gains access to decision-making bodies. In addition, a communication strategy must convey that party representatives are qualified to address pressing economic problems and will follow a party’s plan as outlined in its economic platform.

2. **The message:** What does a political party want to communicate to its audiences? The main message a party communicates should link a problem with a solution and an action.

   - Successful political parties think strategically when they create a message. An economic platform contains many problems and solutions. A party should refer to the broad topics that group the party’s platform when connecting all problems and solutions into a single message.

   - Successful political parties are consistent with the messages they develop and present to an audience. To prevent confusion in the short-term, political parties should avoid talking to the same audience about several topics simultaneously.

   - Successful political parties develop stages in their communication strategy. For example, assume Party A identifies the absence of opportunities as a major topic grouping all the policy alternatives it developed and wants to present to the public. Instead of mentioning all the facts that led Party A to reach this conclusion and all of its policy proposals to increase opportunities in its country, Party A presents its argument to the public in different stages.

     **First stage:** Party A highlights how unemployment reflects the absence of opportunities faced by individuals in the party’s country. As part of this stage, the party presents one by one all policy proposals in its platform aimed at addressing the issue of unemployment.

     **Second stage:** Party A points out how inefficient physical infrastructure reduces firms’ opportunities to access local and
foreign markets. As part of this stage, the party presents one by one all its policy proposals to improve, for example, ports, roads, railways, etc.

**Following stages:** Similar to the issue of unemployment or infrastructure, Party A links all issues it identified during the economic platform development process with the topic of absence of opportunities and presents, one-by-one, its policy proposals.

### 3. The audience

Economic issues have different impacts on different segments of society, forcing political parties to clarify whom it seeks to address with its message. Once a party identifies an issue and understands how it affects a particular group, a successful political party has identified one of its target audiences.

For example, Party A found during the preparation of its platform that export-oriented businesses in the interior of the country see infrastructure as the main constraint to growing their operations. Party A prepared a solid set of policy proposals addressing this concern. In doing so, Party A also identified one audience to target as part of its communication strategy – export-oriented businesses in the interior of a country. Party A should thus adapt its message to reach out to this audience.

### 4. Timing

When does a political party reach out to its audience with its economic platform? The decision to release a message to targeted audiences is strategic. Successful political parties set clear timeframes for presenting the different policy alternatives included in their economic platforms. Moreover, successful political parties build upon opportunities that arise from economic or political developments in the country. These opportunities include capitalizing on government’s positions, public debates, unexpected events, or research reports that touched on issues a party addresses in its economic platform.

### 5. Tools and Means

How will a political party reach out to its audiences and communicate its message? What materials will it use? How much will it cost? These are key questions to keep in mind as a political party prepares its communication strategy. Radio, television, newspapers, internet, other media, or direct contact with an audience are communication methods for parties to let people know how they will address a country’s economic challenges.
6. **Assign responsibilities:** Party leaders and members are responsible for getting out the messages in a party’s economic platform. Additionally, there must be someone in charge of assigning responsibilities and evaluating a party’s communication strategy to make sure that it is achieving its objectives.

It is useful for parties to prepare different versions of their economic platform to more effectively reach different audiences. Each version, however, must include the overall argument of a party’s economic platform.

- **Complete economic platform:** A party’s economic platform is a solid argument. A complete longer version of a platform will include several issue diagnosis, charts, and other data to emphasize the essence of a country’s economic challenges, themes that group these challenges, and coherent and feasible policy solutions that a party presents. This version will most likely attract academia or knowledgeable audiences interested in assessing the logic and viability of potential economic policies. This version will also be helpful for future economic platform development processes.

- **Extended version for the general public:** This is a shorter version of a party’s economic platform that includes diagnoses and policies a party will seek to implement. Not all details, data, or feasibility studies are in this version. This version will most likely attract individuals with a keen interest in clearly understanding the reasoning behind a party’s economic platform without analyzing the viability or expected impact of each policy proposal.

- **Condensed version for the general public:** This is the cover letter of a political party’s economic platform and it presents the platform’s most important points in a brief format. Party members and supporters will broadly use this version to emphasize a party’s key message and policy proposals. For example, Party A’s core message is the need to increase access to opportunities for all market actors. Therefore, Party A’s condensed version of its economic platform is a three-page pamphlet with 25 policies to increase opportunities for all market actors.

**Advocacy**

A communication strategy should have an advocacy component. Advocacy is particularly useful when a political party with a solid economic platform has no access to decision-making power. This may occur because it is not represented in elected bodies or because unaccountable figures make all policy decisions.
Broadly defined, advocacy means actively supporting something (i.e. the policy proposals included in a party’s economic platform) and attempting to persuade others of its importance. Advocacy efforts help parties go from promoting their message to effectively influencing policy decisions.

To persuade others to support and implement a party’s economic platform, successful political parties complement their strategy with these tools:

- **Press releases**: A press release is a written statement directed to members of the media to announce valuable messages. A press release may invite media to attend a press conference where a party will present its economic platform, or it may state a party’s position on an issue of public concern or on policy proposals policymakers are discussing at any given moment. Press releases are clear, concise, and detailed.

