

MASTER THESIS



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**Revisiting the Political Economy of Fiscal  
Adjustments**

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# Abstract

We revisit the political economy of fiscal adjustments within the framework of Alesina, Perotti and Tavares (1998), using a panel that spans from 1970 to 2016 for three different datasets (OECD-19, European Union and Eurozone). Employing both descriptive statistics and regression analysis we support the evidence in existing literature. The success of policies that consolidate the budget are assessed. Panel logit and heteroskedasticity probit evaluate the probability of government's survival after having engaged in tight (loose) fiscal policies. Various economic variables and characteristics of the cabinets are taken into account. The dependent variable used is changes of prime minister or/and change in the ideology of the cabinet. Empirical results suggest that the fiscal variable is insignificant predictor of mentioned changes while other economic variables and adjustment composition dummies are significant predictors.

**Keywords:** Fiscal Adjustments, Spending Cuts, Ideological Orientation, Cabinets' Survival, Logit-Probit, Panel Regressions



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# Chapter 1

## Introduction

Is there any relationship between composition of the adjustment on the one side and both its persistence and its macroeconomic consequences on the other? Does the kind of fiscal policy or the structure of the cabinet affect the probability of that specific cabinet's survival? Economists and prominent academics have devoted a substantial effort to answer these crucial questions, Alesina et al. (1998), Tavares (2004). There are surely even more questions that struggle economists regarding the *political economy of fiscal adjustments*. In general, the term is referred to the relationship between economic and socio-political phenomena. Specifically, we are interested in how political actions affect the economic environment in general and the fiscal stance in particular.

Three decades have almost passed since the first papers dealing with the political economy of fiscal adjustments appeared. The reason was that after the Great Depression, as historical data have shown, many advanced countries had to deal with immense deficits and mounting debts, Alesina and Ardagna (1998) and Alesina Perotti (1995). It was well established at the time that the fiscal performance for most of the countries was a rather complex subject of investigation and fiscal discipline was a major macroeconomic problem. In addition, following the fiscal profligacy of the 1970's, many countries, both developed and developing,<sup>1</sup> acknowledged the unsustainable path of their deficits,

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<sup>1</sup> See Sachs (1985) and Bittencourt (2013).

hence policies that could provide the necessary tools to reduce the deficits were on top of the political agenda, Alesina et al. (1998). The remedy mostly suggested was fiscal contractions, either via spending cuts or revenue increases. Such contractions have provided a wealth of new evidence on the effect of fiscal policy. On those early papers, economists were also trying to identify the factors that favor the persistence of adjustments. Giavazzi and Pagano (1990) showed that there is room for expansionary fiscal policy, contrary to the textbook Keynesian predictions, when examining the consolidations that took place in Denmark and Ireland. They uncovered cases of major fiscal contractions associated with an expansion of output and consumption. The key to success was the size of the deficit cut or, as the authors pointed out, the role of credibility, namely how permanent the initial adjustment was believed to be in order to induce expansionary effects. It is clear that fiscal stance affects the economy not only in a direct way but also through expectations.

When we are talking about fiscal policy the debate almost always reaches stalemate. As the literature is immense so do the different approaches among policymakers. Most economists and social planners cannot agree upon a single solution as regards the fiscal policy that should be followed. This can be understood in the context that each country has its own specific characteristics, institutions<sup>2</sup> and of course because of the different ideologies among incumbents. Thus the possible solution of one policy for all does not seem to work. On the other hand, there must be some regularities that despite of the country under investigation, are common to all countries. Finding the best possible fiscal policy is challenging task, yet very important because this way we minimize macroeconomic distortions. One would argue that the dynamics of the economy make fiscal imbalances unavoidable but, is there any room for political liability?

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<sup>2</sup> See Von Hagen (2005), Hausmann et al (1998).

Does ideology play any role regarding both the frequency of loose (tight) policies and the imbalances generating by those policies?

The textbook Keynesian argument and the conventional wisdom, mentioned above, is that consolidations are contractionary. However, we have to ask whether this is a general pattern or there are exceptions from this seemingly stylized fact. Specifically, under which circumstances is an adjustment expansionary? In addition, it is often believed that policies aiming to reduce deficit are associated with politically charged issues. Thus, politicians are afraid that fiscal adjustments will cause a recession in the short run. Since a recession is a major electoral liability, politicians hesitate to pursue fiscal consolidations. We need to find out if their hesitation is valid.

In the present paper, our main objective is to answer the aforementioned questions and to add on the previous literature. Consequently, we have revisited a seminal paper of Alesina et al. (1998) and we confirm and extend their evidence. We have collected much different data, both economic and politically inclined, in order to construct a database and based on that to give answers to the very same research questions.<sup>3</sup> Both time (T) and cross-sectional (N) dimensions in our database are greater in relation to Alesina et al. (1998). The purpose of the revision lies in the fact that a resurgence of interest is observed regarding fiscal consolidations as a result of the tumultuous years of fiscal policy.

The main results of the paper can be summarized along these lines. First, successful adjustments are based on spending cuts while unsuccessful ones on revenue increases. Second, the macroeconomic environment does not seem to deteriorate after successful adjustments while the opposite is true for unsuccessful adjustments. Third, voters do not punish politicians for engaging in tight fiscal policies whereas they punish them for increases in inflation and unemployment.

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<sup>3</sup> Some of the variables in the database are calculated by the author.

Fourth, adjustments that rely primarily on spending cuts are rewarded by the voters while voters do not reward politicians for revenue based adjustments.

The remainder of the paper proceeds as follows. Section 2 briefly reviews the literature of political economy and fiscal adjustments. Section 3 describes the data and the econometric methodology we adopt. Section 4 presents and discusses the results. Finally, Section 5 summarizes and concludes while Section 6 serves as the Appendix where someone can find all the tables, figures and explanations of the variables.

## Chapter 2

### Literature Review

Fiscal policy has attracted the interest of many researchers. This study is directly relevant to both theoretical and empirical literature of the political economy of fiscal deficits and adjustments. The approach that we adopt here is referred to the advice given by economists to the government on general economic policy or on specific economic proposals. Hence we are not interested in to the term from its infancy but instead we focus on the *new political economy*. That is why we refrain from discussing the early work of Smith and Ricardo with respect to political economy. Recognizing that deficits and concomitant adjustments may accrue for various reasons, in this section we are trying to combine these strands of literature by mapping their evolution with references to influential publications. Consequently, the first part of this section discusses the theoretical literature regarding the topic while in the second sub-section we briefly discuss the empirical contributions.

#### 2.1 Theoretical Developments

Is there a coherent theory that explains governments' deficits? Heterogeneity and conflicts of interest set the underpinnings of the theories that follow.<sup>4</sup> In this context, many models were developed trying to explain the interaction of deficits and politics. In a pioneering work, Nordhaus (1975) and Hibbs (1977) developed

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<sup>4</sup> For an extensive survey of the literature see Eslava (2011) and Drazen (2000).

models in which they examined the trade-off that exists between unemployment and inflation from a different perspective each. Nordhaus states that heterogeneous preferences between voters and politicians create incentive for the latter to manipulate the economy for political profit. Generally speaking, his theory of opportunistic policymakers suggests that irrespective of their ideology, politicians will run deficits in order to get themselves reelected. The notion of “fiscal illusion” (individuals’ misperception of public revenue burden and allocation of expenditures) has been proposed to justify that voter could systematically be fooled, Courant et al. (1979), Winer (1983), Logan (1986). However, Rogoff (1990) and Rogoff and Sibert (1988) showed that even perfectly rational voter would be led by opportunistic deficits because they are not fully informed about the competence of politicians. Shi and Svensson (2006) though, showed that even with fully informed voters, opportunistic deficits would still arise. Drazen and Eslava (2010), present a model in which incumbents manipulate government spending to influence voters.

Contrary to Nordhaus, Hibbs in his partisan cycle hypothesis argues that ideology plays an important role, hence heterogeneous partisan preferences lead some of the politicians to run deficits. Models of strategic deficit use were developed by Alesina and Tabellini (1990) and Alt and Lassen (2006). Notably, Persson and Svensson (1989) predict that only conservative incumbents will run deficits under the assumption that each party will try to tie the hands of opponents-successors.

A third strand of literature suggests that deficits arise because of the heterogeneous preferences across groups of voters. In this line are the theoretical models of Weingast et al. (1981) and Velasco (2000). It has been suggested that distributional conflicts are also responsible for the fact that fiscal adjustments are not adopted even though it is generally admitted that they are necessary, Velasco (1999). Alesina and Drazen (1991) present a model in which stabilizations are



delayed due to war of attrition between different socioeconomic groups. They argue that politicians may agree that a fiscal change is needed but they disagree over the allocation of the burden, hence they postpone it until one side becomes politically dominant.

Finally, there is a plethora of papers concerning the role of budget institutions and other constraints that might influence fiscal outcomes, Hallerberg and Von Hagen (1999), Clark and Hallerberg (2000), Hallerberg et al. (2009). Another important contribution is the one made by Bertola and Drazen (1993) who appraised the role of expectations in shaping current fiscal policies. They argued that a given fiscal policy would be expansionary or contractionary depending on the framework (Keynesian or non-Keynesian) which in turn affects public beliefs.

## **2.2 A Review of Empirical Studies**

In this sub-section we review the empirical validation or disproof of the mentioned theories. In line with the electoral manipulation of fiscal policy (Political Budget Cycles) is the work of Brender (2003), Shi and Svensson (2006), Von Hagen (2006), Arvate et al. (2009). These papers are concentrated either on groups of countries or country level.<sup>5</sup> The determinants of budget deficits and adjustments are well established in the literature, Roubini and Sachs (1989a-b), Alesina et al. (1998), Perotti (1999), Alesina and Ardagna (2010). In the empirical literature, a distinction is made with respect to “new” versus “established” democracies, e.g. Brender and Drazen (2005).

Whether or not deficits and debts are strategically used has also been examined in the literature. Using large panels Franzese (2000), Lambertini (2003), Sutter (2003)<sup>6</sup> and Brender and Drazen (2009) do not find evidence either of strategic

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<sup>5</sup> See Martin-Rodriguez and Ogawa (2017) for studies on municipal level.

<sup>6</sup> Experimental study.

deficits or spending's composition. The lack of evidence is attributed to different political and economic environment of the countries under investigation.

Poterba and Von Hagen (1999) provide an overview on the role of budget institutions in the formation of budget deficits including a series of case studies. The work of Dabla-Norris et al. (2010) is focused on institutions and fiscal performance in developing countries while Tagkalakis (2009) examines the association between labor market institutions and fiscal adjustments. A growing literature concerns the nexus between budget transparency and fiscal discipline, Alt and Lassen (2006), Bestida and Benito (2007). Finally, Lambertini and Tavares (2005) and Jalles et al. (2016) investigate how fiscal consolidations are affected by exchange rate policies and regimes respectively.

# Chapter 3

## Data & Methodology

### 3.1 Data

This paper utilizes various data. The main database with which we conduct the analysis includes information on both economic and political data. Our sample period spans from 1970 to 2016 on annual frequency.<sup>7</sup> The data set covers the 19 most advanced OECD economies.<sup>8</sup> Apart from that, we have also included all the countries in European Union (EU-28). In addition, we are interested in examining the performance of the countries in Eurozone. Eurozone countries constitute a sub-sample of EU-28 countries indicating that some countries belong to all datasets.<sup>9</sup> The purpose of examining the Eurozone-19 countries is to see whether countries that have adopted a common currency display some different pattern.<sup>10</sup> Political data were retrieved from the webpage of Döring and Manow (ParlGov).<sup>11</sup> These data are in accordance with those collected by Alesina et al. (1998) in a sense that both are based on ideology indexes created by Castles and Mair (1984) and Budge et al. (1993). However, Döring and Manow also incorporate data coming from Benoit and Laver (2006), hence some minor discrepancies may

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<sup>7</sup> However, this is an unbalanced panel. Some countries are only included after 1995 due to data availability.

<sup>8</sup> These are the countries used in Alesina et al. (1998).

<sup>9</sup> All countries are Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, the United Kingdom and the United States.

<sup>10</sup> See Gali and Perotti (2003).

<sup>11</sup> <http://www.parlgov.org/>

accrue. Economic data were obtained from International Financial Statistics of IMF. However, regarding the fiscal data, we have also used data taken from Organization for Economic Co-operation and Development, Economic Outlook (2017).<sup>12</sup>

### 3.1.1 Data Description

The main variable of interest is the change in primary balance (CHBAL). Since the purpose of the paper is to study the effects of discretionary fiscal policy on the probability of governments' survival, interest payments are excluded because interest rates are not under the direct control of governments. We measure the balance as a share of GDP. The fact that our variables are on annual frequency and because there is no single way to calculate the corrected for the cycle series, we have used the uncorrected measure for balance.<sup>13</sup> An argument in favor of using the unadjusted measure is that voters may not be able to distinguish between discretionary policies and cyclical effects of the budget. The other economic variables used both in descriptive statistics and in regression analysis are self-explanatory<sup>14</sup>.

Regarding the political data in general and the types of cabinet in particular, we are interested in several characteristics of the cabinet. We distinguish between single party (SING) and coalition cabinets (COAL); whether it is supported by a majority in parliament (MAJ) or minority (MIN); the number of years in power (DURAT). In order to consider the electoral consequences of fiscal policy, we need to define instances when there is a change in government. A government termination (TERM), is any instance in which a government ends. We do not care if termination occurred by means of elections or cabinet reshuffle. It is

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<sup>12</sup> Alesina et al. (1998) used data from Economic Outlook, 1997.

<sup>13</sup> However, the results do not change qualitatively when the adjusted measure is used.

<sup>14</sup> Details of data are provided in Appendix I, Section 6.

nevertheless obvious that a government termination may or may not lead to a change in government.<sup>15</sup> Two overlapping types of change in government are considered: a change of Prime Minister (PMCH) and a change in the ideological orientation of the cabinet (IDEOCH). Even though changes of prime minister are more frequent than changes in ideology, the latter are not a subset of changes of prime minister. It is possible for example, the same prime minister to lead two successive coalition cabinets where their composition is quite different and hence to correspond to different ideological cluster. The combination of PMCH and IDEOCH gives us a new variable (ALLCH). The number of positive values of ALLCH is subsequently by definition greater than for either PMCH or IDEOCH and smaller than the all-encompassing TERM variable.

In order to isolate large adjustments that rely either on spending cuts or on revenue increases, two more variables are needed to be defined. Spending based adjustments (PEXP) defined as those that must satisfy two conditions. First, an adjustment should take place, and also the cut in total public expenditures is larger than the median cut in expenditures for the sample of adjustments years. These two conditions must simultaneously apply. Accordingly, the corresponding dummy for adjustments that rely mostly on the revenue side via revenue increases (PREV) must satisfy the following conditions: again, a fiscal adjustment occurs and the increase of total public revenues is greater than the median increase in revenues for the sample of adjustment years.

### **3.1.2 Definitions**

We focus on large episodes of fiscal consolidation (or fiscal adjustments). That is because our analysis is heavily based either on the direct effect of adjustments in the economy or in reelection prospects. We define a year of tight fiscal policy as

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<sup>15</sup> For example, after an election the exact same cabinet is in power as before. This is just a termination affecting neither the prime minister nor the ideology of the cabinet.

a year when the ratio of primary balance to GDP increases by at least 1.5 percentage points.<sup>16</sup> An adjustment can either be characterized as successful or unsuccessful. In general, successful adjustments are associated with the persistence, hence we define success in relation to the persistence of the balance increase. Thus a successful adjustment must satisfy one of the following two conditions: either, in the three years after the tight year, the ratio of the primary balance to GDP is on average at least 2 percentage points above its level in the tight year; or three years after the year of adjustment, the debt-to-GDP ratio is at least 5 percentage points below its level in the adjustment year. If neither of the conditions is met, the adjustment is unsuccessful. Therefore, only three years after the year of adjustment we can categorize between successful and unsuccessful adjustments.<sup>17</sup> Even though these definitions are extensively used in the literature, we also employ some minor variations of these definitions.<sup>18</sup>

In the previous sub-section we defined a variable that measures changes in the ideology of the cabinet (IDEOCH). Probably, what constitutes an ideological change is somehow more obscure than what we define as a change in the prime minister. We have adopted a measure commonly used by political scientists.<sup>19</sup> However, the classification adopted here is slightly different. In our data, each party is classified on a left-right spectrum according to its ideology. Ideology is measured by political scientists (expert judgments) and it takes values ranging from one to ten.<sup>20</sup> Concerning cabinets consisting of two or more parties, their

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<sup>16</sup> For example, if we have a balance of minus 2% in year  $t$ , we need a balance of at least minus 0.5 in the  $t+1$  year to be regarded as an adjustment.

<sup>17</sup> When successful or unsuccessful adjustments are taken into account in the following section, the time period stops at 2013.

<sup>18</sup> Apart from the definitions discussed above we also consider successful adjustments in the following cases: i) only the balance improvement holds (Balance) ii) only the reduction in debt-to-GDP ratio holds (Debt) iii) both conditions hold simultaneously (Strict). Four definitions in total.

<sup>19</sup> This is also what has been followed by Alesina et al. (1998).

<sup>20</sup> A value of one indicates parties to the far-left of political spectrum and ten to far-right.

ideology is a weighted average of the different parties that hold ministerial posts.<sup>21</sup> If the composition of the cabinet is sufficiently changed, then we register an ideological change.<sup>22</sup>

Another important data issue that we encountered is the time of changes in government. We had to synchronize changes in government within the calendar year and the fiscal year. The problem that arises is the following: should a government termination that takes place in March of year  $t$ , to be regarded responsible for the fiscal variables of year  $t$  or  $t-1$ ?<sup>23</sup> We have adopted the following simple convention: the electoral period is moved half a year relative to the fiscal data. For example, terminations occurring from July 1 up to December 31 of year  $t$  are considered to fall in calendar year  $t$ ; while each termination that occurs between January 1 of year  $t$  and June 30 of the same year is considered to fall in calendar year  $t-1$ . To put it differently, the fiscal policy of year  $t$  is regarded as a determinant of government collapses from July 1 of year  $t$  to June 30 of year  $t+1$ . Thus in our example, the termination that took place on March of year  $t$ , coincides with fiscal year  $t-1$ . Whenever we had to deal with more than one cabinet terminations in a given year we applied similar rules as in Alesina et al. (1998).<sup>24</sup>

### 3.2 Econometric Methodology

When the dependent variable is in binary form (dummy variable) some of the OLS assumptions do not hold, hence a different methodology should be used. There are several models in which the regressand itself is qualitative in nature. Qualitative response regression models pose interesting estimation and

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<sup>21</sup> Weights are the Members in Parliament for each party.

<sup>22</sup> For a more detailed exposition of our procedure, see description under IDEOCH, Appendix I.

<sup>23</sup> This choice clearly has implications for the correspondence between fiscal policies and the government changes that are seen as a response to those policies.

<sup>24</sup> When two or more terminations take place in the same year, the cabinet that survived the longest is considered responsible for that specific year.

interpretation challenges. Such models are both Logit and Probit. This kind of models are known as limited dependent variable models. Contrary to the Linear Probability Models (LPM) where the probability of an event occurring,  $P_i$ , is linearly related to the other explanatory variables, both Logit and Probit relate the same probability in a non-linear fashion using different cumulative distribution function each. The reason we do not use LPM is that they have some drawbacks which are overcome by limited dependent variable models.<sup>25</sup> In the present paper, we have employed panel Logit and heteroskedasticity Probit.

Logit model uses the logistic distribution function in order to achieve the aforementioned non-linear relation. Consider the case where we use the LPM<sup>26</sup>:

$$Y_i = \alpha_1 + \alpha_2 x_{2i} + \alpha_3 x_{3i} + \dots + \alpha_k x_{ki} + u_i \quad (3.1)$$

and the probability is given by:

$$P_i = E(Y = 1|X_i) = \alpha_1 + \alpha_2 x_{2i} + \alpha_3 x_{3i} + \dots + \alpha_k x_{ki} \quad (3.2)$$

Now consider the following representation:

$$P_i = E(Y = 1|X_i) = \frac{1}{1 + e^{-(\alpha_1 + \alpha_2 x_{2i} + \alpha_3 x_{3i} + \dots + \alpha_k x_{ki})}} \quad (3.3)$$

For ease of exposition, we write (3.3) as:

$$P_i = \frac{1}{1 + e^{-Z_i}} = \frac{e^{Z_i}}{1 + e^{Z_i}} \quad (3.4)$$

Where  $Z_i = \alpha_1 + \alpha_2 x_{2i} + \alpha_3 x_{3i} + \dots + \alpha_k x_{ki}$ .

Equation (3.4) represents what is known as the (cumulative) logistic distribution function. From (3.4) we can verify that as  $Z_i$  ranges from  $-\infty$  to  $+\infty$ ,  $P_i$  ranges between 0 and 1 and that  $P_i$  is nonlinearly related to  $Z_i$ .

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<sup>25</sup> For example, LPM produce fitted probability values that do not always range between 0 and 1. Thus we may face either negative probability or a probability greater than one. Logit and Probit models produce probabilities that lie always in the [0,1] interval.

<sup>26</sup> Model (3.1) looks like a typical linear regression model but because the regressand is binary, it is called Linear Probability Model. We can estimate LPM with the usual OLS procedures.



Heteroskedasticity Probit employed in order to take account for the heteroskedasticity (H/S) that it may be present in our sample. Limited dependent variable models are estimated by maximum likelihood but H/S renders maximum likelihood estimator inconsistent.<sup>27</sup> However, if we do not ignore the H/S, we can obtain consistent estimations. This newly developed method incorporates in the likelihood function, that we are about to maximize, the scale parameter  $\sigma$ . The variance is no longer fixed at one but can vary as a function of other variables. These other variables can either be among the standard explanatory variables or variables that we have reason to believe that can explain the heterogeneity among the countries. Thus, inflation and gross public debt were used in our regressions to capture the H/S.

The reason we used these models lies in the fact that since our purpose is to examine the probability of governments' survival, the dependent variable used is either ALLCH or IDEOCH which are both dummy variables taking the value of one each time a change occurs. Our baseline model correlates fiscal policy with frequency of change in government. Formally, we estimate<sup>28</sup>:

$$\begin{aligned}
 &Pr(ALLCH \text{ or } IDEOCH = 1) \\
 &= \alpha_1 + \alpha_2 CHBAL + \alpha_3 \Delta GDP + \alpha_4 \Delta UNR + \alpha_5 INFL + \alpha_6 DURAT \\
 &+ \alpha_7 COAL + \alpha_8 MIN + \alpha_9 MAJ + error
 \end{aligned}$$

Apart from the fiscal variable (CHBAL), we introduce three macroeconomic indicators as independent variables, GDP growth ( $\Delta GDP$ ), the growth rate of the unemployment rate ( $\Delta UNR$ ) and the inflation rate (INFL). These are the standard macroeconomic variables considered in the literature on the determinants of voting behavior.<sup>29</sup> In addition, some already mentioned cabinets'

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<sup>27</sup> Greene (2003).

<sup>28</sup> For explanations of all variables, see Appendix I.

<sup>29</sup> See Powell and Whitten (1993) and Lewis-Beck and Stegmaier (2000).

characteristics are included in our model that may affect the likelihood of political survival.

In Logit and Probit models the interpretation of the estimated coefficients is not obvious, as it is in LPM. That is why we proceed by using the marginal effects. The latter yield a single value for a one percent change in the explanatory variables. Specifically, we make use of the Marginal Effects at the Mean (MEM) of all regressors in all of our regressions.

Because of the panel structure of our data we have to make a decision regarding the fixed or random effects that are going to be applied. That is whether or not the country specific error is uncorrelated with the regressors. If the condition holds and the error is indeed uncorrelated then random effects estimator is more efficient than fixed effects. On the contrary, if the error is correlated, fixed effects estimator is consistent and hence preferable. For this reason the Hausman test for fixed versus random effects was used. In essence, the test is designed to compare the two coefficients and to detect differences between them. In most cases, the test yields a p-value $<0.05$  indicating that fixed effects should be used. Although the estimated coefficients are qualitatively the same between fixed and random effects, one more reason in favor of using fixed effects is our intuition. Our panels consist of many countries, hence the heterogeneity is possible fixed across entities and not random as if we had many individuals. Thus, in the following sections we present results based only on fixed effects between the two.

# Chapter 4

## Empirical Results

### 4.1 Preliminary Analysis

In the first part of the analysis we display some interesting empirical regularities, which, although in the nature of simple correlations, we find rather informative. The results presented in this section are based on the same definition of successful adjustments as in Alesina et al. (1998) and were carried out using data from IMF.<sup>30</sup> However, results from both the other three definitions that we mentioned earlier (footnote 18) and estimations based on OECD data are presented in Appendix II. Tables 1.1-1.2-1.3 present means for successful and unsuccessful adjustments for our three datasets. The variables that we are interested in are the change in balance (CHBAL) and the two main components that are likely to affect the balance: change in public expenditures (CHEXP) and change in public revenues (CHREV). Each table is divided into three divisions: Full sample (1970-2013), a sub-sample from 1970 up to 1995 and another starting at 1996 up to 2013.<sup>31</sup> <sup>32</sup> In these tables, the years 2014-2016 are excluded, since the success or not of an adjustment cannot be determined until three years after its occurrence.

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<sup>30</sup> The definition is the one that we gave in the 3.1.2 Section.

<sup>31</sup> There are two reasons for this division. First, the sample used in Alesina et al. (1998) stops in 1995, hence our intention is to see whether the results are affected after expanding the T-dimension. Second, the date 1995 somehow coincides with fiscal policy constraints established by the Maastricht Treaty and the Stability and Growth Pact. Thus, restricting the analysis to both sub-sample enables comparison between them.

