Political bubdget cycles: manipulation of leaders *vs* manipulation of researchers

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UdA

Motivation

What are political budget cycles?

Literature findings – 40 years later, where do we stand?

Conflicting results about existence and magnitude of PbC

Data collection

Key words:

"political budget cycle", "political business cycle", "electoral cycle"

Search engines:

EconLit, Science Direct, Ideas Repec, Springer, Wiley, Google Scholar

Manual cross-checking

Criteria:

pre-electoral effects, national elections, cross-country evidence, Y=budget, expenditures, revenues

Dataset

1,331 effect size estimates from 58 studies:

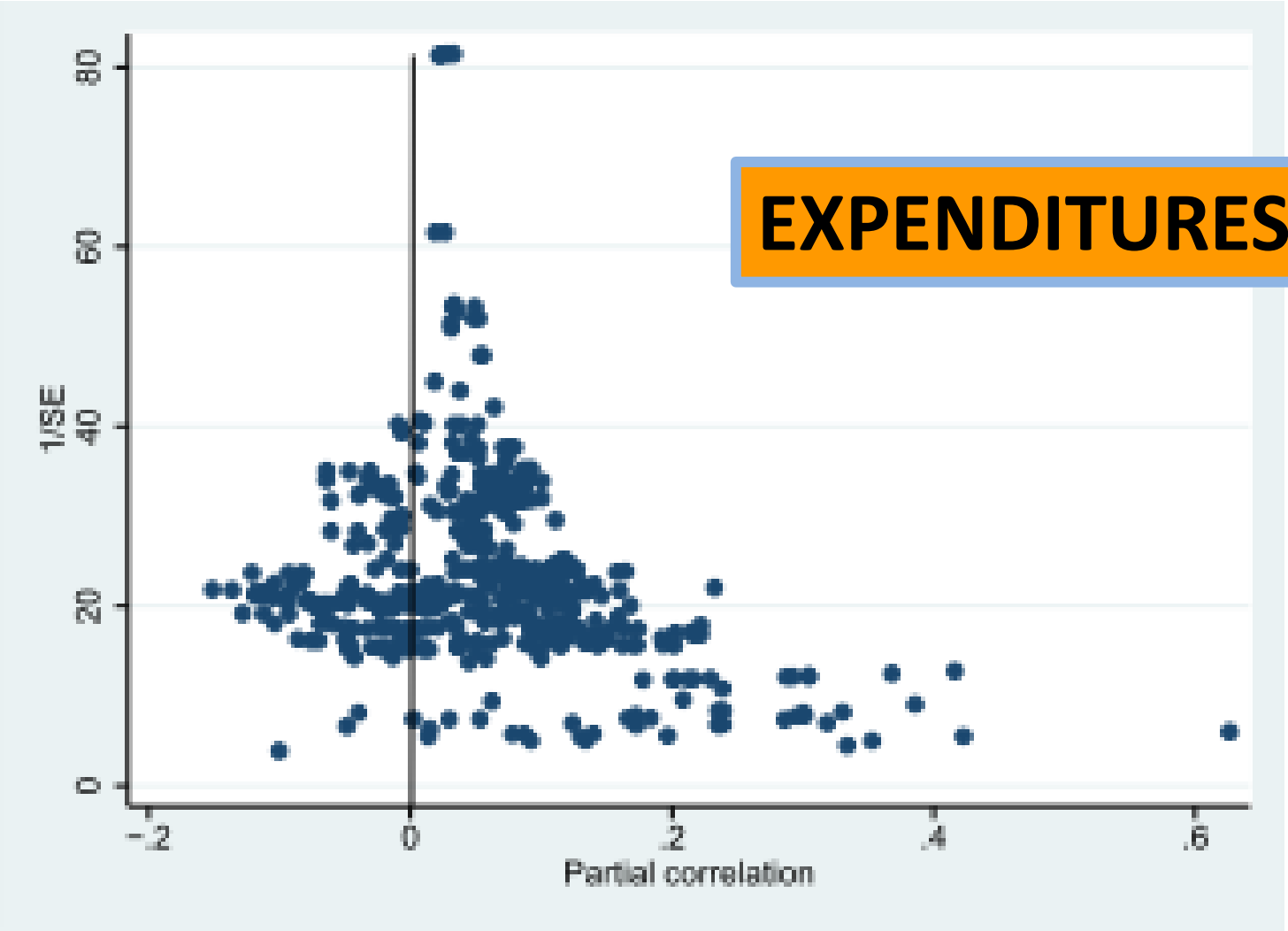
- 535 (276) for expenditures
- 354 (196) for revenues
- 442 for surplus

