INTERNATIONAL MONETARY FUND

Fiscal Discourse and Fiscal Policy

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WP/24/194

2024
SEP

WORKING PAPER

 WP/24/194

IMF Working Paper
Fiscal Affairs Department

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Authorized for distribution by Era Dabla-Norris
September 2024

ABSTRACT: We study the supply of fiscal ideas leveraging thousands of electoral platforms from 65 countries in the Manifesto Project to examine how political parties discuss fiscal policy with fiscal outcomes. We provide three sets of results. First, fiscal discourse has become increasingly favourable to higher government spending in both advanced and emerging economies and across the political spectrum since the 1990s. This pattern does not track survey trends in voter preferences, suggesting that parties have played an active role in crafting the fiscal narratives over which they compete. Second, fiscal discourse turns conservative under more adverse fiscal conditions, including in the aftermath of debt surges and after the adoption of fiscal rules, but only to a limited extent. Third, discourse changes during consecutive elections in favor of government expansion and away from fiscal restraint are followed by higher fiscal deficits over the medium run. Together, our results suggest that the trend increase in expansion discourse across political parties could lead to rising fiscal pressures over time.

RECOMMENDED CITATION: Cao, Yongquan, Era Dabla-Norris and Enrico Di Gregorio. 2024. “Fiscal Discourse and Fiscal Policy”, IMF Working Paper No. 2024/194.

JEL Classification Numbers:	P16, E62, D72
Keywords:	Fiscal Discourse; Fiscal Policy; Elections; Manifesto
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* We thank Gita Gopinath, Vitor Gaspar, Davide Furceri, Philip Barrett, Òscar Jordà, Diane Kostroch, Eric Leeper, Roman Merga, Piero Stanig, Pierre Yared, and IMF staff for helpful discussions throughout the project. The views expressed in this paper are those of the authors and should not be attributed to the IMF, its management, or its Executive Board.

WORKING PAPERS

Fiscal Discourse and Fiscal Policy

Prepared by Yongquan Cao, Era Dabla-Norris and Enrico Di Gregorio [1]

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I. Introduction

Global public debt is at an all time high, with government spending outpacing the growth of tax revenues and economic activity.[1] Mounting concerns about big government and the long-run trajectory of fiscal policy permeate public discourse.[2] The confluence of population aging, rising geopolitical tensions, and climate transitions will likely add to spending pressures going forward. Fiscal outcomes are undoubtedly shaped by long-term transformations and voter preferences for government intervention. What is less known is how the supply side of political ideas shapes fiscal policy choices. How have political narratives on fiscal issues evolved over time? What narratives prevail among political parties as economic conditions change? Do these narratives matter for fiscal outcomes? In this paper, we tackle these largely unexplored questions by studying the evolution of fiscal discourse reflected in the political manifestos of parties competing for office in electoral democracies for a large sample of advanced and emerging economies.

Following Romer and Romer (2004)'s intuition that policymakers' ideas systematically affect the conduct of policy, we shed light on the complex relationship between fiscal discourse and policy outcomes by leveraging thousands of electoral platforms from the Manifesto Project (Lehmann et al., 2023). This allows us to capture the positioning of each party (in each election) on fiscal issues. We posit that fiscal discourse and fiscal outcomes share a dynamic, two-way relationship (Figure 1). On the one hand, macroeconomic outcomes and fiscal institutions contribute to shaping the prevailing narrative over fiscal issues as political parties adjust agendas in response to economic realities and budget constraints.[3] For instance, fiscal deficits, debt surges, recessions, and institutional reforms could prompt politicians to take a public stance over fiscal responsibility, the need for austerity, or the urgency of implementing countercyclical policy measures. On the other hand, as new fiscal ideas gain traction, they can influence the trajectory of policy decisions, and potentially public expectations about future policy conduct, including by generating reputational costs for parties that fail to deliver on policy pledges.

Our goal is twofold: to document the evolution of fiscal discourse across countries and to examine the drivers and aftermath of fiscal discourse changes along the two arms of the above-mentioned relationship. First, we present overarching trends and fiscal discourse patterns across countries and over time, examining the role of possible economic determinants. Second, we empirically assess the behavior of economic outcomes following changes in fiscal discourse across elections.

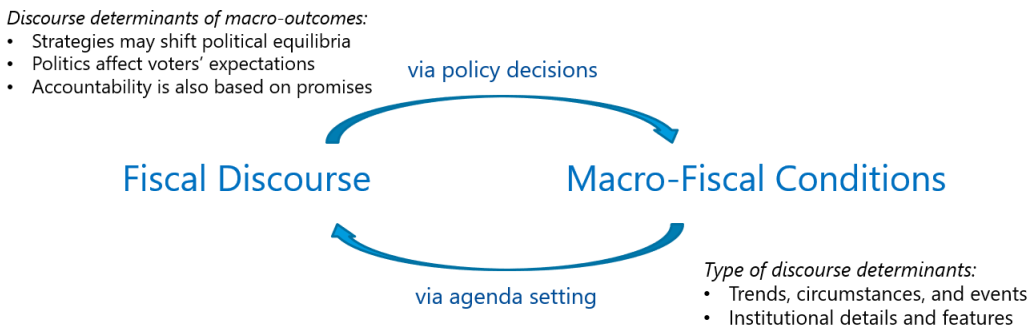
Our analysis covers 65 countries in Europe, the Americas, Asia and Pacific, and South Africa, drawing on over 4,500 manifestos and 720 national elections held over the 1960-2022 period. For a handful of countries, we can analyze the fiscal content of party platforms dating as far back as 1920. This provides a good representation of political dynamics for the post-WWII period in advanced

[1] Several recent papers describe the decades-long increase in the size of government and the accumulation of public debt as a share of GDP as a global phenomenon (Yared, 2019; Rogoff, 2022; Arslanalp and Eichengreen, 2023; IMF, 2023).

[2] For instance, see Blanchard (2023) and coverage by Agyemang and Giles (2023) in the Financial Times.

[3] We interpret a politician's observed or implied stance over fiscal issues as the joint product of their ideology or preferences and strategic considerations. This allows for the existence of both cross-sectional differences in fiscal discourse, such as across political parties or countries, as well as changes over time as economic and political circumstances evolve.

FIGURE 1. TWO-WAY RELATIONSHIP BETWEEN FISCAL DISCOURSE AND THE ECONOMIC ENVIRONMENT



economies and the post-1990 era in emerging market and developing economies.[4] We construct two separate proxies for fiscal discourse. The first measure captures the party's implied support for government expansion, defined as the share of a platform's policy statements favoring public spending on welfare, social services, and demand-side policies. The second measure captures statements in support of fiscal restraint and spending moderation. We also consider broader definitions of fiscal expansion as a robustness check.

The data reveal a clear and growing inclination for government expansion rather than fiscal restraint.[5] Since 1960, 12.7 percent of manifesto content on average has been dedicated to support for policies that increase government spending, compared to just 2.5 percent advocating fiscal restraint. Although more than two thirds of platforms mix both types of content, the gap between expansion and restraint discourse has substantially increased over time. Over the last three decades, the platform share of expansion discourse has increased by 40 percent across both advanced and emerging economies, while restraint discourse has declined substantially, and more than halved since its 1980s peak in advanced economies.

These trends cut across country groups and party families, suggesting a global secular shift away from fiscal conservatism in electoral rhetoric. While the diffusion of fiscal ideas likely reflects prevailing voter preferences for government support and intervention, we present suggestive evidence that no comparable dynamics can be discerned by studying global survey or vote data. Similarly, measures of inequality do not consistently correlate with our discourse measures. We interpret these findings as tentative evidence that the trends uncovered reflect changes in the focus of electoral competition in recent decades, with parties increasing their platforms' emphasis on the fiscal benefits they can deliver to voters at the expense of ideological issues.

[4]While we cannot ensure that statements with comparable meaning are always recorded in the same way across elections and countries in the original data, the coding process behind the Manifesto Project enhances consistency and stability in the way that platform content is assessed, enlisting the help of country experts that can better interpret the meaning of local party language and rhetoric.

[5]We analyze fiscal expansion and restraint statements separately rather than in a combined net discourse measure based on both theoretical considerations regarding the non-equivalence of different types of fiscal statements and empirical observations about the heterogeneity of their policy impact and responsiveness to contextual circumstances.

We next investigate the potential drivers of expansion and restraint discourse. That is, to what extent can we expect mounting fiscal challenges or better institutional design to inject fiscal discipline in political rhetoric? The analysis rests on the assumption that macroeconomic settings in the proximity of elections are not influenced by parties' campaign proposals, but politicians account for the current environment when formulating platforms.[6]

First, we show that elections held in the shadow of deteriorating fiscal conditions feature relatively more conservative fiscal talk, with 1 additional percentage point in the deficit-to-GDP ratio in the year before an election correlating with 0.22 (0.1) percentage points less expansion (more restraint) discourse. The point estimates tend to be larger in advanced than in emerging market and developing economies. However, higher debt-to-GDP ratios are also associated with increased restraint rhetoric in emerging markets, suggesting that concerns about fiscal sustainability become more salient as fiscal pressures build up.

Second, we examine relevant fiscal events as possible "shifters" of political discourse. We find that elections held within three years of a large increase in the public debt-to-GDP ratio ("debt surge") feature more restraint discourse and weakly less expansion discourse. Similarly, an event study analysis shows that the adoption of fiscal rules, such as those inserting operational constraints on the budget balance, results in a larger share of pro-restraint statements by campaigning parties, but little significant reduction in pro-expansion narratives. We further test the robustness of these results by considering different types of fiscal rules and expanding our sample to include countries without such rules. The patterns remain consistent, underscoring the role of institutional design in moderating fiscal discourse to some extent. We also find qualitatively similar dynamics from the establishment of fiscal councils.

Finally, turning to the second arm of the relationship in Figure 1, we consider the extent to which fiscal trajectories diverge following changes in expansion and restraint discourse across election cycles. To this end, we adopt the local projection methods of Jordà (2005) to characterize the path of macroeconomic variables in the aftermath of fiscal discourse shocks. We find that a 1 standard deviation increase in the mean share of expansion discourse from one election to the next is followed by a gradual increase in fiscal deficits to 0.26 percent of GDP over the medium term. At the same time, an increase in pro-restraint talk is associated with deficit reduction over the medium-term (-0.37 percent of GDP after a 1 standard deviation increase in restraint discourse), although this comes at the cost of temporarily higher debt-to-GDP ratios. These patterns suggest that shifts in fiscal rhetoric take time to translate into policy decisions and fiscal outcomes, with the full effect felt several years after the shock. Interestingly, deficit increases following an expansion shock are driven by higher expenditures rather than tax cuts. By contrast, fiscal restraint shocks are associated with lower deficits, and fiscally conservative narratives more likely to translate into revenue increases. Using a broader definition of expansion discourse encompassing support for public infrastructure and defense, we find even larger fiscal and economic responses to pro-expansion shocks, underscoring the influence of political narratives on fiscal outcomes.

[6] Although anticipation effects may exist, the process that links the diffusion of political narratives at the election stage to the adoption of policies and the materialization of specific economic outcomes could be slow. We refer to the evidence in the last part of our paper to corroborate this view.

There is also significant variation across country groups: restraint shocks in advanced economies are accompanied by relatively slower deficit adjustments and milder output responses in the face of larger debt hikes. Emerging market economies on the other hand display a more marked deficit reaction and shorter-lived debt-to-GDP ratio increases. Conversely, expansion shocks have a more subdued effect in emerging market than in advanced economies.

Governments often pursue expansionary policies in the lead up to elections to garner voter support, only to shift towards consolidation once elected. Our findings are independent of the existence of such a political budget cycle. Specifically, our local projections regressions contemporaneously estimate fluctuations in the fiscal deficit which are consistent with the timing of the average election cycles in our data alongside the linear impact of fiscal discourse shocks.

The rest of the paper proceeds as follows. Section **II.** describes the Manifesto Project data and the construction of our fiscal discourse measures. Section **III.** assesses the role of macroeconomic and institutional conditions as potential drivers of fiscal discourse. Section **IV.** explores the extent to which changes in fiscal discourse add to fiscal pressures or anticipate fsical improvements over time. Section **V.** concludes.

A. *Related literature*

We build on a diverse literature which argues that narratives, culture, and sentiment can both be a product and a cause of economic dynamics. Our intuition is closest to that of Romer and Romer (2004), who describe how a Federal Reserve governor's ideas about monetary policy can help explain their policy choices and relative success in taming inflation. We adapt this reasoning to the fiscal domain, where policy actions are often more overtly the result of ideas debated in the political arena, reflecting both the ideology and strategies of incumbents and the opposition. More broadly, our approach is related to studies highlighting the role of consumer sentiment in the macroeconomy (Lagerborg, Pappa and Ravn, 2023), and the importance of narratives in financial markets (Shiller, 2019).

Our work complements a vast literature modeling the interaction between a country's political process and the economy. Several contributions examine the consequences of disagreements over fiscal priorities among politicians (Alesina, 1987; Persson and Svensson, 1989; Alesina and Tabellini, 1990; Müller, Storesletten and Zilibotti, 2016) or allow for the emergence of fiscal regimes with varying degrees of fiscal discipline (Dovis, Golosov and Shourideh, 2016; Halac and Yared, 2022). These studies suggest that alternation in power leads to changes in the direction of fiscal policy, and to a deficit and debt bias. We extend this line of work in two ways. First, we provide a nuanced analysis of the fiscal discipline spectrum along which political parties locate due both to ideology and underlying circumstances. Second, we highlight that short-run fluctuations in fiscal discipline transpire in the context of a broader reduction in the stated support for fiscal conservatism. While most theoretical studies assume limits to politicians' ability to commit to proposed policies, we find that changes in fiscal discourse consistently anticipate changes in fiscal outcomes. This is not incompatible with the evolution of incentives underlying traditional opportunistic political cycle theories(Nordhaus, 1975; Rogoff, 1990; Persson and Tabellini, 2003; Brender and Drazen, 2005; Shi and Svensson, 2006). Indeed, we find that the budget deficit widens

in the run-up to elections and shrinks thereafter independently of fiscal discourse dynamics. Our results thus extend the idea of political pressures on the public budget beyond short-term political budget cycle considerations, while still identifying elections as a defining moment for the future trajectory of fiscal policy.