<sup>32</sup> When examining Eurozone countries, the division we make is before and after the adoption of the common currency. This was achieved by country dummies that take the value of one after

**Table 1.1 Composition of Successful and Unsuccessful Adjustments.**

Percentage points of GDP

Sample (EU-28)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	63	3.12	-2.15	0.73
Successful adjustments(1970-1995)	26	2.96	-1.44	1.13
Successful adjustments(1996-2013)	37	3.23	-2.59	0.46
Unsuccessful adjustments	112	2.69	-1.37	1.08
Unsuccessful adjustments(1970-1995)	48	2.60	-0.38	1.84
Unsuccessful adjustments(1996-2013)	64	2.76	-2.08	0.51

**Table 1.2 Composition of Successful and Unsuccessful Adjustments**

Percentage points of GDP

Sample (Eurozone)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	28	3.55	-2.98	0.57
Successful adjustments(pre-euro)	23	2.84	-2.31	0.59
Successful adjustments(euro era)	5	6.84	-6.06	0.44
Unsuccessful adjustments	83	2.66	-1.30	1.09
Unsuccessful adjustments(pre-euro)	59	2.73	-1.21	1.18
Unsuccessful adjustments(euro era)	24	2.48	-1.52	0.84

**Table 1.3 Composition of Successful and Unsuccessful Adjustments**

Percentage points of GDP

Sample (OECD-19)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	62	2.80	-1.75	0.95
Successful adjustments(1970-1995)	33	2.41	-0.99	1.2
Successful adjustments(1996-2013)	29	3.24	-2.59	0.66
Unsuccessful adjustments	81	2.55	-0.69	1.59
Unsuccessful adjustments(1970-1995)	47	2.47	0.14	2.14
Unsuccessful adjustments(1996-2013)	34	2.67	-1.82	0.82

the adoption of euro and there are specific for each country. For example, for most of the countries starts after 1998 but for Greece after 2001, for Malta after 2007 etc.

We observe that in successful adjustments the balance improvement is greater than in unsuccessful adjustments, e.g. in Eurozone countries for the period after the adoption of euro the value of 6.84 is much greater than 2.48. However, apart from the size, a more informative result is that spending cuts are more intense in successful adjustments than in unsuccessful, while revenue increases display the exact opposite pattern. These might indicate that composition matters regarding the success or not of the adjustment. Hence not only successful fiscal adjustments achieve greater balance improvement, but this improvement is based on spending cuts. The aforementioned results apply to both the whole sample and in the two sub-samples. It is also evident that the results are qualitatively the same irrespective of the dataset. Another resulting observation is that OECD-19 countries undertake almost equal number of successful and unsuccessful adjustments (62 and 81 respectively) while in both EU-28 and Eurozone countries unsuccessful adjustments are by far more than successful ones.

Table 2 shows the composition of spending cuts between successful and unsuccessful adjustments. We tried to include as many as possible variables that constitute the expenditures. One of our findings is that, irrespective of the dataset, it seems that successful adjustments are characterized by greater government wage (CHCGW) cuts while the unsuccessful ones by greater cuts in public investment.<sup>33</sup> Moreover, social security (CHSOC) cuts are more intense in successful adjustments. An interesting observation is that changes in transfers and subsidies are positive in successful adjustments for EU-28 and Eurozone countries whereas the same changes are negative in OECD-19 countries. From the discussion so far it is evident that even if voters dislike high spending governments this apostrophe is not independent of the composition of spending.<sup>34</sup>

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<sup>33</sup> See Von Hagen et al. (2001), Alesina et al. (1998).

<sup>34</sup> See Brender (2003), Drazen and Eslava (2010).

**Table 2. Composition of Expenditure Cuts in Successful and Unsuccessful Adjustments**

Percentage points of GDP

Sample (EU-28)	Number of observations	CHEXP	CHDEF*	CHSAF*	CHHEA*	CHSOC*	CHCGW	CHTRF & CHSUB	CHINV
Successful adjustments	63	-2.15	-0.14	-0.03	-0.08	-0.62	-0.37	0.93	-0.15
Unsuccessful adjustments	112	-1.37	-0.07	-0.08	-0.10	-0.21	-0.25	0.54	-0.21
Sample (Eurozone)									
Successful adjustments	28	-2.98	-0.10	-0.09	-0.08	-0.58	-0.37	1.88	-0.26
Unsuccessful adjustments	83	-1.30	-0.07	-0.05	-0.10	-0.28	-0.25	0.93	-0.21
Sample (OECD-19)									
Successful adjustments	62	-1.75	-0.10	-0.03	-0.11	-0.60	-0.30	-0.98	-0.18
Unsuccessful adjustments	81	-0.69	-0.09	-0.05	-0.08	-0.19	-0.20	1.10	-0.22

\*. Data for these variables start after 1985 in most cases.

One of our introductory questions evoked the macroeconomic consequences of fiscal stabilizations. The conventional wisdom is that fiscal consolidations are always contractionary. Tables 3.1-3.2-3.3 cast doubt on the mentioned assertions. They present means on macroeconomic variables before, during and after both successful and unsuccessful adjustments.<sup>35</sup> First, by looking at the unconditional GDP growth and the rate of growth relative to the G7 countries, we observe that before the adjustments these rates are in a lower level in successful adjustments than in unsuccessful ones while for the period after the adjustments the same rates display higher values in successful adjustments than in unsuccessful ones.<sup>36</sup> It seems that the pattern has been reversed. In addition, unemployment rate (both unconditional and relative to the G7 countries) has a greater value before successful adjustments in relation to before the unsuccessful ones whereas is decreased at a higher pace after successful than after unsuccessful adjustments. The discussed results suggest that the underpinnings of a successful adjustments are neither the rapid growth before the adjustments nor the low unemployment rate. Instead, after successful consolidations we observe that the economy is expanding and the unemployment has been significantly decreased. Moreover, public investment as a share of GDP in successful adjustments is much larger than in unsuccessful adjustments. On the contrary, the pattern of consumption is less striking as successful adjustments achieve a lower level of private consumption relative to unsuccessful ones. Finally, it is evident that there are crucial differences regarding trade balance. The latter is always negative for unsuccessful adjustments and positive for successful ones indicating that adjustments that succeed cultivate a fruitful environment for exports.

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<sup>35</sup> Period before a year  $t$  of adjustment comprises years  $t-2$  and  $t-1$  while period after comprises years  $t+1$  and  $t+2$ .

<sup>36</sup> See Alesina et al. (2015).

**Table 3.1 Macroeconomic Indicators Before, During and After Adjustments**

Percentage points

Sample (EU-28)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	1.88	3.63	3.28	2.37	3.28	2.29
$\Delta$ GDPg7	-0.52	1.22	0.87	-0.04	0.88	-0.11
UNR	9.92	9.68	9.14	8.18	8.26	8.11
UNRg7	3.22	2.98	2.44	1.48	1.56	1.41
$\Delta$ INV	-0.01	0.026	0.043	0.01	0.012	-0.003
$\Delta$ CONS	6.79	6.09	6.06	5.63	5.98	5.33
TB	0.41	1.39	1.04	-1.30	-0.93	-0.69

Notes: For sources of all data and explanations of all variables, see Appendix I.

**Table 3.2 Macroeconomic Indicators Before, During and After Adjustments**

Percentage points

Sample (Eurozone)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	1.35	3.44	3.21	2.66	3.44	2.25
$\Delta$ GDPg7	-1.05	1.03	0.80	0.25	1.03	-0.16
UNR	11.1	11.0	10.2	8.26	8.37	8.15
UNRg7	4.44	4.31	3.52	1.56	1.67	1.45
$\Delta$ INV	-0.026	0.024	0.031	0.01	0.008	-0.008
$\Delta$ CONS	4.26	4.30	4.78	5.90	6.25	5.43
TB	0.73	1.89	1.17	-1.36	-0.95	-0.54

Notes: For sources of all data and explanations of all variables, see Appendix I.

**Table 3.3 Macroeconomic Indicators Before, During and After Adjustments**

Percentage points

Sample (OECD- 19)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	2.38	3.44	3.14	2.29	2.79	2.19
$\Delta$ GDPg7	-0.03	1.03	0.73	-0.11	0.38	-0.21
UNR	8.38	8.01	7.28	7.19	7.35	7.32
UNRg7	1.68	1.31	0.58	0.49	0.65	0.62
$\Delta$ INV	0.00	0.026	0.033	0.006	0.009	-0.00
$\Delta$ CONS	4.15	3.67	4.32	5.76	6.15	5.66
TB	2.39	3.38	3.24	-1.02	-0.65	-0.42

Notes: For sources of all data and explanations of all variables, see Appendix I.



The general picture is that the macroeconomic environment does not seem to deteriorate after successful adjustments and the economy performs better than after unsuccessful adjustments. Thus we can infer that fiscal consolidations are not always recessionary. These results are quite robust to the different definitions of success and the database used.

Some interesting regularities emerge concerning the relationship between the initial level of debt and the probability of experience a fiscal adjustment. It has been stated that “fiscal stress” is a potential determinant of the effect of fiscal policy. By this we mean that politicians may conduct the appropriate policies when things turn to be really bad.<sup>37</sup> It seems that this is a pretty possible explanation. The average level of debt on the adjustment year and the average change in debt in the three years before an adjustment is presented in tables 4.1-4.2-4.3. Both the full sample and the sub-samples of successful and unsuccessful adjustments are displayed. We also divide the sample into two parts: one up to 1995 and another thereafter.<sup>38</sup> The emerging pattern suggests that successful adjustments tend to be undertaken when both public debt and the cumulated change of debt are high. Thus we infer that as the fiscal environment deteriorates, the more likely an adjustment will be successful. These findings apply to all three datasets and they are robust to the different definitions of successful adjustments. Existing literature also supports such claims, Von Hagen et al. (2002); Gupta et al. (2004). It is also noticeable that in the 1996-2013 sub-sample the levels of debt are rather higher than in the first sub-sample and especially if we restrict our analysis to Eurozone countries we see that after the adoption of the euro, debt reaches unprecedented levels.

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<sup>37</sup> For a recent discussion on the relation between debt and politics see Alesina and Passalacqua (2017) while for models concerning the relationship between crises and reforms see Drazen and Grilli (1993) and Drazen and Easterly (2001).

<sup>38</sup> See footnotes 31 and 32.

**Table 4.1 Average Debt at Start of Successful and Unsuccessful Adjustments**

Percentage points of GDP		
Sample (EU-28)	DEBT	CHDEBT
All observations	54.21	2.78
All observations(1970-1995)	49.31	2.93
All observations(1996-2013)	57.74	2.68
Successful adjustments	62.92	2.86
Successful adjustments(1970-1995)	64.50	3.63
Successful adjustments(1996-2013)	61.77	2.36
Unsuccessful adjustments	49.31	2.73
Unsuccessful adjustments(1970-1995)	40.73	2.53
Unsuccessful adjustments(1996-2013)	55.47	2.86

**Table 4.2 Average Debt at Start of Successful and Unsuccessful Adjustments**

Percentage points of GDP		
Sample (Eurozone)	DEBT	CHDEBT
All observations	56.08	3.47
All observations(pre-euro)	48.31	2.80
All observations(euro era)	78.85	5.35
Successful adjustments	69.19	5.27
Successful adjustments(pre-euro)	62.90	3.62
Successful adjustments(euro era)	99.43	12.86
Unsuccessful adjustments	51.61	2.86
Unsuccessful adjustments(pre-euro)	42.58	2.48
Unsuccessful adjustments(euro era)	74.56	3.78

**Table 4.3 Average Debt at Start of Successful and Unsuccessful Adjustments**

Percentage points of GDP		
Sample (OECD-19)	DEBT	CHDEBT
All observations	60.65	3.62
All observations(1970-1995)	50.05	3.29
All observations(1996-2013)	74.95	4.03
Successful adjustments	64.04	4.63
Successful adjustments(1970-1995)	58.98	4.80
Successful adjustments(1996-2013)	70.16	4.45
Unsuccessful adjustments	58.07	2.84
Unsuccessful adjustments(1970-1995)	43.81	2.21
Unsuccessful adjustments(1996-2013)	79.04	3.66

Moving on, one of our objectives was to investigate which types of cabinet are more likely following tight or loose fiscal policies. Thus, we now turn to examine the relationship between various party structures and aforementioned fiscal outcomes. In particular, we are interested in deficit reduction policies. The next tables are constructed in accordance with Alesina et al. (1998), however in Appendix II, we have included changes from all definitions of successful adjustments. Though the following tables present the frequency of cabinet's ideology with respect to the kind of fiscal policies that were followed, Appendix II also includes frequency of prime minister's ideology and ideology of the most powerful party in the parliament.<sup>39</sup> Tables 5.1-5.2-5.3 summarize the results. The first column of each table identifies the frequency of government characteristics. The entry 0.30 in the first table, for example, identifies the frequency of single party cabinets in European Union's countries for the period 1970-2013. Once again the 2014-2016 period is excluded because, as we have already said, the success or not of an adjustment cannot be determined until three years after its occurrence. The first entry in the second column of each table reports the relative frequency with which the cabinets of this type (single party cabinets) pursue loose policies. Thus in our example, single party cabinets in European Union follow loose policies 18% of their time in power while they devote 20% of their time conducting tight policies.<sup>40</sup> In their remaining time in office they do not engage in either tight or loose fiscal policies but instead they manage to achieve relative stable changes in fiscal balance (CHBAL) over years.<sup>41</sup> The other entries may be

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<sup>39</sup> A powerful party is defined as the one with the most members in parliament. This distinction is made because the prime minister does not always belong to the party with the most members in parliament, hence the three sets are distinct. However, there is relatively high correlation among the sets.

<sup>40</sup> A loose year is one in which the ratio of primary balance to GDP falls by at least 1.5 percentage points ( $CHBAL \leq -1.5$ ) whereas a tight year is one in which the same ratio increases by at least 1.5 percentage points (that is, an adjustment year, as defined in section 3.1.2).

<sup>41</sup> Changes in balance that are less than 1.5 percentage points in absolute values.

interpreted in a similar way. In general, it is obvious that the structure of the cabinet does not play an important role regarding the frequency of loose and tight fiscal policies. The values of loose and tight years are almost equal between SING and COAL cabinets. In addition, neither the ideological orientation seems to have much influence on the kind of fiscal policy. What is clear from the tables is that coalition cabinets are more frequent than single party cabinets, especially in EU-28 dataset ( $0.30 < 0.70$ ) and even more in the sub-sample of Eurozone countries ( $0.27 < 0.73$ ). Even in OECD-19 countries a coalition cabinet is more frequent than a single party government ( $0.45 < 0.55$ ). This is a worth discussing result because in Alesina et al. (1998), who examined only the OECD-19 countries, the corresponding values for SING and COAL were 0.53 and 0.47 respectively. It seems that there is a tendency towards coalition cabinets in the most recent years. Whether this manifests that parties acknowledge that via cooperation fiscal targets can more easily be achieved is an open issue. The tables also indicate that left-wing cabinets are infrequent in all three datasets. The last two columns of each table show the probability of success, namely the ratio of successful adjustments to the total number of tight policies. These columns break down the values of the third column. For example the entry 0.43 suggests that from the 0.20 tight policies, 43% are successful while the remaining 57% are unsuccessful. Moreover, single party cabinets are more likely to achieve successful consolidation in EU-28 and OECD-19 countries whereas Eurozone countries struggle to achieve successful consolidations irrespective of the structure of the cabinet.<sup>42</sup>

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<sup>42</sup> See Tsebelis and Chang (2004) for a discussion with respect to veto players and composition of the budget.

**Table 5.1 Frequency of Loose and Tight Fiscal Policies, by Cabinet Type**

Frequency					
Sample (EU-28)		Relative frequency of fiscal extremes		Relative frequency of success in tight years <sup>c</sup>	
Cabinet type	Frequency of cabinet type in all observations				
		Loose years	Tight years	Successful	Unsuccessful
SING	0.30	0.18	0.20	0.43	0.57
COAL	0.70	0.18	0.19	0.36	0.64
RIGHT	0.39	0.18	0.19	0.39	0.61
CENTER	0.38	0.17	0.19	0.31	0.69
LEFT	0.23	0.17	0.18	0.46	0.54

**Table 5.2 Frequency of Loose and Tight Fiscal Policies, by Cabinet Type**

Frequency					
Sample (Eurozone)		Relative frequency of fiscal extremes		Relative frequency of success in tight years <sup>c</sup>	
Cabinet type	Frequency of cabinet type in all observations				
		Loose years	Tight years	Successful	Unsuccessful
SING	0.27	0.16	0.20	0.22	0.78
COAL	0.73	0.17	0.17	0.28	0.72
RIGHT	0.37	0.15	0.18	0.29	0.71
CENTER	0.44	0.17	0.18	0.26	0.74
LEFT	0.19	0.15	0.15	0.19	0.81

**Table 5.3 Frequency of Loose and Tight Fiscal Policies, by Cabinet Type**

Frequency					
Sample (OECD-19)		Relative frequency of fiscal extremes		Relative frequency of success in tight years <sup>c</sup>	
Cabinet type	Frequency of cabinet type in all observations	Loose years	Tight years	Successful	Unsuccessful
SING	0.45	0.18	0.18	0.50	0.50
COAL	0.55	0.18	0.17	0.40	0.60
RIGHT	0.43	0.18	0.16	0.46	0.54
CENTER	0.33	0.16	0.19	0.40	0.60
LEFT	0.24	0.19	0.18	0.50	0.50

Before we proceed discussing regression analysis' results, Table 6 presents the relative frequency of the variables that we defined in order to consider the electoral consequences of fiscal policies. These variables are TERM, ALLCH, PMCH and IDEOCH. The positive values (means) of these dummies are presented for the full samples and for either before and after 1995 or before and after the adoption of euro. However in Appendix II, someone can find the same frequencies for each country separately. As it was expected, the values of TERM are always greater than those of the other dummies. Respectively, the values of ALLCH are higher or at least equal to PMCH or IDEOCH. When ALLCH is equal to either PMCH or IDEOCH it means that either PMCH is a sub-sample of IDEOCH or vice versa. Though in full sample (1970-2016) the variables have almost identical values among datasets, some discrepancies emerge when we split the samples, especially if we concentrate in the recent past. First, in the period 1996-2016 fewer terminations and changes take place in OECD-19 countries, e.g.  $0.48 > 0.38$ ,  $0.32 > 0.23$  etc. Furthermore, this is also the case for Eurozone countries after the implementation of the common currency, e.g.  $0.46 > 0.40$ ,  $0.32 > 0.26$  etc. These findings may denote that the more advanced and integrated an economy is, a more stable political environment is cultivated leading to fewer changes.

Out of 619 terminations, 456 belong to EU-28, 317 to Eurozone and 367 to OECD-19 countries.<sup>43</sup> The country with the most terminations (33) in absolute terms is Italy. However, these terminations occurred during 48 years, thus Latvia is the country with the most terminations in relative values, 18 in 22 years (TERM=0.82). On the other hand, the countries with the least terminations are Luxemburg, United States and Germany with 8, 12 and 13 respectively. Once more, Italy comes first with respect to the highest number of changes of prime

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<sup>43</sup> The sum of terminations from each dataset is above 619 because the countries are overlapping.

ministers (25) while Poland is first in relative values, 15 prime minister's changes during 28 years.

**Table 6. Frequency of Government Terminations and Cabinet Changes**

Frequency	TERM	ALLCH	PMCH	IDEOCH
<hr/>				
Full sample				
European Union	0.45	0.31	0.27	0.17
Eurozone	0.44	0.30	0.26	0.16
OECD-19	0.43	0.28	0.25	0.15
<hr/>				
1970-1995				
European Union	0.48	0.33	0.29	0.17
OECD-19	0.48	0.32	0.28	0.17
<hr/>				
1996-2016				
European Union	0.43	0.29	0.25	0.17
OECD-19	0.38	0.23	0.21	0.14
<hr/>				
Eurozone				
Pre-euro era	0.46	0.32	0.28	0.15
Euro era	0.40	0.26	0.22	0.16

Notes: For source of all data and explanations of all variables, see Appendix I. For each dataset, table gives the mean of a given dummy variable across all years in the sample.

## 4.2 Fiscal Adjustments and the Probability of Change in Government

Having examined some regularities in the data it is now time to turn our attention to regression analysis. The view that voters penalize fiscal consolidations and may reward politicians for their competence, materialized through high levels of spending, is almost traditional and has been embraced in the literature. However, recent empirical findings suggest that the share of votes is diminishing and consequently the outcome of elections do not favor incumbents who have adopted loose fiscal policies.<sup>44</sup> Instead, the opposite seems true. Our main objective is to determine the effect of a change in fiscal variable (CHBAL) on the probability of

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<sup>44</sup> See Alesina et al. (2011).



a cabinet's survival. In order to be able for such an endeavor, various characteristics of the cabinet and economic variables were taken into account. The baseline model has already been discussed in 3.2 section. The tables that follow present estimations of logit and probit specifications.<sup>45</sup> Following Alesina et al. (1998), we present two measures of changes in government: the broadest measure, ALLCH, and the more restricted IDEOCH. In tables 7 through 11 we estimate our baseline model using three models: Pooled Logit, Fixed Effects Logit and Heteroskedasticity Probit.<sup>46</sup> Each table is divided into three panels, one for each dataset. Accordingly, each panel has the three different specifications as its columns. Table 7 presents results for the full sample (1970-2016). The coefficients of fiscal variable (CHBAL) are always statistically insignificant. Apart from that, the same coefficients always display a negative sign. This indicates that as governments improve their balance, the probability of being replaced is decreased. We not only conclude that there is no evidence of a positive relationship between fiscal profligacy and longer survival in office but also this relationship seems to be negative. This result applies in all of our three datasets. Our fiscal variable is interpreted as follows: if its coefficient is positive it means that an increase in balance would lead to more changes in either prime minister or ideological orientation of the cabinet. On the other hand, a negative coefficient would imply that as we incur surpluses the probability of being replaced is decreased.

The coefficients of both inflation and unemployment display the expected positive values and there are statistically significant in most cases, suggesting that as these variables increase, the probability of a change increases as well. Specifically,

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<sup>45</sup> In this section, however, results are based on IMF data while those estimated using OECD data are cited in Appendix II.

<sup>46</sup> However, in HET columns we used gross debt to capture the variance. Results using inflation to capture the variance and those having IDEOCH as dependent variable can be found in Appendix II.

**Table 7. Logit Regression Predicting Cabinet Changes, Whole Sample**

Independent variable	Dependent variable: ALLCH								
	European Union(28)			Eurozone(19)			OECD(19)		
	Pooled	F.E.	HET	Pooled	F.E.	HET	Pooled	F.E.	HET
CHBAL	-0.029 (-0.79) -0.006	-0.028 (-0.64) -0.006	-0.020 (-0.74) -0.006	-0.004 (-0.10) -0.001	-0.004 (-0.07) -0.001	-0.008 (-0.27) -0.002	-0.003 (-0.08) -0.001	-0.003 (-0.07) -0.001	-0.011 (-0.31) -0.002
ΔGDP	-0.006 (-0.16) -0.001	-0.005 (-0.16) -0.001	0.002 (0.08) 0.001	0.040 (1.04) 0.008	0.039 (1.23) 0.008	0.034 (1.17) 0.009	0.023 (0.42) 0.004	0.022 (0.44) 0.004	0.041 (0.90) 0.009
ΔUNR	0.032 (0.48) 0.006	0.031 (0.39) 0.006	0.030 (0.70) 0.010	0.148* (1.85) 0.030	0.143* (1.78) 0.028	0.097* (1.74) 0.026	0.274** (2.49) 0.051	0.267*** (2.61) 0.046	0.234** (2.25) 0.049
INFL	0.040*** (2.83) 0.008	0.039** (2.12) 0.008	0.027* (1.80) 0.009	0.043** (2.33) 0.009	0.042 (1.61) 0.008	0.041* (1.75) 0.011	0.057*** (3.05) 0.011	0.056** (2.30) 0.010	0.070** (2.28) 0.015
DURAT	0.110*** (3.50) 0.022	0.106*** (5.01) 0.021	0.067*** (2.94) 0.022	0.101*** (2.85) 0.020	0.098*** (4.31) 0.019	0.071*** (2.62) 0.019	0.155*** (4.46) 0.029	0.151*** (5.06) 0.026	0.132*** (3.32) 0.027
COAL	0.173 (0.61) 0.034	0.166 (0.62) 0.034	0.120 (0.67) 0.038	0.182 (0.47) 0.036	0.175 (0.42) 0.035	0.067 (0.24) 0.018	0.069 (0.25) 0.013	0.067 (0.21) 0.012	0.041 (0.18) 0.008
MIN	0.822*** (3.37) 0.177	0.793*** (2.86) 0.147	0.509*** (3.07) 0.173	0.778*** (2.80) 0.170	0.753** (2.38) 0.132	0.538** (2.57) 0.152	0.949*** (3.34) 0.191	0.926*** (3.20) 0.147	0.782*** (2.79) 0.173
MAJ	0.048 (0.17) 0.009	0.045 (0.15) 0.010	0.029 (0.17) 0.009	0.074 (0.24) 0.014	0.071 (0.19) 0.014	0.021 (0.09) 0.005	0.289 (0.96) 0.050	0.282 (0.76) 0.053	0.113 (0.39) 0.022
Summary statistic									
Log likelihood	-501.1	-450.9	-498.3	-359.1	-324.6	-358.4	-431.8	-395.4	-430.2
N	891	891	887	647	647	647	812	812	812

Notes: All regressions include a constant. Country specific dummies are included in pooled regressions. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

relying on the marginal effects, we see that for 1% increase in inflation, the probability of a change increases by 1% on average while for a 1% increase in unemployment the probability of a change varies from 3% in Eurozone to 5% in OECD-19 countries. In summary, voters punish inflation and unemployment.<sup>47</sup>

With respect to the political controls our results are in accordance with conventional wisdom. Specifically, the more a cabinet is in power the higher the probability it faces to be replaced. The coefficient of DURAT is always statistically significant. Most interesting, however, is the interpretation of MAJ and MIN dummy variables. Both dummies display a positive sign but only MIN is significant at 1% significance level. It is apparent that minority governments are more likely to fall in any period. Yet, coalition governments do not seem to fall more easily than single party cabinets, a result opposed to Alesina et al. (1998) who have found the same coefficient significant. It is worth mentioning that the probability of change for a minority government, based on marginal effects, varies from 13% to 18% compared with a minimum winning cabinets.