Heterogeneity regarding sample, estimators, measures…:

- ELEC: dummy *vs* ratios
- Budget: Overall, Total expenditures/revenues, sub-components…

Partial correlation coefficients

What does the distribution look like?



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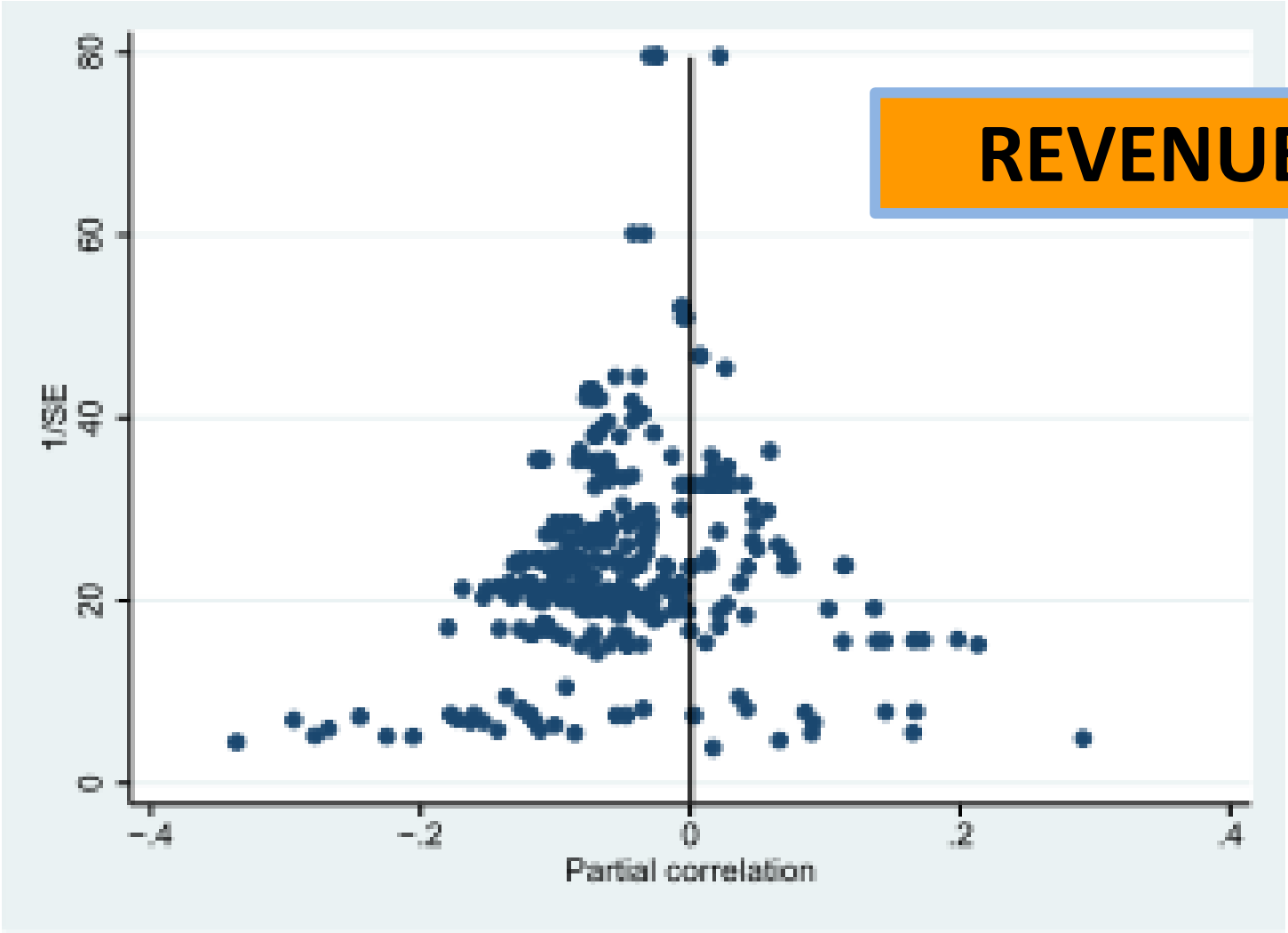