- **Issue briefs**: Issue briefs are short, one to two-page summaries of why an issue is important and what policymakers need to do in the short term. The brief identifies a policy issue, explains why the issue is important, and uses a party’s policy proposals as recommended courses of action. Successful political parties distribute these policy briefs among party members, supporters, media agents, representative business associations, and policymakers. The purpose of the brief is to establish a party’s position on an issue and state that a party’s policy proposals would effectively address the issue.

- **Policy position papers**: Policy papers are longer versions of an issue brief. A policy paper further elaborates an idea, provides more evidence, and makes a stronger case for how a party’s policy alternative is better suited to address the issue compared to other alternatives being discussed.

- **Opinion pieces**: These are short articles authored by party representatives that parties submit to print or online media outlets. Taking the form of permanent features, guest columns, or letters to the editor, these opinion pieces serve to outline a party’s economic platform, highlight the relevance of any given issue, and make sure that a political party remains present in public debate, even if the party is not represented in elected bodies.

A party’s leadership or those who directly participated in the platform development process should not be exclusively responsible for writing opinion editorials. All party members and leaders should actively contribute to this effort.
• **Talking points**: Compiled in a short list with summaries for each item, talking points are ideas developed to guide party members during interviews, debates, or similar public/private engagements that may or may not be recorded or broadcasted on television, radio stations, or the internet.

• **Participation in events**: Conferences, policy forums, roundtables, social events, and other gatherings provide opportunities for party representatives to talk about a party’s economic platform and the policy alternatives it puts forth. Moreover, participation in events helps a party persuade audiences about the relevance of the policy alternatives it prepared.

• **Internet presence**: Webpages and social networking sites are powerful tools used to reproduce press releases, issue briefs, policy papers, and opinion editorials. Parties can also use them to rebroadcast interviews and debates.

Successful political parties need to think strategically when using the internet or social networking sites. Parties should make sure that an internet strategy is appropriate given internet penetration and usage in a country.

• **Encounters with public officials**: Successful political parties influence policy. In particular, when party members do not have access to decision-making positions, persuading policymakers should be a key component of a party’s advocacy strategy. During these encounters, successful political parties will present the solid arguments of their economic platform to persuade decision-makers that the party’s policy solutions will effectively address issues of concern.

One of the most useful tools to persuade others of an economic platform’s relevance, in addition to those listed above, is the mobilization of a party’s own membership base and supporters. Successful political parties can be present anywhere at any time.

By mobilizing its members and supporters, successful political parties allow a varied number of leaders – not only the most visible leadership – to participate in events that communicate a party’s economic platform and persuade others to support and implement it. In sum, a party shows its strength when different faces communicate and advocate a party’s economic platform.
Some of the events that mobilize parties’ members and supporters include:

- **Roundtables**: A roundtable discussion is a conference or discussion involving several participants who are usually peers. The discussion tends to be more informal and participants arrange themselves so that everyone can see each other, typically at a round table. Young party leaders can host roundtable events, which promotes party renovation. This may include events at youth clubs led by a party or by other political parties that may or may not share values or ideas.

- **Public events**: Participation in public events shows that a platform is owned by party cadres and party membership, not only by a few people at the top. A platform gains more credibility when citizens understand that all party members, not just the elites, are responsible for the policies outlined in the platform.
4.2 Campaign with your platform

Political parties compete in elections to translate public demands into responsive policy, thus fulfilling their role as intermediary organizations that connect citizens to their governments. A party’s platform and its economic component are a party’s plan to govern a country.

After hard work preparing solid economic policy solutions that address a country’s economic challenges, it is only natural that a political party campaigns with these arguments.

A campaign is a systematic course of planned activities to elect a political party into office and implement the policies of its economic platform. A campaign is also a systemic course of actions to influence policy and effect change if party representatives are not present in decision-making positions. Strategy, charisma, and the capacity to get out a message and persuade voters are part of a campaign. A party’s economic platform is a core resource for running a campaign.

Campaign efforts are closely intertwined with a communication and advocacy strategy. Most likely, a campaign is the culmination of months of work surrounding a party’s economic platform. A basic campaign strategy should include:

- **Candidates**: Decide candidates based on a party’s internal rules and following electoral law.

- **A campaign team**: Determine who will be responsible for managing the campaign and all of its components, such as communication, fundraising, voter contact, etc.

- **A campaign plan**: Establish an overall strategy with goals, a time frame, a budget, a fundraising plan, events, etc.

- **A campaign message**: Include different messages to different audiences according to the policies outlined in the platform. Develop messages based on targeted audiences.

- **Campaign activities**: Plan how and when the party will communicate messages to voters.

- **Risk assessment**: Forecast possible barriers to encounter during campaign season and how the party intends to overcome them.
Party platforms and their economic components respond to a political party’s core values and principles. They also respond to the challenges a country faces at a particular moment in time.

Successful political parties must be ready to revise and adapt the economic component of their platforms because the economic conditions under which individuals and firms operate will change over time. For instance, a country’s economy may suffer from the impact of external or internal shocks. As a result, a party’s priorities in its economic platform will shift gradually as time passes. A party needs to understand these patterns and adapt its policy solutions accordingly.