Tables 8 and 9 present the regressions of Table 7 but instead of using the whole sample we restrict our analysis to tight and loose years respectively. Some clarifications though need to be made here about what we define tight and loose policy in this part of the analysis. When the change of balance (CHBAL) assumes a positive sign we consider it as tight policy while each time it assumes a negative sign is considered as loose policy.<sup>48</sup> Although fiscal variables' coefficients are statistically insignificant in both tables, they are mostly negative in Table 8 and positive in Table 9. This means that tight policies are associated with a lower probability of change in government while loose policies with a higher probability

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<sup>47</sup> See Brender and Drazen (2008).

<sup>48</sup> Thus tight policy just needs  $CHBAL > 0$  and not  $CHBAL \geq 1.5$  as in adjustments definition. Accordingly, loose policy:  $CHBAL < 0$  and not  $CHBAL \leq -1.5$ .

**Table 8. Logit Regression Predicting Cabinet Changes, Sample of Tight Years**

Dependent variable: ALLCH									
Independent variable	European Union(28)			Eurozone(19)			OECD(19)		
	Pooled	F.E.	HET	Pooled	F.E.	HET	Pooled	F.E.	HET
CHBAL	-0.010	-0.010	0.005	0.001	0.000	-0.009	-0.009	-0.009	-0.037
	(-0.14)	(-0.09)	(0.10)	(0.01)	(0.00)	(-0.14)	(-0.10)	(-0.08)	(-0.44)
	-0.002	-0.002	0.002	0.000	0.000	-0.003	-0.002	-0.001	-0.008
ΔGDP	0.047	0.044	0.027	0.053	0.049	0.037	0.106	0.101	0.089
	(0.97)	(0.98)	(0.82)	(0.99)	(1.01)	(1.02)	(1.53)	(1.41)	(1.61)
	0.009	0.008	0.010	0.010	0.008	0.010	0.017	0.013	0.020
ΔUNR	0.149	0.137	0.096*	0.185*	0.171	0.119*	0.560***	0.532***	0.409**
	(1.58)	(1.17)	(1.89)	(1.70)	(1.34)	(1.73)	(2.82)	(4.07)	(2.38)
	0.028	0.026	0.035	0.035	0.027	0.034	0.092	0.070	0.090
INFL	0.013	0.013	0.005	0.050	0.048	0.039	0.037	0.036	0.041
	(0.67)	(0.44)	(0.22)	(1.63)	(1.39)	(1.03)	(1.28)	(1.04)	(1.30)
	0.003	0.002	0.002	0.010	0.008	0.011	0.006	0.005	0.009
DURAT	0.112**	0.105***	0.062**	0.080	0.075*	0.052*	0.171***	0.162***	0.125***
	(2.50)	(2.70)	(1.99)	(1.61)	(1.89)	(1.66)	(3.42)	(3.72)	(2.86)
	0.021	0.019	0.023	0.015	0.012	0.015	0.028	0.021	0.028
COAL	0.562	0.523	0.348	0.899	0.848	0.622*	0.523	0.495	0.367
	(1.30)	(1.42)	(1.60)	(1.56)	(0.96)	(1.66)	(1.22)	(1.04)	(1.18)
	0.100	0.105	0.120	0.150	0.160	0.0159	0.084	0.067	0.079
MIN	0.527	0.492	0.299	0.320	0.300	0.217	1.347***	1.278***	1.076**
	(1.47)	(1.25)	(1.31)	(0.78)	(0.61)	(0.83)	(3.44)	(3.14)	(2.33)
	0.106	0.087	0.115	0.064	0.045	0.065	0.246	0.150	0.256
MAJ	0.014	0.012	0.045	-0.049	-0.049	-0.040	0.733*	0.699**	0.541
	(0.04)	(0.03)	(0.21)	(-0.11)	(-0.12)	(-0.12)	(1.73)	(2.18)	(1.61)
	0.003	0.002	0.016	-0.009	-0.008	-0.011	0.113	0.099	0.112
Summary statistic									
Log likelihood	-240.0	-200.8	-239.0	-172.3	-145.6	-171.8	-206.3	-177.0	-205.5
N	452	452	451	333	333	333	435	435	435

Notes: All regressions include a constant. Country specific dummies are included in pooled regressions. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 9. Logit Regression Predicting Cabinet Changes, Sample of Loose Years**

Independent variable	Dependent variable: ALLCH								
	European Union(28)			Eurozone(19)			OECD(19)		
	Pooled	F.E.	HET	Pooled	F.E.	HET	Pooled	F.E.	HET
CHBAL	0.033 (0.33)	0.031 (0.41)	0.024 (0.37)	0.118 (0.77)	0.109 (1.11)	0.177 (1.39)	0.100 (0.70)	0.095 (1.10)	0.093 (0.70)
	0.007	0.006	0.006	0.025	0.027	0.025	0.020	0.021	0.012
ΔGDP	-0.081* (-1.71)	-0.075* (-1.76)	-0.057 (-1.48)	-0.027 (-0.38)	-0.025 (-0.38)	-0.014 (-0.20)	-0.075 (-0.92)	-0.071 (-0.98)	0.007 (0.07)
	-0.017	-0.015	-0.014	-0.006	-0.006	-0.002	-0.015	-0.016	0.001
ΔUNR	-0.104 (-1.04)	-0.097 (-0.97)	-0.094 (-1.05)	0.045 (0.31)	0.039 (0.27)	0.031 (0.20)	0.106 (0.75)	0.100 (0.72)	0.173 (0.79)
	-0.022	-0.020	-0.024	0.009	0.010	0.004	0.021	0.022	0.023
INFL	0.074*** (3.49)	0.069*** (2.75)	0.072** (2.21)	0.046 (1.54)	0.043 (1.20)	0.104** (2.15)	0.071*** (2.60)	0.067** (2.07)	0.141** (2.06)
	0.016	0.014	0.018	0.010	0.011	0.015	0.014	0.015	0.018
DURAT	0.117** (2.32)	0.108*** (2.89)	0.096** (2.09)	0.112** (1.96)	0.105** (2.35)	0.144** (2.02)	0.150*** (2.78)	0.141*** (3.09)	0.216** (2.15)
	0.025	0.022	0.024	0.024	0.026	0.020	0.030	0.032	0.028
COAL	-0.175 (-0.40)	-0.160 (-0.31)	-0.190 (-0.55)	-0.819 (-1.35)	-0.749 (-1.02)	-1.578* (-1.66)	-0.340 (-0.84)	-0.322 (-0.70)	-0.502 (-1.02)
	-0.037	-0.033	-0.048	-0.182	-0.179	-0.239	-0.069	-0.072	-0.067
MIN	1.353*** (3.45)	1.245*** (3.03)	0.977*** (3.03)	1.324*** (3.06)	1.220*** (2.66)	1.348** (2.49)	0.786* (1.70)	0.746 (1.31)	0.314 (0.45)
	0.301	0.232	0.256	0.301	0.281	0.201	0.170	0.156	0.043
MAJ	0.226 (0.51)	0.205 (0.47)	0.157 (0.45)	0.329 (0.64)	0.301 (0.66)	0.631 (1.03)	-0.195 (-0.39)	-0.181 (-0.17)	-0.929 (-1.00)
	0.041	0.047	0.036	0.064	0.075	0.088	-0.034	-0.043	-0.111
Summary statistic									
Log likelihood	-223.9	-185.2	-221.3	-156.1	-129.7	-152.8	-200.2	-170.8	-197.2
N	408	408	405	285	285	285	366	366	366

Notes: All regressions include a constant. Country specific dummies are included in pooled regressions. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

of a change. The most important is that there is no evidence that looser fiscal policies contribute to political survival.

Noticeable is also the fact that inflation variable and the dummy for minority governments are only statistically significant in the sample of loose years, displaying the expected signs while they are insignificant in the sample of tight years, indicating that when governments conduct balance improving policies, voters are condescending and more likely to condone inflation.

Until now, the reported evidence were dealing exclusively with CHBAL variable. The fact that this variable was always insignificant is justified in the context that we did not isolate specific episodes of fiscal adjustments. In other words, if we isolate large episodes of fiscal adjustments that rely mostly on spending cuts or revenue increases, we would see how these specific adjustments affect the probability of a change in government. Hence, in the two following tables we deviate from our basic specification presented in previous tables and we include spending based adjustments (PEXP) dummy in Table 10 and revenue based adjustments (PREV) dummy in Table 11. Even though these tables do not present dummies for majority cabinets, we have included them in our regressions. By focusing on the last row of Table 10 we see that in all but OECD-19 countries the coefficient of PEXP is both negative and statistically significant. This result indicates that, when governments engage in fiscal adjustments and the latter are based on cuts in expenditures, they face a lower probability of being replaced. Making use of the marginal effects we show that cabinets have about an 18% to 30% lower probability of failing in EU-28 and Eurozone countries respectively. Once again, inflation and unemployment are both statistically significant and in accordance with conventional wisdom. Also our political control variables have the expected signs but only DURAT is significant.

**Table 10. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes**

Independent variable	Dependent variable: ALLCH								
	European Union(28)			Eurozone(19)			OECD(19)		
	Pooled	F.E.	HET	Pooled	F.E.	HET	Pooled	F.E.	HET
CHBAL	0.018	0.018	0.007	0.070	0.068	0.059	0.021	0.021	0.011
	(0.39)	(0.29)	(0.25)	(1.19)	(0.81)	(1.26)	(0.41)	(0.33)	(0.25)
	0.003	0.004	0.002	0.014	0.014	0.013	0.004	0.004	0.002
ΔGDP	-0.008	-0.007	0.001	0.039	0.038	0.044	0.018	0.018	0.037
	(-0.22)	(-0.22)	(0.05)	(1.00)	(1.11)	(1.33)	(0.34)	(0.35)	(0.81)
	-0.001	-0.002	0.000	0.008	0.008	0.010	0.003	0.003	0.008
ΔUNR	0.029	0.028	0.026	0.155*	0.150**	0.120*	0.270**	0.263**	0.230**
	(0.41)	(0.34)	(0.58)	(1.92)	(2.00)	(1.86)	(2.45)	(2.55)	(2.25)
	0.006	0.006	0.008	0.031	0.031	0.026	0.051	0.047	0.049
INFL	0.038**	0.036*	0.028*	0.041**	0.040	0.053**	0.057***	0.055**	0.069**
	(2.56)	(1.93)	(1.92)	(2.13)	(1.47)	(2.30)	(2.99)	(2.34)	(2.36)
	0.008	0.007	0.009	0.008	0.008	0.012	0.011	0.010	0.014
DURAT	0.107***	0.103***	0.068***	0.099***	0.096***	0.077***	0.152***	0.148***	0.128***
	(3.37)	(4.94)	(2.99)	(2.75)	(4.07)	(2.58)	(4.34)	(4.82)	(3.38)
	0.022	0.022	0.021	0.020	0.020	0.017	0.028	0.026	0.027
COAL	0.189	0.183	0.130	0.231	0.222	0.050	0.091	0.088	0.065
	(0.68)	(0.67)	(0.72)	(0.60)	(0.49)	(0.16)	(0.33)	(0.28)	(0.29)
	0.037	0.039	0.039	0.045	0.047	0.011	0.017	0.016	0.013
MIN	0.853***	0.823***	0.542***	0.881***	0.852***	0.673***	0.971***	0.947***	0.799***
	(3.50)	(3.08)	(3.18)	(3.11)	(2.93)	(2.72)	(3.42)	(3.43)	(2.90)
	0.182	0.160	0.175	0.192	0.155	0.159	0.195	0.154	0.178
PEXP	-0.882**	-0.855*	-0.549**	-1.42***	-1.381*	-1.397***	-0.524	-0.514	-0.500
	(-2.37)	(-1.88)	(-2.00)	(-2.92)	(-1.67)	(-2.67)	(-1.38)	(-1.27)	(-1.45)
	-0.178	-0.179	-0.170	-0.283	-0.284	-0.301	-0.010	-0.091	-0.105
Summary statistic									
Log likelihood	-493.7	-443.8	-491.1	-350.3	-316.1	-348.1	-427.6	-391.2	-425.8
N	884	884	880	642	642	642	807	807	807

Notes: All regressions include a constant. Country specific dummies are included in pooled regressions. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 11. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes**

Independent variable	Dependent variable: ALLCH								
	European Union(28)			Eurozone(19)			OECD(19)		
	Pooled	F.E.	HET	Pooled	F.E.	HET	Pooled	F.E.	HET
CHBAL	-0.049	-0.048	-0.038	-0.017	-0.017	-0.020	-0.001	-0.001	-0.009
	(-1.17)	(-0.94)	(-1.18)	(-0.37)	(-0.29)	(-0.58)	(-0.01)	(-0.01)	(-0.22)
	-0.010	-0.009	-0.011	-0.003	-0.003	-0.005	-0,000	-0.000	-0.002
ΔGDP	-0.006	-0.006	0.003	0.039	0.038	0.033	0.024	0.023	0.043
	(-0.18)	(-0.18)	(0.13)	(1.00)	(1.24)	(1.14)	(0.44)	(0.45)	(0.93)
	-0.001	-0.001	0.001	0.008	0.007	0.008	0.004	0.004	0.009
ΔUNR	0.021	0.021	0.022	0.144*	0.138*	0.093*	0.274**	0.267***	0.235**
	(0.31)	(0.25)	(0.48)	(1.78)	(1.76)	(1.65)	(2.50)	(2.65)	(2.24)
	0.004	0.004	0.007	0.029	0.027	0.024	0.052	0.046	0.049
INFL	0.042***	0.041**	0.032**	0.043**	0.042	0.043*	0.057***	0.056**	0.071**
	(2.87)	(2.24)	(2.07)	(2.28)	(1.56)	(1.85)	(3.05)	(2.26)	(2.25)
	0.008	0.008	0.010	0.009	0.008	0.011	0.011	0.010	0.015
DURAT	0.119***	0.115***	0.079***	0.109***	0.106***	0.080***	0.155***	0.151***	0.132***
	(3.76)	(5.17)	(3.15)	(3.08)	(4.44)	(2.79)	(4.47)	(5.02)	(3.32)
	0.024	0.023	0.023	0.022	0.020	0.021	0.029	0.026	0.028
COAL	0.164	0.158	0.106	0.184	0.177	0.065	0.072	0.070	0.043
	(0.58)	(0.58)	(0.56)	(0.48)	(0.42)	(0.22)	(0.26)	(0.22)	(0.19)
	0.033	0.031	0.031	0.036	0.035	0.017	0.013	0.012	0.009
MIN	0.829***	0.800***	0.539***	0.803***	0.776**	0.567***	0.947***	0.924***	0.780***
	(3.38)	(2.87)	(3.12)	(2.86)	(2.45)	(2.62)	(3.33)	(3.20)	(2.78)
	0.178	0.144	0.170	0.175	0.132	0.157	0.191	0.146	0.173
PREV	0.250	0.243	0.175	0.276	0.270	0.248	-0.075	-0.073	-0.062
	(0.81)	(0.90)	(0.84)	(0.75)	(0.88)	(0.86)	(-0.22)	(-0.32)	(-0.21)
	0.050	0.048	0.053	0.055	0.052	0.064	-0.014	-0.013	-0.013
Summary statistic									
Log likelihood	-492.6	-442.8	-489.5	-355.8	-321.5	-354.9	-431.4	-395.0	-429.8
N	881	881	877	643	643	643	810	810	810

Notes: All regressions include a constant. Country specific dummies are included in pooled regressions. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).



Accordingly, the last row of Table 11 contains the results of PREV. Contrary to that of PEXP, results here are statistically insignificant. The sign of the coefficients though is a manifestation of a positive relationship between revenue based adjustments and a higher probability of change in either prime minister or ideological orientation of the cabinet. This relationship does not hold for OECD-19 countries where the coefficient displays negative sign as when we introduced PEXP. In summary, we observe the different effect of the two main components that are likely to affect the balance on political survival. On the one hand, we have adjustments through which incumbents are rewarded and are mostly successful adjustments because they are based on spending cuts. On the other hand, revenue based adjustments do not favor incumbents possibly because they are unsuccessful adjustments based on tax-hikes.

# Chapter 5

## Conclusions

The political economy of fiscal adjustments is revisited in this paper. Our intention was to question conventional wisdom and to see whether fiscal adjustments are perceived as harmful for the economy. Acknowledging that deficits can arise for various reasons, we focus exclusively on those generated by politicians. Thus we examined whether politician engage in specific fiscal policies in order to prolong their survival in office.

We began our analysis regarding fiscal adjustments and their influence on the economy. The effect an adjustment has on the economy is affected by the adjustment itself. Successful adjustments do not seem to cause recessions. The reason is that adjustments are characterized by composition effect. We found that adjustments that succeed are mostly based on spending cuts. The latter are compromised by government wage and social security cuts. On the contrary, cuts in investment projects induce unsuccessful adjustments. This kind of adjustments dampen economic growth. Furthermore, times of high levels of debt and fiscal deterioration in general favor successful adjustments, adding on the literature of fiscal stress. The frequency of loose and tight policies is almost evenly distributed along ideological spectrum. Finally, we draw on both political and economic data to show the extent to which survival in office is associated with fiscal policy. Reelection prospects are not affected by conducted fiscal policy as our fiscal variable found to be statistically insignificant. Also voters are likely to reward

politicians at the ballot box for surpluses and punish them for loose fiscal policies. Moreover, using adjustment composition dummies we found that the probability of a change is decreased when cabinets follow adjustments that are based on spending cuts while the same probability is increased when adjustments are based on revenue increases. We infer that voters acknowledge the necessity of successful adjustments and will not punish governments for implementing them.

Further research can be focused on sentiment analysis. Party campaigns and political discourses convey information depending the business and fiscal cycle of the economy. It is interesting to examine the effect that information has in reelection prospects and cabinets' popularity given that time inconsistency concerns that we encountered are absent. In addition, parties' perceptions of immigrants might influence their preferences for government spending and consequently their popularity on specific fraction of electorate.

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# Chapter 6

## Appendix I

### Aggregate Macroeconomic and Fiscal Data (Covered Period: 1970-2016).

The economic variables are defined as follows:

CHBAL	Change in balance: percentage point change in the ratio of the primary balance to GDP.
CHEXP	Change in public expenditures: percentage point change in the ratio of primary expenditures to GDP.
CHREV	Change in public revenues: percentage point change in the ratio of public revenues to GDP.
CHDEF	Change in defense expenditures: percentage point change in the ratio of defense expenditures to GDP.
CHSAF	Change in safety expenditures: percentage point change in the ratio of safety expenditures to GDP.
CHHEA	Change in health expenditures: percentage point change in the ratio of health expenditures to GDP.
CHCGW	Change in government wages: percentage point change in the ratio of government wages to GDP.
CHTRF & CHSUB	Change in transfers and subsidies: percentage point change in the ratio of transfers and subsidies to GDP.
CHINV	Change in public investment: percentage point change in the ratio of public investment to GDP.
$\Delta$ GDP	Rate of growth of real GDP, percent.
$\Delta$ GDPg7	Growth relative to the G7 countries: calculated as $\Delta$ GDP less the weighted average growth rate of the G7 countries.
UNR	Unemployment rate, percent.
UNRg7	Unemployment rate relative to the G7 countries: calculated as UNR less the weighted average unemployment rate of the G7 countries.
$\Delta$ UNR	Growth of the unemployment rate, percent: $UNR_t - UNR_{t-1}$ .
$\Delta$ INV	Investment growth: rate of growth of real private business investment, percent.
$\Delta$ CONS	Consumption growth: rate of growth of real private consumption, percent.
TB	Trade balance: the trade balance as a percentage of GDP (Exports less Imports).

DEBT	Public debt: public debt as a percentage of GDP at the adjustment years.
CHDEBT	Change in public debt: percentage point change in DEBT over the past three years of the adjustment year t (t-3 to t).
INFL	Inflation: rate of change of the GDP deflator, percent.
PEXP	Spending based adjustment: dummy variable equal to 1 when both conditions hold: first, there is a large consolidation ( $CHBAL \geq 1.5$ ); and second, CHEXP is greater than its median across all years in which a fiscal adjustment occurs.
PREV	Revenue based adjustment: dummy variable equal to 1 when both conditions hold: first, there is a large consolidation ( $CHBAL \geq 1.5$ ); and second, CHREV is greater than its median across all years in which a fiscal adjustment occurs.

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### **Political Data** (Covered Period: 1970-2016).

Cabinet variables are defined as follows:

SING	Single party: dummy variable equal to 1 if a single party cabinet is in power.
COAL	Coalition: dummy variable equal to 1 if a coalition cabinet (two or more parties) is in power.
RIGHT	Right-wing cabinet: dummy variable equal to 1 if the score of the cabinet in power is greater than 6 on the 1-10 ideology index described under IDEOCH (6-10).
CENTER	Cabinet at center of political spectrum: dummy variable equal to 1 if the score of the cabinet in power is greater than or equal to 4 or, less than or equal to 6 on the 1-10 ideology index described under IDEOCH [4-6].
LEFT	Left-wing cabinet: dummy variable equal to 1 if the score of the cabinet in power is less than 4 on the 1-10 ideology index described under IDEOCH [1-4].
TERM	Termination of the government: dummy variable equal to 1 in any year in which a government ends. It is not necessary though a government termination to induce changes either in cabinet ideology or prime minister.
PMCH	Change of prime minister: dummy variable equal to 1 if there is a change in prime minister.
IDEOCH	Change in the ideological orientation of the cabinet: dummy variable equal to 1 if there is a sufficient change in the composition of the cabinet regarding ideology. The ideology index adopted here, locates each party on a left-right scale [1-10] where 1 indicates a far-left party and 10 a far-right party.

For single party cabinets it is straightforward but for coalition of 2 or more parties we calculate cabinet's ideology as a weighted average of the compromised parties, based on the members in parliament of each party that holds ministerial posts. Each time we face a termination, the composition of the cabinet (either single or coalition) might or might not be affected. There are times though that is quite affected leading to a different ideology. For example, in a coalition of three parties where: party A scores 2(left-wing) with 40 members, party B scores 4.5(center) with 20 members and party C scores 7.5(right-wing) with 10 members, the estimated ideology of the cabinet is 3.5(left-wing cabinet). Now, suppose that elections are held and the new cabinet consists of exactly the same parties with the same number of members. This is no regarded as an ideological change [IDEOCH=0]. However, if party's C members are now 25 instead of 10, the new cabinet scores 4.2(center cabinet) on the ideology index. We have moved to a new cluster and hence it is regarded as change in ideology [IDEOCH=1].

ALLCH	Change of prime minister or ideology: dummy variable equal to 1 if either PMCH or IDEOCH is equal to 1.
DURAT	Duration: integer number of years that cabinet has been in power.
MIN	Minority: dummy variable equal to 1 if the cabinet has minority support in the parliament.
MAJ	Majority: dummy variable equal to 1 if the cabinet has majority support in the parliament.