In studying the origins and influences of political rhetoric, our work is related to the literature on populism (Funke, Schularick and Trebesch, 2023). Populist parties, which often straddle the opposite ends of the political spectrum, are not associated with a single type of fiscal discourse, although they might be perceived as pro-government expansion to the extent that they claim to compensate impoverished groups.[7] We characterize all parties on a continuum of fiscal discourse based on their own platforms, abstaining from dichotomous definitions. Given that our two fiscal discourse measures affect the budget deficit in opposite ways, we believe that our analysis covers a broader and often distinct set of political narratives relative to the populism literature.

Our results contribute to the discussion on the relative importance of demand-side (that is, voter preferences) versus supply-side political factors underpinning the size of government. Vast empirical research describes the determinants and dynamics of public preferences for government intervention in the economy, including support for the welfare state, but efforts to pin long-run fiscal trajectories purely to voter preferences reveal some ambiguity (Bremer and Bürgisser, 2023*a*,*b*). Survey, vote, and experimental evidence often points to voters as fiscal conservatives (Peltzman, 1992; Alberto Alesina, Favero and Giavazzi, 2019), punishing governments incurring deficits (Brender and Drazen, 2008), with redistribution preferences not consistently tracking recent inequality trends (Ashok, Kuziemko and Washington, 2015) and implying a smaller government size than warranted by actual tax schedules (Singhal, 2021).[8] While unable to fully disentangle the demand- and supply-side drivers behind the support for a given policy idea, we take this and our own evidence to carve out a role for political competition in driving fiscal dynamics, showing that the fiscal path following changes in party rhetoric is consistent with the broad trends observed in recent decades. We develop our argument by looking at platform content separately from vote shares, thus abstracting from the electoral success of a given fiscal narrative. Our evidence suggests that observable patterns in vote, survey, and inequality data may not readily explain the evolution of fiscal discourse.

A large body of scholarship suggests that formal institutions can shape a community's values, preferences, and beliefs. We address this by looking at the role of fiscal frameworks for a country's political culture. Evidence suggests that fiscal rules can help contain the deficit bias (Azzimonti, Battaglini and Coate, 2016), signal fiscal credibility (Hatchondo, Martinez and Roch, 2022), and catalyze fiscal adjustments (Caselli and Wingender, 2021). In showing that the adoption of fiscal

[7] As an illustrative exercise, we mark in the Manifesto Project all parties labelled as populist in a given time period by Funke, Schularick and Trebesch (2023) and compare their share of pro-expansion and pro-restraint platform content with that of other parties. When country-by-election fixed effects are included, no significant difference between populist-labelled and other parties emerges in our baseline period (1960-2022). In the cross-section, platforms in the populist-labelled group feature larger shares of pro-expansion content according to our broader definitions (for variables discussion, see Appendix A).

[8] This is not to say that voters always reject more generous policies. For example, Klomp and de Haan (2013) find that election-motivated government spending increases support for parties in a ruling coalition, including through an indirect boost to growth, but this effect is fairly small.

rules is followed by more platform content in favor of fiscal restraint, we suggest that stronger institutional frameworks can improve fiscal outcomes by coalescing political debate to some extent.

II. Measures and patterns of fiscal discourse

A. *The supply of fiscal ideas: data and measures*

We study the supply of fiscal ideas, or policy-makers' prevailing views regarding fiscal expansion and discipline and the desired size and composition of the government budget. We refer to supply as a conceptual shortcut to distinguish between voters' preferences—the demand side in the determination of a fiscal policy equilibrium—and the policy options supported by political actors. These options could reflect an actor's true preferences or a politically motivated strategic choice.

Information about the supply of policy ideas is provided by the Manifesto Project, henceforth MP (Lehmann et al., 2023). The MP provides the largest cross-country database of programmatic platforms published by parties prior to elections. Coders participating in the Project read and annotate the content of each platform, assigning each individual *quasi-sentence* or policy statement a code from a pre-defined list of policy topics, allowing for comparability across political systems over time (Figure A1). Rather than just recording the broad policy topic of a given quasi-sentence, assigned codes typically reflect the party's implicit or stated stance on that topic, such as a preference for global governance rather than isolationism. Once all codes are assigned, the MP computes the share of all statements that pertain to each code in a given platform. The variables in the data therefore record the percentage of each platform's policy statements in support of a given policy stance (for details, see Appendix A).

We focus on topics that have plausibly straightforward implications for fiscal policy. Specifically, we construct two proxies of a party's implied or stated support for increasing or restraining government spending or the budget deficit as follows:

1. **Expansion**: the percentage share of a party platform's policy statements advocating for public spending on welfare, or any public social service and entitlement scheme, including health care, child care, elder care and pensions, and social housing; for an expansion of public education; or for demand-side policies such as increasing public demand or social expenditures, including through fiscal stimulus during economic crises.

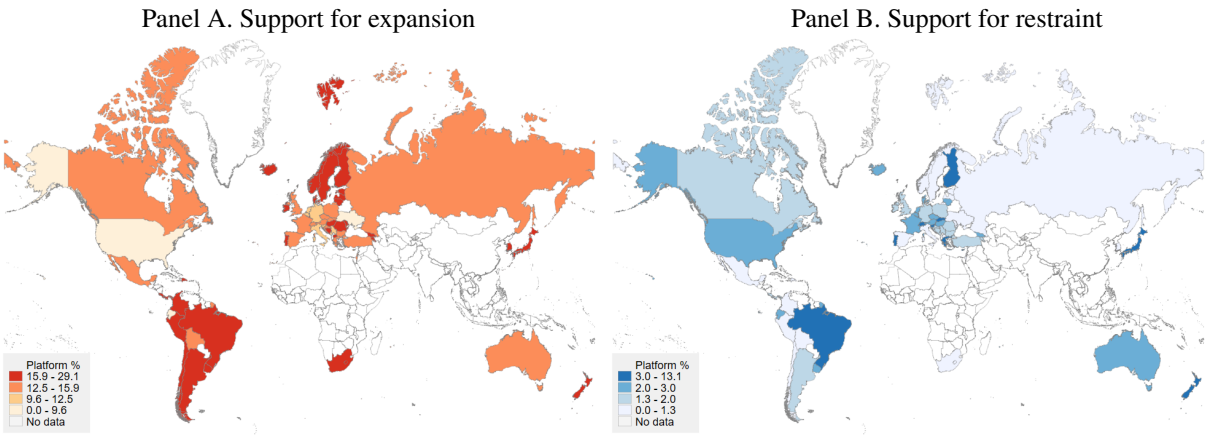
2. **Restraint**: the percentage share of a party platform's policy statements calling for economic orthodoxy, including an outright reduction in the budget deficit; or the limitation of government spending on welfare; or on public education.[9]

While we cannot directly measure the fiscal policy implications of an electoral manifesto, the share of platform content in support of either expansion of government spending or fiscal restraint

[9]Our expansion proxy is the sum of the three MP variables *per504*, *per506*, and *per409*, while the restraint proxy is the sum of MP variables *per414*, *per505*, and *per507*, respectively. Each variable records the percentage share of a given platform in support of one of the policy stances described in the text. Figure A4 conveys the relative contribution of each variable to the overall share of expansion and restraint support.

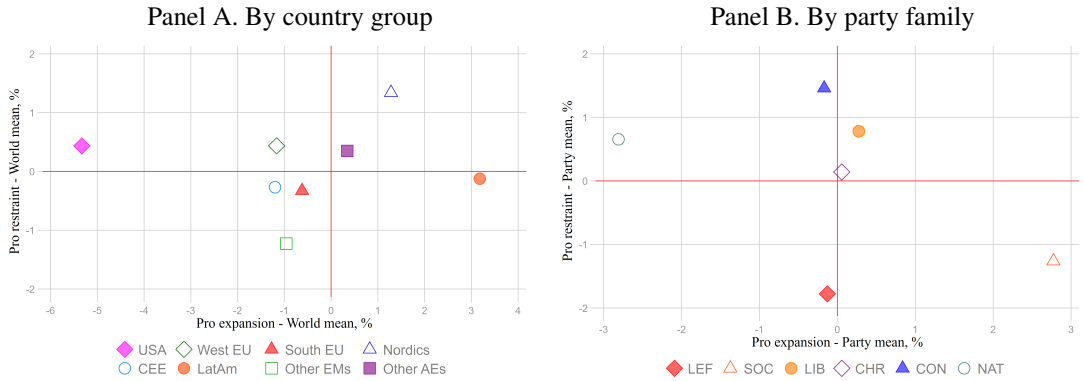
gives a sense of the relative importance of these fiscal ideas in a party's election strategy and narrative. Our proxies likely miss important aspects of fiscal policy, including the relative budget weight of proposed spending initiatives and the details of expected revenue measures. However, their encompassing nature facilitates comparisons across countries, time periods, and political parties, allowing us to describe the evolution of fiscal discourse and discuss its fiscal implications. We discuss potential extensions of our expansion proxy to a broader range of potential government spending categories in the next section.

FIGURE 2. FISCAL DISCOURSE ACROSS THE WORLD, 2010-2022



Notes: Boundaries reflect available World Bank geographic data files information. Darker colors reflect a higher mean share of party platforms' policy statements in support of either government expansion (Panel A) or fiscal restraint (Panel B). In each map, the scale reflects quartiles in the distribution of all available country-decade mean values of the relevant fiscal discourse proxy over the 1960-2022 period. The starting data includes Sri Lanka and Northern Ireland, whose manifesto data is not available after the 1970s. All decades are shown in Figures A9 and A10.

FIGURE 3. CROSS-SECTIONAL DIFFERENCES IN FISCAL DISCOURSE, 1960-2022



Notes: In Panel A, platforms from parties across all ideology families are included. Each point shows the mean share of platform support for government restraint or expansion vis-à-vis the world mean. In Panel B, platforms from parties across six main ideology families are included, namely the left (LEF), socialists (SOC), liberals (LIB), Christian-democrats (CHR), conservatives (CON), and nationalists (NAT). Each point shows the mean share of platform support for restraint or expansion vis-à-vis the mean for all families-four years. Party family assignment is established in the Manifesto Project database.

Available platform data covers the period 1920 to 2022 and includes 33 advanced and 32 emerging market and developing economies (Figure 2 and Table A1).[10] The bulk of the manifestos cover the post-World War II period for advanced economies and the post-1990 era for emerging and transition economies. Given further restrictions on other available economic and fiscal data, we focus our main analysis on the 1960-2022 period, and on 1990-2022 to ensure a more balanced representation across country groups. Starting in 1960, the final sample draws data from between 100 and 500 platforms every four years, for a total of more than 4,500 manifestos and 720 national elections (Figure A2 and Table A2).

B. *Patterns and trends in fiscal discourse*

We start by presenting the broad patterns in narratives on fiscal expansion and restraint in our data. Parties prefer to campaign over ideas of government expansion rather than fiscal restraint. When looking across all available manifestos between 1960 and 2022, parties devote 12.7 percent of their platform content on average expansion discourse and just around 2.5 percent to fiscal restraint (Table A2).

Country circumstances, including the nature and style of political competition, as well as party ideology, could drive differences in fiscal discourse. For instance, Figure 3 reveals that, on average, U.S. electoral manifestos feature about 8 percentage points less expansion discourse relative to those from Latin America, and fiscal restraint commands relatively larger platform space in Nordic and Western European countries than in Southern Europe (Panel A). Similarly, fiscal restraint is a more common electoral topic for traditionally conservative parties compared to left-leaning parties, while socialists and liberals tend to devote more space to expansion ideas than parties to the right of the political spectrum (Panel B). Still, expansion and restraint discourse are not mutually exclusive as around 70 percent of platforms contain statements in support of both, although the shares of the two discourse types are to some extent negatively correlated even after conditioning on ideology (A5).

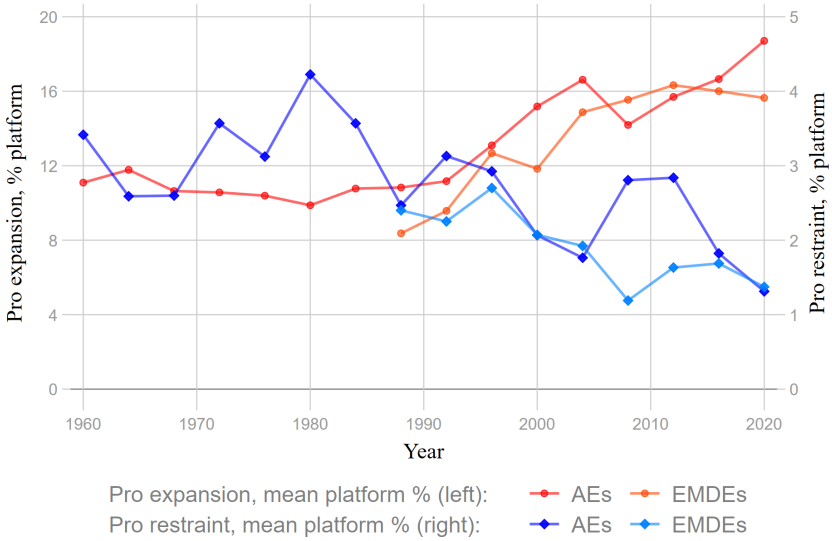
Notwithstanding these differences, discourse exhibits a trend increase towards fiscal expansion. Figure 4, Panel A illustrates this point. While expansion discourse featured in around 11 percent of statements in the average advanced economy manifesto over the 1960-1988 period, this share almost doubled by the end of the 2010s. Conversely, relative to its peak in the early 1980s, the mean share of restraint narrative more than halved by the end of the sample period. Share-based trends account for the sustained expansion in average platform size, with fluctuations in the absolute number of pro-restraint statements largely outpaced by the growth in the total number of expansion statements (Figure A7).[11] Trends in fiscal discourse in emerging market and developing economies are remarkably similar to that in advanced economies, suggesting that the rising share of expansion content reflects a global trend over the last thirty years.

[10] Relative to the original MP corpus, we exclude data from the Democratic German Republic. In our summary statistics, we include platforms from Northern Ireland, whose platform data is available until 1973. Northern Ireland is automatically excluded from analyses relying on other data sources, given its absence from standard economic cross-country datasets.