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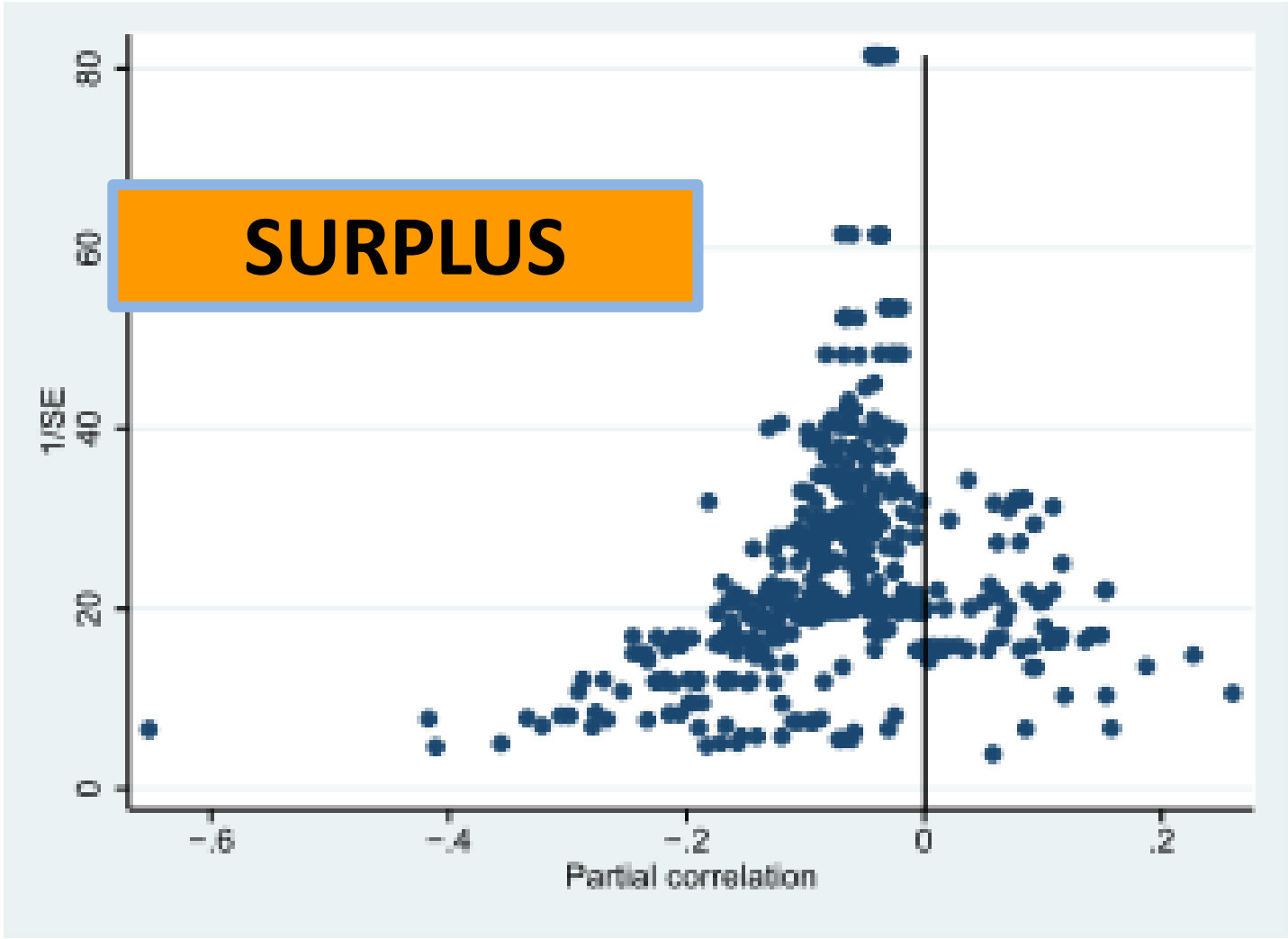