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## Appendix II

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: IMF, Definition of success: Balance)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	35	3.14	-2.05	0.67
Successful adjustments(1970-1995)	15	2.66	-1.13	0.87
Successful adjustments(1996-2013)	20	3.50	-2.73	0.52
Unsuccessful adjustments	139	2.78	-1.54	1.04
Unsuccessful adjustments(1970-1995)	59	2.74	-0.63	1.82
Unsuccessful adjustments(1996-2013)	80	2.81	-2.15	0.49

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: IMF, Definition of success: Debt)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	44	3.27	-2.55	0.51
Successful adjustments(1970-1995)	15	3.11	-1.93	0.67
Successful adjustments(1996-2013)	29	3.35	-2.81	0.43
Unsuccessful adjustments	128	2.71	-1.25	1.23
Unsuccessful adjustments(1970-1995)	57	2.63	-0.22	2.11
Unsuccessful adjustments(1996-2013)	71	2.78	-2.05	0.53

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: IMF,  
Definition of success: Strict)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	16	3.59	-2.97	0.02
Successful adjustments(1970-1995)	4	2.42	-1.72	-1.35
Successful adjustments(1996-2013)	12	3.98	-3.38	0.47
Unsuccessful adjustments	159	2.77	-1.51	1.05
Unsuccessful adjustments(1970-1995)	70	2.74	-0.68	1.80
Unsuccessful adjustments(1996-2013)	89	2.79	-2.12	.049

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Balance)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	26	3.40	-2.46	0.48
Successful adjustments(1970-1995)	11	2.91	-1.76	0.55
Successful adjustments(1996-2013)	15	3.76	-2.93	0.42
Unsuccessful adjustments	117	2.81	-1.75	0.68
Unsuccessful adjustments(1970-1995)	32	2.66	-0.81	1.14
Unsuccessful adjustments(1996-2013)	85	2.87	-1.98	0.52

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Debt)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	38	3.40	-2.67	0.63
Successful adjustments(1970-1995)	8	3.57	-1.82	1.37
Successful adjustments(1996-2013)	30	3.35	-2.84	0.44
Unsuccessful adjustments	103	2.75	-1.60	0.79
Unsuccessful adjustments(1970-1995)	33	2.53	-0.96	1.35
Unsuccessful adjustments(1996-2013)	70	2.85	-1.81	0.53

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Alesina's)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	14	3.85	-3.07	0.52
Successful adjustments(1970-1995)	2	2.35	-1.37	0.91
Successful adjustments(1996-2013)	12	4.10	-3.35	0.46
Unsuccessful adjustments	129	2.82	-1.75	0.66
Unsuccessful adjustments(1970-1995)	41	2.75	-1.12	0.98
Unsuccessful adjustments(1996-2013)	88	2.85	-1.95	0.51

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Strict)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	50	3.27	-2.43	0.58
Successful adjustments(1970-1995)	17	3.29	-1.84	0.89
Successful adjustments(1996-2013)	33	3.26	-2.68	0.42
Unsuccessful adjustments	93	2.73	-1.58	0.68
Unsuccessful adjustments(1970-1995)	26	2.36	-0.48	1.04
Unsuccessful adjustments(1996-2013)	67	2.87	-1.84	0.55

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: IMF,  
Definition of success: Balance)  
Percentage points of GDP

Sample (Eurozone)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	17	3,87	-3,05	0,59
Successful adjustments(pre-euro)	13	2.58	-1.89	0.55
Successful adjustments(euro era)	4	8.05	-6.82	0.72
Unsuccessful adjustments	94	2,71	-1,49	1,02
Unsuccessful adjustments(pre-euro)	69	2.80	-1.45	1.11
Unsuccessful adjustments(euro era)	25	2.46	-1.58	0.78

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: IMF,  
Definition of success: Debt)  
Percentage points of GDP

Sample (Eurozone)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	19	3.77	-3.49	0.42
Successful adjustments(pre-euro)	15	2.83	-2.52	0.52
Successful adjustments(euro era)	4	7.28	-7.12	0.05
Unsuccessful adjustments	92	2.70	-1.36	1.06
Unsuccessful adjustments(pre-euro)	67	2.74	-1.30	1.13
Unsuccessful adjustments(euro era)	25	2.58	-1.53	0.88

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: IMF,  
Definition of success: Strict)  
Percentage points of GDP

Sample (Eurozone)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	8	4.74	-4.35	0.28
Successful adjustments(pre-euro)	5	2.16	-1.86	0.28
Successful adjustments(euro era)	3	9.04	-8.50	0.29
Unsuccessful adjustments	103	2.74	-1.52	1.01
Unsuccessful adjustments(pre-euro)	77	2.80	-1.50	1.07
Unsuccessful adjustments(euro era)	26	2.56	-1.58	0.82



**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Balance)  
Percentage points of GDP

Sample (Eurozone)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	13	4.16	-3.48	0.33
Successful adjustments(pre-euro)	10	2.94	-1.84	0.33
Successful adjustments(euro era)	3	9.2	-8.40	0.33
Unsuccessful adjustments	77	2.78	-1.91	0.83
Unsuccessful adjustments(pre-euro)	51	2.90	-2.05	0.86
Unsuccessful adjustments(euro era)	26	2.55	-1.72	0.77

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Debt)  
Percentage points of GDP

Sample (Eurozone)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	19	3.86	-3.53	0.46
Successful adjustments(pre-euro)	15	2.92	-2.58	0.55
Successful adjustments(euro era)	4	7.39	-7.07	0.10
Unsuccessful adjustments	71	2.74	-1.70	0.84
Unsuccessful adjustments(pre-euro)	46	2.83	-1.73	0.85
Unsuccessful adjustments(euro era)	25	2.58	-1.66	0.83

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Strict)  
Percentage points of GDP

Sample (Eurozone)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	8	4.95	-4.31	0.30
Successful adjustments(pre-euro)	5	2.41	-1.86	0.27
Successful adjustments(euro era)	3	9.20	-8.40	0.34
Unsuccessful adjustments	82	2.79	-1.91	0.80
Unsuccessful adjustments(pre-euro)	56	2.89	-2.02	0.82
Unsuccessful adjustments(euro era)	26	2.55	-1.72	0.77

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Alesina's)  
Percentage points of GDP

Sample (Eurozone)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	24	3.66	-3.23	0.44
Successful adjustments(pre-euro)	20	2.91	-2.43	0.51
Successful adjustments(euro era)	4	7.39	-7.07	0.10
Unsuccessful adjustments	66	2.73	-1.69	0.87
Unsuccessful adjustments(pre-euro)	41	2.83	-1.71	0.90
Unsuccessful adjustments(euro era)	25	2.58	-1.67	0.83

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: IMF,  
Definition of success: Balance)  
Percentage points of GDP

Sample (OECD-19)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	39	2.98	-1.84	0.81
Successful adjustments(1970-1995)	21	2.39	-0.88	1.02
Successful adjustments(1996-2013)	18	3.66	-2.97	0.55
Unsuccessful adjustments	104	2.54	-0.88	1.50
Unsuccessful adjustments(1970-1995)	59	2.46	-0.11	2.02
Unsuccessful adjustments(1996-2013)	45	2.64	-1.86	0.83

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: IMF,  
Definition of success: Debt)  
Percentage points of GDP

Sample (OECD-19)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	39	2.92	-2.15	0.81
Successful adjustments(1970-1995)	17	2.34	-1.15	1.09
Successful adjustments(1996-2013)	22	3.36	-2.88	0.59
Unsuccessful adjustments	104	2.56	-0.77	1.50
Unsuccessful adjustments(1970-1995)	63	2.47	-0.10	1.93
Unsuccessful adjustments(1996-2013)	41	2.70	-1.80	0.84

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: IMF, Definition of success: Strict)  
Percentage points of GDP

Sample (OECD-19)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	16	3.52	-2.94	0.25
Successful adjustments(1970-1995)	5	2.08	-1.06	0.06
Successful adjustments(1996-2013)	11	4.18	-3.8	0.33
Unsuccessful adjustments	127	2.55	-0.92	1.45
Unsuccessful adjustments(1970-1995)	75	2.47	-0.26	1.87
Unsuccessful adjustments(1996-2013)	52	2.66	-1.83	0.84

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD, Definition of success: Balance)  
Percentage points of GDP

Sample (OECD-19)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	34	3.17	-2.32	0.46
Successful adjustments(1970-1995)	17	2.64	-1.52	0.49
Successful adjustments(1996-2013)	17	3.70	-3.01	0.44
Unsuccessful adjustments	77	2.55	-1.62	1.10
Unsuccessful adjustments(1970-1995)	33	2.27	-0.86	1.48
Unsuccessful adjustments(1996-2013)	44	2.76	-1.97	0.81

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Debt)  
Percentage points of GDP

Sample (OECD-19)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	35	3.04	-2.47	0.68
Successful adjustments(1970-1995)	13	2.40	-1.46	0.84
Successful adjustments(1996-2013)	22	3.42	-2.88	0.59
Unsuccessful adjustments	76	2.60	-1.56	1.01
Unsuccessful adjustments(1970-1995)	37	2.40	-1.04	1.25
Unsuccessful adjustments(1996-2013)	39	2.80	-1.91	0.77

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Strict)  
Percentage points of GDP

Sample (OECD-19)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	17	3.59	-2.90	0.43
Successful adjustments(1970-1995)	6	2.24	-0.98	0.62
Successful adjustments(1996-2013)	11	4.32	-3.77	0.33
Unsuccessful adjustments	94	2.59	-1.65	1.00
Unsuccessful adjustments(1970-1995)	44	2.42	-1.17	1.22
Unsuccessful adjustments(1996-2013)	50	2.73	-1.93	0.79

**Table 1. Composition of Successful and Unsuccessful Adjustments** (Data: OECD,  
Definition of success: Alesina's)  
Percentage points of GDP

Sample (OECD-19)	Number of observations	CHBAL	CHEXP	CHREV
Successful adjustments	52	2.94	-2.22	0.62
Successful adjustments(1970-1995)	24	2.61	-1.64	0.64
Successful adjustments(1996-2013)	28	3.23	-2.62	0.60
Unsuccessful adjustments	59	2.56	-1.51	1.15
Unsuccessful adjustments(1970-1995)	26	2.20	-0.56	1.61
Unsuccessful adjustments(1996-2013)	33	2.84	-1.96	0.80

**Table 2. Composition of Expenditure Cuts in Successful and Unsuccessful Adjustments** (Data: IMF, Definition of success: Balance)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHEXP	CHDEF*	CHSAF*	CHHEA*	CHSOC*	CHCGW	CHTRF & CHSUB	CHINV
Successful adjustments	35	-2.05	-0.135	-0.035	-0.09	-0.605	-0.58	0.26	-0.25
Unsuccessful adjustments	139	-1.54	-0.09	-0.069	-0.10	-0.30	-0.22	0.82	-0.16
Sample (Eurozone)									
Successful adjustments	17	-3.05	-0.12	-0.03	-0.10	-0.74	-0.58	2.8	-0.35
Unsuccessful adjustments	94	-1.49	-0.07	-0.07	-0.09	-0.29	-0.22	0.88	-0.20
Sample (OECD-19)									
Successful adjustments	39	-1.84	-0.13	-0.03	-0.14	-0.62	-0.50	-0.39	-0.26
Unsuccessful adjustments	104	-0.88	-0.08	-0.04	-0.07	-0.27	-0.17	0.19	-0.19

\*. Data for these variables start after 1985 in most cases.

**Table 2. Composition of Expenditure Cuts in Successful and Unsuccessful Adjustments** (Data: IMF, Definition of success: Debt)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHEXP	CHDEF*	CHSAF*	CHHEA*	CHSOC*	CHCGW	CHTRF & CHSUB	CHINV
Successful adjustments	44	-2.55	-0.12	-0.04	-0.08	-0.63	-0.20	1.02	-0.12
Unsuccessful adjustments	128	-1.25	-0.08	-0.07	-0.11	-0.31	-0.30	0.60	-0.20
Sample (Eurozone)									
Successful adjustments	19	-3.49	-0.05	-0.10	-0.07	-0.47	-0.20	1.29	-0.16
Unsuccessful adjustments	92	-1.36	-0.08	-0.04	-0.10	-0.34	-0.30	1.20	-0.24
Sample (OECD-19)									
Successful adjustments	39	-2.15	-0.05	-0.03	-0.06	-0.70	-0.18	-0.81	-0.09
Unsuccessful adjustments	104	-0.77	-0.12	-0.04	-0.11	-0.21	-0.24	0.45	-0.25

\*. Data for these variables start after 1985 in most cases.



**Table 2. Composition of Expenditure Cuts in Successful and Unsuccessful Adjustments** (Data: IMF, Definition of success: Strict)  
Percentage points of GDP

Sample (EU-28)	Number of observations	CHEXP	CHDEF*	CHSAF*	CHHEA*	CHSOC*	CHCGW	CHTRF & CHSUB	CHINV
Successful adjustments	16	-2.97	-0.07	-0.06	-0.08	-0.61	-0.37	-0.12	-0.28
Unsuccessful adjustments	159	-1.51	-0.10	-0.06	-0.09	-0.34	-0.27	0.80	-0.18
Sample (Eurozone)									
Successful adjustments	8	-4.35	-0.06	-0.06	-0.10	-0.57	-0.37	2.10	-0.21
Unsuccessful adjustments	103	-1.52	-0.08	-0.06	-0.09	-0.35	-0.27	1.12	-0.23
Sample (OECD-19)									
Successful adjustments	16	-2.94	-0.05	-0.05	-0.07	-0.85	-0.40	0.67	-0.13
Unsuccessful adjustments	127	-0.92	-0.10	-0.04	-0.10	-0.28	-0.20	-0.11	-0.21

\*. Data for these variables start after 1985 in most cases.

**Table 3. Macroeconomic Indicators Before, During and After Adjustments (Data: IMF, Definition of success: Balance)**

Percentage points

Sample (EU-28)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	1.13	3.21	2.79	2.56	3.46	2.60
$\Delta$ GDPg7	-1.27	0.80	0.38	0.15	1.05	0.19
UNR	9.43	9.93	8.91	8.71	8.51	8.29
UNRg7	2.73	3.22	2.21	2.01	1.81	1.59
$\Delta$ INV	-0.03	0.03	0.04	0.011	0.014	0.007
$\Delta$ CONS	5.44	5.28	5.90	6.21	6.21	5.60
TB	0.50	1.96	1.62	-0.88	-0.59	-0.41

**Table 3. Macroeconomic Indicators Before, During and After Adjustments (Data: IMF, Definition of success: Debt)**

Percentage points

Sample (EU-28)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	2.90	3.96	3.80	2.15	3.31	2.36
$\Delta$ GDPg7	0.49	1.55	1.39	-0.25	0.90	-0.04
UNR	10.2	9.58	8.83	8.29	8.50	8.18
UNRg7	3.59	2.87	2.13	1.59	1.80	1.48
$\Delta$ INV	0.02	0.02	0.47	0.00	0.016	0.004
$\Delta$ CONS	7.03	6.30	6.03	5.70	5.92	5.3
TB	1.93	2.54	1.66	-1.34	-1.03	-0.55

**Table 3. Macroeconomic Indicators Before, During and After Adjustments (Data: IMF, Definition of success: Strict)**

Percentage points

Sample (EU-28)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	3.15	3.67	3.65	2.21	3.39	2.56
$\Delta$ GDPg7	0.74	1.26	1.24	-0.19	0.98	0.15
UNR	9.88	9.94	7.83	8.63	8.67	8.43
UNRg7	3.18	3.24	1.13	1.93	1.97	1.73
$\Delta$ INV	0.033	0.036	0.05	0.003	0.015	0.01
$\Delta$ CONS	4.62	5.04	5.37	6.23	6.13	5.59
TB	4.93	5.86	4.13	-1.08	-0.68	-0.36

**Table 3. Macroeconomic Indicators Before, During and After Adjustments (Data: IMF, Definition of success: Balance)**

Percentage points

Sample (Eurozone)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	0.44	3.21	2.75	2.63	3.50	2.48
$\Delta$ GDPg7	-1.96	0.71	0.35	0.29	1.09	0.07
UNR	11.37	11.95	10.8	8.56	8.53	8.28
UNRg7	4.67	5.25	4.13	1.86	1.83	1.58
$\Delta$ INV	-0.039	0.038	0.047	0.008	0.008	-0.005
$\Delta$ CONS	3.86	4.36	6.45	5.75	5.98	5.21
TB	0.73	2.88	1.37	-1.10	-0.77	-0.35

**Table 3. Macroeconomic Indicators Before, During and After Adjustments (Data: IMF, Definition of success: Debt)**

Percentage points

Sample (Eurozone)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	2.48	3.52	3.90	2.35	3.42	2.26
$\Delta$ GDPg7	0.07	1.11	1.49	-0.05	1.01	-0.14
UNR	11.19	10.4	9.34	8.39	8.75	8.39
UNRg7	4.49	3.73	2.64	1.68	2.05	1.68
$\Delta$ INV	0.001	0.023	0.03	0.003	0.01	-0.004
$\Delta$ CONS	3.20	3.17	3.05	5.89	6.30	5.64
TB	3.48	4.10	2.60	-1.54	-1.15	-0.63

**Table 3. Macroeconomic Indicators Before, During and After Adjustments (Data: IMF, Definition of success: Strict)**

Percentage points

Sample (Eurozone)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	2.25	2.98	3.86	2.40	3.47	2.43
$\Delta$ GDPg7	-0.15	0.53	1.45	-0.01	1.07	0.03
UNR	11.87	11.54	9.52	8.71	8.85	8.55
UNRg7	5.17	4.84	2.82	2.01	2.15	1.85
$\Delta$ INV	0.02	0.05	0.066	0.002	0.01	-0.002
$\Delta$ CONS	-0.29	1.44	1.92	5.80	6.06	5.35
TB	8.71	9.50	6.79	-1.30	-0.96	-0.43

**Table 3. Macroeconomic Indicators Before, During and After Adjustments** (Data: IMF, Definition of success: Balance)

Percentage points

Sample (OECD- 19)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	1.98	3.07	2.97	2.45	3.07	2.48
$\Delta$ GDPg7	-0.42	0.66	0.56	0.04	0.67	0.07
UNR	8.48	8.81	7.57	7.38	7.21	7.06
UNRg7	1.78	2.11	0.87	0.68	0.51	0.36
$\Delta$ INV	-0.006	0.031	0.038	0.008	0.011	0.006
$\Delta$ CONS	4.38	3.62	4.39	5.29	5.53	5.35
TB	2.21	3.82	3.89	-0.14	0.12	0.29

**Table 3. Macroeconomic Indicators Before, During and After Adjustments** (Data: IMF, Definition of success: Debt)

Percentage points

Sample (OECD- 19)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	2.88	3.57	3.46	2.20	2.88	2.31
$\Delta$ GDPg7	0.48	1.16	1.05	-0.20	0.47	-0.09
UNR	8.68	7.88	6.83	7.30	7.54	7.35
UNRg7	1.98	1.18	0.13	0.60	0.84	0.65
$\Delta$ INV	0.015	0.024	0.034	0.001	0.014	0.006
$\Delta$ CONS	3.24	3.05	3.70	5.76	5.86	5.53
TB	3.99	4.46	3.76	-0.67	-0.19	0.15

**Table 3. Macroeconomic Indicators Before, During and After Adjustments** (Data: IMF, Definition of success: Strict)

Percentage points

Sample (OECD- 19)	Successful adjustments			Unsuccessful adjustments		
	Before	During	After	Before	During	After
$\Delta$ GDP	2.59	2.87	3.43	2.34	3.10	2.50
$\Delta$ GDPg7	0.18	0.46	1.02	-0.06	0.69	0.09
UNR	9.53	9.63	7.38	7.46	7.39	7.23
UNRg7	2.83	2.93	0.68	0.76	0.69	0.53
$\Delta$ INV	0.017	0.032	0.042	0.003	0.015	0.01
$\Delta$ CONS	2.58	1.98	2.83	5.38	5.41	5.26
TB	5.47	7.21	5.73	-0.05	0.35	0.59

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: IMF, Definition of success: Balance)

Percentage points of GDP Sample (EU-28)	DEBT	CHDEBT
All observations	54.21	2.78
All observations(1970-1995)	49.31	2.93
All observations(1996-2013)	57.74	2.68
Successful adjustments	63.72	5.77
Successful adjustments(1970-1995)	64.72	4.68
Successful adjustments(1996-2013)	62.97	6.59
Unsuccessful adjustments	51.88	1.97
Unsuccessful adjustments(1970-1995)	45.26	2.42
Unsuccessful adjustments(1996-2013)	56.66	1.67

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: IMF, Definition of success: Debt)

Percentage points of GDP Sample (EU-28)	DEBT	CHDEBT
All observations	54.21	2.78
All observations(1970-1995)	49.31	2.93
All observations(1996-2013)	57.74	2.68
Successful adjustments	65.56	1.01
Successful adjustments(1970-1995)	66.43	0.43
Successful adjustments(1996-2013)	65.09	1.27
Unsuccessful adjustments	50.52	3.36
Unsuccessful adjustments(1970-1995)	44.81	3.53
Unsuccessful adjustments(1996-2013)	55.11	3.22

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: IMF, Definition of success: Strict)

Percentage points of GDP Sample (EU-28)	DEBT	CHDEBT
All observations	54.21	2.78
All observations(1970-1995)	49.31	2.93
All observations(1996-2013)	57.74	2.68
Successful adjustments	71.76	4.38
Successful adjustments(1970-1995)	72.51	-2.83
Successful adjustments(1996-2013)	71.50	6.78
Unsuccessful adjustments	52.41	2.61
Unsuccessful adjustments(1970-1995)	47.95	3.29
Unsuccessful adjustments(1996-2013)	55.86	2.12

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**

(Data: OECD, Definition of success: Balance)

Percentage points of GDP Sample (EU-28)	DEBT	CHDEBT
All observations	54.99	2.92
All observations(1970-1995)	53.24	4.02
All observations(1996-2013)	55.69	2.48
Successful adjustments	64.95	7.27
Successful adjustments(1970-1995)	62.23	8.18
Successful adjustments(1996-2013)	66.94	6.61
Unsuccessful adjustments	52.70	1.91
Unsuccessful adjustments(1970-1995)	49.83	2.38
Unsuccessful adjustments(1996-2013)	53.68	1.76

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**

(Data: OECD, Definition of success: Alesina's)

Percentage points of GDP Sample (EU-28)	DEBT	CHDEBT
All observations	54.99	2.92
All observations(1970-1995)	53.24	4.02
All observations(1996-2013)	55.69	2.48
Successful adjustments	63.38	3.33
Successful adjustments(1970-1995)	64.30	6.57
Successful adjustments(1996-2013)	62.92	1.76
Unsuccessful adjustments	50.56	2.69
Unsuccessful adjustments(1970-1995)	45.87	2.24
Unsuccessful adjustments(1996-2013)	52.24	2.84

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: IMF, Definition of success: Balance)

Percentage points of GDP Sample (Eurozone)	DEBT	CHDEBT
All observations	56.08	3.47
All observations(pre euro)	48.31	2.80
All observations(euro era)	78.85	5.35
Successful adjustments	70.08	7.85
Successful adjustments(pre euro)	56.17	4.72
Successful adjustments(euro era)	115.27	18.0
Unsuccessful adjustments	53.63	2.67
Unsuccessful adjustments(pre euro)	46.90	2.43
Unsuccessful adjustments(euro era)	73.02	3.32

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: IMF, Definition of success: Debt)

Percentage points of GDP Sample (Eurozone)	DEBT	CHDEBT
All observations	56.08	3.47
All observations(pre euro)	48.31	2.80
All observations(euro era)	78.85	5.35
Successful adjustments	72.40	4.52
Successful adjustments(pre euro)	66.39	2.06
Successful adjustments(euro era)	96.45	13.76
Unsuccessful adjustments	52.61	3.25
Unsuccessful adjustments(pre euro)	44.12	2.97
Unsuccessful adjustments(euro era)	76.03	4.00

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: IMF, Definition of success: Strict)

Percentage points of GDP Sample (Eurozone)	DEBT	CHDEBT
All observations	56.08	3.47
All observations(pre euro)	48.31	2.80
All observations(euro era)	78.85	5.35
Successful adjustments	79.1	8.98
Successful adjustments(pre euro)	56.62	1.82
Successful adjustments(euro era)	116.56	20.93
Unsuccessful adjustments	54.34	3.04
Unsuccessful adjustments(pre euro)	47.80	2.87
Unsuccessful adjustments(euro era)	74.50	3.55

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**

(Data: OECD, Definition of success: Balance)

Percentage points of GDP Sample (Eurozone)	DEBT	CHDEBT
All observations	58.01	3.48
All observations(pre euro)	49.10	2.62
All observations(euro era)	76.76	5.29
Successful adjustments	71.02	8.35
Successful adjustments(pre euro)	57.36	4.57
Successful adjustments(euro era)	116.56	20.93
Unsuccessful adjustments	55.81	2.66
Unsuccessful adjustments(pre euro)	47.47	2.24
Unsuccessful adjustments(euro era)	72.16	3.48

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**

(Data: OECD, Definition of success: Alesina's)

Percentage points of GDP Sample (Eurozone)	DEBT	CHDEBT
All observations	58.01	3.48
All observations(pre euro)	49.10	2.62
All observations(euro era)	76.76	5.29
Successful adjustments	71.02	8.35
Successful adjustments(pre euro)	57.36	4.57
Successful adjustments(euro era)	116.56	20.93
Unsuccessful adjustments	55.81	2.66
Unsuccessful adjustments(pre euro)	47.47	2.24
Unsuccessful adjustments(euro era)	72.16	3.48



**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: IMF, Definition of success: Balance)

Percentage points of GDP Sample (OECD-19)	DEBT	CHDEBT
All observations	60.65	3.62
All observations(1970-1995)	50.05	3.29
All observations(1996-2013)	74.95	4.03
Successful adjustments	67.43	6.39
Successful adjustments(1970-1995)	61.86	5.95
Successful adjustments(1996-2013)	73.92	6.89
Unsuccessful adjustments	58.23	2.55
Unsuccessful adjustments(1970-1995)	46.18	2.29
Unsuccessful adjustments(1996-2013)	75.36	2.88

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: IMF, Definition of success: Debt)

Percentage points of GDP Sample (OECD-19)	DEBT	CHDEBT
All observations	60.65	3.62
All observations(1970-1995)	50.05	3.29
All observations(1996-2013)	74.95	4.03
Successful adjustments	64.03	3.82
Successful adjustments(1970-1995)	57.44	3.73
Successful adjustments(1996-2013)	69.73	3.88
Unsuccessful adjustments	59.36	3.55
Unsuccessful adjustments(1970-1995)	47.93	3.17
Unsuccessful adjustments(1996-2013)	77.75	4.10

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: IMF, Definition of success: Strict)

Percentage points of GDP Sample (OECD-19)	DEBT	CHDEBT
All observations	60.65	3.62
All observations(1970-1995)	50.05	3.29
All observations(1996-2013)	74.95	4.03
Successful adjustments	72.26	6.97
Successful adjustments(1970-1995)	65.26	6.21
Successful adjustments(1996-2013)	75.45	7.13
Unsuccessful adjustments	59.24	3.19
Unsuccessful adjustments(1970-1995)	49.10	3.08
Unsuccessful adjustments(1996-2013)	74.85	3.33

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: OECD, Definition of success: Balance)

Percentage points of GDP Sample (OECD-19)	DEBT	CHDEBT
All observations	66.11	3.75
All observations(1970-1995)	56.73	3.81
All observations(1996-2013)	73.80	3.70
Successful adjustments	67.85	7.00
Successful adjustments(1970-1995)	63.99	7.24
Successful adjustments(1996-2013)	71.71	6.75
Unsuccessful adjustments	65.34	2.31
Unsuccessful adjustments(1970-1995)	52.99	2.03
Unsuccessful adjustments(1996-2013)	74.61	2.52

**Table 4. Average Debt at Start of Successful and Unsuccessful Adjustments**  
(Data: OECD, Definition of success: Alesina's)

Percentage points of GDP Sample (OECD-19)	DEBT	CHDEBT
All observations	66.11	3.75
All observations(1970-1995)	56.73	3.81
All observations(1996-2013)	73.80	3.70
Successful adjustments	66.42	5.09
Successful adjustments(1970-1995)	63.79	6.05
Successful adjustments(1996-2013)	68.68	4.28
Unsuccessful adjustments	65.83	2.56
Unsuccessful adjustments(1970-1995)	50.21	1.74
Unsuccessful adjustments(1996-2013)	78.14	3.22

**Table 5. Frequency of Loose and Tight Fiscal Policies, by Cabinet Type** (Data: IMF)

Cabinet type	Frequency of cabinet type in all observations	Relative frequency of fiscal extremes	
		Loose years	Tight years
SING	0.30	0.18	0.20
COAL	0.70	0.18	0.19
RIGHT	0.39	0.46 <sup>a</sup>	0.45 <sup>b</sup>
CENTER	0.38	0.22 <sup>a</sup>	0.20 <sup>b</sup>
LEFT	0.23	0.32 <sup>a</sup>	0.35 <sup>b</sup>

  

	Relative frequency of success in tight years							
	Successful (balance)	Unsuccessful (balance)	Successful (debt)	Unsuccessful (debt)	Successful (balance&debt)	Unsuccessful (balance&debt)	Successful (balance/debt)	Unsuccessful (balance/debt)
SING	0.17	0.83	0.34	0.66	0.08	0.93	0.43	0.57
COAL	0.23	0.77	0.23	0.77	0.11	0.89	0.36	0.64
RIGHT	0.24	0.76	0.20	0.80	0.05	0.85	0.39	0.61
CENTER	0.18	0.82	0.25	0.75	0.11	0.89	0.31	0.69
LEFT	0.23	0.77	0.40	0.60	0.17	0.83	0.46	0.54

a. Frequency of prime minister's ideology.

b. Ideology of the most powerful party in the parliament.