Most parties amend their platforms as elections loom. Other parties may frequently analyze the viability of each policy solution in a platform and adapt solutions as necessary. Political parties can choose the alternative with which they feel most comfortable. What matters is that party leaders and members are ready to respond to a country’s economic policy challenges and improve economic performance while delivering to people.

As amending a party’s platform and its economic policies requires a new cycle of consultation, parties should refer to the network of volunteers, party members, experts, and others that actively participated in working groups. Adapting a platform for an economy’s changing circumstances shows a party’s strength and its willingness to remain active in the political arena.
This glossary is included in this guide as a reference for political parties as they prepare their platforms and their economic components. Although the list of terms is not exhaustive, it includes key economic concepts platform teams may find useful to consult while they reach out to stakeholders, conduct research, and produce policy analyses.

**A**

**Absolute poverty:** The poverty threshold, or poverty line, is the level of income below which one cannot afford to purchase all the resources one requires to live. People who have an income below the poverty line have no discretionary disposable income, by definition.

**Acid test ratio:** Also quick ratio. Measures the ability of a company to use its “near cash” or quick assets (see entry under ‘Q’) to immediately extinguish its current liabilities. This ratio implies a liquidation approach and does not recognize the revolving nature of current assets and liabilities. The acid test ratio can be described as the difference between current assets and stock compared to overall current liabilities.

**Ad valorem:** A type of tax, including property tax and duties on imported items, that is levied in proportion to the value of the goods. An example of an ad valorem tax would be value-added tax.

**Advances:** Loan given by a financial institution. These loans can take various forms and are repaid with interest.

**Aggregate demand:** The total demand for goods and services in the economy during a specific time period. Moreover, the aggregate demand is known as the amount of goods and services people want to buy. Aggregate demand is equal to the sum of consumption, investment, government spending, and net exports.

**Aggregate supply:** The total supply of goods and services by a national economy during a specific time period. Aggregate supply is generally linked to price; as prices rises, so does the rate of production of goods and services.

**Agricultural sector:** The part of a country’s economy including products that can be grown or cultivated. In some countries, this sector consists of farming, fishing, forestry, and hunting. Based on the goods produced, other countries may have different industries classified within the agricultural sector.

**Aid:** Also international aid, overseas aid, or foreign aid. Assistance, generally economic, provided to communities or countries in the event of a humanitarian crisis or to achieve a socioeconomic objective.

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**Appreciation:** A term used in accounting related to an asset's increase in value. It is the reverse of depreciation, which measures the fall in value of assets over their normal lifetime. Appreciation is also the increase in value of a currency in a floating exchange rate system.

**Asset demand:** The desire to hold wealth or assets. Assets may be held as shares, property, or cash.

**Asset:** A resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow.

**Average cost:** The price most representative of all prices over time. Average cost is equal to total cost divided by the number of goods produced. It is also equal to the sum of average variable costs (total variable costs divided by quantity of goods produced) plus average fixed costs (total fixed costs divided by quantity produced).

**Average rate of return (ROR):** Also “return on investment (ROI)” or “return”. ROR is a measure of profit, usually defined by the ratio of money earned (or lost) to the amount of money invested.

**Average rate of tax:** The total amount of income tax paid as a percentage of a person’s income. For example, if a person earns $20,000 and has paid $2,500 in income tax, their average rate of tax is 12.5%.

**Average revenue:** Also price. Total revenue divided by the level of output.

**B**

**Balance of payments (BOP):** A measure of the payments that flow between a particular country and all other countries. It is determined by a country’s exports and imports of goods, services, and financial capital, as well as financial transfers. See also capital account and current account.

**Balance of trade:** Also net exports. The difference between the monetary value of exports and imports in an economy over a period of time. A positive balance of trade is known as a trade surplus and consists of exporting more than one imports; a negative balance of trade is known as a trade deficit or, informally, a trade gap.

**Balance sheet:** In formal bookkeeping and accounting, a balance sheet is the statement of the book value of a business, organization, or person at a particular date, often at the end of its “fiscal year.” A balance sheet is distinct from an income statement, also known as a profit and loss account (P&L), which records revenue and expenses over a period of time.

**Base year:** The year in which calculations, usually indices, commence and to which other years are compared.

**Black economy:** Also underground market or black market. Economic activity involving unrecorded dealings, typically the illegal buying and selling of merchandise or services.
Broad money: The broadest definition of money, or ‘M2’. ‘Money’ includes paper notes and coins held in private hands, bank deposits, and deposits held outside the banking sector.

Budget deficit: A shortage that occurs when government expenditure exceeds government income.

Budget surplus: An excess that occurs when government income exceeds government expenditure.

Business cycle: Refers to the ups and downs seen somewhat simultaneously in most parts of an economy. The cycle involves shifts over time between periods of relatively rapid output growth (recovery and prosperity) and periods of relative stagnation or decline (contraction and recession). These fluctuations are often measured using the real gross domestic product (see GDP).

Capacity: The degree of use of economic factors of production. When the economy is at full capacity, all factors of production are used to the maximum extent possible.