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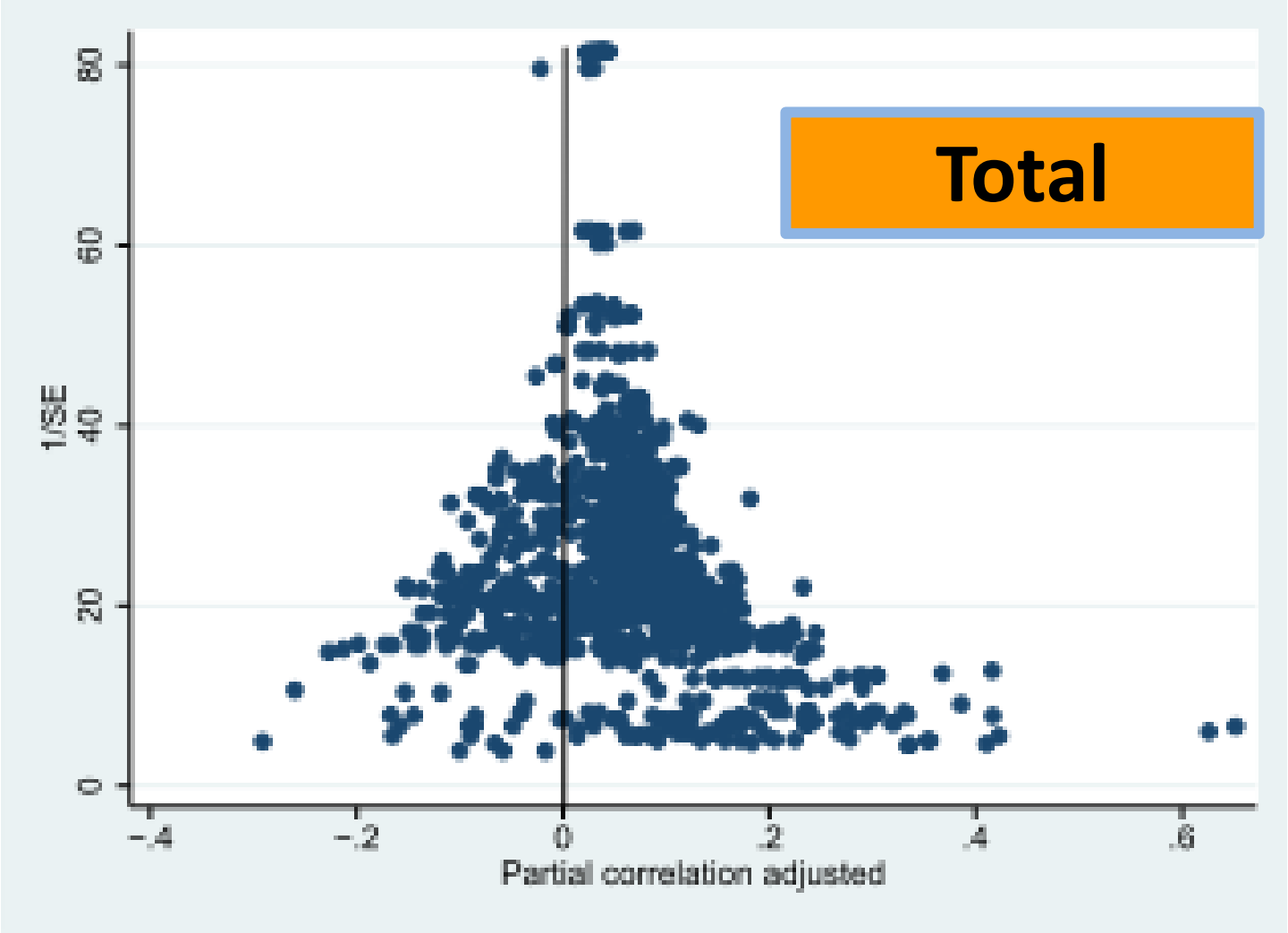

Do PbC exist?