**Table 5. Frequency of Loose and Tight Fiscal Policies, by Cabinet Type** (Data: IMF)

Cabinet type	Frequency of cabinet type in all observations	Relative frequency of fiscal extremes	
		Loose years	Tight years
SING	0.27	0.16	0.20
COAL	0.73	0.17	0.17
RIGHT	0.37	0.46 <sup>a</sup>	0.44 <sup>b</sup>
CENTER	0.44	0.24 <sup>a</sup>	0.23 <sup>b</sup>
LEFT	0.19	0.30 <sup>a</sup>	0.33 <sup>b</sup>

  

	Relative frequency of success in tight years							
	Successful (balance)	Unsuccessful (balance)	Successful (debt)	Unsuccessful (debt)	Successful (balance&debt)	Unsuccessful (balance&debt)	Successful (balance/debt)	Unsuccessful (balance/debt)
SING	0.06	0.94	0.16	0.84	0.00	1.00	0.22	0.78
COAL	0.20	0.80	0.19	0.81	0.11	0.89	0.28	0.72
RIGHT	0.19	0.81	0.10	0.90	0.00	1.00	0.29	0.71
CENTER	0.15	0.85	0.23	0.77	0.13	0.87	0.26	0.74
LEFT	0.13	0.87	0.19	0.81	0.13	0.87	0.19	0.81

a. Frequency of prime minister's ideology.

b. Ideology of the most powerful party in the parliament.

**Table 5. Frequency of Loose and Tight Fiscal Policies, by Cabinet Type** (Data: IMF)

Cabinet type	Frequency of cabinet type in all observations	Relative frequency of fiscal extremes	
		Loose years	Tight years
SING	0.45	0.18	0.18
COAL	0.55	0.18	0.17
RIGHT	0.43	0.18	0.16
CENTER	0.33	0.16	0.19
LEFT	0.24	0.19	0.18

  

	Relative frequency of success in tight years							
	Successful (balance)	Unsuccessful (balance)	Successful (debt)	Unsuccessful (debt)	Successful (balance&debt)	Unsuccessful (balance&debt)	Successful (balance/debt)	Unsuccessful (balance/debt)
SING	0.27	0.73	0.35	0.65	0.12	0.88	0.50	0.50
COAL	0.29	0.71	0.22	0.78	0.11	0.89	0.40	0.60
RIGHT	0.31	0.69	0.19	0.81	0.04	0.96	0.46	0.54
CENTER	0.29	0.71	0.29	0.71	0.19	0.81	0.40	0.60
LEFT	0.24	0.76	0.41	0.59	0.15	0.85	0.50	0.50

a. Frequency of prime minister's ideology.

b. Ideology of the most powerful party in the parliament.

**Table 6. Frequency of Government Terminations and Cabinet Changes, by Country, 1970-2016**

Frequency					
Country	Years	TERM	ALLCH	PMCH	IDEOCH
Australia*	45	0.49	0.22	0.22	0.11
Austria <sup>a,b</sup>	48	0.37	0.17	0.17	0.07
Belgium <sup>a,b</sup>	46	0.45	0.31	0.24	0.11
Bulgaria <sup>a</sup>	26	0.38	0.38	0.38	0.26
Canada*	45	0.38	0.21	0.18	0.14
Croatia <sup>a</sup>	18	0.61	0.35	0.29	0.25
Cyprus <sup>a,b</sup>	26	0.54	0.15	0.15	0.11
Czech <sup>a</sup>	27	0.41	0.37	0.37	0.19
Denmark <sup>a</sup>	46	0.52	0.29	0.22	0.24
Estonia <sup>a,b</sup>	25	0.56	0.40	0.36	0.21
Finland <sup>a,b</sup>	48	0.50	0.40	0.34	0.21
France <sup>a,b</sup>	45	0.55	0.38	0.36	0.16
Germany <sup>a,b</sup>	45	0.29	0.18	0.11	0.14
Greece <sup>a,b</sup>	43	0.42	0.24	0.21	0.17
Hungary <sup>a</sup>	28	0.39	0.26	0.26	0.15
Ireland <sup>a,b</sup>	45	0.40	0.32	0.27	0.21
Italy <sup>a,b</sup>	48	0.68	0.55	0.53	0.13
Japan*	45	0.62	0.46	0.46	0.07
Latvia <sup>a,b</sup>	22	0.81	0.50	0.50	0.00
Lithuania <sup>a,b</sup>	27	0.55	0.52	0.44	0.29
Luxemburg <sup>a,b</sup>	43	0.18	0.14	0.09	0.09
Malta <sup>a,b</sup>	46	0.28	0.13	0.13	0.00
Netherlands <sup>a,b</sup>	47	0.36	0.24	0.13	0.22
Norway*	47	0.40	0.30	0.30	0.24
Poland <sup>a</sup>	28	0.64	0.53	0.53	0.26
Portugal <sup>a,b</sup>	43	0.46	0.33	0.28	0.24
Romania <sup>a</sup>	27	0.63	0.52	0.40	0.37
Slovakia <sup>a,b</sup>	27	0.48	0.41	0.29	0.27
Slovenia <sup>a,b</sup>	27	0.55	0.41	0.33	0.34
Spain <sup>a,b</sup>	40	0.35	0.15	0.15	0.10
Sweden <sup>a</sup>	47	0.38	0.24	0.21	0.15
United Kingdom <sup>a</sup>	48	0.33	0.17	0.17	0.08
United States*	45	0.27	0.18	0.18	0.14
All countries <sup>a</sup>		0.45	0.31	0.27	0.17
All countries <sup>b</sup>		0.44	0.30	0.26	0.16
All countries*		0.43	0.28	0.25	0.15

Source: For source of all data and explanations of all variables, see Appendix I. For each country, table gives the mean of a given dummy variable across all years in the sample.

a. EU-28 countries.

b. Eurozone countries.

\*. OECD-19 countries.

**Table 6. Frequency of Government Terminations and Cabinet Changes, by Country, 1970-1995**

Frequency					
Country	Years	TERM	ALLCH	PMCH	IDEOCH
Australia*	24	0.50	0.21	0.21	0.13
Austria <sup>a</sup>	27	0.37	0.11	0.11	0.04
Belgium <sup>a</sup>	25	0.48	0.33	0.21	0.17
Bulgaria <sup>a</sup>	5	0.60	0.60	0.60	0.50
Canada*	24	0.37	0.27	0.21	0.18
Croatia <sup>a</sup>	-	-	-	-	-
Cyprus <sup>a</sup>	5	0.60	0.20	0.20	0.20
Czech <sup>a</sup>	6	0.33	0.33	0.33	0.00
Denmark <sup>a</sup>	25	0.56	0.33	0.24	0.29
Estonia <sup>a</sup>	4	0.75	0.50	0.50	0.00
Finland <sup>a</sup>	27	0.55	0.50	0.42	0.27
France <sup>a</sup>	24	0.58	0.43	0.39	0.18
Germany <sup>a</sup>	33	0.33	0.17	0.12	0.08
Greece <sup>a</sup>	22	0.41	0.24	0.24	0.14
Hungary <sup>a</sup>	7	0.43	0.33	0.33	0.20
Ireland <sup>a</sup>	24	0.46	0.39	0.35	0.27
Italy <sup>a</sup>	26	0.85	0.65	0.65	0.08
Japan*	24	0.62	0.50	0.50	0.04
Latvia <sup>a</sup>	-	-	-	-	-
Lithuania <sup>a</sup>	6	0.50	0.50	0.50	0.33
Luxemburg <sup>a</sup>	22	0.18	0.14	0.14	0.09
Malta <sup>a</sup>	25	0.24	0.08	0.08	0.00
Netherlands <sup>a</sup>	26	0.34	0.28	0.16	0.25
Norway*	26	0.46	0.32	0.32	0.25
Poland <sup>a</sup>	7	1.00	1.00	1.00	0.33
Portugal <sup>a</sup>	22	0.63	0.47	0.38	0.30
Romania <sup>a</sup>	6	0.50	0.33	0.33	0.20
Slovakia <sup>a</sup>	6	0.83	0.66	0.66	0.20
Slovenia <sup>a</sup>	6	0.66	0.33	0.16	0.40
Spain <sup>a</sup>	19	0.42	0.21	0.21	0.11
Sweden <sup>a</sup>	26	0.50	0.36	0.31	0.20
United Kingdom <sup>a</sup>	27	0.33	0.15	0.15	0.08
United States*	24	0.25	0.21	0.21	0.13
All countries <sup>a</sup>		0.48	0.33	0.29	0.17
All countries*		0.48	0.32	0.28	0.17

Source: For source of all data and explanations of all variables, see Appendix I. For each country, table gives the mean of a given dummy variable across all years in the sample.

a. EU-28 countries.

\*. OECD-19 countries.

**Table 6. Frequency of Government Terminations and Cabinet Changes, by Country, 1996-2016**

Frequency					
Country	Years	TERM	ALLCH	PMCH	IDEOCH
Australia*	21	0.47	0.24	0.24	0.09
Austria <sup>a</sup>	21	0.38	0.24	0.24	0.09
Belgium <sup>a</sup>	21	0.43	0.28	0.28	0.05
Bulgaria <sup>a</sup>	21	0.33	0.33	0.33	0.24
Canada*	21	0.38	0.14	0.14	0.09
Croatia <sup>a</sup>	18	0.61	0.35	0.29	0.25
Cyprus <sup>a</sup>	21	0.52	0.14	0.14	0.09
Czech <sup>a</sup>	21	0.47	0.38	0.38	0.24
Denmark <sup>a</sup>	21	0.47	0.24	0.19	0.19
Estonia <sup>a</sup>	21	0.52	0.38	0.33	0.24
Finland <sup>a</sup>	21	0.43	0.28	0.24	0.14
France <sup>a</sup>	21	0.52	0.33	0.33	0.14
Germany <sup>a</sup>	21	0.24	0.19	0.09	0.19
Greece <sup>a</sup>	21	0.43	0.24	0.19	0.19
Hungary <sup>a</sup>	21	0.38	0.24	0.24	0.14
Ireland <sup>a</sup>	21	0.33	0.24	0.19	0.14
Italy <sup>a</sup>	21	0.47	0.43	0.38	0.20
Japan*	21	0.62	0.43	0.43	0.09
Latvia <sup>a</sup>	21	0.80	0.47	0.47	0.00
Lithuania <sup>a</sup>	21	0.57	0.52	0.43	0.28
Luxemburg <sup>a</sup>	21	0.19	0.14	0.05	0.09
Malta <sup>a</sup>	21	0.33	0.19	0.19	0.00
Netherlands <sup>a</sup>	21	0.38	0.19	0.09	0.19
Norway*	21	0.33	0.28	0.28	0.24
Poland <sup>a</sup>	21	0.52	0.38	0.38	0.24
Portugal <sup>a</sup>	21	0.28	0.19	0.19	0.19
Romania <sup>a</sup>	21	0.66	0.57	0.43	0.42
Slovakia <sup>a</sup>	21	0.38	0.33	0.19	0.28
Slovenia <sup>a</sup>	21	0.52	0.43	0.38	0.33
Spain <sup>a</sup>	21	0.28	0.09	0.09	0.09
Sweden <sup>a</sup>	21	0.24	0.09	0.09	0.09
United Kingdom <sup>a</sup>	21	0.33	0.19	0.19	0.09
United States*	21	0.28	0.14	0.14	0.14
All countries <sup>a</sup>		0.43	0.29	0.25	0.17
All countries*		0.38	0.23	0.21	0.14

Source: For source of all data and explanations of all variables, see Appendix I. For each country, table gives the mean of a given dummy variable across all years in the sample.

a. EU-28 countries.

\*. OECD-19 countries.



**Table 6. Frequency of Government Terminations and Cabinet Changes, by Country, Period: pre-euro era (Eurozone)**

Frequency					
Country	Years	TERM	ALLCH	PMCH	IDEOCH
Austria	30	0.37	0.13	0.13	0.04
Belgium	28	0.43	0.29	0.18	0.15
Cyprus	17	0.47	0.17	0.17	0.12
Estonia	19	0.58	0.42	0.37	0.22
Finland	30	0.53	0.45	0.38	0.24
France	27	0.55	0.42	0.38	0.20
Germany	27	0.33	0.18	0.15	0.11
Greece	27	0.41	0.19	0.19	0.11
Ireland	27	0.44	0.38	0.34	0.28
Italy	30	0.80	0.62	0.62	0.07
Latvia	19	0.84	0.52	0.52	0.00
Lithuania	25	0.56	0.52	0.44	0.32
Luxemburg	25	0.16	0.12	0.12	0.08
Malta	37	0.30	0.13	0.13	0.00
Netherlands	29	0.34	0.25	0.14	0.22
Portugal	25	0.56	0.41	0.33	0.26
Slovakia	19	0.47	0.37	0.31	0.16
Slovenia	17	0.58	0.41	0.29	0.37
Spain	22	0.36	0.18	0.18	0.09
All countries		0.46	0.32	0.28	0.15

Source: For source of all data and explanations of all variables, see Appendix I. For each country, table gives the mean of a given dummy variable across all years in the sample

Note: The pre-euro period is specified by using a dummy variable taking zero for the years before the adoption and one for the years after the adoption of the common currency. The dummy is specific for each individual country.

**Table 6. Frequency of Government Terminations and Cabinet Changes, by Country, Period: euro era (Eurozone)**

Frequency					
Country	Years	TERM	ALLCH	PMCH	IDEOCH
Austria	18	0.39	0.22	0.22	0.11
Belgium	18	0.50	0.33	0.33	0.05
Cyprus	9	0.66	0.11	0.11	0.11
Estonia	6	0.50	0.33	0.33	0.16
Finland	18	0.44	0.33	0.27	0.16
France	18	0.55	0.33	0.33	0.11
Germany	18	0.22	0.16	0.05	0.16
Greece	16	0.43	0.31	0.25	0.25
Ireland	18	0.33	0.22	0.16	0.11
Italy	18	0.50	0.44	0.39	0.23
Latvia	3	0.66	0.33	0.33	0.00
Lithuania	2	0.50	0.50	0.50	0.00
Luxemburg	18	0.22	0.16	0.05	0.11
Malta	9	0.22	0.11	0.11	0.00
Netherlands	18	0.39	0.22	0.11	0.22
Portugal	18	0.33	0.22	0.22	0.22
Slovakia	8	0.50	0.50	0.25	0.50
Slovenia	10	0.50	0.40	0.40	0.30
Spain	18	0.33	0.11	0.11	0.11
All countries		0.40	0.26	0.22	0.16

Source: For source of all data and explanations of all variables, see Appendix I. For each country, table gives the mean of a given dummy variable across all years in the sample

Note: The pre-euro period is specified by using a dummy variable taking zero for the years before the adoption and one for the years after the adoption of the common currency. The dummy is specific for each individual country

**Table 7. Logit Regression Predicting Cabinet Changes, Whole Sample (EU-28)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	-0.029 (-0.79) -0.006	-0.025 (-0.64) -0.005	-0.028 (-0.64) -0.006	-0.024 (-0.53) -0.005	-0.020 (-0.74) -0.006	0.001 (0.05) 0.001	-0.017 (-0.77) -0.005	-0.015 (-0.65) -0.005
ΔGDP	-0.006 (-0.16) -0.001	0.007 (0.19) 0.001	-0.005 (-0.16) -0.001	0.007 (0.20) 0.001	0.002 (0.08) 0.001	-0.005 (-0.25) -0.002	-0.002 (-0.10) -0.001	0.005 (0.22) 0.001
ΔUNR	0.032 (0.48) 0.006	0.052 (0.70) 0.010	0.031 (0.39) 0.006	0.050 (0.58) 0.010	0.030 (0.70) 0.010	0.028 (0.92) 0.014	0.024 (0.54) 0.008	0.033 (0.69) 0.010
INFL	0.040*** (2.83) 0.008	0.043** (2.46) 0.009	0.039** (2.12) 0.008	0.041** (2.04) 0.008	0.027* (1.80) 0.009	0.013 (0.53) 0.006	0.024** (2.46) 0.009	0.025 (1.53) 0.012
DURAT	0.110*** (3.50) 0.022	0.104*** (3.22) 0.021	0.106*** (5.01) 0.021	0.101*** (4.57) 0.019	0.067*** (2.94) 0.022	0.043 (1.14) 0.022	0.067*** (3.48) 0.022	0.065*** (3.17) 0.020
COAL	0.173 (0.61) 0.034	0.267 (0.91) 0.052	0.166 (0.62) 0.034	0.257 (0.93) 0.051	0.120 (0.67) 0.038	0.176 (1.45) 0.086	0.144 (0.74) 0.046	0.204 (1.04) 0.062
MIN	0.822*** (3.37) 0.177	0.871*** (3.33) 0.186	0.793*** (2.86) 0.147	0.837*** (3.03) 0.149	0.509*** (3.07) 0.173	0.388 (1.22) 0.205	0.524*** (2.86) 0.179	0.588*** (2.90) 0.191
MAJ	0.048 (0.17) 0.009	0.128 (0.47) 0.023	0.045 (0.15) 0.010	0.123 (0.39) 0.026	0.029 (0.17) 0.009	0.073 (0.73) 0.034	0.037 (0.22) 0.011	0.087 (0.48) 0.025
Summary statistic								
Log								
likelihood	-501.1	-461.56	-450.9	-412.5	-498.3	-460.6	-500.8	-460.7
N	891	823	891	823	887	823	891	823

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 7. Logit Regression Predicting Cabinet Changes, Whole Sample (EU-28)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	-0.014 (-0.39) -0.002	-0.023 (-0.58) -0.003	-0.014 (-0.48) -0.003	-0.022 (-0.75) -0.005	-0.010 (-0.39) -0.002	-0.001 (-0.01) -0.000	-0.009 (-0.42) -0.002	-0.003 (-0.09) -0.000
ΔGDP	-0.025 (-0.56) -0.003	-0.005 (-0.10) -0.001	-0.024 (-0.55) -0.006	-0.005 (-0.09) -0.001	-0.008 (-0.32) -0.002	-0.006 (-0.22) -0.002	-0.012 (-0.51) -0.003	0.024 (0.54) 0.004
ΔUNR	0.015 (0.19) 0.002	0.030 (0.35) 0.004	0.014 (0.17) 0.003	0.029 (0.33) 0.007	0.020 (0.44) 0.005	0.021 (0.51) 0.006	0.011 (0.25) 0.003	0.052 (0.74) 0.009
INFL	0.016 (1.02) 0.002	0.018 (0.95) 0.002	0.016 (0.82) 0.004	0.017 (0.76) 0.004	0.010 (0.78) 0.002	0.004 (0.20) 0.001	0.010 (0.53) 0.002	-0.098 (-0.82) 0.002
DURAT	0.088** (2.40) 0.012	0.085** (2.24) 0.012	0.085*** (2.83) 0.020	0.082** (2.38) 0.019	0.050** (2.34) 0.012	0.042* (1.69) 0.013	0.050** (2.45) 0.012	0.056** (2.03) 0.009
COAL	-0.110 (-0.33) -0.015	-0.053 (-0.15) -0.007	-0.106 (-0.32) -0.024	-0.051 (-0.14) -0.012	-0.035 (-0.17) -0.008	0.046 (0.20) 0.014	-0.044 (-0.23) -0.011	0.020 (0.07) 0.003
MIN	0.834*** (2.87) 0.127	0.854*** (2.73) 0.0128	0.803*** (3.28) 0.178	0.819*** (2.91) 0.176	0.471*** (2.79) 0.128	0.427** (2.11) 0.141	0.468** (2.42) 0.128	0.731*** (2.61) 0.135
MAJ	0.133 (0.36) 0.016	0.193 (0.52) 0.023	0.128 (0.31) 0.031	0.185 (0.41) 0.044	0.068 (0.35) 0.015	0.072 (0.44) 0.019	0.060 (0.30) 0.014	0.192 (0.67) 0.029
Summary statistic								
Log								
likelihood	-377.1	-346.5	-334.1	-304.5	-376.4	-346.1	-377.0	-345.7
N	843	777	843	777	840	777	843	777

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included). (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 7. Logit Regression Predicting Cabinet Changes, Whole Sample (Eurozone)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	-0.004 (-0.10)	-0.010 (-0.22)	-0.004 (-0.07)	-0.010 (-0.16)	-0.008 (-0.27)	-0.013 (-0.35)	-0.002 (-0.10)	0.005 (0.81)
	-0.001	-0.002	-0.001	-0.002	-0.002	-0.004	-0.001	0.003
ΔGDP	0.040 (1.04)	0.060 (1.45)	0.039 (1.23)	0.057 (1.49)	0.034 (1.17)	0.045 (1.17)	0.015 (0.64)	0.025*** (3.04)
	0.008	0.012	0.008	0.010	0.009	0.012	0.006	0.015
ΔUNR	0.148* (1.85)	0.168** (2.01)	0.143* (1.78)	0.161* (1.65)	0.097* (1.74)	0.109* (1.92)	0.066 (1.07)	0.077*** (3.18)
	0.030	0.033	0.028	0.028	0.026	0.031	0.025	0.047
INFL	0.043** (2.33)	0.058*** (2.60)	0.042 (1.61)	0.056** (2.28)	0.041* (1.75)	0.045 (1.23)	0.027*** (3.28)	0.019*** (2.61)
	0.009	0.011	0.008	0.009	0.011	0.013	0.004	-0.025
DURAT	0.101*** (2.85)	0.097*** (2.61)	0.098*** (4.31)	0.094*** (3.80)	0.071*** (2.62)	0.064** (2.21)	0.054** (2.52)	0.022 (1.46)
	0.020	0.019	0.019	0.016	0.019	0.018	0.021	0.013
COAL	0.182 (0.47)	0.398 (0.95)	0.175 (0.42)	0.383 (0.82)	0.067 (0.24)	0.241 (0.83)	0.066 (0.35)	0.099 (1.38)
	0.036	0.076	0.035	0.070	0.018	0.066	0.025	0.059
MIN	0.778*** (2.80)	0.828*** (2.72)	0.753** (2.38)	0.798** (2.39)	0.538** (2.57)	0.539** (2.43)	0.373* (1.73)	0.157** (2.26)
	0.170	0.180	0.132	0.122	0.152	0.163	0.154	0.101
MAJ	0.074 (0.24)	0.143 (0.46)	0.071 (0.19)	0.138 (0.35)	0.021 (0.09)	0.086 (0.39)	0.009 (0.05)	0.046 (1.15)
	0.014	0.027	0.014	0.025	0.005	0.023	0.003	0.027
Summary statistic								
Log								
likelihood	-359.1	-323.2	-324.6	-289.8	-358.4	-322.9	-358.3	-317.6
N	647	587	647	587	647	587	647	587