Capital: A measure that includes factories, machinery, tools, and various buildings. These factors are inputs for production of goods and services.

Capital account: Part of the balance of payments total. Specifically, accounts that measure the flows of capital in and out of the country, especially debt.

Capital expenditure (CAPEX): Company outlay to acquire or upgrade physical assets such as equipment, property, or industrial buildings. In accounting, a capital expenditure is added to an asset account (i.e. capitalized), thus increasing the asset's basis.

Capital flight: Occurs when assets and/or money rapidly flow out of a country, due to an economic event that disturbs investors and causes them to lower their valuation of the assets in that country or otherwise lose confidence in economic strength.

Capital gains: Profit that results from the appreciation of a capital asset from its purchase price.

Capital goods: Real products that are utilized in the production of other products but are not incorporated into the other products themselves, such as factories or tools.

Capital inflows: The movement of money into a country. Inflows may be in the form of the purchase of shares, the purchase of companies, or loans by overseas companies, among others.

Capital markets: Also securities markets. A place where companies and government can raise long-term funds through the sale and purchase of securities. The capital market includes the stock market and the bond market.
**Cartel**: A group of formally independent producers that collude to fix prices, limit supply, and deter competition in order to increase profits.

**Cash crops**: Crops that are produced only for the market.

**Cash flow**: The amount of cash received and spent by a business during a defined period of time, sometimes tied to a specific project.

**Central bank**: Also reserve bank or monetary authority. Entity responsible for the monetary policy of its country. The State Bank of Pakistan serves such a role.

**Certificates of deposits (CDs)**: A time deposit. CDs have specific, fixed terms, often ranging from three months to five years. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest. CDs generally accrue a higher rate of interest than money deposited in a savings account.

**Commercial bank**: A type of financial intermediary and a type of bank. It raises funds by collecting deposits from businesses and consumers via current deposits, savings deposits, and time (or term) deposits. Those funds are used for loans to businesses and consumers, as well as the purchase of corporate or government bonds. Its primary liabilities are deposits and its primary assets are loans and bonds.

**Commercial paper**: A money market security issued by large banks and corporations. It generally is not used to finance long-term investments, but rather for purchases of inventory or to manage working capital. There are four basic kinds of commercial paper: promissory notes, drafts, checks, and certificates of deposit.

**Commodity**: A homogeneous product that can be bought in bulk. Commodities usually refer to raw materials such as oil, cotton, coffee, and tin. Commodities can also be manufactured products used to build other goods.

**Consumer goods**: Items used by households.

**Consumer Price Index (CPI)**: The main measure of changes in retail prices. It measures changes in the cost of buying a representative fixed basket of goods and services. CPI generally indicates the inflation rate in the country.

**Consumption**: Expenditure by households on goods and services.

**Construction sector**: Typically all construction, repair, addition, alteration, and demolition activities carried out in the economy by households, private bodies, public institutions, and the government.

**Core inflation**: A measure of inflation that excludes items with volatile prices, such as food and energy.

**Corporation tax**: Also corporate tax. A tax on firms’ profits, charged as a percentage of a firm’s profits.

**Cost of living**: The average cost of a variety of expenses for living such as rent, transportation, insurance, utilities, etc.
**Cost-push inflation**: Also supply-shock inflation. A type of inflation caused by large increases in the cost of important goods or services where no suitable alternative is available.

**Cost of production**: The price of an object as determined by the sum of the cost of the resources that went into making it. The cost of production can include the cost of any of the factors of production, including labor, capital, land, or technology.

**Crowding out**: In economics, a situation that occurs when the government expands its borrowing to finance increased expenditure (i.e., is engaged in deficit spending), crowding out private sector investment due to higher interest rates.

**Current account**: An element of balance of payments. The sum of the balance of trade (exports less imports of goods and services), net factor income (such as interest and dividends), and net transfer payments (such as foreign aid).

**Current account deficit**: When a country imports more goods and services than it exports. This affects the balance of payments, generally negatively.

**D**

**Debt servicing**: The repayment of interest and principle to external creditors.

**Demand**: The quantity of a good that consumers are willing and able to purchase at a given price at a specific time, all other variables held equal.

**Demand for money**: The economic demand for notes, coins, and sight deposits.

**Demand-pull inflation**: Arises when aggregate demand in an economy outpaces aggregate supply. It involves inflation rising as real GDP rises and unemployment falls. Demand-pull inflation is essentially “too much money chasing too few goods.”

**Deposit account**: An account at a banking institution that allows money to be held on behalf of the account holder. Some banks charge a fee for this service, while others may pay the client interest on the funds deposited.

**Depreciation of currency**: Occurs when market forces lower the value of a currency from one rate to another, expressed in terms of other currency. In other words when the value of one currency, expressed in terms of another currency, falls.

**Devaluation**: The reduction in the value of a currency with respect to other monetary units; for example, the decrease in value of the rupee as compared to the euro, as set by the State Bank of Pakistan.

**Direct taxes**: Charges levied by the state on income.

**Discount rate**: Also base rate, repo rate, or primary rate. The interest rate that an eligible depository institution (such as a bank) is charged to borrow short term funds directly from the central bank, as secured by government bonds.
**Dissaving:** A financial situation where spending exceeds income, due to the availability of savings.