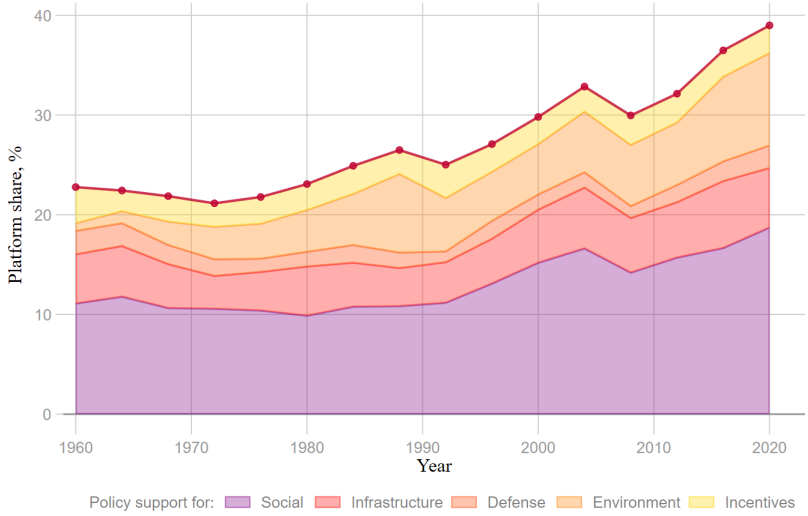
[11] The remainder of the analysis uses relative rather than absolute measures of discourse content to control for the observed platform size expansion.

FIGURE 4. FISCAL DISCOURSE EVOLUTION ACROSS TIME, 1960-2022

Panel A. Expansion and restraint in advanced and emerging economies



Panel B. Expansion support in advanced economies: alternative definitions

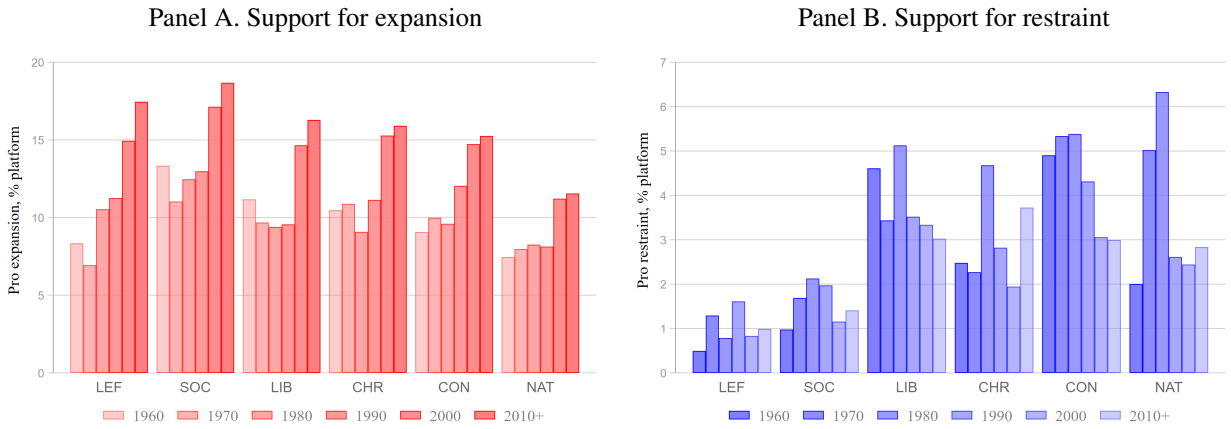


Notes: Year reflects the first of four years. Platform data is first averaged at the country-election level, and then by country-year. Y-axes show the mean support for expansion or restraint across all country-years in each set of four years. Country assignment to advanced economies (AEs) and emerging market and developing economies (EMDEs) follows IMF group definitions as of 2022. In Panel A, expansion discourse encompasses support for spending on social matters, including support for the welfare state (e.g. health-, child-, elder care and pensions, social housing), education, and demand policies. In Panel B, which focuses on advanced economies, we progressively include platform calls for the importance of infrastructure, defense, the environment, and the provision of incentives to businesses, as potential government spending topics. The top dotted line displays the mean total platform share accounted for by all listed topics. Figure A6 provides the corresponding chart for emerging markets. Note that underlying Manifesto Project variables could also record broader value judgments and not just spending intentions.

Our baseline measures define expansion discourse drawing only from MP items that most plausibly imply a fiscal cost and exclude those that entail both potential spending pressures as well as broader value judgments. This is the case of variables that capture party support for public involve-

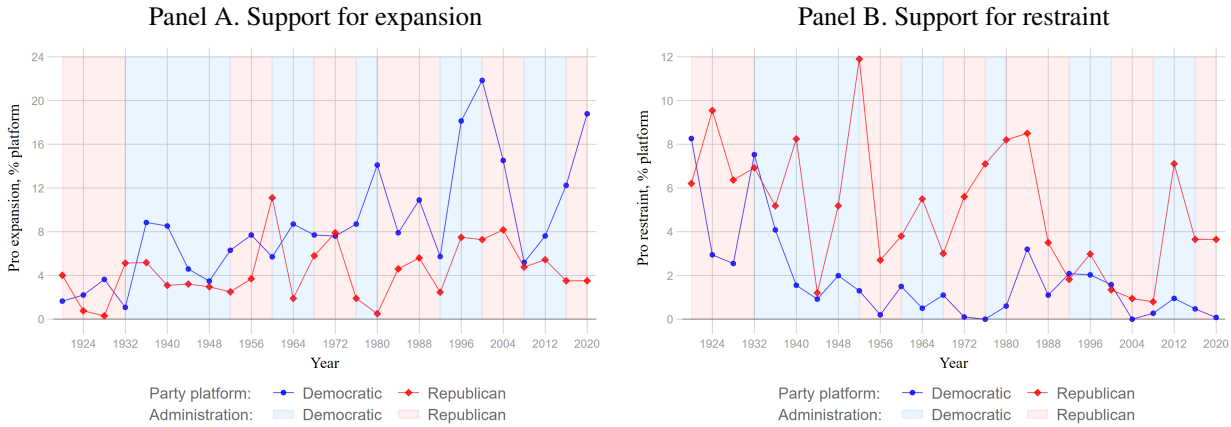
ment in infrastructure, defense, the environment, and the provision of incentives to firms. Figure 4, Panel B, shows that the share of expansion discourse in advanced economies increases since the 1990s even after accounting for these additional policy realms, with the main contribution provided by our baseline measure centered around social spending. If a comprehensive definition is considered, expansion discourse accounts for well over a third of all platform content by the end of the sample period on average.

FIGURE 5. FISCAL DISCOURSE EVOLUTION BY PARTY FAMILY, 1960-2022



Notes: The charts consider platforms from parties across six main ideology families, namely the left (LEF), socialists (SOC), liberals (LIB), Christian-democrats (CHR), conservatives (CON), and nationalists (NAT). Each bar shows the party family-decade mean share of platform content in support of government expansion (Panel A) or fiscal restraint (Panel B). The start year of each decade is indicated by the corresponding label below. The 2010+ bar encompasses all available elections held between 2010 and 2022. Party family assignment is established in the Manifesto Project database.

FIGURE 6. U.S. DEMOCRATIC AND REPUBLICAN FISCAL DISCOURSE, 1920-2020



Notes: Data reflect platforms drafted for the U.S. presidential elections, 1920-2020. Blue and red shades marks the Democratic and Republican leaning of the administration in office, respectively. Panel A measures the share of each party's platform statements advocating for a government spending expansion as conveyed by Manifesto Project variables *per409*, *per504*, and *per506*. Panel B measures restraint support as the share of a party platform advocating for fiscal moderation as conveyed by Manifesto Project variables *per414*, *per505*, and *per507*

These trends are also evident across traditional party families. Figure 5 shows the decade-by-decade evolution of fiscal content across the political spectrum. In Panel A, despite the existence of underlying differences in the prevalence of expansion discourse, party families devote a progressively larger share of their platforms in support of government spending in more recent decades. At the same time, restraint content trends down among parties that traditionally championed support for fiscal prudence, such as conservatives, liberals, and nationalists up to the 1980s. As an illustrative example, Figure 6 plots these dynamics across a hundred years of U.S. presidential elections. Panel A displays historical highs in expansion discourse among Democrats since the 1996 elections, along with a large bipartisan drop between the early 1980s and the 2000s.[12]

To complement the discussion of fiscal discourse trends, we compute proxies of discourse polarization and plot their evolution over time and across country groups. Following Dalton (2008), we measure polarization with a standard deviation-like formula, using the share of party platforms devoted to a given topic as its constitutive elements (for a complete discussion, see Appendix B). In the case of fiscal polarization, we first define the relative pro-restraint position of each platform as the difference between the platform share of pro-restraint and pro-expansion content, and then compute the dispersion in relative restraint positions weighting platforms by each party's vote share. Similarly, we assess an election's overall degree of ideological polarization building on the RILE (right-left) scale commonly included in MP data, as well as non-fiscal polarization computed after taking out from the RILE scale the platform shares pertaining to our baseline fiscal variables. Figure 7 suggests that fiscal polarization in proportion to the mean platform share devoted to fiscal topics has been historically larger than relative polarization on non-fiscal issues. In advanced economies, however, the distinction has become more blurred since the 1990s, as parties have converged towards relatively pro-government expansion platforms.

III. Drivers of fiscal discourse

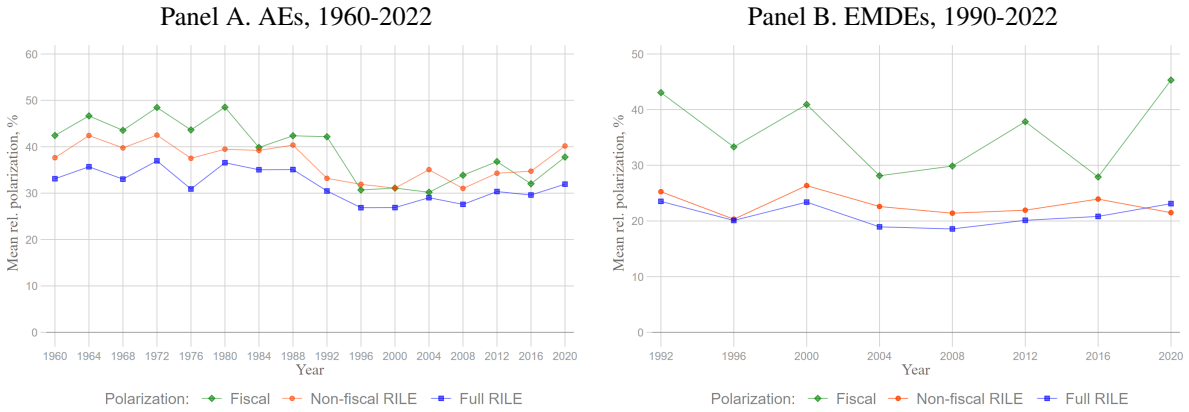
A. *Macro-fiscal conditions at elections and fiscal discourse*

In this section we examine the degree to which fiscal discourse responds to macroeconomic and fiscal conditions around elections. As parties seek to maximize vote shares in electoral contests, fiscal narratives can be influenced by the state of the economy and, in turn, influence the ongoing political debate. For example, platform space devoted to expansion talk could be more pertinent in times of strong growth, while restraint could become more salient when fiscal risks materialize or debt sustainability is at stake.

We start by visualizing the within-country relationship between fiscal discourse in a given election year and the budget deficit, leveraging historical fiscal data from the Public Finance in Modern History (PFMH) database (Mauro et al., 2015), complemented with information from the IMF World Economic Outlook for the most recent time periods. We estimate an OLS regression at the country-election year level of the form:

[12]The observed uptick in the share of pro-restraint content in the 2012 Republican party platform is likely driven by criticism of the Affordable Care Act and the historically high federal deficits following the global financial crisis.

FIGURE 7. FISCAL AND NON-FISCAL POLARIZATION TRENDS BY COUNTRY GROUP



Notes: Polarization measures are defined in Appendix B. Data reflect platforms from parties across all ideological families. Fiscal polarization focuses on support for government restraint or expansion as defined in our baseline analysis. Non-fiscal polarization excludes items on support for government restraint or expansion from the 26 platform items used by MP compilers to build their RILE (right-left) scale variable. Polarization is first computed at the country-election level, then averaged within the country-year, and finally averaged across all country-years in each four-year period, as plotted along each chart's horizontal axis.

$$FD^d_{i,e} = \alpha_i + \beta C_{i,e} + \gamma \boldsymbol{X}_{i,e} + \epsilon_{i,e}, \tag{1}$$

where FD^d is fiscal discourse in support of $d = \{Expansion, Restraint\}$, or the share of expansion or restraint content prevailing on average across all platforms in a given country i and election year e. The variable C refers to the one-year lag of the relevant economic indicator for that country and election year, α_i is a country fixed effect, and $\boldsymbol{X}$ is a vector of dummy variables capturing the government perimeter and data source of the economic information in use.[13]

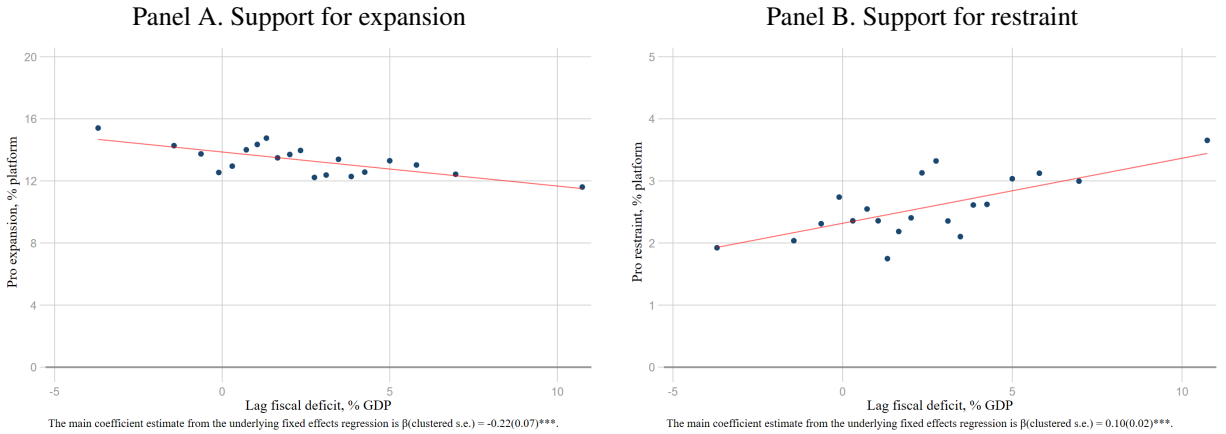
Figure 8 reports the coefficient estimates and significance of lagged fiscal deficit in the equations for expansion (Panel A) and restraint discourse (Panel B), and plots the corresponding binscatter relationships for all countries over the 1960-2022 period. The figure suggest that, within a given country, party platforms drafted when the deficit is higher by 1 percentage point of GDP feature 0.22 percentage points less expansion content and 0.10 percentage point more restraint discourse on average. The estimated coefficients are small in magnitude, but are significant at 1 percent level despite the relatively limited sample size (653 country-election years). [14]

Figure 9 extends this analysis to a range of macro-fiscal conditions, comparing different time periods within advanced economies, and across advanced with emerging market and developing

[13]Figure A13 reveals no meaningful difference when we look at the contemporaneous relationship between deficits and discourse. This is also consistent with the time lag between a fiscal discourse change and the materialization of fiscal outcomes that we show in Section **IV.**

[14]In Figure 8, we zoom into the predetermined elections defined in NELDA dataset. The relationships still hold.