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 7. Logit Regression Predicting Cabinet Changes, Whole Sample (Eurozone)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	0.021 (0.55) 0.003	0.004 (0.10) 0.001	0.020 (0.72) 0.005	0.004 (0.14) 0.001	0.008 (0.31) 0.002	0.017 (1.48) 0.007	-0.003 (-0.16) -0.001	-0.012 (-0.75) -0.004
ΔGDP	0.014 (0.27) 0.002	0.047 (0.86) 0.006	0.014 (0.29) 0.003	0.045 (0.82) 0.010	0.016 (0.51) 0.003	0.007 (0.29) 0.003	-0.010 (-0.49) -0.003	0.011 (0.63) 0.003
ΔUNR	0.103 (1.11) 0.014	0.121 (1.25) 0.017	0.099 (1.16) 0.023	0.116 (1.06) 0.026	0.066 (1.17) 0.014	0.046 (0.82) 0.021	0.016 (0.33) 0.005	0.051 (1.47) 0.016
INFL	0.020 (0.86) 0.003	0.018 (0.61) 0.002	0.019 (0.63) 0.004	0.017 (0.40) 0.004	0.018 (0.77) 0.004	-0.013 (-0.66) -0.006	0.031*** (5.05) -0.005	0.034*** (5.92) -0.009
DURAT	0.081* (1.91) 0.010	0.076* (1.70) 0.010	0.078** (2.16) 0.018	0.073* (1.89) 0.016	0.049* (1.87) 0.010	0.030 (1.21) 0.013	0.036* (1.88) 0.011	0.032* (1.87) 0.010
COAL	-0.057 (-0.12) -0.007	0.040 (0.08) 0.005	-0.056 (-0.12) -0.013	0.037 (0.06) 0.008	-0.072 (-0.24) -0.016	0.108 (0.75) 0.045	-0.040 (-0.30) -0.013	0.062 (0.50) 0.019
MIN	0.840** (2.52) 0.132	0.899** (2.46) 0.140	0.810*** (2.58) 0.171	0.865** (2.28) 0.172	0.513** (2.43) 0.126	0.320 (0.96) 0.168	0.277 (1.64) 0.098	0.246* (1.86) 0.087
MAJ	-0.101 (-0.23) -0.012	0.018 (0.04) 0.002	-0.099 (-0.19) -0.024	0.017 (0.03) 0.004	-0.066 (-0.25) -0.013	0.022 (0.19) 0.008	-0.098 (-0.72) -0.027	0.010 (0.09) 0.003
Summary statistic								
Log								
likelihood	-260.8	-233.1	-232.3	-205.5	-260.5	-232.7	-259.3	-230.5
N	602	543	602	543	602	543	602	543

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included). (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 7. Logit Regression Predicting Cabinet Changes, Whole Sample (OECD-19)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	ALLCH	ALLCH	ALLCH	ALLCH	ALLCH	ALLCH	ALLCH	ALLCH
CHBAL	-0.003 (-0.08)	-0.000 (-0.00)	-0.003 (-0.07)	-0.000 (-0.01)	-0.011 (-0.31)	-0.010 (-0.26)	-0.004 (-0.19)	-0.001 (-0.04)
	-0.001	-0.000	-0.001	-0.000	-0.002	-0.002	-0.001	-0.000
ΔGDP	0.023 (0.42)	0.037 (0.63)	0.022 (0.44)	0.036 (0.56)	0.041 (0.90)	0.049 (0.84)	0.010 (0.44)	0.025 (0.89)
	0.004	0.007	0.004	0.006	0.009	0.011	0.004	0.009
ΔUNR	0.274** (2.49)	0.280** (2.38)	0.267*** (2.61)	0.272** (2.28)	0.234** (2.25)	0.231* (1.81)	0.136** (2.34)	0.159*** (2.71)
	0.051	0.053	0.046	0.043	0.049	0.052	0.049	0.058
INFL	0.057*** (3.05)	0.070*** (3.16)	0.056** (2.30)	0.068*** (3.01)	0.070** (2.28)	0.069* (1.65)	0.037*** (4.38)	0.042*** (4.63)
	0.011	0.013	0.010	0.011	0.015	0.015	0.008	0.008
DURAT	0.155*** (4.46)	0.154*** (4.23)	0.151*** (5.06)	0.150*** (4.56)	0.132*** (3.32)	0.121** (2.50)	0.080*** (3.71)	0.078*** (3.13)
	0.029	0.029	0.026	0.023	0.027	0.027	0.029	0.028
COAL	0.069 (0.25)	0.161 (0.55)	0.067 (0.21)	0.155 (0.41)	0.041 (0.18)	0.115 (0.51)	0.031 (0.22)	0.121 (0.87)
	0.013	0.030	0.012	0.025	0.008	0.026	0.011	0.044
MIN	0.949*** (3.34)	1.021*** (3.29)	0.926*** (3.20)	0.994*** (3.23)	0.782*** (2.79)	0.768** (2.45)	0.444** (2.45)	0.467* (1.91)
	0.191	0.204	0.147	0.146	0.173	0.180	0.0167	0.177
MAJ	0.289 (0.96)	0.430 (1.38)	0.282 (0.76)	0.419 (1.13)	0.113 (0.39)	0.289 (1.07)	0.135 (0.85)	0.195 (1.07)
	0.050	0.075	0.053	0.072	0.022	0.061	0.045	0.067
Summary statistic								
Log								
likelihood	-431.8	-392.8	-395.4	-357.4	-430.2	-392.3	-431.4	-392.5
N	812	738	812	738	812	738	812	738

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 7. Logit Regression Predicting Cabinet Changes, Whole Sample (OECD-19)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	0.035 (0.82) 0.004	0.019 (0.40) 0.002	0.034 (0.90) 0.006	0.018 (0.46) 0.003	0.009 (0.24) 0.001	-0.006 (-0.17) -0.001	-0.001 (-0.03) -0.000	-0.010 (-0.45) -0.002
ΔGDP	-0.001 (-0.02) -0.000	0.035 (0.40) 0.004	-0.001 (-0.02) -0.000	0.034 (0.39) 0.005	0.032 (0.62) 0.004	0.057 (1.01) 0.009	-0.010 (-0.43) -0.002	0.013 (0.56) 0.004
ΔUNR	0.216* (1.69) 0.025	0.220 (1.56) 0.025	0.210** (2.03) 0.037	0.213 (1.54) 0.034	0.172* (1.79) 0.024	0.178* (1.74) 0.027	0.070 (1.30) 0.019	0.097* (1.89) 0.027
INFL	0.049** (2.19) 0.006	0.047* (1.78) 0.005	0.048** (2.01) 0.008	0.046 (1.49) 0.007	0.069*** (2.60) 0.010	0.058** (2.05) 0.009	0.045*** (5.97) -0.000	0.047*** (6.04) -0.003
DURAT	0.148*** (3.76) 0.017	0.149*** (3.56) 0.017	0.144*** (3.58) 0.025	0.144*** (3.15) 0.023	0.125*** (3.45) 0.018	0.119*** (3.15) 0.018	0.062*** (3.12) 0.017	0.063*** (3.44) 0.017
COAL	0.351 (0.99) 0.040	0.436 (1.16) 0.049	0.340 (1.16) 0.060	0.422 (1.10) 0.068	0.161 (0.64) 0.023	0.205 (0.79) 0.030	0.061 (0.42) 0.016	0.126 (0.94) 0.034
MIN	1.070*** (3.12) 0.152	1.173*** (3.08) 0.163	1.040*** (4.48) 0.157	1.139*** (3.91) 0.157	0.756*** (2.71) 0.128	0.782*** (2.70) 0.136	0.330** (1.98) 0.100	0.312 (1.52) 0.095
MAJ	-0.194 (-0.45) -0.017	-0.016 (-0.04) -0.001	-0.189 (-0.36) -0.039	-0.015 (-0.03) -0.003	-0.372 (-1.10) -0.040	-0.192 (-0.57) -0.022	-0.096 (-0.64) -0.021	-0.049 (-0.37) -0.011
Summary statistic								
Log								
likelihood	-324.6	-293.8	-291.8	-262.1	-320.9	-291.6	-322.8	-291.8
N	807	734	807	734	807	734	807	734

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included). (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).



**Table 8. Logit Regression Predicting Cabinet Changes, Sample of Tight Years (EU-28)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	-0.010 (-0.14)	-0.015 (-0.22)	-0.010 (-0.09)	-0.014 (-0.17)	0.005 (0.10)	-0.017 (-0.21)	-0.012 (-0.45)	-0.011 (-0.27)
	-0.002	-0.003	-0.002	-0.003	0.002	-0.005	-0.005	-0.004
ΔGDP	0.047 (0.97)	0.033 (0.61)	0.044 (0.98)	0.030 (0.68)	0.027 (0.82)	0.024 (0.61)	0.011 (0.72)	0.019 (0.62)
	0.009	0.006	0.008	0.006	0.010	0.007	0.005	0.006
ΔUNR	0.149 (1.58)	0.108 (1.09)	0.137 (1.17)	0.100 (0.81)	0.096* (1.89)	0.071 (1.17)	0.059 (1.63)	0.061 (0.98)
	0.028	0.020	0.026	0.019	0.035	0.021	0.026	0.020
INFL	0.013 (0.67)	0.028 (1.08)	0.013 (0.44)	0.026 (1.09)	0.005 (0.22)	0.019 (0.68)	0.014*** (2.70)	0.017 (1.34)
	0.003	0.005	0.002	0.005	0.002	0.006	-0.008	0.004
DURAT	0.112** (2.50)	0.108** (2.23)	0.105*** (2.70)	0.100** (2.24)	0.062** (1.99)	0.069** (2.03)	0.062*** (3.23)	0.065** (2.47)
	0.021	0.020	0.019	0.019	0.023	0.021	0.027	0.021
COAL	0.562 (1.30)	0.558 (1.25)	0.523 (1.42)	0.520 (1.47)	0.348 (1.60)	0.357 (1.30)	0.154 (1.02)	0.322 (1.26)
	0.100	0.097	0.105	0.104	0.120	0.100	0.065	0.101
MIN	0.527 (1.47)	0.559 (1.45)	0.492 (1.25)	0.522 (1.31)	0.299 (1.31)	0.367 (1.42)	0.230* (1.82)	0.345 (1.63)
	0.106	0.110	0.087	0.093	0.115	0.113	0.107	0.118
MAJ	0.014 (0.04)	0.155 (0.37)	0.012 (0.03)	0.144 (0.41)	0.045 (0.21)	0.113 (0.43)	-0.046 (-0.32)	0.119 (0.51)
	0.003	0.027	0.002	0.028	0.016	0.032	-0.019	0.038
Summary statistic								
Log								
likelihood	-240.0	-223.0	-200.8	-184.9	-239.0	-222.4	-237.0	-222.3
N	452	425	452	425	451	425	452	425

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 8. Logit Regression Predicting Cabinet Changes, Sample of Tight Years (EU-28)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	-0.053 (-0.51) -0.007	-0.064 (-0.66) -0.008	-0.050 (-0.48) -0.011	-0.060 (-0.56) -0.012	-0.042 (-0.47) -0.009	0.013 (1.53) 0.007	-0.028 (-0.74) -0.008	-0.035 (-1.35) -0.015
ΔGDP	0.036 (0.56) 0.005	0.045 (0.63) 0.006	0.034 (0.48) 0.007	0.042 (0.55) 0.009	0.028 (0.72) 0.006	0.008 (0.57) 0.005	0.006 (0.25) 0.002	-0.013 (-0.76) -0.005
ΔUNR	0.070 (0.67) 0.009	0.045 (0.40) 0.006	0.066 (0.51) 0.014	0.042 (0.31) 0.009	0.047 (0.75) 0.010	0.037 (1.39) 0.021	0.035 (0.80) 0.010	0.009 (0.31) 0.004
INFL	0.002 (0.06) 0.000	-0.025 (-0.61) -0.003	0.002 (0.04) 0.000	-0.024 (-0.50) -0.005	0.004 (0.21) 0.001	-0.031*** (-2.99) -0.018	0.018** (2.20) -0.006	0.021** (2.22) -0.029
DURAT	0.101* (1.88) 0.013	0.110* (1.84) 0.015	0.094* (1.77) 0.020	0.102 (1.60) 0.021	0.060* (1.84) 0.013	0.030** (2.19) 0.017	0.053** (2.19) 0.016	0.057*** (2.69) 0.023
COAL	0.366 (0.67) 0.044	0.452 (0.78) 0.056	0.341 (0.64) 0.075	0.423 (0.78) 0.091	0.212 (0.64) 0.043	0.087 (0.73) 0.047	0.083 (0.44) 0.024	0.083 (0.68) 0.033
MIN	0.715* (1.72) 0.105	0.902** (2.03) 0.135	0.665 (1.46) 0.133	0.836* (1.65) 0.160	0.481* (1.86) 0.113	0.202* (1.72) 0.129	0.330* (1.93) 0.110	0.304* (1.74) 0.136
MAJ	-0.129 (-0.24) -0.014	0.091 (0.16) 0.010	-0.120 (-0.25) -0.028	0.085 (0.15) 0.019	-0.059 (-0.19) -0.011	0.011 (0.12) 0.005	-0.041 (-0.21) -0.010	0.114 (0.79) 0.042
Summary statistic								
Log								
likelihood	-179.1	-166.2	-146.7	-135.5	-178.8	-163.1	-178.3	-164.1
N	414	378	414	378	414	378	414	378

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included). (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 8. Logit Regression Predicting Cabinet Changes, Sample of Tight Years (Eurozone)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	0.001 (0.01) 0.000	-0.030 (-0.37) -0.005	0.000 (0.00) 0.000	-0.028 (-0.23) -0.004	-0.009 (-0.14) -0.003	-0.115 (-0.60) -0.021	0.006 (0.13) 0.002	-0.027 (-0.46) -0.017
$\Delta$ GDP	0.053 (0.99) 0.010	0.040 (0.66) 0.007	0.049 (1.01) 0.008	0.036 (0.72) 0.006	0.037 (1.02) 0.010	0.043 (0.87) 0.008	0.024 (0.26) 0.009	0.007 (0.69) 0.004
$\Delta$ UNR	0.185* (1.70) 0.035	0.184 (1.63) 0.034	0.171 (1.34) 0.027	0.169 (1.28) 0.026	0.119* (1.73) 0.034	0.132 (1.53) 0.024	0.093 (0.32) 0.034	0.060 (0.80) 0.038
INFL	0.050 (1.63) 0.010	0.066* (1.80) 0.012	0.048 (1.39) 0.008	0.062* (1.79) 0.009	0.039 (1.03) 0.011	0.087 (1.07) 0.016	0.027 (0.74) 0.004	0.021 (1.22) -0.037
DURAT	0.080 (1.61) 0.015	0.095* (1.75) 0.017	0.075* (1.89) 0.012	0.088* (1.68) 0.013	0.052* (1.66) 0.015	0.064 (1.42) 0.012	0.048 (1.54) 0.017	0.031 (1.12) 0.019
COAL	0.899 (1.56) 0.150	0.935 (1.47) 0.148	0.848 (0.96) 0.160	0.879 (1.11) 0.156	0.622* (1.66) 0.0159	0.900 (1.21) 0.145	0.407 (0.23) 0.135	0.267 (1.05) 0.143
MIN	0.320 (0.78) 0.064	0.410 (0.92) 0.078	0.300 (0.61) 0.045	0.384 (0.74) 0.056	0.217 (0.83) 0.065	0.257 (0.66) 0.048	0.209 (0.94) 0.081	0.176 (0.72) 0.119
MAJ	-0.049 (-0.11) -0.009	0.244 (0.52) 0.045	-0.049 (-0.12) -0.008	0.228 (0.55) 0.035	-0.040 (-0.12) -0.011	0.146 (0.34) 0.027	-0.058 (-0.11) -0.020	0.086 (0.47) 0.053
Summary statistic								
Log								
likelihood	-172.3	-155.4	-145.6	-129.7	-171.8	-154.3	-171.7	-150.7
N	333	309	333	309	333	309	333	309

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included). (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 8. Logit Regression Predicting Cabinet Changes, Sample of Tight Years (Eurozone)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	-0.062 (-0.49) -0.008	-0.045 (-0.41) -0.006	-0.059 (-0.39) -0.012	-0.042 (-0.29) -0.009	-0.162 (-1.19) -0.021	0.014 (1.57) 0.009	-0.024 (-0.73) -0.008	-0.031 (-1.36) -0.014
ΔGDP	0.041 (0.58) 0.005	0.065 (0.87) 0.008	0.039 (0.48) 0.008	0.060 (0.66) 0.013	0.053 (1.00) 0.007	0.007 (0.51) 0.004	-0.003 (-0.14) -0.001	-0.015 (-0.95) -0.007
ΔUNR	0.081 (0.70) 0.010	0.066 (0.54) 0.008	0.077 (0.52) 0.016	0.062 (0.38) 0.013	0.053 (0.59) 0.007	0.033 (1.14) 0.020	0.026 (0.68) 0.008	0.010 (0.41) 0.004
INFL	0.027 (0.76) 0.003	-0.041 (-0.71) -0.005	0.025 (0.49) 0.005	-0.039 (-0.53) -0.008	0.061 (1.35) 0.008	-0.032*** (-2.59) -0.020	0.034*** (3.82) -0.008	0.027*** (3.35) -0.037
DURAT	0.035 (0.58) 0.005	0.057 (0.85) 0.007	0.033 (0.49) 0.007	0.053 (0.72) 0.011	-0.002 (-0.03) -0.000	0.022* (1.96) 0.013	0.026 (0.99) 0.008	0.018 (1.00) 0.008
COAL	0.712 (0.92) 0.079	0.517 (0.55) 0.059	0.665 (0.44) 0.149	0.478 (0.24) 0.108	0.529 (0.87) 0.063	0.027 (0.27) 0.016	0.201 (1.03) 0.060	0.114 (1.13) 0.047
MIN	0.885** (1.97) 0.147	1.111** (2.24) 0.178	0.826 (1.49) 0.145	1.036* (1.69) 0.195	0.712* (1.80) 0.116	0.182 (1.47) 0.136	0.303 (1.54) 0.118	0.221* (1.79) 0.114
MAJ	-0.589 (-0.94) -0.059	0.078 (0.12) 0.009	-0.557 (-1.00) -0.129	0.077 (0.11) 0.017	-0.497 (-0.93) -0.054	0.010 (0.11) 0.005	-0.116 (-0.55) -0.032	0.092 (0.70) 0.040
Summary statistic								
Log								
likelihood	-126.9	-117.2	-105.3	-96.3	-125.2	-114.3	-124.6	-112.9
N	298	274	298	274	298	274	298	274

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included). (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 8. Logit Regression Predicting Cabinet Changes, Sample of Tight Years (OECD-19)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	-0.009 (-0.10)	-0.099 (-0.85)	-0.009 (-0.08)	-0.094 (-0.87)	-0.037 (-0.44)	-0.208 (-1.45)	-0.003 (-0.08)	-0.075* (-1.68)
	-0.002	-0.016	-0.001	-0.014	-0.008	-0.032	-0.001	-0.030
$\Delta$ GDP	0.106 (1.53)	0.060 (0.69)	0.101 (1.41)	0.056 (0.75)	0.089 (1.61)	0.087 (1.09)	0.036 (1.22)	0.015 (0.67)
	0.017	0.010	0.013	0.008	0.020	0.013	0.013	0.006
$\Delta$ UNR	0.560*** (2.82)	0.425** (1.99)	0.532*** (4.07)	0.399** (2.19)	0.409** (2.38)	0.426** (1.99)	0.234*** (2.75)	0.189** (2.47)
	0.092	0.070	0.070	0.059	0.090	0.066	0.084	0.075
INFL	0.037 (1.28)	0.053* (1.75)	0.036 (1.04)	0.050* (1.95)	0.041 (1.30)	0.071* (1.75)	0.033*** (3.34)	0.027 (1.53)
	0.006	0.009	0.005	0.007	0.009	0.011	-0.001	-0.013
DURAT	0.171*** (3.42)	0.188*** (3.48)	0.162*** (3.72)	0.177*** (3.29)	0.125*** (2.86)	0.179*** (2.84)	0.080*** (3.18)	0.078** (2.36)
	0.028	0.031	0.021	0.026	0.028	0.028	0.029	0.031
COAL	0.523 (1.22)	0.315 (0.70)	0.495 (1.04)	0.296 (0.54)	0.367 (1.18)	0.242 (0.59)	0.240 (1.37)	0.161 (1.12)
	0.084	0.052	0.067	0.044	0.079	0.037	0.085	0.064
MIN	1.347*** (3.44)	1.414*** (3.33)	1.278*** (3.14)	1.338*** (2.90)	1.076** (2.33)	1.531** (2.43)	0.505** (2.36)	0.460 (1.33)
	0.246	0.253	0.150	0.184	0.256	0.250	0.197	0.191
MAJ	0.733* (1.73)	1.059** (2.35)	0.699** (2.18)	1.005*** (2.89)	0.541 (1.61)	1.147** (2.05)	0.245 (1.13)	0.431** (1.98)
	0.113	0.172	0.099	0.153	0.112	0.175	0.084	0.176
Summary statistic								
Log								
likelihood	-206.3	-188.2	-177.0	-160.0	-205.5	-185.7	-203.6	-184.4
N	435	399	435	399	435	399	435	399

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 8. Logit Regression Predicting Cabinet Changes, Sample of Tight Years (OECD-19)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	-0.017 (-0.13) -0.002	-0.093 (-0.63) -0.010	-0.017 (-0.13) -0.002	-0.087 (-0.54) -0.011	-0.122 (-0.95) -0.011	-0.228 (-1.24) -0.019	-0.022 (-0.65) -0.006	-0.053 (-0.46) -0.012
ΔGDP	0.071 (0.66) 0.007	0.109 (1.01) 0.011	0.067 (0.50) 0.008	0.102 (0.70) 0.013	0.105 (1.30) 0.010	0.153 (1.52) 0.013	0.000 (0.01) 0.000	0.032 (0.13) 0.008
ΔUNR	0.323 (1.55) 0.033	0.239 (1.06) 0.026	0.307 (1.54) 0.038	0.225 (0.97) 0.028	0.290 (1.55) 0.026	0.197 (0.94) 0.016	0.123** (1.99) 0.032	0.094 (0.30) 0.022
INFL	0.034 (0.93) 0.003	-0.011 (-0.24) -0.001	0.032 (0.67) 0.004	-0.010 (-0.19) -0.001	0.079 (1.58) 0.007	0.050 (0.85) 0.004	0.043*** (4.25) -0.006	0.020 (0.14) -0.005
DURAT	0.140** (2.52) 0.014	0.166*** (2.67) 0.017	0.132** (2.41) 0.016	0.156** (2.37) 0.020	0.132** (2.35) 0.012	0.165** (2.37) 0.013	0.062*** (2.85) 0.016	0.084 (1.02) 0.020
COAL	1.076* (1.86) 0.110	0.836 (1.33) 0.085	1.015 (1.46) 0.133	0.788 (0.94) 0.104	0.737 (1.59) 0.064	0.556 (1.12) 0.044	0.321* (1.72) 0.081	0.323 (0.30) 0.073
MIN	1.847*** (4.09) 0.265	2.069*** (3.94) 0.288	1.743*** (4.92) 0.166	1.950*** (5.11) 0.204	1.736*** (2.89) 0.218	1.915*** (2.85) 0.206	0.513* (1.82) 0.165	0.902 (0.43) 0.253
MAJ	-0.133 (-0.22) -0.009	0.550 (0.85) 0.042	-0.126 (-0.29) -0.021	0.524 (0.69) 0.085	-0.190 (-0.39) -0.011	0.388 (0.70) 0.023	-0.023 (-0.16) -0.005	0.303 (1.15) 0.056
Summary statistic								
Log								
likelihood	-152.2	-143.4	-127.5	-119.2	-149.0	-140.9	-150.5	-143.2
N	409	374	409	374	409	374	409	374

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 9. Logit Regression Predicting Cabinet Changes, Sample of Loose Years (EU-28)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	0.033 (0.33)	0.026 (0.26)	0.031 (0.41)	0.023 (0.27)	0.024 (0.37)	-0.000 (-0.01)	0.016 (0.31)	-0.145 (-0.98)
$\Delta$ GDP	0.007 -0.081* (-1.71)	0.006 -0.061 (-1.13)	0.006 -0.075* (-1.76)	0.005 -0.055 (-1.08)	0.006 -0.057 (-1.48)	-0.000 -0.011 (-0.51)	0.006 -0.049 (-1.49)	-0.007 -0.059 (-0.61)
$\Delta$ UNR	-0.017 -0.104 (-1.04)	-0.013 -0.070 (-0.61)	-0.015 -0.097 (-0.97)	-0.012 -0.065 (-0.53)	-0.014 -0.094 (-1.05)	-0.010 0.005 (0.33)	-0.017 -0.063 (-0.99)	-0.003 -0.077 (-0.41)
INFL	-0.022 0.074*** (3.49)	-0.015 0.053** (2.19)	-0.020 0.069*** (2.75)	-0.014 0.049 (1.51)	-0.024 0.072** (2.21)	0.005 0.004 (0.33)	-0.022 0.045*** (3.24)	-0.004 -0.369 (-0.97)
DURAT	0.016 0.117** (2.32)	0.011 0.105** (2.17)	0.014 0.108*** (2.89)	0.010 0.098*** (2.98)	0.018 0.096** (2.09)	0.004 0.012 (0.52)	0.016 0.068** (2.26)	0.035 0.197* (1.65)
COAL	0.025 -0.175 (-0.40)	0.022 -0.079 (-0.19)	0.022 -0.160 (-0.31)	0.021 -0.073 (-0.16)	0.024 -0.190 (-0.55)	0.011 0.026 (0.28)	0.024 -0.079 (-0.33)	0.009 -0.329 (-0.45)
MIN	-0.037 1.353*** (3.45)	-0.017 1.135*** (2.87)	-0.033 1.245*** (3.03)	-0.016 1.041** (2.43)	-0.048 0.977*** (3.03)	0.025 0.251 (0.90)	-0.028 0.783** (2.36)	-0.015 3.176 (1.42)
MAJ	0.301 0.226 (0.51)	0.255 0.120 (0.29)	0.232 0.205 (0.47)	0.207 0.108 (0.26)	0.256 0.157 (0.45)	0.256 0.005 (0.08)	0.288 0.104 (0.40)	0.149 0.157 (0.18)
	0.041	0.022	0.047	0.025	0.036	0.005	0.033	0.007
Summary statistic								
Log								
likelihood	-223.9	-217.8	-185.2	-179.1	-221.3	-217.1	-224.0	-207.6
N	408	382	408	382	405	382	408	382

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 9. Logit Regression Predicting Cabinet Changes, Sample of Loose Years (EU-28)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	0.130 (1.56) 0.018	0.114 (1.31) 0.017	0.120 (1.25) 0.030	0.104 (1.15) 0.026	0.061 (1.21) 0.024	0.037 (1.16) 0.021	0.095 (1.59) 0.023	0.165* (1.69) 0.017
ΔGDP	-0.110** (-1.96) -0.015	-0.102* (-1.65) -0.015	-0.100 (-1.60) -0.025	-0.092 (-1.51) -0.023	-0.051** (-2.09) -0.020	-0.040** (-2.06) -0.022	-0.075* (-1.91) -0.018	-0.078 (-1.17) -0.008
ΔUNR	-0.022 (-0.18) -0.003	-0.029 (-0.20) -0.004	-0.021 (-0.17) -0.005	-0.028 (-0.18) -0.007	0.007 (0.16) 0.003	-0.004 (-0.14) -0.002	-0.026 (-0.33) -0.006	0.032 (0.26) 0.003
INFL	0.027 (1.08) 0.004	0.045* (1.67) 0.006	0.024 (1.23) 0.006	0.041 (1.31) 0.011	0.005 (0.27) 0.002	0.008 (0.71) 0.004	0.012 (0.44) 0.006	-0.264* (-1.82) 0.015
DURAT	0.089 (1.55) 0.012	0.087 (1.59) 0.012	0.082* (1.71) 0.020	0.080* (1.84) 0.020	0.034 (1.19) 0.013	0.028* (1.91) 0.015	0.054 (1.60) 0.013	0.116** (2.04) 0.012
COAL	-0.629 (-1.25) -0.096	-0.522 (-1.10) -0.082	-0.579 (-1.25) -0.141	-0.481 (-1.02) -0.116	-0.143 (-0.50) -0.060	-0.045 (-0.37) -0.026	-0.331 (-1.15) -0.084	-0.528 (-1.10) -0.058
MIN	1.323*** (2.71) 0.203	0.993** (2.02) 0.153	1.212*** (2.74) 0.289	0.908* (1.82) 0.219	0.476 (1.15) 0.200	0.290* (1.84) 0.167	0.774** (2.33) 0.197	1.537*** (2.61) 0.165
MAJ	0.558 (0.96) 0.066	0.430 (0.81) 0.055	0.516 (0.92) 0.128	0.400 (0.67) 0.100	0.266 (1.43) 0.097	0.153 (1.18) 0.078	0.352 (0.88) 0.075	0.936 (1.31) 0.090
Summary statistic								
Log								
likelihood	-167.3	-161.4	-135.5	-129.5	-166.8	-160.1	-167.5	-155.9
N	380	357	380	357	377	357	380	357

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).