**Dumping:** The sale of goods in a foreign country at a price below that charged in the home market. This will often be done at below cost price to dispose of surplus goods or to establish markets.

**E**

**Economic growth:** The increase in value of goods and services produced by an economy. It is generally a factor in an increase of a nation’s income. It is conventionally measured as the percent rate of increase in real gross domestic product.

**Economies of scale:** An increase in the number of units produced causes a decrease in the average fixed cost of each unit.

**Entrepreneur:** A person who undertakes and operates a new enterprise or venture and assumes some accountability for the inherent risks.

**Equilibrium rate of interest:** The rate of interest at which the amount of money people want to borrow equals the amount of money others are prepared to lend.

**Equity:** Type of security that represents ownership in a corporation. Stocks are equities.

**Exchange rate:** Also foreign-exchange rate, forex rate, or FX rate. Specifies how much one currency is worth in terms of another. The spot exchange rate refers to the current exchange rate at a particular moment in time. The forward exchange rate refers to an exchange rate that is quoted and traded today but for delivery and payment on a specific future date.

**Exports:** Goods, services, and capital assets sold abroad.

**External debt:** Also foreign debt. The segment of the total debt of a country that is owed to creditors outside the country.

**F**

**Financial institutions:** Organizations like banks that provide financial services to clients.

**Financial intermediary:** An institution, firm, or individual who acts as an agent between two or more parties in fiscal transactions. Typically, the first party is a provider of a product or service and the second party is a consumer or customer.

**Fiscal policy:** Actions taken by government with regard to its spending or taxation to influence the level of economic activity.

**Foreign aid:** Also international aid, overseas aid. Assistance, generally monetary, provided by one country to help another’s development or recovery.
Foreign exchange market: Also currency market, forex market, FX market. Location where one country’s currency is traded for another. It is by far the largest market in the world in terms of cash value traded.

Forestry: Generally a sub-sector of agriculture focused on the activities of logging and gathering of uncultivated forest products, which are classified into two groups: i) major products comprising industrial wood, such as timber and firewood; and ii) minor products, including a large number of heterogeneous items such as ephedra, grazing fodder, resin, medicinal herbs, and others.

Free market economy: An economic system in which the production and distribution of goods and services takes place through the mechanism of free markets guided by a free price system rather than by the state. A free market is a market where price is determined by the unregulated interchange of supply and demand.

Free trade: An idealized market model, often stated as a political objective, wherein trade of goods and services between countries flows unhindered by government-imposed artificial costs.

G

GDP deflator: Also implicit price deflator for GDP. A measure of the change in prices of all new, domestically produced, final goods and services in an economy.

Gini coefficients: Measures of income and wealth inequalities. Gini coefficients can be used to compare wealth distributions in countries worldwide. The Gini coefficient is measured as a ratio of the area between the Lorenz curve (showing proportional distribution) and the curve of the uniform distribution to the area under the uniform distribution. It is expressed as a number between 0 and 1, where 0 corresponds to perfect equality (i.e. everyone has the same income) and 1 corresponds to perfect inequality (i.e. one person has all the income, while everyone else has zero income).

Government expenditure: Also government spending. Amount spent on government purchases, including transfer payments, which can be financed by seigniorage (the creation of money for government funding), taxes, or government borrowing. It is considered to be one of the major components of GDP.

Government policies: Different types of measures the government implements to improve economic functions.

Grant: A form of foreign aid that involves a direct transfer payment from one country to another.

Gross domestic product (GDP): A measure of economic activity within a country and a measure of national income. A country’s GDP is the market value of all final goods and services produced within a country in a given period of time.
**Gross investment**: Total investment without adjusting for depreciation.

**Gross national product (GNP)**: The total value of final goods and services produced in a year by a country’s nationals (including profits from capital held abroad).

**Growth**: See economic growth.

**Household Integrated Economic Survey (HIES)**: Report that provides data on household income, sources of income, savings, liabilities, consumption expenditures, and consumption patterns at national and provincial levels with urban/rural breakdowns.

**Hedging**: In finance, an investment that is made specifically to reduce or cancel out the risk in another investment. Hedging is a strategy designed to minimize exposure to an unwanted business risk, while still allowing the business to profit from investment activity.

**Household income**: The total income of all members of a household.

**Human Development Index (HDI)**: Introduced by the UN in 1990, a composite index to measure socio-economic development based on real GDP per capita (PPP), life expectancy at birth, and educational achievement. The index takes into account not only the goods and services produced but also the ability of a population to use those and the time they have to enjoy them.

**Hyperinflation**: An economic condition where prices increase rapidly as a currency loses its value. No precise benchmark of hyperinflation is universally accepted.

**Import price**: The cost of goods brought into a country through trade.

**Import substitution industrialization (ISI)**: A trade and economic policy based on the premise that a developing country should attempt to substitute products (mostly finished goods) brought into the country through trade with locally produced versions.

**Income**: Money received as a result of the normal business activities of an individual or a business.

**Income inequality metrics**: Also income distribution metrics. Techniques used by economists to measure the distribution of income among members of a society.