Regression/s.e.	(1) FAT Funnel asymmetry		(2) PET Meta-average		N
	(i) All Observations (Adjusted Partial Correlation) Double publication removed				
Robust s.e.	**0.661*** **	(0.085)	**0.024*** **	(0.003)	1,331
Clustered s.e.	**0.661** **	(0.250)	**0.024*** **	(0.007)	1,331
Double clustered s.e.	**0.661*** **	(0.232)	**0.024*** **	(0.007)	1,331
Robust regression	**0.767*** **	(0.091)	**0.025*** **	(0.003)	1,331
	(ii) Excluding "Pork-barrel" (Adjusted Partial Correlation)				
Robust s.e.	**0.723*** **	(0.091)	**0.022*** **	(0.003)	914
Clustered s.e.	**0.723*** **	(0.229)	**0.022*** **	(0.006)	914
Double clustered s.e.	**0.723*** **	(0.259)	**0.022*** **	(0.008)	914
Robust regression	**0.779*** **	(0.094)	**0.024*** **	(0.003)	914

Where does the PbC come from?

Regression/s.e.	(1) FAT Funnel asymmetry		(2) PET Meta-average		N
	(i) Spending				
Robust s.e.	**0.776*** **	(0.133)	**0.014*** **	(0.005)	535
Clustered s.e.	**0.776***	(0.401)	0.014	(0.011)	535
Double clustered s.e.	**0.776****	(0.352)	0.014	(0.010)	535
Robust regression	**0.793*** **	(0.166)	**0.016****	(0.006)	535
	(ii) Restrictive Measure of Spending				
Robust s.e.	**0.657*** **	(0.158)	**0.013****	(0.005)	276
Clustered s.e.	0.657	(0.448)	0.013	(0.013)	276
Robust regression	**0.587*** **	(0.180)	**0.016****	(0.007)	276
	(iii) Revenues				
Robust s.e.	**-0.617*** **	(0.178)	**-0.021*** **	(0.007)	354
Clustered s.e.	**-0.617***	(0.347)	-0.021	(0.015)	354
Double clustered s.e.	**-0.617***	(0.356)	-0.021	(0.015)	354
Robust regression	**-0.692*** **	(0.157)	**-0.026*** **	(0.006)	354
	(iv) Restrictive Measure of Revenues				
Robust s.e.	**-0.883*** **	(0.166)	-0.011	(0.007)	196
Clustered s.e.	**-0.883****	(0.307)	-0.011	(0.012)	196
Robust regression	**-0.792*** **	(0.121)	**-0.023*** **	(0.004)	196
	(v) Fiscal surplus				
Robust s.e.	**-0.704*** **	(0.136)	**-0.032*** **	(0.004)	442
Clustered s.e.	**-0.704***	(0.414)	**-0.032*** **	(0.008)	442
Robust regression	**-0.985*** **	(0.139)	**-0.029*** **	(0.005)	442

EXPENDITURES

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REVENUES

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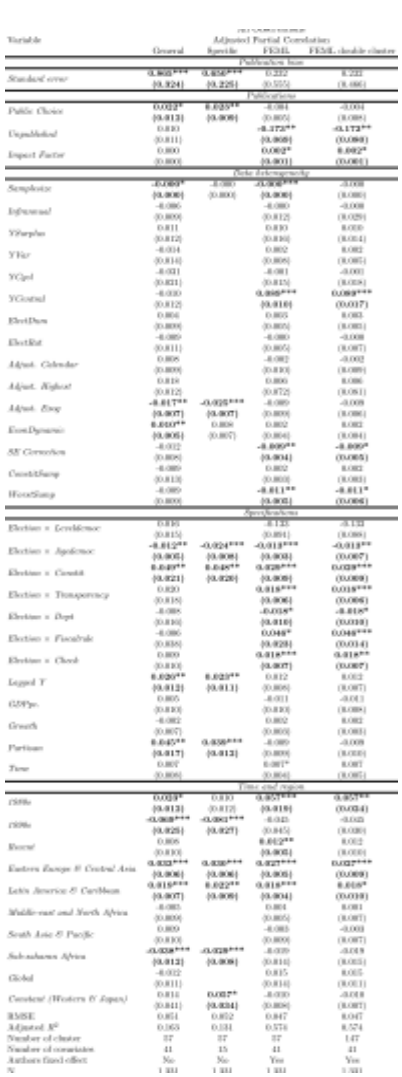
SURPLUS

Where does the PbC come from?