**Table 9. Logit Regression Predicting Cabinet Changes, Sample of Loose Years (Eurozone)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	0.118 (0.77) 0.025	0.099 (0.68) 0.021	0.109 (1.11) 0.027	0.091 (0.72) 0.021	0.177 (1.39) 0.025	0.226 (1.06) 0.026	0.009 (0.49) 0.007	-0.000 (-0.85) -
$\Delta$ GDP	-0.027 (-0.38) -0.006	0.044 (0.57) 0.009	-0.025 (-0.38) -0.006	0.041 (0.54) 0.010	-0.014 (-0.20) -0.002	0.042 (0.49) 0.005	-0.001 (-0.13) -0.001	0.001*** (2.58) -
$\Delta$ UNR	0.045 (0.31) 0.009	0.141 (0.93) 0.030	0.039 (0.27) 0.010	0.129 (0.73) 0.030	0.031 (0.20) 0.004	0.147 (0.68) 0.017	0.008 (0.67) 0.007	0.002*** (3.33) -
INFL	0.046 (1.54) 0.010	0.051 (1.63) 0.011	0.043 (1.20) 0.011	0.048 (1.13) 0.011	0.104** (2.15) 0.015	0.122 (1.48) 0.014	0.013 (1.14) -0.030	0.000** (2.08) -
DURAT	0.112** (1.96) 0.024	0.076 (1.40) 0.016	0.105** (2.35) 0.026	0.071* (1.67) 0.016	0.144** (2.02) 0.020	0.100 (1.36) 0.012	0.013 (0.93) 0.011	0.000 (1.62) -
COAL	-0.819 (-1.35) -0.182	-0.121 (-0.21) -0.027	-0.749 (-1.02) -0.179	-0.113 (-0.13) -0.026	-1.578* (-1.66) -0.239	-1.014 (-0.76) -0.123	-0.135 (-1.46) -0.124	-0.000 (-0.00) -
MIN	1.324*** (3.06) 0.301	0.978** (2.11) 0.230	1.220*** (2.66) 0.281	0.897* (1.86) 0.187	1.348** (2.49) 0.201	0.900 (1.49) 0.110	0.241* (1.91) 0.221	0.002** (2.24) -
MAJ	0.329 (0.64) 0.064	-0.048 (-0.10) -0.009	0.301 (0.66) 0.075	-0.050 (-0.10) -0.012	0.631 (1.03) 0.088	0.196 (0.29) 0.022	0.132 (1.22) 0.111	0.000 (0.29) -
Summary statistic								
Log								
likelihood	-156.1	-148.9	-129.7	-122.7	-152.8	-146.8	-149.7	-136.7
N	285	262	285	262	285	262	285	262

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 9. Logit Regression Predicting Cabinet Changes, Sample of Loose Years (Eurozone)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	0.354*** (2.64)	0.279** (2.27)	0.328*** (2.77)	0.258** (2.41)	0.247*** (2.84)	0.182* (1.73)	0.059 (0.67)	0.003 (0.08)
	0.044	0.037	0.077	0.064	0.043	0.038	0.020	0.001
ΔGDP	-0.125 (-1.36)	-0.032 (-0.32)	-0.114 (-1.12)	-0.028 (-0.32)	-0.071 (-1.22)	-0.004 (-0.06)	-0.035 (-1.08)	0.033 (1.47)
	-0.015	-0.004	-0.027	-0.007	-0.012	-0.001	-0.012	0.015
ΔUNR	0.021 (0.12)	0.126 (0.65)	0.016 (0.08)	0.114 (0.52)	0.009 (0.07)	0.096 (0.75)	0.003 (0.07)	0.099 (1.61)
	0.003	0.017	0.004	0.028	0.002	0.020	0.001	0.044
INFL	0.037 (1.02)	0.066* (1.73)	0.034 (1.06)	0.061 (1.51)	0.038 (1.03)	0.048 (0.82)	0.035*** (3.03)	0.037*** (3.28)
	0.005	0.009	0.008	0.015	0.007	0.010	-0.011	-0.028
DURAT	0.136** (2.05)	0.084 (1.37)	0.125* (1.84)	0.078 (1.33)	0.100* (1.73)	0.058 (1.11)	0.045 (1.32)	0.039** (2.52)
	0.017	0.011	0.029	0.019	0.017	0.012	0.015	0.017
COAL	-1.189* (-1.73)	-0.587 (-0.91)	-1.072 (-1.32)	-0.540 (-0.56)	-0.970 (-1.25)	-0.438 (-0.54)	-0.440* (-1.94)	-0.259*** (-2.95)
	-0.179	-0.087	-0.258	-0.134	-0.200	-0.101	-0.183	-0.142
MIN	1.196** (2.09)	0.684 (1.16)	1.098** (2.08)	0.623 (1.06)	0.814 (1.61)	0.383 (0.98)	0.432* (1.78)	0.109* (1.76)
	0.166	0.102	0.260	0.154	0.156	0.086	0.170	0.052
MAJ	0.833 (1.20)	0.161 (0.25)	0.765 (0.89)	0.147 (0.19)	0.513 (1.07)	0.085 (0.22)	0.235 (0.90)	0.061 (0.83)
	0.102	0.020	0.177	0.036	0.087	0.017	0.077	0.027
Summary statistic								
Log								
likelihood	-107.0	-102.5	-86.6	-82.2	-106.8	-102.6	-105.7	-100.7
N	257	237	257	237	257	237	257	237

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included). (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 9. Logit Regression Predicting Cabinet Changes, Sample of Loose Years (OECD-19)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	0.100 (0.70) 0.020	0.077 (0.57) 0.015	0.095 (1.10) 0.021	0.071 (0.66) 0.015	0.093 (0.70) 0.012	0.192 (0.87) 0.018	0.046 (0.69) 0.016	0.042 (1.31) 0.030
$\Delta$ GDP	-0.075 (-0.92) -0.015	-0.021 (-0.24) -0.004	-0.071 (-0.98) -0.016	-0.019 (-0.23) -0.004	0.007 (0.07) 0.001	0.059 (0.41) 0.006	-0.041 (-0.72) -0.014	0.028** (2.18) 0.019
$\Delta$ UNR	0.106 (0.75) 0.021	0.207 (1.37) 0.042	0.100 (0.72) 0.022	0.195 (1.19) 0.041	0.173 (0.79) 0.023	0.483 (1.08) 0.046	0.056 (0.69) 0.019	0.100* (1.80) 0.071
INFL	0.071*** (2.60) 0.014	0.076** (2.38) 0.015	0.067** (2.07) 0.015	0.071* (1.70) 0.015	0.141** (2.06) 0.018	0.184 (1.47) 0.017	0.043*** (2.79) 0.014	0.028*** (2.72) -0.020
DURAT	0.150*** (2.78) 0.030	0.138** (2.55) 0.028	0.141*** (3.09) 0.032	0.129*** (2.58) 0.027	0.216** (2.15) 0.028	0.255 (1.60) 0.024	0.084* (1.72) 0.029	0.029 (1.51) 0.021
COAL	-0.340 (-0.84) -0.069	-0.064 (-0.17) -0.013	-0.322 (-0.70) -0.072	-0.062 (-0.13) -0.013	-0.502 (-1.02) -0.067	-0.329 (-0.50) -0.031	-0.181 (-0.76) -0.063	0.004 (0.08) 0.003
MIN	0.786* (1.70) 0.170	0.562 (1.18) 0.122	0.746 (1.31) 0.156	0.530 (0.95) 0.105	0.314 (0.45) 0.043	-0.093 (-0.09) -0.009	0.410 (1.23) 0.151	0.041 (0.39) 0.030
MAJ	-0.195 (-0.39) -0.034	-0.395 (-0.82) -0.069	-0.181 (-0.17) -0.043	-0.373 (-0.25) -0.087	-0.929 (-1.00) -0.111	-1.503 (-0.96) -0.132	-0.151 (-0.44) -0.047	-0.091 (-1.08) -0.060
Summary statistic								
Log								
likelihood	-200.2	-188.6	-170.8	-159.8	-197.2	-185.8	-200.4	-186.7
N	366	338	366	338	366	338	366	338

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 9. Logit Regression Predicting Cabinet Changes, Sample of Loose Years (OECD-19)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	0.236** (2.18) 0.028	0.161 (1.44) 0.018	0.222** (2.03) 0.052	0.150 (1.36) 0.033	0.214* (1.93) 0.022	0.149 (1.48) 0.017	0.064 (1.26) 0.019	0.026 (0.80) 0.008
ΔGDP	-0.157* (-1.74) -0.019	-0.115 (-1.11) -0.013	-0.146 (-1.46) -0.034	-0.107 (-1.08) -0.023	-0.061 (-0.67) -0.006	-0.035 (-0.39) -0.004	-0.048 (-1.49) -0.014	0.006 (0.22) 0.002
ΔUNR	0.097 (0.65) 0.012	0.181 (1.04) 0.020	0.093 (0.62) 0.022	0.169 (0.94) 0.037	0.132 (0.77) 0.013	0.240 (1.32) 0.028	0.031 (0.49) 0.009	0.138*** (2.65) 0.043
INFL	0.070** (2.20) 0.008	0.095*** (2.63) 0.011	0.065** (2.31) 0.015	0.088*** (2.84) 0.019	0.122** (2.54) 0.012	0.111** (2.34) 0.013	0.051*** (5.37) -0.002	0.057*** (5.66) -0.009
DURAT	0.176*** (2.95) 0.021	0.184*** (3.00) 0.021	0.165** (2.24) 0.039	0.171** (2.46) 0.037	0.218*** (2.67) 0.022	0.191** (2.47) 0.022	0.064* (1.73) 0.019	0.059*** (2.79) 0.018
COAL	-0.247 (-0.49) -0.030	-0.020 (-0.04) -0.002	-0.232 (-0.47) -0.055	-0.023 (-0.05) -0.005	-0.346 (-0.77) -0.036	-0.143 (-0.35) -0.017	-0.138 (-0.87) -0.041	-0.159 (-1.46) -0.051
MIN	0.677 (1.12) 0.089	0.414 (0.64) 0.054	0.640 (1.17) 0.146	0.387 (0.65) 0.079	0.212 (0.33) 0.024	0.043 (0.08) 0.006	0.179 (0.91) 0.057	0.002 (0.02) 0.001
MAJ	0.037 (0.05) 0.004	-0.585 (-0.80) -0.053	0.041 (0.05) 0.010	-0.548 (-0.38) -0.130	-0.818 (-1.04) -0.069	-0.998 (-1.34) -0.093	-0.028 (-0.13) -0.007	-0.153 (-0.93) -0.044
Summary statistic								
Log								
likelihood	-149.2	-134.2	-123.5	-109.5	-145.5	-132.1	-148.3	-131.5
N	363	337	363	337	363	337	363	337

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 10. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (EU-28)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	0.018 (0.39) 0.003	0.016 (0.30) 0.003	0.018 (0.29) 0.004	0.015 (0.24) 0.003	0.007 (0.25) 0.002	0.003 (0.10) 0.001	0.011 (0.41) 0.004	0.006 (0.22) 0.002
$\Delta$ GDP	-0.008 (-0.22) -0.001	-0.021 (-0.48) -0.004	-0.007 (-0.22) -0.002	-0.020 (-0.46) -0.005	0.001 (0.05) 0.000	-0.009 (-0.31) -0.003	-0.004 (-0.21) -0.001	-0.014 (-0.62) -0.005
$\Delta$ UNR	0.029 (0.41) 0.006	0.012 (0.15) 0.002	0.028 (0.34) 0.006	0.011 (0.13) 0.003	0.026 (0.58) 0.008	0.008 (0.16) 0.002	0.020 (0.45) 0.006	0.001 (0.03) 0.000
INFL	0.038** (2.56) 0.008	0.015 (0.72) 0.003	0.036* (1.93) 0.007	0.014 (0.69) 0.003	0.028* (1.92) 0.009	0.010 (0.66) 0.003	0.023** (2.31) 0.009	0.011 (1.23) 0.000
DURAT	0.107*** (3.37) 0.022	0.119*** (3.31) 0.022	0.103*** (4.94) 0.022	0.114*** (4.42) 0.026	0.068*** (2.99) 0.021	0.077** (2.30) 0.022	0.065*** (3.37) 0.021	0.068*** (3.44) 0.023
COAL	0.189 (0.68) 0.037	0.004 (0.01) 0.001	0.183 (0.67) 0.039	0.005 (0.02) 0.001	0.130 (0.72) 0.039	0.004 (0.02) 0.001	0.162 (0.86) 0.052	-0.010 (-0.05) -0.003
MIN	0.853*** (3.50) 0.182	0.831*** (2.92) 0.169	0.823*** (3.08) 0.160	0.793*** (2.92) 0.169	0.542*** (3.18) 0.175	0.525*** (2.81) 0.161	0.537*** (3.15) 0.183	0.445** (2.32) 0.160
MAJ	0.092 (0.33) 0.017	0.007 (0.02) 0.001	0.088 (0.29) 0.020	0.006 (0.02) 0.001	0.050 (0.28) 0.014	0.004 (0.02) 0.001	0.057 (0.33) 0.017	0.017 (0.10) 0.005
PEXP	-0.882** (-2.37) -0.178	-0.771* (-1.81) -0.146	-0.855* (-1.88) -0.179	-0.741 (-1.47) -0.169	-0.549** (-2.00) -0.170	-0.491 (-1.28) -0.142	-0.514** (-2.41) -0.168	-0.416* (-1.91) -0.142
Summary statistic								
Log								
likelihood	-493.7	-380.0	-443.8	-333.5	-491.1	-379.8	-493.5	-379.6
N	884	707	884	707	880	707	884	707

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 10. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (EU-28)**

Independent variable	Dependent variable							
	(1) IDEOCH	(2) IDEOCH	(3) IDEOCH	(4) IDEOCH	(5) IDEOCH	(6) IDEOCH	(7) IDEOCH	(8) IDEOCH
CHBAL	0.027 (0.60) 0.004	-0.001 (-0.02) -0.000	0.026 (0.59) 0.006	-0.001 (-0.03) -0.000	0.009 (0.31) 0.002	0.003 (0.08) 0.001	0.013 (0.50) 0.003	0.011 (0.31) 0.002
ΔGDP	-0.025 (-0.56) -0.003	-0.004 (-0.08) -0.001	-0.024 (-0.55) -0.006	-0.004 (-0.07) -0.001	-0.006 (-0.23) -0.001	-0.004 (-0.14) -0.001	-0.013 (-0.53) -0.003	0.018 (0.41) 0.003
ΔUNR	0.018 (0.23) 0.002	0.027 (0.30) 0.004	0.017 (0.21) 0.004	0.025 (0.28) 0.006	0.021 (0.44) 0.005	0.018 (0.40) 0.005	0.012 (0.28) 0.003	0.044 (0.63) 0.008
INFL	0.016 (0.99) 0.002	-0.004 (-0.19) -0.001	0.016 (0.79) 0.004	-0.004 (-0.14) -0.001	0.013 (1.03) 0.003	-0.004 (-0.28) -0.001	0.009 (0.48) 0.002	-0.098 (-0.78) -0.002
DURAT	0.086** (2.34) 0.012	0.081** (2.04) 0.011	0.083*** (2.75) 0.019	0.078** (2.23) 0.018	0.051** (2.26) 0.012	0.042* (1.72) 0.012	0.049** (2.38) 0.012	0.052* (1.92) 0.010
COAL	-0.085 (-0.25) -0.012	-0.072 (-0.17) -0.010	-0.081 (-0.25) -0.019	-0.068 (-0.18) -0.016	-0.043 (-0.21) -0.010	0.012 (0.04) 0.003	-0.020 (-0.10) -0.005	0.061 (0.21) 0.011
MIN	0.845*** (2.91) 0.128	0.881*** (2.62) 0.130	0.813*** (3.31) 0.183	0.841*** (2.67) 0.190	0.502*** (2.77) 0.126	0.471** (2.29) 0.142	0.479** (2.54) 0.130	0.702** (2.38) 0.143
MAJ	0.153 (0.42) 0.018	0.306 (0.73) 0.037	0.148 (0.37) 0.036	0.294 (0.54) 0.072	0.080 (0.38) 0.017	0.129 (0.59) 0.032	0.069 (0.34) 0.015	0.194 (0.68) 0.032
PEXP	-0.709 (-1.61) -0.097	-0.608 (-1.20) -0.082	-0.687 (-1.30) -0.162	-0.585 (-0.80) -0.138	-0.421 (-1.43) -0.098	-0.237 (-0.57) -0.066	-0.369 (-1.58) -0.092	-0.391 (-1.19) -0.073
Summary statistic								
Log								
likelihood	-374.3	-294.9	-331.4	-254.6	-373.7	-294.7	-374.4	-294.3
N	837	670	837	670	834	670	837	670

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 10. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (Eurozone)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	0.070 (1.19) 0.014	0.061 (0.92) 0.011	0.068 (0.81) 0.014	0.058 (0.76) 0.014	0.059 (1.26) 0.013	0.044 (0.80) 0.007	0.035 (1.16) 0.012	0.022 (1.28) 0.012
$\Delta$ GDP	0.039 (1.00) 0.008	0.046 (0.97) 0.008	0.038 (1.11) 0.008	0.044 (0.88) 0.010	0.044 (1.33) 0.010	0.061 (1.29) 0.011	0.019 (0.88) 0.007	0.012 (1.53) 0.007
$\Delta$ UNR	0.155* (1.92) 0.031	0.171* (1.84) 0.031	0.150** (2.00) 0.031	0.163* (1.74) 0.040	0.120* (1.86) 0.026	0.155* (1.74) 0.026	0.081* (1.65) 0.029	0.051* (1.71) 0.029
INFL	0.041** (2.13) 0.008	0.014 (0.36) 0.002	0.040 (1.47) 0.008	0.013 (0.30) 0.003	0.053** (2.30) 0.012	0.038 (1.01) 0.006	0.025*** (2.67) 0.006	0.027*** (3.24) -0.033
DURAT	0.099*** (2.75) 0.020	0.100** (2.40) 0.018	0.096*** (4.07) 0.020	0.095*** (3.24) 0.023	0.077*** (2.58) 0.017	0.080** (2.17) 0.014	0.056*** (2.71) 0.020	0.025 (1.56) 0.014
COAL	0.231 (0.60) 0.045	-0.266 (-0.47) -0.050	0.222 (0.49) 0.047	-0.257 (-0.36) -0.062	0.050 (0.16) 0.011	-0.507 (-0.87) -0.091	0.124 (0.58) 0.044	-0.274* (-1.78) -0.174
MIN	0.881*** (3.11) 0.192	0.722** (2.10) 0.147	0.852*** (2.93) 0.155	0.691** (2.03) 0.159	0.673*** (2.72) 0.159	0.462 (1.46) 0.084	0.472*** (2.65) 0.182	0.119 (1.09) 0.072
MAJ	0.102 (0.33) 0.019	-0.041 (-0.11) -0.007	0.098 (0.27) 0.021	-0.040 (-0.09) -0.010	0.016 (0.06) 0.003	-0.155 (-0.39) -0.025	0.038 (0.22) 0.013	0.011 (0.10) 0.006
PEXP	-1.422*** (-2.92) -0.283	-1.85*** (-2.75) -0.337	-1.381* (-1.67) -0.284	-1.779 (-1.09) -0.433	-1.397*** (-2.67) -0.301	-2.141** (-2.11) -0.366	-0.720** (-2.38) -0.256	-0.636*** (-2.88) -0.366
Summary statistic								
Log								
likelihood	-350.3	-255.8	-316.1	-224.5	-348.1	-254.3	-350.2	-251.3
N	642	490	642	490	642	490	642	490

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 10. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (Eurozone)**

Independent variable	Dependent variable							
	(1) IDEOCH	(2) IDEOCH	(3) IDEOCH	(4) IDEOCH	(5) IDEOCH	(6) IDEOCH	(7) IDEOCH	(8) IDEOCH
CHBAL	0.097* (1.90) 0.012	0.058 (1.03) 0.007	0.094* (1.70) 0.022	0.056 (1.36) 0.013	0.066* (1.72) 0.011	0.019 (0.96) 0.009	0.032 (0.71) 0.009	0.016 (0.56) 0.005
ΔGDP	0.016 (0.30) 0.002	0.063 (1.11) 0.008	0.015 (0.29) 0.004	0.060 (0.94) 0.015	0.029 (0.81) 0.005	0.009 (0.53) 0.005	-0.002 (-0.07) -0.001	0.026 (1.03) 0.007
ΔUNR	0.110 (1.17) 0.014	0.143 (1.32) 0.018	0.106 (1.32) 0.025	0.136 (1.26) 0.033	0.080 (1.23) 0.013	0.046 (1.17) 0.023	0.038 (0.60) 0.010	0.066 (1.39) 0.018
INFL	0.017 (0.71) 0.002	-0.020 (-0.39) -0.002	0.016 (0.50) 0.004	-0.019 (-0.27) -0.005	0.029 (1.42) 0.005	-0.029** (-1.99) -0.015	0.027* (1.81) -0.001	0.022 (1.49) -0.009
DURAT	0.079* (1.86) 0.010	0.064 (1.39) 0.008	0.077** (2.08) 0.018	0.061 (1.50) 0.015	0.052* (1.68) 0.009	0.025 (1.63) 0.013	0.039* (1.76) 0.011	0.029 (1.40) 0.008
COAL	-0.020 (-0.04) -0.003	-0.225 (-0.33) -0.030	-0.020 (-0.04) -0.005	-0.216 (-0.31) -0.053	-0.123 (-0.37) -0.021	0.042 (0.39) 0.020	-0.036 (-0.20) -0.010	-0.156 (-0.60) -0.046
MIN	0.919*** (2.72) 0.144	0.905** (2.22) 0.138	0.887*** (2.75) 0.191	0.865** (2.05) 0.201	0.626** (2.45) 0.123	0.262 (1.09) 0.158	0.380 (1.59) 0.123	0.385** (2.26) 0.123
MAJ	-0.041 (-0.09) -0.004	0.052 (0.10) 0.006	-0.039 (-0.08) -0.010	0.050 (0.07) 0.012	-0.059 (-0.20) -0.009	0.025 (0.25) 0.012	-0.072 (-0.39) -0.018	0.042 (0.18) 0.011
PEXP	-1.310** (-2.19) -0.169	-1.477* (-1.88) -0.186	-1.272 (-0.94) -0.301	-1.421 (-0.51) -0.351	-1.178** (-2.34) -0.201	-0.100 (-0.31) -0.051	-0.507 (-1.19) -0.141	-0.578 (-1.60) -0.162
Summary statistic								
Log								
likelihood	-256.6	-192.6	-228.2	-166.4	-255.4	-192.2	-256.3	-192.5
N	597	455	597	455	597	455	597	455

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).