**Income tax**: A financial charge imposed on the monetary earnings of persons, corporations, or other legal entities.

**Index numbers**: In economics, series of numbers expressing change over time in a group of related variables.
**Indicator:** In economics, a statistic about the economy that is the basis of analysis of past and future performance.

**Indirect taxation:** A levy collected by an intermediary (such as a retail store) from the person who bears the ultimate economic burden of the tax (such as the customer). Proceeds are later sent to the government by the intermediary through a tax return. Common examples of indirect taxation include sales tax, value added tax (VAT), and goods and services tax (GST).

**Industrial sector:** A group of businesses or companies that work in the same field, such as information technology or garment production.

**Infant industries:** Fledgling industries that typically require protection from the government in the form of tariffs, quotas, or subsidies in order to survive the lower prices and higher quality of the goods or services produced by the industry in the international market.

**Inflation:** The rise in general prices and the reduction in value of money. Inflation is a sustained increase in the general price level. In Pakistan, the CPI is used to measure inflation (see Consumer Price Index).

**Informal sector:** Also informal economy. Any exchange of legal goods or services involving economic value in which the act escapes regulation of similar such acts.

**Interest:** In finance, the price paid by a borrower for the use of a lender's money.

**Interest rate:** The price a borrower pays for the use of money he does not own, or the return a lender receives for deferring his consumption by lending to the borrower. Interest rates are normally expressed as a percentage over the period of one year.

**International Bank for Reconstruction and Development (IBRD):** One of the five World Bank Group institutions. It gives long term loans to member countries for high priority infrastructure, agricultural, industrial, and educational projects.

**International Monetary Fund (IMF):** International organization that oversees the global financial system by monitoring exchange rates and balance of payments, as well as offering technical and financial assistance when asked.

**Investment:** To commit money or capital in order to gain a financial return. The major difference in the use of the term investment between economics and finance is that economists usually refer to a real investment - such as a machine or a house - but financial economists usually refer to a financial asset - money that is put into a bank or the market, which may then be used to buy a real asset.
Joint stock company: Type of business partnership in which individual contributions from a group of shareholders form the capital. Certificates of ownership or stocks are issued by the company in return for each contribution, and the shareholders are free to transfer their ownership interest at any time by selling their stock to others.

Labor force: Group of people who are willing and able to be employed.

Labor market: An area of economic exchange in which workers seek jobs and employers seek workers.

Large scale manufacturing: An economic sub-sector that includes all large and medium scale manufacturing establishments.

Lender of last resort: Originally the term referred to a reserve financial institution, often the central bank of a country, that secures other banks or eligible institutions against collapse.

Liabilities: In accounting, liabilities are the money, goods, or services that are owed to another party.

Liquidity: The ability to quickly buy or sell a particular item without causing a significant movement in the price.

Liquid reserves to money supply ratio (LRM): Measure of monetary stability used to assess the vulnerability of domestic interest rates to fluctuations in the country’s external account.

Livestock: Agricultural sub-sector that includes the value of livestock products and the value of draught power. (The value of draught power is estimated on the basis of number of work animals used in agriculture and their feed and maintenance costs.) In Pakistan, livestock products have been divided into six broad categories: milk, meat, hides and skins, eggs, wool and hair, and other products.

London Inter-bank Offered Rate (LIBOR): A daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the London wholesale (or “interbank”) money market.

M1: Also “narrow money.” Portion of the money supply that consists of physical currency in circulation plus cash deposits readily available on demand.

M2: Also “broad money.” Portion of the money supply that includes M1 and time deposits, i.e. those deposits where cash is available after a notice period.

M3: M2 plus other certificate of deposits, such as large time deposits, or institutional money funds.
Macroeconomic policies: Economic strategies designed to influence the level of employment, price levels, economic growth, and the balance of payments.

Market concentration: Function of the number of firms and their respective shares of the total production (alternatively, total capacity or total reserves) in a market. The extent to which the sale of a product is dominated by the largest firms in the industry.

Market share: The proportion of total sales accounted for by a particular brand or firm.

Merchant bank: Also investment bank. A private banking firm engaged chiefly in investing in new issues of securities and accepting bills of exchange in foreign trade.

Merger: Combination of two or more business enterprises into a single enterprise.

Mining and quarrying sector: Economic division that includes all mining and quarrying activities carried out in a country.

Monetary policy: Process of managing money supply to achieve specific goals, such as constraining inflation, maintaining an exchange rate, achieving full employment, or encouraging economic growth.

Money: Any good or token that fulfills monetary functions to be a medium of exchange, store of value, and unit of account.


Money measure: Measures of the amount of money in circulation in the economy. The three main measures are M1, M2, and M3. See M1, M2, M3.

Money supply: Also monetary aggregates or money stock. A macroeconomic concept defining the quantity of money available within the economy to purchase goods, services, and securities.

Monopoly: In economics, a persistent market situation where there is only one provider for a product or service.

Multinational Corporation (MNC): Also multinational, multinational enterprise (MNE), transnational corporation (TNC), or multinational organization (MNO). Corporation/enterprise that manages production establishments or delivers services in at least two countries.