FIGURE 8. FISCAL DISCOURSE AND LAGGED FISCAL DEFICIT AT ELECTIONS, 1960-2022



Notes: Data for the 1960-2022 period is sourced from the Manifesto Project, PFMH, and WEO. Platform data is averaged at the country-election and the country-election year level, and matched with the corresponding country-election year economic data. Linear regressions estimate Equation (1) with country, government perimeter, and data source fixed effects. Slope estimates and country-clustered standard errors are reported below each panel. Conditional binscatters plot the average fiscal discourse and economic indicator for each of several equal-size bins of the horizontal axis variable, after residualizing for the controls in Equation (1). A linear fit for the resulting binned observations is added.

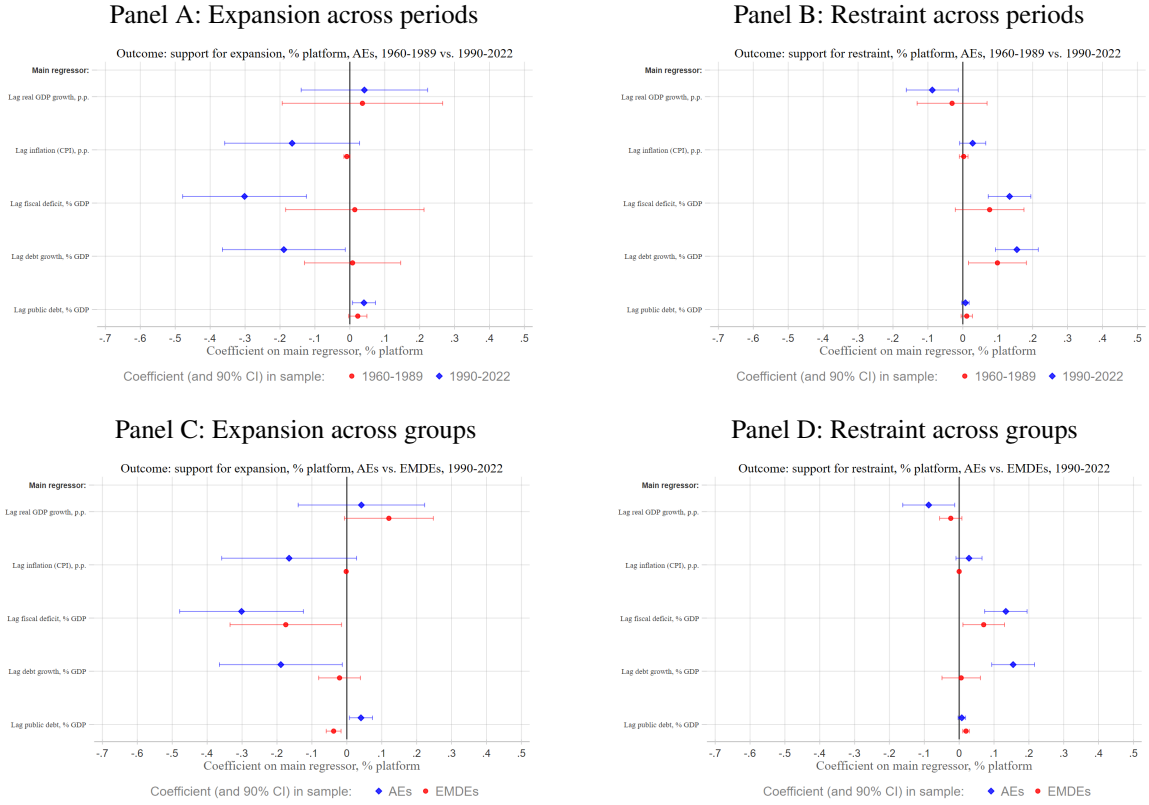
economies.[15] All plots show the coefficient of interest from a given regression based on Equation 1 along with the 90 percent country-clustered confidence interval. Expansion and restraint discourse respond in opposite ways to the same macro-fiscal variable, but distinct patterns emerge depending on the economic indicator, time period, and country group. Notably, fiscal discourse responds more systematically to fiscal rather than other standard macroeconomic variables. Panels A and B show this for advanced economies. While fiscal discourse is on average more conservative under adverse macroeconomic conditions (more restraint, less expansion discourse when real GDP growth is lower and inflation higher), most estimates are not significant. On the other hand, higher fiscal deficit or public debt ahead of an election anticipate party platforms with significantly more restraint and less government expansion content. These results are more evident for the sample period, potentially suggesting an increased sensitivity of political campaigns to prevailing fiscal conditions.[16]

Panels C and D provide a comparison for the 1990-2022 period across advanced and emerging market economies. Interestingly, despite larger volatility in macroeconomic conditions, platform content in emerging markets also tends to be associated with fiscal conditions rather than growth and inflation. However, the smaller coefficient estimates suggest differences in the ability of these countries to steer political rhetoric towards fiscal conservatism relative to advanced economies.

[15] In Appendix C, we show that the results for expansion discourse in Figure 9 are qualitatively similar when we account for other spending categories discussed for Figure 4. Compared to our baseline results, extended discourse measures respond more robustly to inflation in advanced economies and to growth in emerging markets since the 1990s.

[16] Time period heterogeneity in the estimates might also reflect larger variation of key economic indicators before the 1990s, the larger sample available for the more recent period, or better fiscal discourse measurement for the later platforms.

FIGURE 9. MACRO-FISCAL CONDITIONS AT ELECTIONS AND FISCAL DISCOURSE



Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. Coefficient markets reflect the estimated relationship between the one-year lag of a given macro-fiscal variable and fiscal discourse for each of two time periods (Panels A and B) or country groups (Panels C and D). Fiscal discourse is regressed separately on each macro-fiscal variable, along with country, data source, and government perimeter fixed effects as needed. Each model is estimated in a separate sample period (Panels A and B) or country group (Panels C and D), and the coefficients on the model's main macro-fiscal regressor from the two sample periods or country groups are plotted for comparison purposes, along with their 90% confidence intervals based on country-clustered standard errors. Winsorization is implemented for GDP growth (5-95th percentile) and CPI inflation (95th percentile) to limit the impact of outliers. Debt growth is the mean yearly change in public debt-to-GDP over four years.

One identification challenge inherent to our analysis is that the timing of elections and, hence the fiscal discourse measures, may not be entirely orthogonal to macroeconomic conditions. If elections are routinely called when conditions deteriorate and political rhetoric turns hawkish, for example because of disagreements in bargaining over public spending, our results might reflect a spurious association between fiscal discourse and fiscal developments. We therefore turn to the election-level information in the National Elections Across Democracy and Autocracy database (NELDA) to zoom-in on elections that are held as scheduled by the constitutionally-sanctioned calendar in each country (Hyde and Marinov, 2012). While reducing our sample size, this should limit the influence of "snap" elections and the untimely collapse of executives due to poor fiscal management.[17] Figure A14 and Figure A15 show that the thrust of our results does not change when only looking at constitutionally predetermined elections.

[17]One limitation with our approach is that an election might be endogenous even when taking place at the constitutionally-sanctioned time due to good economic circumstances. Yet, the alternative would require us to only

B. *Fiscal events: public debt surges and fiscal rules*

In this section we expand on the relationships uncovered by looking at the aftermath of selected fiscal events. First, we examine whether fiscal discourse changes when fiscal sustainability is at risk. Second, we assess whether institutional design and reform—by changing the rules of the policy game—shape subsequent fiscal discourse.

We first consider the potential impact of government debt surges, which can presumably raise attention among politicians and the public alike to the need for fiscal moderation and retrenchment. We start by extending the approach in Jalles and Medas (2022) and define a debt surge as:

$$Surge_{i,t}^{\text{Cutoff}} = \mathbb{1}\left(\Delta D_{i,t,t-1} > \max\{\mu_i^{\Delta D} + \sigma_i^{\Delta D}, \text{Cutoff}\}\right), \tag{2}$$

that is, an indicator equal to 1 in any country-year (i,t) such that the change in the debt-to-GDP ratio ΔD across two consecutive years is larger than the country's year-to-year debt change mean plus one standard deviation, and at least as large as a given cutoff between 1 and 5 percent of GDP.[18] The first condition allows flexibility in defining debt surges based on a given country's debt path, as fiscal events of different magnitudes may have different political repercussions across countries. The second condition introduces a common lower bound as to what can be meaningfully considered a debt surge. As the cutoff is raised, the sensitivity of our estimates to the definition of surge can be assessed.

There are 434 country-years when debt surged using the 1 percent of GDP common cutoff and 336 cases using the 5 percent of GDP cutoff. Compared to the election-year analysis in the previous section, we now allow for the possibility that recent large events, even if not contemporaneous to elections, can influence fiscal discourse over the near or medium term. We therefore devise a lag structure which captures the occurrence of a debt surge up to three years before an election, and estimate the following regression model:

$$FD_{i,e}^{d} = \alpha_i + \sum_{j=-3}^{0} \beta_j \cdot Surge_{i,e,j}^{\text{Cutoff}} + \gamma \boldsymbol{X}_{i,e} + \epsilon_{i,e}, \tag{3}$$

where variables follow the same definition provided for Equation (1) and four debt surge indicators are included for a given common cutoff.[19]

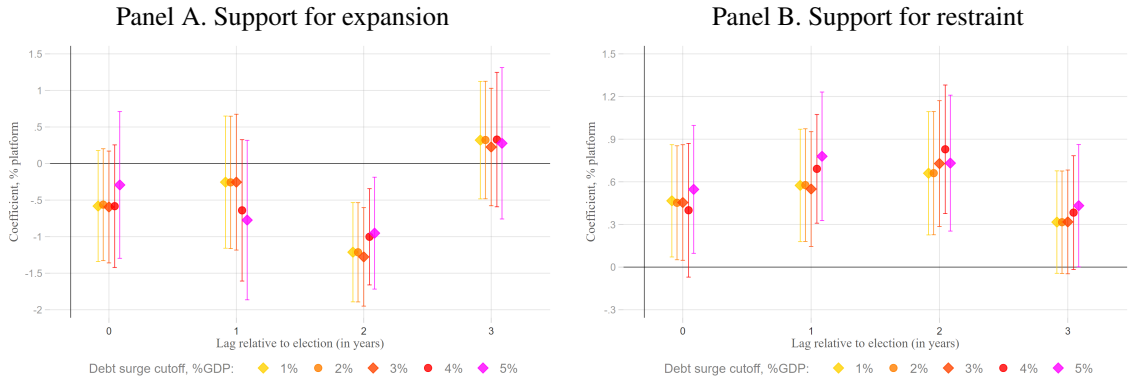
Figure 10 plots the coefficients on all debt surge indicators by a common cutoff size for each fiscal discourse measure. The results are consistent with our earlier findings on the role of debt

look at countries where all elections can only be held at predetermined times. We refrain from taking this approach as it would imply on looking at presidential regimes

[18] In the definition of each country mean, we exclude years since 2020 and with 1st-percentile debt growth to ensure that the resulting criteria pick meaningful debt surge episodes based on each country's history.

[19] The ensuing regression sample consists of 587 country-election year observations in advanced and emerging market and developing economies. Of these, 91 feature a contemporaneous debt surge, and 76 a debt surge three years earlier. Overall, 219 country-election years are associated to a debt surge in the same year or in any of the three previous years.

FIGURE 10. DEBT SURGE COEFFICIENTS BY TIME TO ELECTION AND SURGE CUTOFF, 1960-2022



Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. Platforms from parties across all ideology families included. Each dot or diamond shows the coefficient on each of four lags of debt surge in a regression for average fiscal discourse in a country-election year with country, government perimeter, and data source fixed effects. Debt surge is an indicator equal to 1 when debt-to-GDP across two years grows by more than the country mean plus one standard deviation and is at least as large as the cutoffs in the legend. Years since 2020 and with 1st-percentile debt growth are excluded in surge definition. Cluster-robust 90% confidence intervals are added around each coefficient marker.

growth in the run-up to elections, but the more detailed time structure adds nuance to the potential disciplining effects of fiscal shocks. Panel A presents the patterns of expansion rhetoric following a debt surge. For surge episodes up to two calendar years before a given election, all point estimates are negative, but significantly so only for shocks two years ahead of the election date (about 1 percentage point less expansion discourse on average). This suggests that while a large increase in public debt by a country's historical standards tends to moderate support for expansion, even large shocks need time to consistently affect views on public spending, and these effects can dissipate quickly. By contrast, Panel B shows that discourse features reliably more support for restraint (up to 0.9 percentage points on average) in the first few years after a debt surge. Point estimates slightly increase as the common cutoff is raised, suggesting that the larger the size of an adverse fiscal shock, the stronger the reaction of the political system seeking to address it.