**Table 10. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (OECD-19)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	0.021 (0.41) 0.004	0.005 (0.07) 0.001	0.021 (0.33) 0.004	0.005 (0.06) 0.001	0.011 (0.25) 0.002	-0.008 (-0.18) -0.002	0.009 (0.34) 0.003	0.001 (0.03) 0.000
ΔGDP	0.018 (0.34) 0.003	-0.004 (-0.05) -0.001	0.018 (0.35) 0.003	-0.004 (-0.04) -0.001	0.037 (0.81) 0.008	0.014 (0.21) 0.003	0.009 (0.38) 0.003	0.002 (0.07) 0.001
ΔUNR	0.270** (2.45) 0.051	0.235 (1.61) 0.040	0.263** (2.55) 0.047	0.226 (1.53) 0.051	0.230** (2.25) 0.049	0.183 (1.41) 0.040	0.136** (2.41) 0.048	0.122* (1.88) 0.045
INFL	0.057*** (2.99) 0.011	-0.018 (-0.40) -0.003	0.055** (2.34) 0.010	-0.018 (-0.44) -0.003	0.069** (2.36) 0.014	-0.001 (-0.01) -0.000	0.036*** (4.20) 0.007	0.025 (0.86) -0.008
DURAT	0.152*** (4.34) 0.028	0.168*** (4.06) 0.029	0.148*** (4.82) 0.026	0.162*** (5.70) 0.036	0.128*** (3.38) 0.027	0.128** (2.17) 0.028	0.078*** (3.69) 0.028	0.075** (2.20) 0.028
COAL	0.091 (0.33) 0.017	-0.448 (-1.17) -0.079	0.088 (0.28) 0.016	-0.434 (-1.06) -0.095	0.065 (0.29) 0.013	-0.342 (-1.06) -0.077	0.045 (0.31) 0.016	-0.159 (-0.78) -0.060
MIN	0.971*** (3.42) 0.195	1.088*** (2.96) 0.203	0.947*** (3.43) 0.154	1.051*** (3.71) 0.221	0.799*** (2.90) 0.178	0.812** (2.01) 0.190	0.462*** (2.63) 0.173	0.504** (2.30) 0.199
MAJ	0.317 (1.06) 0.054	0.439 (1.17) 0.069	0.309 (0.87) 0.060	0.425 (1.08) 0.099	0.164 (0.58) 0.032	0.307 (0.95) 0.063	0.152 (0.96) 0.051	0.170 (0.73) 0.058
PEXP	-0.524 (-1.38) -0.010	-0.351 (-0.69) -0.060	-0.514 (-1.27) -0.091	-0.341 (-0.67) -0.077	-0.500 (-1.45) -0.105	-0.289 (-0.69) -0.064	-0.279 (-1.47) -0.100	-0.193 (-0.88) -0.071
Summary statistic								
Log								
likelihood	-427.6	-295.0	-391.2	-262.4	-425.8	-294.8	-427.1	-294.6
N	807	581	807	581	807	581	807	581

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 10. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (OECD-19)**

Independent variable	Dependent variable							
	(1) IDEOCH	(2) IDEOCH	(3) IDEOCH	(4) IDEOCH	(5) IDEOCH	(6) IDEOCH	(7) IDEOCH	(8) IDEOCH
CHBAL	0.059 (1.17) 0.007	0.033 (0.52) 0.003	0.058 (1.17) 0.010	0.032 (0.58) 0.006	0.032 (0.79) 0.005	0.006 (0.13) 0.001	0.008 (0.31) 0.002	-0.004 (-0.15) -0.001
ΔGDP	-0.002 (-0.03) -0.000	0.042 (0.40) 0.005	-0.002 (-0.03) -0.000	0.040 (0.38) 0.007	0.031 (0.60) 0.004	0.047 (0.72) 0.007	-0.008 (-0.36) -0.002	0.031 (0.95) 0.009
ΔUNR	0.217* (1.69) 0.025	0.240 (1.48) 0.026	0.211** (2.03) 0.037	0.231 (1.54) 0.041	0.174* (1.80) 0.025	0.178 (1.59) 0.027	0.076 (1.37) 0.020	0.128** (2.18) 0.035
INFL	0.048** (2.13) 0.006	0.010 (0.19) 0.001	0.047* (1.93) 0.008	0.009 (0.24) 0.002	0.068*** (2.59) 0.010	0.024 (0.62) 0.004	0.045*** (5.41) 0.000	0.053*** (4.56) -0.012
DURAT	0.146*** (3.70) 0.017	0.142*** (3.04) 0.016	0.142*** (3.50) 0.025	0.137*** (3.10) 0.024	0.124*** (3.40) 0.017	0.103** (2.57) 0.016	0.062*** (3.00) 0.016	0.055*** (2.75) 0.015
COAL	0.371 (1.05) 0.043	0.318 (0.69) 0.034	0.360 (1.23) 0.065	0.305 (0.78) 0.056	0.186 (0.74) 0.026	0.132 (0.42) 0.020	0.072 (0.47) 0.019	0.078 (0.48) 0.021
MIN	1.085*** (3.16) 0.153	1.325*** (3.11) 0.181	1.055*** (4.48) 0.162	1.276*** (4.28) 0.197	0.779*** (2.77) 0.130	0.874*** (2.65) 0.162	0.348** (1.99) 0.105	0.459** (2.28) 0.149
MAJ	-0.144 (-0.34) -0.013	0.026 (0.05) 0.002	-0.140 (-0.28) -0.029	0.027 (0.04) 0.006	-0.328 (-0.99) -0.036	-0.198 (-0.45) -0.022	-0.080 (-0.53) -0.018	-0.043 (-0.21) -0.009
PEXP	-0.413 (-0.98) -0.048	-0.394 (-0.67) -0.043	-0.405 (-1.04) -0.072	-0.381 (-0.76) -0.069	-0.430 (-1.26) -0.061	-0.331 (-0.77) -0.051	-0.159 (-0.96) -0.042	-0.110 (-0.53) -0.030
Summary statistic								
Log								
likelihood	-323.2	-224.6	-290.4	-195.2	-319.3	-223.7	-321.6	-223.0
N	802	580	802	580	802	580	802	580

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 11. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (EU-28)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	-0.049 (-1.17)	-0.040 (-0.92)	-0.048 (-0.94)	-0.038 (-0.71)	-0.038 (-1.18)	-0.012 (-0.23)	-0.029 (-1.15)	-0.023 (-0.88)
	-0.010	-0.008	-0.009	-0.007	-0.011	-0.005	-0.009	-0.007
ΔGDP	-0.006 (-0.18)	0.010 (0.25)	-0.006 (-0.18)	0.009 (0.25)	0.003 (0.13)	-0.000 (-0.00)	-0.004 (-0.16)	0.005 (0.22)
	-0.001	0.002	-0.001	0.002	0.001	-0.00	-0.001	0.002
ΔUNR	0.021 (0.31)	0.050 (0.66)	0.021 (0.25)	0.048 (0.55)	0.022 (0.48)	0.029 (0.78)	0.017 (0.38)	0.030 (0.64)
	0.004	0.010	0.004	0.009	0.007	0.012	0.006	0.009
INFL	0.042*** (2.87)	0.047*** (2.59)	0.041** (2.24)	0.045** (2.26)	0.032** (2.07)	0.021 (0.74)	0.026** (2.56)	0.030** (2.34)
	0.008	0.009	0.008	0.009	0.010	0.009	0.010	0.012
DURAT	0.119*** (3.76)	0.107*** (3.28)	0.115*** (5.17)	0.103*** (4.61)	0.079*** (3.15)	0.054 (1.34)	0.073*** (3.76)	0.065*** (3.28)
	0.024	0.022	0.023	0.020	0.023	0.022	0.024	0.021
COAL	0.164 (0.58)	0.267 (0.90)	0.158 (0.58)	0.257 (0.93)	0.106 (0.56)	0.184 (1.25)	0.144 (0.76)	0.195 (1.03)
	0.033	0.052	0.031	0.050	0.031	0.073	0.046	0.061
MIN	0.829*** (3.38)	0.864*** (3.29)	0.800*** (2.87)	0.831*** (3.02)	0.539*** (3.12)	0.461* (1.73)	0.529*** (3.02)	0.558*** (3.11)
	0.178	0.185	0.144	0.144	0.170	0.196	0.179	0.187
MAJ	0.033 (0.12)	0.097 (0.35)	0.030 (0.10)	0.092 (0.28)	0.007 (0.04)	0.063 (0.46)	0.026 (0.15)	0.066 (0.37)
	0.006	0.018	0.007	0.019	0.002	0.024	0.008	0.020
PREV	0.250 (0.81)	0.152 (0.49)	0.243 (0.90)	0.148 (0.47)	0.175 (0.84)	0.063 (0.35)	0.160 (0.82)	0.070 (0.35)
	0.050	0.031	0.048	0.028	0.053	0.026	0.052	0.022
Summary statistic								
Log								
likelihood	-492.6	-456.7	-442.8	-408.0	-489.5	-456.3	-492.1	-456.1
N	881	818	881	818	877	818	881	818

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 11. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (EU-28)**

Independent variable	Dependent variable							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH	IDEOCH
CHBAL	-0.016 (-0.40)	-0.025 (-0.58)	-0.016 (-0.41)	-0.025 (-0.60)	-0.016 (-0.52)	-0.002 (-0.05)	-0.010 (-0.43)	-0.014 (-0.47)
	-0.002	-0.003	-0.004	-0.005	-0.004	-0.001	-0.002	-0.003
ΔGDP	-0.032 (-0.70)	-0.007 (-0.14)	-0.031 (-0.70)	-0.007 (-0.13)	-0.011 (-0.41)	-0.007 (-0.21)	-0.016 (-0.69)	-0.001 (-0.04)
	-0.004	-0.001	-0.007	-0.002	-0.003	-0.002	-0.004	-0.000
ΔUNR	0.006 (0.07)	0.026 (0.29)	0.005 (0.06)	0.024 (0.28)	0.014 (0.29)	0.019 (0.44)	0.006 (0.14)	0.019 (0.38)
	0.001	0.003	0.001	0.006	0.003	0.005	0.002	0.005
INFL	0.021 (1.32)	0.020 (1.09)	0.021 (1.07)	0.020 (0.88)	0.015 (1.14)	0.007 (0.30)	0.013 (0.95)	0.009 (0.26)
	0.003	0.003	0.005	0.004	0.004	0.002	0.003	0.003
DURAT	0.100*** (2.71)	0.087** (2.26)	0.096*** (3.27)	0.084** (2.39)	0.060** (2.56)	0.044* (1.67)	0.057*** (2.80)	0.049** (2.30)
	0.013	0.012	0.022	0.019	0.014	0.013	0.014	0.012
COAL	-0.081 (-0.24)	-0.028 (-0.08)	-0.078 (-0.24)	-0.027 (-0.07)	-0.035 (-0.17)	0.046 (0.20)	-0.025 (-0.13)	0.006 (0.03)
	-0.011	-0.004	-0.018	-0.006	-0.008	0.013	-0.006	0.002
MIN	0.863*** (2.97)	0.882*** (2.82)	0.830*** (3.40)	0.846*** (3.00)	0.509*** (2.86)	0.452** (2.06)	0.485*** (2.68)	0.518* (1.96)
	0.131	0.134	0.178	0.179	0.131	0.144	0.133	0.138
MAJ	0.039 (0.10)	0.117 (0.31)	0.037 (0.09)	0.112 (0.24)	0.015 (0.07)	0.048 (0.28)	0.008 (0.04)	0.062 (0.28)
	0.004	0.013	0.009	0.027	0.003	0.012	0.002	0.013
PREV	0.063 (0.18)	0.042 (0.11)	0.062 (0.15)	0.042 (0.10)	0.040 (0.19)	-0.019 (-0.09)	0.025 (0.13)	0.009 (0.04)
	0.008	0.006	0.014	0.010	0.009	-0.005	0.006	0.002
Summary statistic								
Log								
likelihood	-369.8	-343.5	-327.3	-301.7	-369.0	-343.2	-369.6	-343.3
N	834	773	834	773	831	773	834	773

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 11. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (Eurozone)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	-0.017 (-0.37)	-0.024 (-0.49)	-0.017 (-0.29)	-0.023 (-0.37)	-0.020 (-0.58)	-0.022 (-0.53)	-0.008 (-0.34)	0.001 (0.10)
	-0.003	-0.005	-0.003	-0.004	-0.005	-0.006	-0.003	0.000
ΔGDP	0.039 (1.00)	0.063 (1.54)	0.038 (1.24)	0.060 (1.52)	0.033 (1.14)	0.045 (1.20)	0.016 (0.67)	0.023** (2.33)
	0.008	0.013	0.007	0.010	0.008	0.013	0.006	0.015
ΔUNR	0.144* (1.78)	0.171** (2.06)	0.138* (1.76)	0.164* (1.71)	0.093* (1.65)	0.111* (1.96)	0.068 (1.17)	0.070** (2.52)
	0.029	0.034	0.027	0.028	0.024	0.032	0.026	0.046
INFL	0.043** (2.28)	0.056** (2.46)	0.042 (1.56)	0.054** (2.08)	0.043* (1.85)	0.042 (1.19)	0.027*** (3.27)	0.017** (2.41)
	0.009	0.011	0.008	0.009	0.011	0.012	0.005	-0.029
DURAT	0.109*** (3.08)	0.097*** (2.61)	0.106*** (4.44)	0.094*** (3.80)	0.080*** (2.79)	0.063** (2.18)	0.059*** (2.67)	0.020 (1.40)
	0.022	0.019	0.020	0.016	0.021	0.018	0.022	0.013
COAL	0.184 (0.48)	0.402 (0.95)	0.177 (0.42)	0.386 (0.83)	0.065 (0.22)	0.247 (0.87)	0.074 (0.37)	0.079 (1.16)
	0.036	0.076	0.035	0.070	0.017	0.069	0.028	0.049
MIN	0.803*** (2.86)	0.848*** (2.77)	0.776** (2.45)	0.818** (2.43)	0.567*** (2.62)	0.548** (2.47)	0.399* (1.83)	0.143** (2.20)
	0.175	0.185	0.132	0.122	0.157	0.170	0.161	0.097
MAJ	0.074 (0.24)	0.121 (0.39)	0.070 (0.18)	0.116 (0.29)	0.016 (0.07)	0.068 (0.32)	0.015 (0.09)	0.048 (1.49)
	0.014	0.023	0.014	0.021	0.004	0.019	0.005	0.031
PREV	0.276 (0.75)	0.348 (0.92)	0.270 (0.88)	0.339 (0.89)	0.248 (0.86)	0.233 (0.90)	0.115 (0.54)	0.036 (1.14)
	0.055	0.070	0.052	0.058	0.064	0.068	0.043	0.023
Summary statistic								
Log								
likelihood	-355.8	-322.8	-321.5	-289.4	-354.9	-322.5	-355.2	-317.3
N	643	587	643	587	643	587	643	587

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 11. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (Eurozone)**

Independent variable	Dependent variable							
	(1) IDEOCH	(2) IDEOCH	(3) IDEOCH	(4) IDEOCH	(5) IDEOCH	(6) IDEOCH	(7) IDEOCH	(8) IDEOCH
CHBAL	0.021 (0.49)	0.006 (0.12)	0.020 (0.62)	0.005 (0.14)	0.007 (0.22)	0.018* (1.79)	-0.003 (-0.13)	-0.018 (-0.70)
	0.003	0.001	0.005	0.001	0.001	0.009	-0.001	-0.006
ΔGDP	0.007 (0.14)	0.047 (0.84)	0.007 (0.15)	0.045 (0.79)	0.011 (0.35)	0.003 (0.19)	-0.012 (-0.60)	0.011 (0.64)
	0.001	0.006	0.002	0.010	0.002	0.002	-0.004	0.003
ΔUNR	0.095 (1.01)	0.121 (1.25)	0.091 (1.07)	0.116 (1.05)	0.060 (1.05)	0.040 (1.18)	0.015 (0.33)	0.049 (1.42)
	0.012	0.016	0.021	0.026	0.013	0.020	0.005	0.016
INFL	0.022 (0.93)	0.018 (0.61)	0.021 (0.67)	0.018 (0.40)	0.020 (0.85)	-0.014 (-1.28)	0.031*** (5.00)	0.034*** (5.47)
	0.003	0.002	0.005	0.004	0.004	-0.007	-0.004	-0.011
DURAT	0.093** (2.22)	0.076* (1.70)	0.090*** (2.64)	0.073* (1.89)	0.058** (2.14)	0.027* (1.87)	0.041** (2.00)	0.030* (1.76)
	0.012	0.010	0.021	0.016	0.012	0.013	0.012	0.010
COAL	-0.060 (-0.13)	0.039 (0.07)	-0.059 (-0.12)	0.036 (0.06)	-0.075 (-0.25)	0.085 (0.73)	-0.043 (-0.31)	0.062 (0.53)
	-0.008	0.005	-0.013	0.008	-0.016	0.040	-0.013	0.019
MIN	0.852** (2.54)	0.896** (2.44)	0.822*** (2.66)	0.862** (2.32)	0.525** (2.44)	0.275 (1.62)	0.287* (1.66)	0.240* (1.77)
	0.133	0.139	0.171	0.172	0.127	0.160	0.100	0.087
MAJ	-0.103 (-0.23)	0.021 (0.05)	-0.101 (-0.19)	0.019 (0.03)	-0.070 (-0.27)	0.029 (0.31)	-0.098 (-0.72)	0.005 (0.05)
	-0.011	0.002	-0.024	0.004	-0.013	0.013	-0.026	0.001
PREV	0.008 (0.02)	-0.041 (-0.09)	0.010 (0.02)	-0.037 (-0.07)	0.027 (0.09)	-0.092 (-1.03)	-0.000 (-0.00)	0.054 (0.39)
	0.001	-0.005	0.002	-0.008	0.006	-0.045	-0.000	0.017
Summary statistic								
Log								
likelihood	-257.1	-233.1	-228.9	-205.5	-256.8	-232.2	-255.6	-230.4
N	598	543	598	543	598	543	598	543

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 11. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (OECD-19)**

Independent variable	Dependent variable							
	(1) ALLCH	(2) ALLCH	(3) ALLCH	(4) ALLCH	(5) ALLCH	(6) ALLCH	(7) ALLCH	(8) ALLCH
CHBAL	-0.001 (-0.01)	0.016 (0.31)	-0.001 (-0.01)	0.016 (0.24)	-0.009 (-0.22)	0.003 (0.06)	-0.001 (-0.02)	0.009 (0.35)
	-0.000	0.003	-0.000	0.002	-0.002	0.001	-0.000	0.003
ΔGDP	0.024 (0.44)	0.029 (0.48)	0.023 (0.45)	0.028 (0.40)	0.043 (0.93)	0.046 (0.73)	0.011 (0.44)	0.020 (0.70)
	0.004	0.005	0.004	0.005	0.009	0.010	0.004	0.007
ΔUNR	0.274** (2.50)	0.272** (2.30)	0.267*** (2.65)	0.264** (2.30)	0.235** (2.24)	0.229* (1.68)	0.136** (2.36)	0.155*** (2.61)
	0.052	0.051	0.046	0.043	0.049	0.050	0.049	0.056
INFL	0.057*** (3.05)	0.071*** (3.19)	0.056** (2.26)	0.069*** (2.90)	0.071** (2.25)	0.071 (1.50)	0.037*** (4.43)	0.043*** (4.67)
	0.011	0.013	0.010	0.011	0.015	0.016	0.008	0.009
DURAT	0.155*** (4.47)	0.155*** (4.25)	0.151*** (5.02)	0.151*** (4.51)	0.132*** (3.32)	0.124** (2.32)	0.080*** (3.70)	0.080*** (3.24)
	0.029	0.030	0.026	0.025	0.028	0.027	0.029	0.029
COAL	0.072 (0.26)	0.124 (0.42)	0.070 (0.22)	0.119 (0.32)	0.043 (0.19)	0.078 (0.34)	0.032 (0.23)	0.105 (0.72)
	0.013	0.023	0.012	0.020	0.009	0.017	0.011	0.037
MIN	0.947*** (3.33)	0.998*** (3.21)	0.924*** (3.20)	0.971*** (3.23)	0.780*** (2.78)	0.754** (2.31)	0.439** (2.43)	0.460* (1.89)
	0.191	0.200	0.146	0.149	0.173	0.173	0.166	0.172
MAJ	0.289 (0.97)	0.447 (1.44)	0.282 (0.76)	0.435 (1.19)	0.113 (0.39)	0.308 (1.13)	0.135 (0.86)	0.210 (1.16)
	0.050	0.078	0.053	0.078	0.022	0.064	0.046	0.072
PREV	-0.075 (-0.22)	-0.343 (-0.94)	-0.073 (-0.32)	-0.333 (-0.84)	-0.062 (-0.21)	-0.263 (-0.81)	-0.067 (-0.41)	-0.186 (-1.06)
	-0.014	-0.065	-0.013	-0.055	-0.013	-0.058	-0.024	-0.067
Summary statistic								
Log								
likelihood	-431.4	-387.4	-395.0	-352.1	-429.8	-387.0	-430.9	-387.1
N	810	730	810	730	810	730	810	730

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).

**Table 11. Adding Adjustment Composition Dummies to Regressions Predicting Cabinet Changes (OECD-19)**

Independent variable	Dependent variable							
	(1) IDEOCH	(2) IDEOCH	(3) IDEOCH	(4) IDEOCH	(5) IDEOCH	(6) IDEOCH	(7) IDEOCH	(8) IDEOCH
CHBAL	0.055 (1.11) 0.006	0.046 (0.85) 0.005	0.054 (1.24) 0.010	0.045 (0.85) 0.007	0.024 (0.59) 0.003	0.011 (0.25) 0.002	0.010 (0.41) 0.003	0.004 (0.13) 0.001
ΔGDP	-0.003 (-0.04) -0.000	0.026 (0.29) 0.003	-0.003 (-0.04) -0.000	0.025 (0.28) 0.004	0.031 (0.61) 0.004	0.056 (0.96) 0.008	-0.011 (-0.46) -0.003	0.010 (0.43) 0.003
ΔUNR	0.220* (1.73) 0.026	0.221 (1.54) 0.025	0.214** (2.06) 0.038	0.214 (1.52) 0.036	0.175* (1.83) 0.025	0.183* (1.74) 0.027	0.074 (1.35) 0.020	0.102* (1.90) 0.027
INFL	0.051** (2.25) 0.006	0.051* (1.90) 0.006	0.049** (2.04) 0.009	0.050 (1.57) 0.008	0.070*** (2.61) 0.010	0.063** (2.12) 0.009	0.046*** (5.84) 0.000	0.048*** (5.88) -0.002
DURAT	0.148*** (3.75) 0.017	0.152*** (3.62) 0.017	0.144*** (3.55) 0.025	0.147*** (3.16) 0.024	0.125*** (3.46) 0.018	0.123*** (3.19) 0.018	0.064*** (3.21) 0.017	0.066*** (3.56) 0.018
COAL	0.356 (1.01) 0.041	0.388 (1.02) 0.043	0.346 (1.19) 0.062	0.375 (1.01) 0.064	0.167 (0.67) 0.024	0.162 (0.61) 0.023	0.071 (0.49) 0.019	0.114 (0.81) 0.030
MIN	1.060*** (3.08) 0.150	1.134*** (2.95) 0.155	1.031*** (4.45) 0.158	1.100*** (3.85) 0.159	0.749*** (2.68) 0.126	0.759*** (2.59) 0.128	0.334** (2.02) 0.100	0.304 (1.48) 0.090
MAJ	-0.189 (-0.43) -0.017	0.013 (0.03) 0.001	-0.184 (-0.35) -0.038	0.013 (0.03) 0.002	-0.372 (-1.10) -0.040	-0.170 (-0.51) -0.020	-0.088 (-0.57) -0.020	-0.028 (-0.20) -0.006
PREV	-0.378 (-0.90) -0.044	-0.549 (-1.20) -0.063	-0.368 (-0.93) -0.065	-0.533 (-0.58) -0.089	-0.260 (-0.81) -0.037	-0.361 (-1.06) -0.052	-0.154 (-0.99) -0.041	-0.181 (-1.00) -0.048
Summary statistic								
Log								
likelihood	-323.8	-289.0	-291.0	-257.3	-320.2	-286.6	-321.9	-286.9
N	805	727	805	727	805	727	805	727

(1): Data: IMF, Pooled Logit (country dummies included), (2): Data: OECD, Pooled Logit (country dummies included), (3): Data: IMF, Fixed Effects Logit (4): Data: OECD, Fixed Effects Logit (5): Data: IMF, Het. Probit (using gross debt to capture the variance), (6): Data: OECD, Het. Probit (using gross debt to capture the variance), (7): Data: IMF, Het. Probit (using inflation to capture the variance), (8): Data: OECD, Het. Probit (using inflation to capture the variance).

Notes: All regressions include a constant. Robust or bootstrapped standard error were used in each regression. Each set of entries includes the coefficient, the t-statistic (in parentheses), and the marginal effect of one unit change in the regressor (evaluated at the means of all regressors).