Variables	Revenues		Spending	
	WLS	FEML	WLS	FEML
Direct Taxes	-0.004	0.007	-	-
External Taxes	-0.006	-0.019	-	-
Indirect Taxes	-0.012	-0.003	-	-
Non Tax Revenues	0.073	**-0.040***	-	-
Current Spending	-	-	**0.040*****	**0.032*****
Capital Spending	-	-	**-0.088*****	**-0.097*****
Broad Public Good	-	-	**0.039****	**0.048*****
Local Public Good	-	-	**0.040*****	0.016
Missing Category	Total revenues		Total Spending	
RMSE	0.048	0.039	0.049	0.038
Adjusted R^2	0.095	0.649	0.317	0.735
Number of cluster	42	42	58	58
SE included	Yes	Yes	Yes	Yes
Authors fixed effect	No	Yes	No	Yes
N	354	354	535	535

Sources of heterogeneity?



Variable	Adjusted Partial Correlation			
	General	Specific	FEML	FEML clouble cluster
			Publication bias	
Standard error	0.803***	0.856***	0.232	0.232
	(0.224)	(0.225)	(0.557)	(0.486)
			Publication	
Public Choice	0.023*	0.025**	-0.004	-0.004
	(0.013)	(0.009)	(0.005)	(0.009)
Unpublished	0.010		-0.372**	-0.172**
	(0.011)		(0.168)	(0.088)
Impact Factor	0.000		0.062*	0.062*
	(0.000)		(0.001)	(0.001)
			Data heterogeneity	
Symbolic	-0.003*	-0.001	-0.006***	-0.006
	(0.006)	(0.000)	(0.006)	(0.006)
Influential	-0.006		-0.006	-0.006
	(0.000)		(0.012)	(0.029)
YSurplus	0.011		0.010	0.010
	(0.012)		(0.016)	(0.014)
YVar	-0.004		0.002	0.002
	(0.014)		(0.006)	(0.005)
YQual	-0.021		-0.001	-0.001
	(0.021)		(0.015)	(0.038)
YControl	-0.010		0.006***	0.006***
	(0.012)		(0.010)	(0.017)
ElectDum	0.004		0.005	0.005
	(0.009)		(0.005)	(0.005)
ElectEst	-0.009		-0.000	-0.000
	(0.011)		(0.005)	(0.007)
Adjust. Calendar	0.005		-0.002	-0.002
	(0.009)		(0.010)	(0.009)
Adjust. Highest	0.018		0.006	0.006
	(0.012)		(0.072)	(0.051)
Adjust. Ecog	-0.017**	-0.025***	-0.009	-0.009
	(0.007)	(0.007)	(0.009)	(0.006)
EconDynamic	0.010**	0.008	0.002	0.002
	(0.005)	(0.007)	(0.004)	(0.004)
SE Correction	-0.012		-0.006**	-0.006*
	(0.009)		(0.004)	(0.005)
CountStamp	-0.009		0.002	0.002
	(0.013)		(0.003)	(0.003)
WordStamp	-0.009		-0.011**	-0.011*
	(0.009)		(0.005)	(0.006)
			Specification	
Election x Levelidence	0.016		-0.125	-0.132
	(0.015)		(0.091)	(0.088)
Election x Ageidence	-0.012**	-0.024***	-0.013***	-0.013**
	(0.005)	(0.008)	(0.005)	(0.007)
Election x Constit	0.040**	0.048**	0.028***	0.028***
	(0.021)	(0.020)	(0.009)	(0.009)
Election x Transparency	0.020		0.018***	0.018***
	(0.018)		(0.006)	(0.006)
Election x Dept	-0.008		-0.034*	-0.018*
	(0.016)		(0.016)	(0.010)
Election x Fiscalrule	-0.006		0.048*	0.048***
	(0.016)		(0.028)	(0.014)
Election x Check	0.009		0.018***	0.018***
	(0.010)		(0.007)	(0.007)
Lagged Y	0.020**	0.023**	0.012	0.012
	(0.012)	(0.011)	(0.008)	(0.007)
GDPpc.	0.005		-0.011	-0.011
	(0.010)		(0.010)	(0.009)
Growth	-0.002		0.002	0.002
	(0.007)		(0.003)	(0.003)
Partisan	0.045**	0.038***	-0.009	-0.009
	(0.017)	(0.013)	(0.009)	(0.010)
Time	0.007		0.007*	0.007
	(0.005)		(0.004)	(0.005)
			Time and region	
1980s	0.023*	0.010	0.025***	0.025**
	(0.013)	(0.012)	(0.019)	(0.034)
1990s	-0.068***	-0.061***	-0.045	-0.045
	(0.025)	(0.027)	(0.045)	(0.038)
Event	0.006		0.012**	0.012
	(0.010)		(0.005)	(0.010)
Eastern Europe & Central Asia	0.033***	0.030***	0.027***	0.027***
	(0.006)	(0.006)	(0.005)	(0.009)
Latin America & Caribbean	0.015***	0.022**	0.018***	0.018*
	(0.007)	(0.009)	(0.004)	(0.010)
Middle east and North Africa	-0.005		0.004	0.004
	(0.009)		(0.005)	(0.007)
South Asia & Pacific	0.009		-0.005	-0.005
	(0.010)		(0.009)	(0.007)
Sub-saharan Africa	-0.038***	-0.038***	-0.020	-0.019
	(0.012)	(0.009)	(0.014)	(0.015)
Global	-0.022		0.015	0.015
	(0.011)		(0.014)	(0.011)
Constant (Western & Japan)	0.014	0.012*	-0.020	-0.018
	(0.011)	(0.024)	(0.006)	(0.007)
RMSE	0.051	0.052	0.047	0.047
Adjusted R^2	0.063	0.131	0.574	0.574
Number of cluster	37	37	37	147
Number of countries	41	15	41	41
Authors fixed effect	No	No	Yes	Yes
N	1 331	1 331	1 331	1 331