While the impact of fiscal shocks on political debates can be transitory, the introduction of new institutional arrangements in a country's fiscal architecture has the potential to affect discourse more permanently. We assess this hypothesis by studying the evolution of fiscal discourse over several elections before and after the adoption of fiscal rules in a given country. Based on the IMF Fiscal Rules Dataset (IMF, 2022), we focus on the most common type of fiscal rule over the 1985-2021 period, that is, budget balance rules, featuring operational limits on the overall, primary, or cyclically adjusted balance. To the extent that these introduce targets on the policy mix that parties can realistically offer once in power, rules have the potential to alter both fiscal outcomes and the underlying rhetoric.[20]

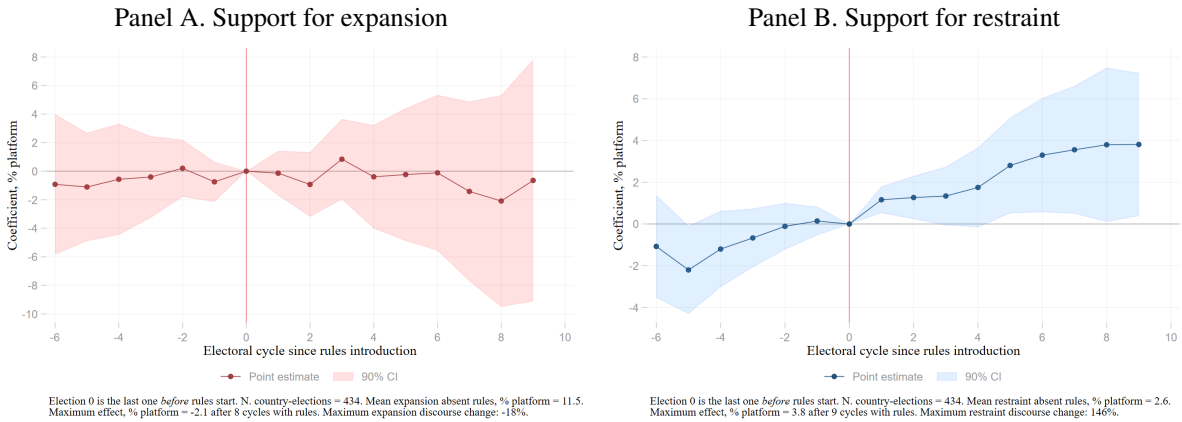
We leverage the staggered adoption of fiscal rules across countries in our data for an event study based on the following regression:

[20]This reasoning echoes the motivation behind Aaskoven (2020), who finds no effect of fiscal rules on party polarization based on their platform content. This result can still be consistent with compensating effects on rhetoric regarding different policy items, so we assess the dynamics of our expansion and restraint variables separately.

$$FD^{d}_{i,e} = \alpha_i + \gamma_e + \sum_{r=-k}^{+k'} \beta_r \cdot I\left(R_{i,e} = r\right) + \varepsilon_{i,e}, \tag{4}$$

where $R_{i,e}$ measures the relative distance of election year e in country i from the time of fiscal rule adoption in terms of election cycles, with positive values indicating post-reform elections, while α_i and γ_e are country and election-year fixed effects.[21] Coefficients β_r capture the difference in the mean share of expansion or restraint content in each relative election cycle r across countries with a fiscal rule and those yet to adopt one.[22] For the main analysis, we only focus on countries that adopted a fiscal rule over the time period covered by IMF data.[23] As a result, the main identifying assumption in the event study exercise is that the path of fiscal discourse in countries which have yet to introduce a fiscal rule provides a plausible counterfactual for how fiscal rhetoric would look like. Following Bertrand, Duflo and Mullainathan (2004), standard errors are clustered at the country level, that is the level of treatment in the data.

FIGURE 11. FISCAL DISCOURSE RESPONSE TO THE INTRODUCTION OF FISCAL RULES, 1985-2021



Notes: Fiscal rules data comes from the IMF Fiscal Rules Dataset (2022). The fiscal rules considered for the main event studies are budget balance rules, which include any rule with operational limits to the overall, primary, or cyclically adjusted balance. The time dimension on the X-axis refers to the number of election cycles - rather than calendar years - relative to the treatment event. For reference, Figure A8 reports the average length of an election cycle in our data. Only countries introducing a fiscal rule between 1985 and 2021 are considered. Confidence intervals are based on country-clustered standard errors.

[21] For each country, we only consider the earliest fiscal rule adoption event within the sample period, and assume that treatment is not interrupted thereafter. Given that initial rules can be repealed and that later rules may enjoy better design and effectiveness, this could weaken the estimated impact of fiscal rules on fiscal discourse.

[22] Following the discussion in Borusyak, Jaravel and Spiess (2021), we estimate Equation (4) with k such that the first two available relative time indicators are omitted. This ensures the simultaneous identification of year fixed effects and relative treatment time indicators in a fully dynamic model without never-treated units. All other available relative treatment time effects are estimated, but only a few are plotted in our charts for ease of representation.

[23] Over 1985-2021, 48 of the 65 countries in our data adopt a fiscal rule. These do not include Germany and Japan which first introduced a budget balance rule in 1969 and 1947, respectively, thus outside of the main data period coverage. Including these two countries in our analysis does not substantially alter the results.

Figure 11 plots the estimated path of β_r coefficients and the cluster-robust 90 percent confidence intervals. Both panels suggest that fiscal discourse evolves statistically similarly in countries that adopt a fiscal rule and those yet to do so, although the share of expansion, and especially that of restraint, discourse tend to be weakly lower in treated countries. After the introduction of a fiscal rule, however, the two types of discourse behave differently. Panel A shows virtually no impact on expansion discourse, with mostly negative but small and insignificant coefficients. On the other hand, on average, party platforms adopt a growing share of fiscal restraint content in elections following the institutional reform (Panel B). This suggests that, while formal fiscal frameworks do not significantly alter the propensity to favor government spending, they inject rhetoric with elements of fiscal discipline over the course of several election cycles.[24]

Appendix D assesses the sensitivity of our results by relaxing the treatment and sample definition. Figure A18, Panels A and B, include the adoption of any type of fiscal rule as a possible fiscal event, with qualitatively similar results to those shown above. In Panels C and D, we include countries in which never adopt a fiscal rule in our data, resulting in weak but increasingly negative effects on expansion discourse, and smaller effects on restraint. Finally, we leverage the IMF Fiscal Council Dataset (2022) to compare our results for fiscal rules with the potential role for fiscal councils. Figure A19 shows a similar direction of effects from the establishment of fiscal councils, either independently (Panels A and B) or as an interaction with fiscal rules (Panels C and D).

C. *Demand-side considerations: voters preferences*

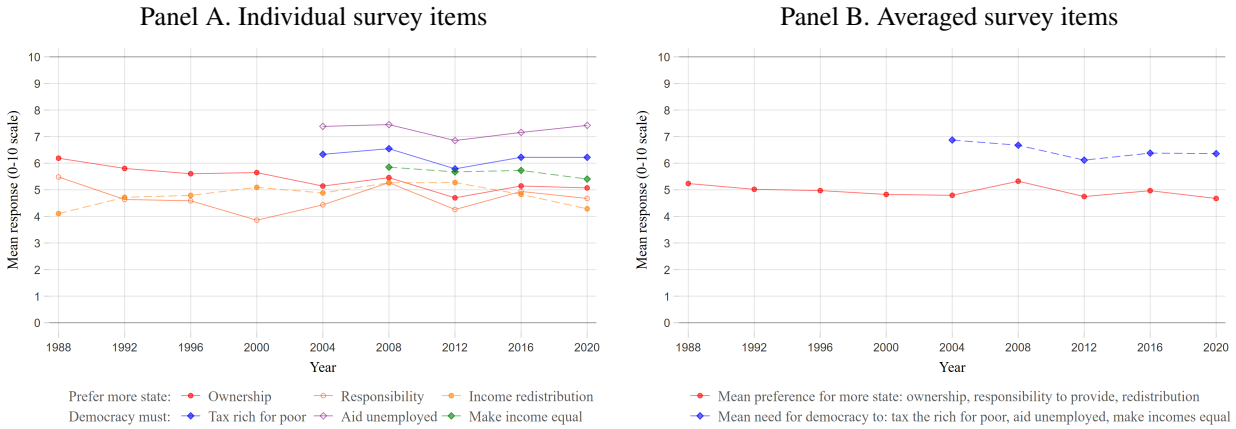
Voter preferences for fiscal policy likely exert an important influence on fiscal discourse as captured in party manifestos. However, fiscal discourse may not purely be a reflection of voter demands. Instead, it could reflect political parties' own ideas, electoral strategies, and narratives that shape public attitudes towards fiscal issues and affect policy choices. While identifying the deep origins of fiscal discourse is beyond the scope of this paper, we provide suggestive evidence of the latter.

We start by looking at survey items in the integrated World Value Survey (WVS) and European Value Survey (EVS) that record voter preferences for government intervention and support for redistribution. Starting in 1989, WVS/EVS modules included questions gauging preferences for more state ownership, the government's responsibility to provide for all citizens, and income redistribution. In addition, survey items elicited whether respondents felt a need for democratic governments to tax the rich and subsidize the poor, for people to receive state aid for unemployment, and the state to makes people's incomes equal. Figure 12 reports the average trends in each item (Panel A) and their average by question type (Panel B) for our sample. In each case, no clear increasing trend in favor of government intervention comparable to that in the manifesto data can be discerned. This echoes earlier findings for individual countries such as the United States, United Kingdom, and Germany, whereby increases in inequality did not readily translate in stronger average support for redistribution (Ashok, Kuziemko and Washington, 2015).

Parties could craft pro-expansion platforms in response to a perceived electoral success of such ideas. To examine this possibility, we look at the relative vote shares commanded by parties with

[24]Figure A8 shows that the mean length of an election cycle in our data, or the mean number of calendar years between one election and the next, is about 3.7 years.

FIGURE 12. PREFERENCES FOR PUBLIC INTERVENTION AND REDISTRIBUTION IN WVS/EVS, 1989-2022



Notes: Data is drawn from the World Value Survey and European Value Survey, 1989-2022, for countries which also appear in our main analysis. Panel A shows the time trends in six survey items from two separate groups of survey questions, while Panel B shows the mean responses for each of the two sets of three survey items. Year reflects the first of four years. In Panel A, for each item, survey responses from each respondent are first averaged at the country-four year level, and then across countries in each four years. In Panel B, the procedure is the same, but the initial data points are the respondent's mean response across each set of three survey items as reported in the figure's legend. Y-axis thus shows the mean response across available countries in each four years. The original survey items allow for responses on a scale from 0 to 10, with higher values implying more support for government action or redistribution.

high and low expansion and restraint discourse. Figure 13 computes the average vote share for parties with expansion and restraint discourse above and below and above the country-specific median (left panels) and the relevant country-by-decade median (right panels). While the left panels (Panels A and C) show that vote shares increasingly accrue to parties with platforms above (below) their country's historical median for expansion (restraint) discourse, the right panels (Panel B and D) shows virtually no trend when we country-by-decade means are plotted. As support for expansion grows over time, we should expect the trends seen in the left panels, as the supply of fiscal ideas in the political system shifts over time. However, the observed vote shifts attenuate once we redefine the discourse medians to account for trends in fiscal discourse by country-decade (in the right panels), and are broadly stable.

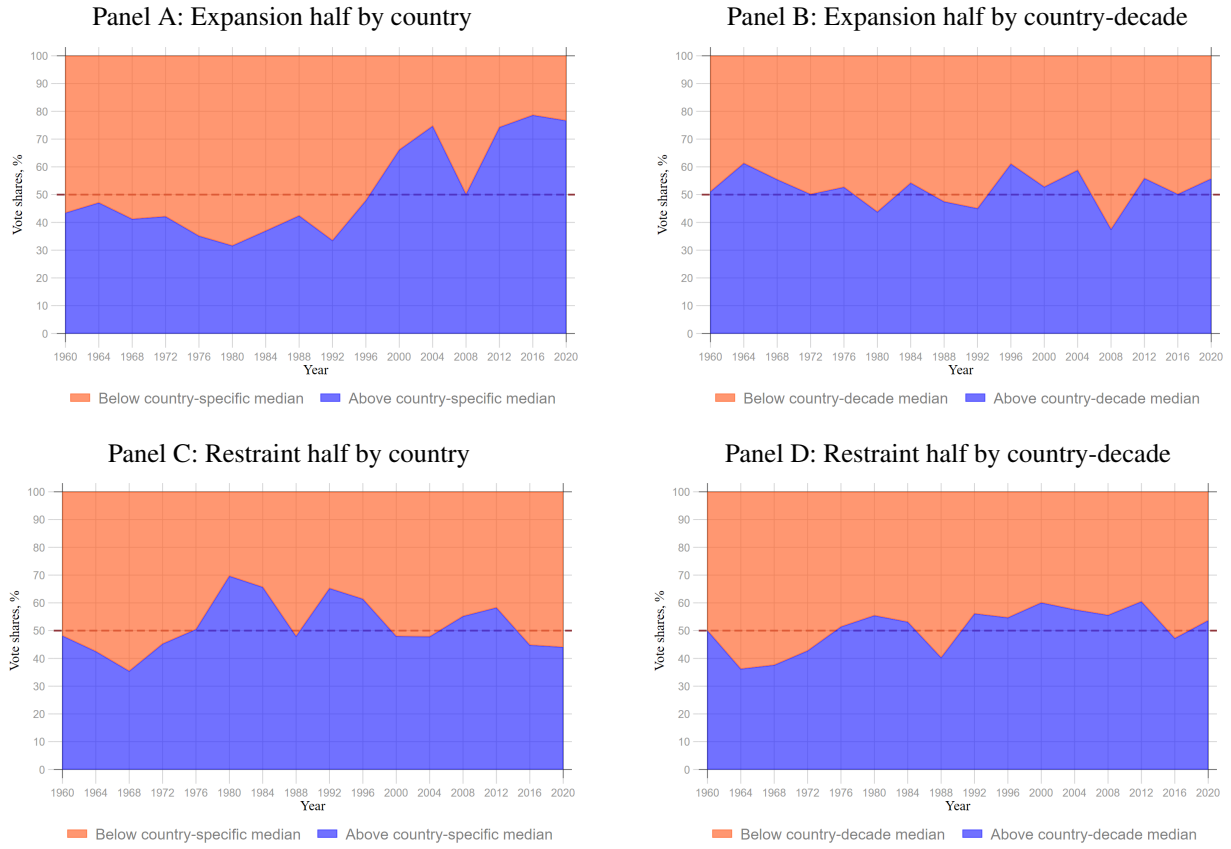
Still, parties might simply be reacting to prevailing socio-economic developments which affect their voter base and generate specific demands for policy. Significant structural transformations have taken place in both advanced and emerging market economies in recent decades affecting the distribution of resources and potentially the identity and preferences of the median voter. For example, globalization, skill-biased technological change, migration, and ageing in the presence of generous pension systems could have resulted in unequal gains and costs over time, exacerbating income and wealth inequality dynamics which parties might react to. We therefore turn to inequality as a summary proxy to assess whether this plays a role in the determination of fiscal discourse.

