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- “Defying the ‘Juncker Curse’: Can Reformist Governments Be Re-elected?” *Empirica* 36 (1): 65–100.
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Comment Thomas Romer

There are few robust results in the large empirical literature that attempts to discover the determinants of electoral outcomes. Bad economic conditions are bad for incumbent governments. And usually the longer the government has been in office, the higher the likelihood of its defeat. Both of these patterns emerge in the data explored in the chapter by Alesina, Carloni, and Lecce (henceforth, ACL). But the main goal of the chapter is to see whether certain policy choices—large fiscal adjustments—are systemati-

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cally related to the electoral fortunes of governments that undertake them. And the answer, at least in the econometric results presented here, appears to be that large fiscal adjustments are not “extra costly” politically in ways that are not already captured by the aggregate economic growth and government duration variables.

In trying to understand the connections between economic policies and political behavior by the electorate, it is useful to focus on the inference problems that voters face. A voter who wants to assess a government’s economic performance needs to answer (at least) two very difficult questions: Does the economic situation warrant significant policy change? Will the incumbent government’s policy turn out to be a good one (for whoever the voter thinks is relevant)? Big shifts in fiscal policy of the type that ACL are looking at tend to come after fairly prolonged economic pressures and lots of political maneuvering by interest groups, both domestic and international. Even economics professors can disagree about the need for large fiscal adjustments, how they should be implemented, and what their effects are likely to be.

To the extent that a voter relies on arguments by politicians, whether from those in power or their opposition, there will always be the issue of credibility. Leave aside the obvious point that incumbents always defend their policies and opponents attack them. There may nevertheless be useful information that comes from the ideological reputation of the incumbent government. Loosely speaking, governments on the right are more likely to push for policies that shrink the size of the public sector in good times and bad, for purely ideological reasons. Left-wing governments will usually resist reducing public expenditures. A right-wing government that implements a large fiscal adjustment may just be using the cry of “economic crisis” to adopt its ideologically preferred policy. By contrast, a left-wing government will almost certainly be going against its core ideological position to engage in large fiscal adjustment. Its claim that the painful policy shift was really necessary will be more credible. More voters are likely to tolerate (at least for a while) the costs of the adjustment implemented by the left-wing government.

The panel data estimates of the ACL chapter consider changes in government but do not distinguish between left and right governments. The “Nixon goes to China” argument of the previous paragraph suggests that, other things equal, a left government that undertakes a large fiscal adjustment is more likely to survive than a right government. Because there is no control for government ideology in the specification, we cannot tell from the large-*N* results whether this is so. Since the data include a mix of left and right governments, the results only tell us that on average the probability of government survival is not affected by large fiscal adjustments.

The brief narratives about specific cases do bear out my conjecture. In three of the four countries (Canada, Finland, and Sweden), center-left governments made major reductions in cyclically adjusted deficits (mostly by

big reductions in spending). Though in each case they endured some heavy political weather, they survived. By contrast, in the United Kingdom, the center-right government lost the election after it undertook a large fiscal adjustment.

A slightly closer look at the Canadian case reinforces my point about the importance of credibility.¹ The national government was not alone in having to confront a deteriorating fiscal situation. The provincial governments of Ontario and Saskatchewan were under particular pressure from debt markets to rein in their spending. In both provinces, New Democratic Party (NDP) governments—ideologically to the left of the center-left liberals, who formed the national government—undertook big expenditure reductions. The liberals were not in any case identified ideologically as “small government” types. In light of the provincial experience, when the liberals made big cuts in the national budget, the further-left opposition NDP was in no position to accuse them of using the crisis to achieve ideological fiscal goals.

In the version of the ACL chapter that appears in this volume (revised after the Milan conference), the authors say that they went back and did find “some very weak evidence that left-wing governments are rewarded more than right-wing governments when they reduce deficits [though] the evidence is not very robust.” I of course agree with their later conclusion that this is worth pursuing further, particularly since it provides an avenue for bringing a bit more politics into the study of the political effects of economic policy. Such further analysis will need to control for the possibility that a right government is *more likely* to undertake a large fiscal adjustment than a left government, even though it risks a higher probability of punishment than would a left government.²

Finally, on a narrower point, I note that in some situations, a government can lose considerable support and still squeak through an election. Instead of casting the analysis in terms of the 0–1 outcome of government turnover, it would be interesting to look at a more continuous measure of political support, such as vote shares or seat shares. The specific cases already do this to some extent, but it would be worth looking at the full sample in a more systematic way to get a finer measure of the political cost of large fiscal adjustments.

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1. I am indebted to Redish (2011) for her highly informative account of the Canadian episode.

2. Because adopting the ideologically preferred policy provides benefits to the right-wing party (and its supporters) that offset the increased risk of losing power.