Sources of heterogeneity?

Variable	Adjusted Partial Correlation			
	General	Specific	FEML	FEML double cluster
Publication bias				
Standard error	**0.865*** **	**0.650*** **	0.232	0.232
	(0.324)	**(0.225)**	(0.555)	(0.466)
Publications				
Public Choice	**0.022***	**0.023** **	-0.004	-0.004
	(0.012)	**(0.009)**	(0.005)	(0.008)
Unpublished	0.010		**-0.173** **	**-0.173** **
	(0.011)		**(0.069)**	**(0.080)**
Impact Factor	0.000		**0.002***	**0.002***
	(0.000)		**(0.001)**	**(0.001)**
Data heterogeneity				
YCentral	-0.010		**0.089*** **	**0.089*** **
	(0.012)		**(0.010)**	**(0.017)**
Specifications				
Election × Agedemoc	**-0.012** **	**-0.024*** **	**-0.013*** **	**-0.013** **
	(0.005)	**(0.008)**	**(0.003)**	**(0.007)**
Time and region				
Eastern Europe & Central Asia	**0.033*** **	**0.030*** **	**0.027*** **	**0.027*** **
	(0.006)	**(0.006)**	**(0.005)**	**(0.009)**
Latin America & Caribbean	**0.019*** **	**0.022** **	**0.018*** **	**0.018***
	(0.007)	**(0.009)**	**(0.004)**	**(0.010)**

Conclusion

PbC do exist! But their magnitude is very limited

PbC are fairly exaggerated by researchers

ie, the manipulation of researchers is even more important than the manipulation of leaders…

Leaders' strategies (expenditures *vs* revenues) differ

Limited magnitude but still worth consideration due to:

-adverse economic and "democratic" effects

-hidden phenomenon

-tip of the ice-berg

Thank you for your attention

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