Figure 14 presents our findings. Looking at the composite Gini index by Milanovic (2019) as well as the ratio of wealth shares for the top 10 and bottom 50 percent of the wealth distribution, we see that inequality has been on a rising trend in advanced economies since the 1990s, while trends were more mixed for emerging market and developing economies. However, no consistent picture

emerges with respect to the within-country variation in fiscal discourse and inequality, with the exception of a positive association between the wealth ratio and expansion discourse.

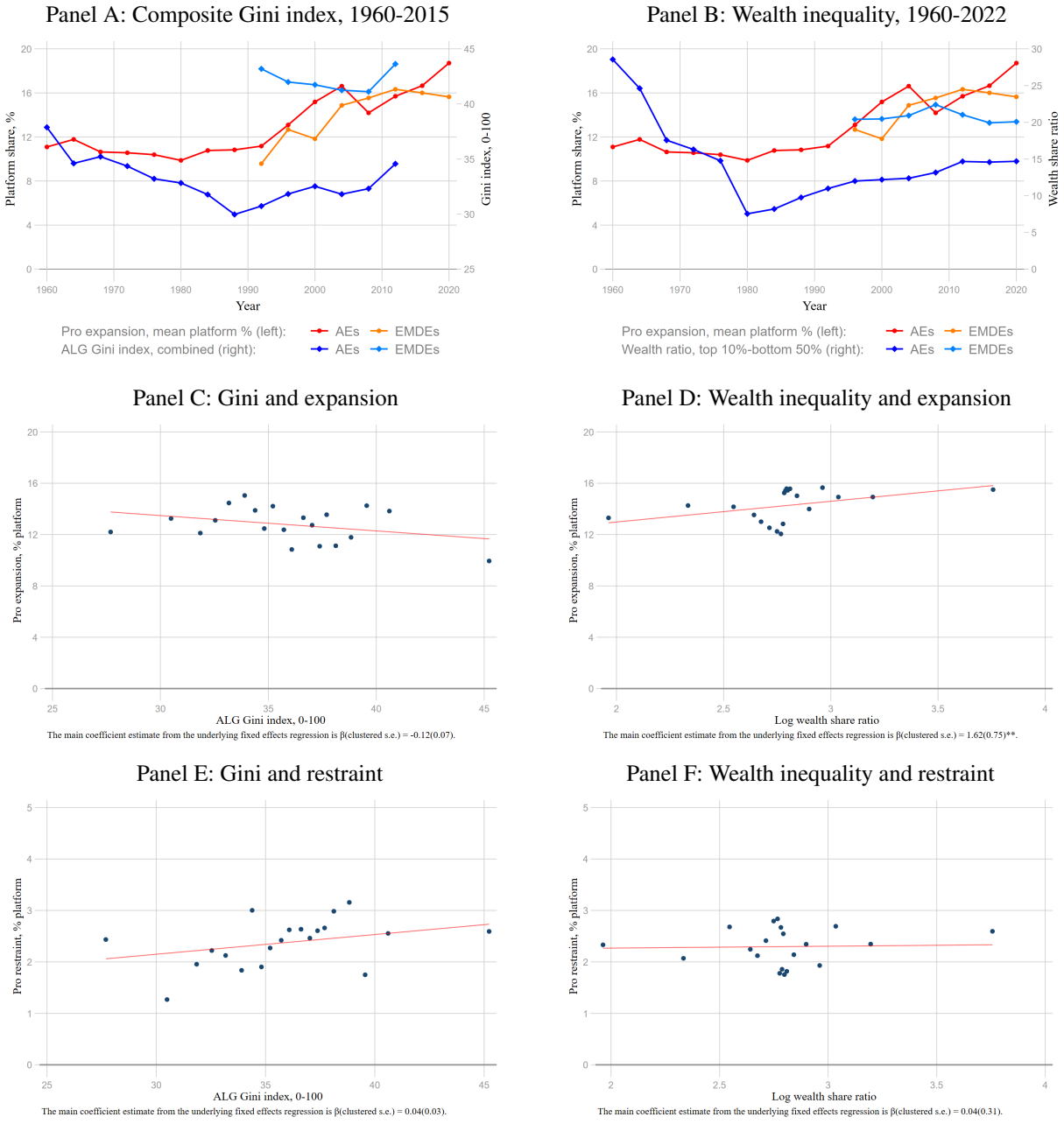
Overall, while the interaction between voter preferences and parties likely plays a fundamental role in the nature and content of political competition in electoral democracies, we find no direct evidence of this dynamic. we take this to suggest that politicians play an active role in crafting the fiscal narratives over which they compete, drawing from both ideological and strategic considerations in determining the supply of fiscal ideas.

FIGURE 13. MEAN VOTE SHARE FOR PARTIES BELOW OR ABOVE MEDIAN FISCAL DISCOURSE SHARE



Notes: The charts display the average vote shares that parties with fiscal discourse below or above their historical country or country-by-decade discourse median command. Data considered is for advanced economies over the 1960-2022 period. Top (bottom) panels pertain to expansion (restraint) discourse, while left (right) panels rely on a country (country-by-decade) median of the relevant discourse share across all platforms. Platforms scoring 0% on a given discourse dimension are automatically assigned to the relevant below-median group. Averaging is performed first at the country-year-discourse group level, and then at the four-year-discourse group, where by discourse group we refer to a platform falling below or above the relevant discourse share median. Finally, each four-year mean share is re-scaled by the mean sum of vote shares across the two groups, so that the chart totals equal 100%.

FIGURE 14. ECONOMIC INEQUALITY AND FISCAL DISCOURSE



Notes: The charts display the trends in inequality and the association with fiscal discourse for all MP countries with available inequality data. In the top panels (Panel A and B), Year reflects the first of four years. Platform data is first averaged at the country-election level, and then by country-year. Y-axis shows the mean outcome across all country-years in each four years. Expansion refers to the mean share of platform statements in support of more public spending on welfare, education, or on demand-side policies. The "All the Gini" index (Panels A, C, and E) refers to the four-year average of the composite index produced by Milanovic (2019) drawing from nine sources of income or consumption Gini coefficients based on household surveys. Wealth inequality (Panel B, D, and F) is measured by the ratio between the wealth shares held by the top 10% and bottom 50% of adults from the World Inequality Database, which relies on national accounts, survey, and fiscal data. The four bottom panels show the country-fixed effects binscatters of each fiscal discourse variable and either the "All the Gini" index or the logarithm of the wealth share ratio measured in the election year, along with the slope coefficient on the inequality index from the underlying country-fixed effects regression. Significance is assessed based on country-clustered standard errors. Estimation follows Equation (1).

IV. The aftermath of fiscal discourse changes

We have shown that electoral campaigns taking place in the shadow of deteriorating fiscal conditions feature relatively more conservative fiscal talk, particularly in the case of debt surges and the adoption of fiscal institutions that constrain policy choices. Given the observed long-term trends in discourse, a natural question is whether the economic aftermath of fiscal discourse changes has any predictable regularity. To what extent does an increase in pro-expansion discourse result in an accumulation of fiscal burdens over time? Does an uptick in fiscal restraint narratives anticipate subsequent fiscal consolidation efforts?

To address these questions we examine the aftermath of fiscal discourse changes using the Jordà (2005) local projections method. Since the focus shifts from election campaigns to the full electoral cycle over longer horizons, we expand the time dimension of our data to include both election and non-election years, setting up the following econometric model for each country i and year t:

$$y_{i,t+h} - y_{i,t-1} = \alpha_i + \delta_t + \beta_h^e \Delta Exp_{i,t} + \beta_h^r \Delta Res_{i,t} + \theta_h E_{i,t} + \gamma_h \boldsymbol{X}_{i,t} + \epsilon_{i,t}, \tag{5}$$

where $y_{i,t}$ is a macro-fiscal variable of interest, such as the fiscal deficit and its components, government debt, and the GDP level, α_i and δ_t are country and year fixed effects, $\Delta Exp_{i,t}$ and $\Delta Res_{i,t}$ capture fiscal discourse shocks, $E_{i,t}$ is a dummy variable indicating whether a national election is held in year t, and $\boldsymbol{X}_{i,t}$ is a vector of controls. Controls include the lagged change of the outcome variable, the current and lagged change in real GDP growth except in GDP level regressions, and indicators capturing any switch in the government perimeter and data source for fiscal variables. Both current and lagged versions of each fiscal variable are included. A regression is run for each time horizon h, allowing us to describe the cumulative change in a given outcome y as the time distance from a fiscal discourse shock grows.

The two shock variables $\Delta Exp_{i,t}$ and $\Delta Res_{i,t}$ represent the change in the mean share of restraint and expansion platform content across two consecutive elections in a given country, respectively. The shocks can be non-zero only in election years when platform data is available, and zero otherwise. In this sense, we implicitly assume that the fiscal narrative shocks that are most consequential for policy and macroeconomic outcomes arise across election campaigns rather than in the intervening periods.[25]

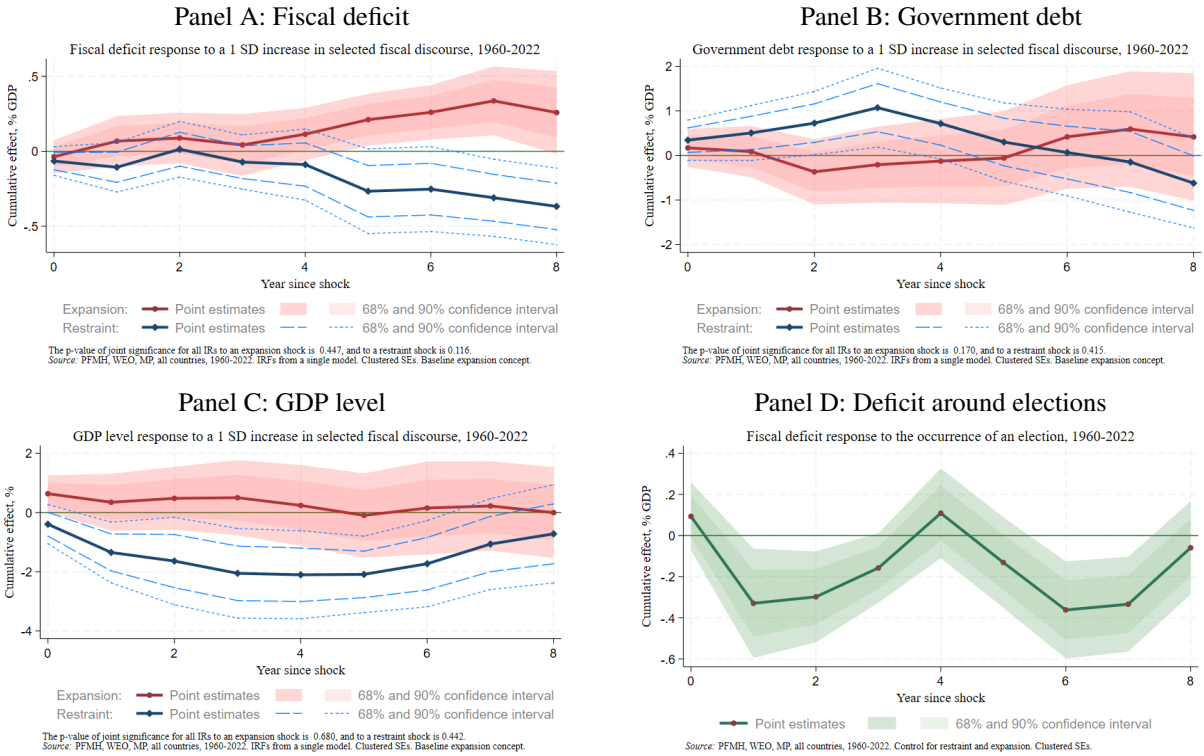
The size and distribution of fiscal discourse shocks is reported in Figure A20. The histograms show that expansion and restraint shocks are fairly symmetrically distributed, with sample standard deviations of 4.57 percent of a given party platform's content for the expansion shock, and 2.21 percent for a restraint shock (Panel A). We include both types of shocks in the same model since expansion and restraint proxies are negatively, albeit imperfectly, correlated.[26] For each outcome,

[25]The implicit assumption is that all parties traditionally lay out a detailed policy program only at elections for voters to assess in terms of its suitability as a government plan. More likely, however, fiscal discourse gradually adjusts between elections. To the extent that the discourse shock relevant to policy outcomes should be measured between the election at time t and a previous intermediate point in time, our analysis likely underestimates the true aftermath of a discourse change by overestimating the size of the relevant shock

[26]Including both shocks provides us with a more stringent test of the precise role of each type of discourse variable. Given a negative relationship between the two types of variables and to the extent that the coefficients that we recover

we reconstruct two paths of impulse responses based on the estimates of β_h^e and β_h^r, respectively. Given that these estimates are conditional on an election-year dummy $E_{i,t}$, they are ideally autonomous from any underlying political business cycle dynamic for outcome y, which we discuss below.

FIGURE 15. LOCAL PROJECTIONS: RESPONSES TO A DISCOURSE SHOCK, PANEL 1



Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. In all panels, the bold blue and red lines connects the estimated impulse responses associated to a one standard deviation shock in restraint and expansion discourse, respectively. Shaded areas (for expansion shocks) and dashed lines (for restraint) reflect the 68% and 90% country-clustered confidence intervals estimated for each impulse response. In Panel D, we plot the impulse response of the fiscal deficit to an election-year dummy.

Figure 15 illustrates the impulse responses with each panel singling out the responses of a different macro-fiscal outcome to both an expansion and a restraint shock in an election year. We allow for a 9-year time horizon to assess developments both in the short- and long-run. In reality, the process linking shifts in political narratives to macroeconomic outcomes could be long and complicated by the alternation in power of different cabinets. For example, Funke, Schularick and Trebesch (2023) assess the effects of populist cabinets over a 15-year horizon, suggesting the importance of political and policy legacy for macroeconomic outcomes.