Mutual fund: Form of collective investment that pools money from many investors and invests the money in stocks, bonds, short-term money market instruments, and/or other securities.

N

Narrow money supply: Also monetary base. Notes and coins held by the public and the banking system as reserves against withdrawals.
National debt: Also public debt. Money owed by any level of government, including central, federal, municipal, or local governments.

National income: The total net earnings from the production of goods and services in a country over a period of time, usually one year, and consisting essentially of wages, salaries, rents, profits, and interest.

National income accounts: The system used to measure the value of national income, output, and expenditure.

Nominal rate of interest: The rate of interest not adjusted for the rate of inflation.

Non-tariff barrier: Restrictions to imports that are not taxes.

O

Oligopoly: Market form in which a market or industry is dominated by a small number of sellers.

Open market operations: Means of implementing monetary policy where a central bank controls its national money supply by buying and selling government securities. Monetary targets, such as interest rates or exchange rates, are used to guide this implementation.

Organization for Economic Cooperation and Development (OECD): Group of 30 member countries sharing a commitment to democratic government and market economy. With active relationships with some 70 other countries, NGOs, and civil society, the OECD has a global reach. Known for its publications and statistics, its work covers economic and social issues from macroeconomics to trade, education, development, and science and innovation.

Output gap: The difference between actual GDP and potential GDP. If the actual is less than the potential, a recession is underway.

P

Paper money: A promissory note made by a bank payable to bearer on demand, used as money and/or legal tender. Coins and banknotes together make up the cash forms of all modern money.

Paris Club: A group formed by certain industrialized countries that are owed substantial amounts of debt by less developed countries.

Policy instruments: Tools used to achieve a governmental or economic objective.

Poverty trap: Also welfare trap. Situation where a person living with assistance from the state in the form of welfare may decrease his or her net income by finding employment and increasing his or her salary.
**Present value:** When considering a future cash flow, the nominal amount of money to change hands at some future date, discounted to account for the time value of money.

**Price ceiling:** Government-imposed limit on what price can be charged for a product. A price ceiling can be set above or below the free-market equilibrium price.

**Price index:** A single number calculated from an array of prices and quantities over a period. Since not all prices and quantities of purchases can be recorded, a representative sample is used instead. Inflation and cost indices are calculated as price indices.

**Price:** In economics and business, the assigned numerical monetary value of a good, service, or asset.

**Private limited company:** An incorporated business owned by a few shareholders. Its shareholders enjoy limited liability.

**Producer goods:** Also intermediate goods. Products used as inputs in the production of other goods, such as partly finished goods or raw materials.

**Producer price index (PPI):** Measures average change in prices received by domestic producers for output.

**Productivity:** A measure of efficiency in an economy that examines the amount of output produced with given amount of factor inputs (land, labor, and/or capital).

**Progressive income tax:** Type of tax where the tax rate increases as the amount to which the rate is applied increases. Generally advantageous to poor.

**Public corporation:** State-owned industry or entity.

**Public good:** A product that, when consumed by one individual, does not reduce the amount of the good available for consumption by others.

**Public limited company:** An incorporated business whose shares may be offered for sale to the public.

**Purchasing power parity (PPP):** In economics, theory that states the long-run equilibrium exchange rate of two currencies is the rate that equalizes the currencies’ purchasing power. This theory is based on the law of one price – the idea that, in an efficient market, identical goods must have only one price.

**Q**

**Quick assets:** Current assets that presumably can be converted to cash quickly at close to assessed value. Such items include cash, stock investments, and accounts receivable.

**Quick ratio:** See acid test ratio.

**Quota:** Limit on the amount of a good produced, imported, exported, or offered for sale.
Ratio analysis: Comparison of two reported levels or flows of a company. Possible ratios: two financial flows categories divided by each other (profit margin, profit/revenue); a level divided by a financial flow (price/earnings); a flow divided by a level (return on equity or earnings/equity).

Real income: The value of income adjusted for inflation.

Real rate of interest: The rate of interest adjusted for inflation.

Recession: A period of simultaneous decline in several measures of overall economic activity, such as output, income, employment, and sales.

Regressive tax: Type of tax that takes a larger percentage of income from people with low incomes. Often it is a fixed tax – everyone pays the same amount of money, such as TV license fee, toll tax, etc. Alternatively, it may be a tax on consumption, such as value-added tax.

Regulatory body: Institution that enforces standards and safety, oversees use of public goods, and regulates commercial activities.

Relative price: Cost of a commodity in terms of another; i.e., the ratio of two prices.

Rent control: Law or ordinance that sets price ceiling or floor on residential housing.

Repurchase agreement: Also RP or REPO. A repurchase agreement is a financial instrument used in money markets. The sale of securities now for cash by party A (the cash borrower) to party B (the cash lender), with the promise made by A to B of repurchasing those securities later. A pays the requisite interest to B at the time of repurchase - the interest rate in this case is known as the repo rate.

Reserves: Deposits held by a local or regional bank in the central bank, plus currency physically held in the bank's own vaults (vault cash). The central bank sets minimum reserve requirements for all smaller banks.