Panel A shows that a positive expansion discourse shock is followed by larger fiscal deficits after the election year, with responses growing in size and significance with time. A one standard

for the two types have opposite signs, omitting one of the two proxies could potentially recover the total effect of fiscal discourse changing in a more pro-expansion or pro-restraint direction through the coefficient of the remaining shock variable.

deviation increase in the average share of platform content devoted to expansion is associated with a 0.26 percent of GDP increase in the fiscal deficit by the end of the projection horizon. This slow build-up could reflect the time required for the incumbent's fiscal ideas to translate into policy decisions, or for the dominating fiscal narrative to compel politicians to enact costly measures. The benign but muted response of government debt (Panel B) and output (Panel C) help explain the partial deterioration of the fiscal balance in the short-term. To the extent that the growing support for government spending provides a short-lived boost to economic activity and market confidence, the net cost of any expansionary policy measures emerges only after these effects dissipate.

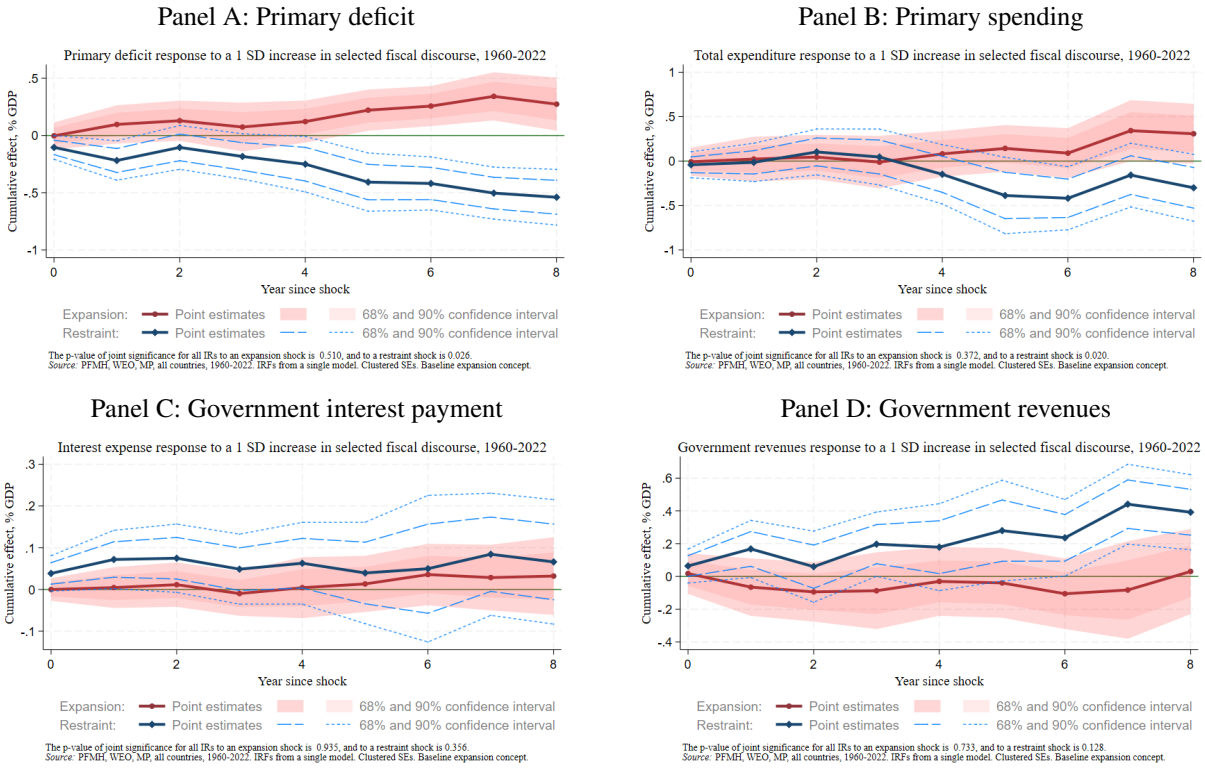
Conversely, the aftermath of a restraint shock appears more clear cut. A one standard deviation increase in the mean share of restraint content across party platforms is associated with a 0.37 percent of GDP reduction in the fiscal deficit, with significant effects towards the end of the projection horizon (Panel A). This suggests that shifts in political discourse towards fiscal restraint anticipate improvements in budget outcomes. While policy restraint is likely to improve a country's fiscal health, the resulting austerity could have contractionary effects on the economy at large. Panel B and C reflect this possibility: GDP declines for several years following an increase in restraint discourse, possibly in response to spending cuts, higher taxes, or simply economic uncertainty and decreased market confidence (Panel C). The temporarily lower GDP path can further complicate debt reduction efforts. Although a restraint discourse shock is associated with a lower fiscal deficit on average, the initial GDP decline contributes to lifting the debt-to-GDP ratio in the near term (Panel B).

All of these paths are conditional on the inclusion of an election-year dummy, $E_{i,t}$, and thus to some extent independent of more standard election-cycle dynamics. In the political budget cycle literature, the inclusion of such an indicator, its lag, or its lead, is used to assess whether a given fiscal outcome changes systematically in the immediate vicinity of an election. Traditional results are consistent with an environment where reelection incentives lead incumbents to reduce fiscal discipline and run higher deficits in the run-up to elections, and delay fiscal adjustment to the post-election period (Persson and Tabellini, 2003; Brender and Drazen, 2005; Shi and Svensson, 2006). Panel D recovers this type of dynamic for our sample countries, showing the S-shaped impulse response path of the budget deficit. Based on the estimates of parameter θ_h, the deficit response peaks over horizons associated with election episodes, and turns negative in the intervening periods, when consolidating is easier.[27]

In Figure 16, we trace the components of the estimated budget deficit responses. A positive expansion discourse shock is followed by an uptick in the primary deficit, a pattern consistent with a gradual relaxation of fiscal discipline or the adoption of expansionary fiscal policies (Panel A). The increase in the primary deficit is driven by a gradual increase in primary expenditures rather than revenue cuts, suggesting that expansion discourse more routinely translates into spending initiatives (Panels B and D). Importantly, the response of government interest payments to an expansion narrative shock appears relatively muted, highlighting the potential role of discretionary policy decisions in driving the deficit result (Panel C).

[27]By definition, $h = 0$ features an election episode. Given that the average election cycle length in our data is of about 4 years, the horizons at $h = 0\{4, 8\}$ are associated on average with successive elections.

FIGURE 16. LOCAL PROJECTIONS: RESPONSES TO A DISCOURSE SHOCK, PANEL 2



Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. In all panels, the bold blue and red lines connects the estimated impulse responses associated to a one standard deviation shock in restraint and expansion discourse, respectively. Shaded areas (for expansion shocks) and dashed lines (for restraint) reflect the 68% and 90% country-clustered confidence intervals estimated for each impulse response.

A restraint discourse shock, however, is associated with a decline in the primary deficit, but the effects gain significance earlier than in the case of the overall budget deficit (Panel A). Unlike the case of an expansion shock, both higher revenues and a drop in expenditures contribute to this decline, but positive point estimates on the revenue margin appear throughout the projection horizon, restricting the expenditure savings to the later years (Panels B and D). We interpret these patterns as suggesting that the adoption of fiscally conservative narratives more readily translates into revenue measures, with expenditure control efforts bearing fruit only later in time. A short-run increase in the interest payments-to-GDP ratio is also observed, compatible with a scenario where output falls and the debt stock is stable or increasing, in line with Panels C and B of Figure 15.

In Appendix E, we assess the sensitivity of our results to alternative time periods, country groups, and discourse measures. In Figure A21, we replicate the main analysis starting our sample in 1990, ensuring a more balanced representation across countries. Our findings are qualitatively similar to what is observed in Figure 15 and 16, but appear starker: deficit responses are almost twice as large as in the baseline by year 8 and gain significance earlier, suggesting that our baseline estimates chiefly reflect the dynamics at play in more recent decades. Figure A22 and A23 zoom in separately on the two country groups over this shorter time period. The patterns observed in advanced economies mirror those for the the longer sample periods, but restraint narratives shocks exhibit

less pronounced effects on deficits and GDP, particularly in the short term. Instead, in emerging market and developing economies there is a divergence in impulse responses across different types of shocks. Restraint shocks are followed by lower deficits both over short- and medium-term, with enduring output costs but a much shorter-lived uptick in debt-to-GDP ratios than in advanced economies. At the same time, expansion discourse shocks appear to be less consequential, with only a slow but weak build-up in overall and primary deficits.

Lastly, in Figure A24 we employ an expanded definition of expansion discourse to capture a party's implied support for government infrastructure and defense spending. Impulse response functions show that fiscal deficits and output both respond positively and achieve significance earlier compared to our more restrictive baseline definition. To the extent that our more comprehensive measure is recording pro-intervention attitudes over a broader set of policy domains, this suggests that an expansion shock has the potential to translate into large and significant fiscal and economic responses.

V. Conclusion

Large fiscal deficits and elevated debt levels around the world raise concerns as to whether the fiscal climate has fundamentally changed towards an unsustainable mix of higher spending, political red lines on taxation, and even higher debt. In this paper, we show that political dynamics have been a long-term contributor or facilitator of these trends in electoral democracies, with parties increasingly competing over pro-government spending platforms and a reduced focus on budget discipline. While higher deficits and debt surges and the introduction of institutional arrangements such as fiscal rules can help bring fiscal concerns back to the political arena, our findings suggest that long-term political forces potentially dominate short-run strategic adjustments.

The account that we offer is partial. First, more work needs to be done to tease out the demand- and supply-side drivers underpinning fiscal discourse trends and government size. This can help determine the extent to which parties respond to long-run structural transformations in the economy and changes in the style and nature of political competition. Second, our data captures fiscal discourse imperfectly, allowing for measurement only at elections rather than at higher frequencies. Third, future research will need to establish the channels through which changes in discourse impact public finances, including the role of the cabinet as opposed to the pressure applied by opposition parties and civil society at large. For instance, shifts in fiscal ideas at the cabinet level could directly inform new policies, in line with Romer and Romer (2004)'s insightful discussion of central bank governors' policy views. Fourth, enhancing identification strategies by incorporating external shocks as instrumental variables could potentially refine our understanding of the causal impact of fiscal discourse changes. We leave these areas to ongoing and future work. Finally, scholars, practitioners, and voters alike will need to identify viable strategies to ensure that fiscal sustainability stays at the center of political discourse in the face of rising uncertainty surrounding the future of public finances.

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APPENDIX

A Manifesto Project data: additional details

Our main source of party discourse data comes from version 2023a of the Manifesto Project, henceforth MP (Lehmann et al., 2023). Extensive background information can be found on the project's main webpage. In this appendix, we summarize the basics and provide some descriptive statistics for the reader's convenience, but we defer to the online resources, including the latest MP handbooks and codebooks, for more details.

The MP is an ongoing independent academic project with roots in the late 1970s and currently housed at the WZB Berlin Social Science Center, where it is funded by German Research Foundation. The main goal of the project is to codify and quantify the topic and policy content of electoral manifestos drafted by parties competing in national elections across countries. In terms of what a manifesto is in practice, the MP considers an authoritative document enacted and published by a party before an election outlining the party's policy plan for the time after the election for a broad range of policy issues. As a general inclusion criterion, covered parties are those that gain at least one seat in a given parliamentary lower-house democratic election, except in circumstances where a party holds enough significance to a country's history or political system regardless of its own presence in parliament. For presidential regimes, platforms generally reflect presidential campaigns.

The platform coding or annotation process has been relatively stable over the years, and works as follows. The MP selects coders - generally native-language political science scholars or students with expertise on the country that they wish to review party platforms for - by having them pass an English-language manifesto annotation training and test. Qualified coders then read the manifestos pertaining to a given election and break down their text in coding units called *quasi-sentences*, which reflect individual policy statements. Each quasi-sentence is then marked with a three-digit code based on a pre-defined list of topics that is shared across elections and countries. Once the coding process is over, the information is aggregated in a long list of variables each capturing the share of a platform's policy statements pertaining to a given code. Each code reflects a party's leaning or stance on issues such as the support for public education or the importance of human rights, and is assigned to one of seven broad domains: external relations, freedom and democracy, political system, economy, welfare and the quality of life, fabric of society, and social groups (Figure A3).

For our analysis, we use the MP to build two variables that may proxy the prevailing nature of a party's fiscal discourse - or its relative implied support for government spending expansion or fiscal restraint - based on a selection of MP variables. We define our proxies as follows:

1. **Baseline proxy for government expansion support** ("expansion"): the percentage share of a party platform's policy statements calling for an increase in public spending on wel-

fare (which is recorded for each platform by MP variable *per504*), or an increase in public spending on education (*per506*), or demand-side policies such as increasing public demand or social expenditures(*per409*).

In more detail, drawing directly from the MP codebook:

- ***per504***, "Welfare state expansion": favourable mentions of need to introduce, maintain or expand any public social service or social security scheme. This includes, for example, government funding of health care, child care, elder care and pensions, social housing, but excludes education which the MP codes under *per506* below.
- ***per506***, "Education expansion": need to expand and/or improve educational provision at all levels, except for technical training which the MP codes under *per411* below.
- ***per409***, "Keynesian demand management": favourable mentions of demand side oriented economic policies (assistance to consumers rather than businesses). Particularly includes increasing private demand through: increasing public demand; increasing social expenditures. May also include: stabilisation in the face of depression; government stimulus plans in the face of economic crises.

Extensions: Other MP variables tend to capture more explicitly both value judgments and implicit support for government spending on a given topic. For completeness, we still try extending our baseline expansion discourse variable as follows. For Figure 4, Panel B, Figure A6, Figure A16, and Figure A17, we add the following platform content that could imply further support for government spending based on the MP codebook:

- For defense, ***per104***, "Military: Positive": the importance of external security and defense. May include statements concerning: the need to maintain or increase military expenditure; the need to secure adequate manpower in the military; the need to modernize armed forces and improve military strength; the need for rearmament and self-defense; the need to keep military treaty obligations.
- For infrastructure, ***per411***, "Technology and Infrastructure: Positive": importance of modernization of industry and updated methods of transport and communication. May include: importance of science and technological developments in industry; need for training and research within the economy (This does not imply education in general (see per506); calls for public spending on infrastructure such as roads and bridges; support for public spending on technological infrastructure (e.g. broadband internet, etc.).
- For firm incentives, ***per402***, "Incentives: Positive": favourable mentions of supply side oriented economic policies (assistance to businesses rather than consumers). May include: financial and other incentives such as subsidies, tax breaks etc.; wage and tax policies to induce enterprise; encouragement to start enterprises).
- For environmental or green policies:

  per501, "Environmental protection": general policies in favour of protecting the environment, fighting climate change, and other "green" policies. For instance: general

preservation of natural resources; preservation of countryside, forests, etc.; protection of national parks; animal rights. May include a great variance of policies that have the unified goal of environmental protection.

per416.2, "Sustainability: Positive" (sub-item of the broader variable *per416*, "Anti-Growth Economy: Positive"): call for sustainable economic development. Opposition to growth that causes environmental or societal harm.