Reserves ratio requirement: Also required reserve ratio. Bank regulation that sets the minimum reserves each bank must hold in customer deposits and notes. These reserves are designed to satisfy withdrawal demands and would normally be in the form of currency stored in a bank vault or with a central bank.

Saving: To set aside or reserve, such as putting money in the bank or investing in a pension plan.

Shareholder: Also stockholder. An individual, company, or corporation that legally owns one or more shares of stock in a joint stock company. The shareholders are the owners of a corporation.
**Share**: One of the equal fractional parts into which the capital stock of a joint-stock company or a corporation is divided. Companies sell shares to raise funds.

**Short term liquidity ratio**: Measure of a company's effectiveness at managing its assets. The composite includes the current ratio and the acid test ratio, and demonstrates how easily the company can meet its short-term financial commitments.

**Single currency**: A situation in which separate countries agree to use the same currency.

**Soft loan**: Also soft financing. Borrowed funds subject to a below-market rate of interest. Sometimes soft loans provide other concessions to borrowers, such as long repayment periods or interest holidays. Governments may provide soft loans to fund projects they think are worthwhile. The World Bank and other development institutions provide soft loans to developing countries.

**Sole proprietorship**: A business that legally has no separate existence from its owner.

**Special drawing rights (SDRs)**: A form of international money created by the IMF that is used to settle debts between countries.

**Spread**: In finance, the different between lending rates and deposit rates.

**Stagflation**: A portmanteau of the words stagnation and inflation. A term in macroeconomics used to describe a period of high price inflation combined with economic stagnation, unemployment, or economic recession.

**Stagnation**: Also economic stagnation. A prolonged period of slow economic growth (traditionally measured in terms of GDP growth).

**Stakeholder**: An individual or group of individuals who have vested interests in the activities of another body, such as a business or government. These interests can be due to financial or other ties.

**Standard of living**: The ease by which people living in a country are able to satisfy their wants. Generally measured by standards such as income inequality, poverty rate, and real income per person.

**Stock exchange**: Also share market or bourse. A corporation or mutual organization that provides facilities for stockbrokers and traders to exchange company stocks and other securities. Stock exchanges also provide facilities for the issue and redemption of securities, as well as the payment of income and dividends.

**Structural adjustments program**: Term used by the International Monetary Fund for the changes it recommends to developing countries. These changes are designed to promote economic growth, generate income, and pay off debt. Imposition of these changes has been a condition for getting new loans from the IMF and the World Bank for many developing countries.
**Structural unemployment**: Mismatch between workers looking for jobs and the vacancies available because unemployed workers are geographically disparate or lack the specific skills required for available jobs.

**Subsidy**: A monetary grant provided by the government to lower prices faced by producers or consumers, generally because it is considered to be in the public interest.

**Sustainable development**: Creating economic growth by protecting the environment, relieving poverty, and not destroying natural capital in the short term at the expense of long term development.

**Sustainable growth**: Economic growth that can continue over the long-term without exhausting non-renewable resources.

**T**

**Tariff**: Tax, generally on goods imported into a country.

**Tax cut**: Reduction in levy rates.

**Terms of trade**: Ratio of the price of an export commodity to the price of an import commodity.

**Time deposit**: Also term deposit. Money that cannot be withdrawn for a certain period. Once the term ends, funds can be withdrawn or held for another term.

**Trade diversion**: Change in trade levels following the formation of a trading bloc as trade with efficient competitors is replaced by trade with less efficient trading bloc members. Often a result of free trade agreements (FTAs).

**Treasury bill**: Short-term (3-12 month) government borrowing. Governments issue treasury bills to increase available funds.

**Trickle-down**: Passing economic gains from growth to society, spurring development.

**U**

**Unemployed**: A person who is able and willing to work at a prevailing wage rate, yet is unable to find a paying job.

**Unemployment rate**: Number of unemployed workers divided by the total civilian labor force, which includes both the unemployed and those with jobs (all those willing and able to work for pay).
**V**

**Velocity of circulation:** Number of times, on average, each denomination of currency is spent on transactions. For example, in an economy of $600 million with a money supply of $100 million, each rupee has been used on average six times. The velocity of circulation is six.

**W**

**Wage rate:** Pay per time period, e.g. $ per day.

**Wealth:** An abundance of items of economic value, or the state of controlling or possessing such items.

**Wholesale Price Index (WPI):** Measure of directional movements in price for a set of selected items in the primary and wholesale markets. Items are precisely defined and offered in lots by producers/manufacturers. Prices conform to the primary seller’s realization at an organized wholesale level. The wholesale prices are collected from the single market by a designated governmental agency, generally an independent statistics office.

**Work force:** Employable labor pool. Generally used to describe those working for a single company or industry.

**World Bank:** International bank that encourages capital investment for reconstruction and development in member countries.

**World Trade Organization (WTO):** Replaced GATT in 1995. International organization that administers the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably, and freely as possible.

**Y**

**Yield curve:** Depicts the various rates at which the same borrower is able to borrow for different periods of time.

**Z**

**Zero coupon bond:** Securities that do not pay periodic coupons or interest. Purchased at a discount from their value at maturity.