For Figure A24, we extend our baseline variable to cover defense and infrastructure ("total expansion concept, type 1"), that is, the two additional MP topics among those listed above that might more readily imply support for government spending based on the provided definitions. Still, compared to our baseline variable, the standard caveat that these MP variables partly capture value judgment along with potential fiscal implications applies.

2. **Proxy for fiscal restraint support** ("restraint"): the percentage share of a party platform calling for economic orthodoxy, including budget deficit reduction (*per414*), or the limitation of government spending on welfare (*per505*) and the limitation of government spending on public education (*per507*).

   In more detail, drawing directly from the MP codebook:

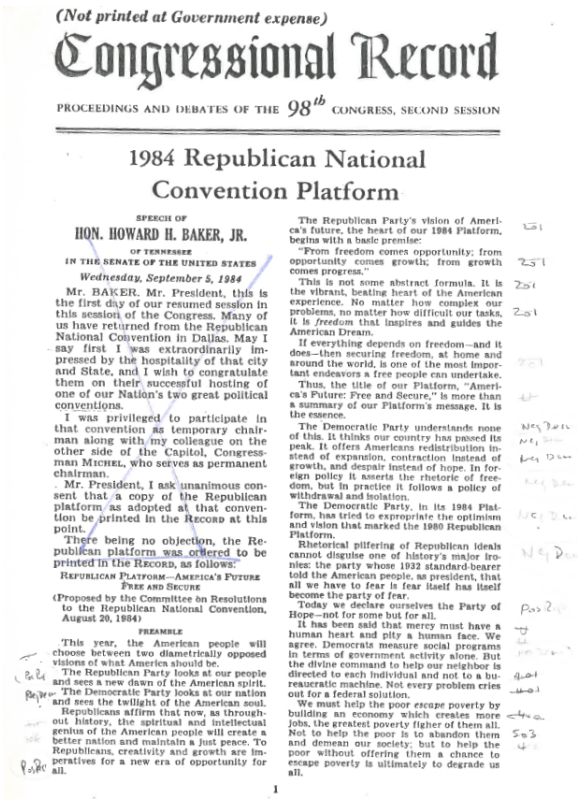
   - ***per414***, "Economic orthodoxy": need for economically healthy government policy making. May include calls for: reduction of budget deficits; retrenchment in crisis; thrift and savings in the face of economic hardship; support for traditional economic institutions such as stock market and banking system; support for strong currency.
   - ***per505***, "Welfare state limitation": limiting state expenditures on social services or social security. Favourable mentions of the social subsidiary principle (i.e., private care before state care).
   - ***per507***, "Education limitation": need to expand and/or improve educational provision at all levels, except for technical training which covered by *per411*.

   Differently from the case of expansion support, we are not aware of MP items that readily reflect a party's willingness to outright *reduce* government efforts on defense, infrastructure, firm incentives, or the environment, although some items might have that implication.

   Similarly, the MP does not readily devise variables exclusively dedicated to tax reforms, although this topic is sometimes accounted for by items such as "Market Regulation: Positive" or "Free Market Economy". For what concerns proposals of tax incentives for firms, we include variable "Incentives: Positive" in the extended versions of our expansion discourse proxy.

FIGURE A1. ANNOTATED PLATFORM EXCERPTS FROM THE MANIFESTO PROJECT CORPUS

Panel A. 1984 U.S. Republican Party



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Congressional Record

PROCEEDINGS AND DEBATES OF THE 98th CONGRESS, SECOND SESSION

1984 Republican National Convention Platform

SPEECH OF

HON. HOWARD H. BAKER, JR.

OF TENNESSEE

IN THE SENATE OF THE UNITED STATES

Wednesday, September 5, 1984

Mr. BAKER. Mr. President, this is the first day of our resumed session in this session of the Congress. Many of us have returned from the Republican National Convention in Dallas. May I say first I was extraordinarily impressed by the hospitality of that city and State, and I wish to congratulate them on their successful hosting of one of our Nation's two great political conventions.

I was privileged to participate in that convention as temporary chairman along with my colleague on the other side of the Capitol, Congressman MICHEL, who serves as permanent chairman.

Mr. President, I ask unanimous consent that a copy of the Republican platform as adopted at that convention be printed in the RECORD at this point.

There being no objection, the Republican platform was ordered to be printed in the RECORD, as follows:

REPUBLICAN PLATFORM—AMERICA'S FUTURE FREE AND SECURE

(Proposed by the Committee on Resolutions to the Republican National Convention, August 20, 1984)

PREAMBLE

This year, the American people will choose between two diametrically opposed visions of what America should be.

The Republican Party looks at our people and sees a new dawn of the American spirit. The Democratic Party looks at our nation and sees the twilight of the American soul.

Republicans affirm that now, as throughout history, the spiritual and intellectual genius of the American people will create a better nation and maintain a just peace. To Republicans, creativity and growth are imperatives for a new era of opportunity for all.

The Republican Party's vision of America's future, the heart of our 1984 Platform, begins with a basic premise:

"From freedom comes opportunity; from opportunity comes growth; from growth comes progress."

This is not some abstract formula. It is the vibrant, beating heart of the American experience. No matter how complex our problems, no matter how difficult our tasks, it is *freedom* that inspires and guides the American Dream.

If everything depends on freedom—and it does—then securing freedom, at home and around the world, is one of the most important endeavors a free people can undertake.

Thus, the title of our Platform, "America's Future: Free and Secure," is more than a summary of our Platform's message. It is the essence.

The Democratic Party understands none of this. It thinks our country has passed its peak. It offers Americans redistribution instead of expansion, contraction instead of growth, and despair instead of hope. In foreign policy it asserts the rhetoric of freedom, but in practice it follows a policy of withdrawal and isolation.

The Democratic Party, in its 1984 Platform, has tried to expropriate the optimism and vision that marked the 1980 Republican Platform.

Rhetorical pilfering of Republican ideals cannot disguise one of history's major ironies: the party whose 1932 standard-bearer told the American people, as president, that all we have to fear is fear itself has itself become the party of fear.

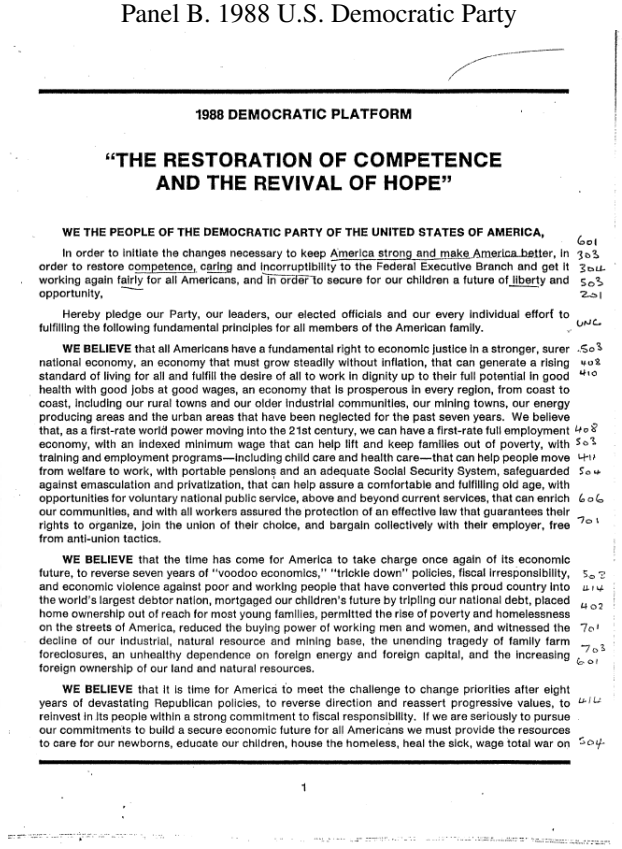
Today we declare ourselves the Party of Hope—not for some but for all.

It has been said that mercy must have a human heart and pity a human face. We agree. Democrats measure social programs in terms of government activity alone. But the divine command to help our neighbor is directed to each individual and not to a bureaucratic machine. Not every problem cries out for a federal solution.

We must help the poor *escape* poverty by building an economy which creates more jobs, the greatest poverty fighter of them all. Not to help the poor is to abandon them and demean our society; but to help the poor without offering them a chance to escape poverty is ultimately to degrade us all.

1

Panel B. 1988 U.S. Democratic Party



1988 DEMOCRATIC PLATFORM

"THE RESTORATION OF COMPETENCE AND THE REVIVAL OF HOPE"

WE THE PEOPLE OF THE DEMOCRATIC PARTY OF THE UNITED STATES OF AMERICA,

In order to initiate the changes necessary to keep America strong and make America better, in order to restore competence, caring and incorruptibility to the Federal Executive Branch and get it working again fairly for all Americans, and in order to secure for our children a future of liberty and opportunity,

Hereby pledge our Party, our leaders, our elected officials and our every individual effort to fulfilling the following fundamental principles for all members of the American family.

WE BELIEVE that all Americans have a fundamental right to economic justice in a stronger, surer national economy, an economy that must grow steadily without inflation, that can generate a rising standard of living for all and fulfill the desire of all to work in dignity up to their full potential in good health with good jobs at good wages, an economy that is prosperous in every region, from coast to coast, including our rural towns and our older industrial communities, our mining towns, our energy producing areas and the urban areas that have been neglected for the past seven years. We believe that, as a first-rate world power moving into the 21st century, we can have a first-rate full employment economy, with an indexed minimum wage that can help lift and keep families out of poverty, with training and employment programs—including child care and health care—that can help people move from welfare to work, with portable pensions and an adequate Social Security System, safeguarded against emasculation and privatization, that can help assure a comfortable and fulfilling old age, with opportunities for voluntary national public service, above and beyond current services, that can enrich our communities, and with all workers assured the protection of an effective law that guarantees their rights to organize, join the union of their choice, and bargain collectively with their employer, free from anti-union tactics.

WE BELIEVE that the time has come for America to take charge once again of its economic future, to reverse seven years of "voodoo economics," "trickle down" policies, fiscal irresponsibility, and economic violence against poor and working people that have converted this proud country into the world's largest debtor nation, mortgaged our children's future by tripling our national debt, placed home ownership out of reach for most young families, permitted the rise of poverty and homelessness on the streets of America, reduced the buying power of working men and women, and witnessed the decline of our industrial, natural resource and mining base, the unending tragedy of family farm foreclosures, an unhealthy dependence on foreign energy and foreign capital, and the increasing foreign ownership of our land and natural resources.

WE BELIEVE that it is time for America to meet the challenge to change priorities after eight years of devastating Republican policies, to reverse direction and reassert progressive values, to reinvest in its people within a strong commitment to fiscal responsibility. If we are seriously to pursue our commitments to build a secure economic future for all Americans we must provide the resources to care for our newborns, educate our children, house the homeless, heal the sick, wage total war on

1

Notes: The figure shows two sample platforms from the MP corpus. Coders enlisted in the Manifesto Project read through a set of electoral party platforms from a country that they have expertise in, split the text into quasi-sentences or policy statements, and assign a three-digit code to each quasi-sentence. Codes reflect a policy topic or stance that the party seems to support based on the content of the relevant statement. Panel A shows a manually annotated excerpt from the U.S. Republican Party's manifesto ahead of the 1984 presidential elections, while Panel B shows an excerpt of the 1988 Democratic Party platform. More recently, the annotation process has become digital.

TABLE A1—MANIFESTO PROJECT: COVERAGE BY ECONOMY, 1960-2022

Economy	Group	# Elections	# Manifestos	Main Range	First Election
Albania	EMDE	5	38	1991-2001	1991
Argentina	EMDE	10	38	1989-2019	1989
Armenia	EMDE	8	39	1995-2021	1995
Australia	AE	23	98	1961-2019	1946
Austria	AE	18	76	1962-2019	1949
Azerbaijan	EMDE	2	9	1995-2000	1995
Belarus	EMDE	1	8	1995	1995
Belgium	AE	18	172	1961-2019	1946
Bolivia	EMDE	2	9	2009-2014	2009
Bosnia-Herzegovina	EMDE	9	65	1990-2018	1990
Brazil	EMDE	8	26	1989-2018	1989
Bulgaria	EMDE	10	58	1990-2017	1990
Canada	AE	18	74	1962-2015	1945
Chile	EMDE	8	30	1989-2021	1989
Colombia	EMDE	6	21	1998-2018	1998
Costa Rica	EMDE	8	29	1990-2018	1990
Croatia	EMDE	10	83	1990-2020	1990
Cyprus	AE	5	30	1996-2016	1996
Czech Republic	AE	9	63	1990-2017	1990
Denmark	AE	22	206	1960-2019	1945
Dominican Republic	EMDE	6	8	1996-2016	1996
Ecuador	EMDE	6	20	1996-2017	1996
Estonia	AE	8	52	1992-2019	1992
Finland	AE	16	131	1962-2019	1945
France	AE	14	91	1962-2017	1946
Georgia	EMDE	10	62	1990-2020	1990
Germany	AE	17	76	1961-2021	1949
Greece	AE	18	86	1974-2019	1974
Hungary	EMDE	8	50	1990-2018	1990
Iceland	AE	18	99	1963-2021	1946
Ireland	AE	16	83	1961-2016	1948
Israel	AE	19	179	1961-2020	1949
Italy	AE	15	153	1963-2018	1946
Japan	AE	20	129	1960-2017	1960
Latvia	AE	9	61	1993-2018	1993
Lithuania	AE	8	60	1992-2020	1992
Luxembourg	AE	11	55	1964-2013	1945
Malta	AE	2	4	1996-1998	1996
Mexico	EMDE	20	96	1961-2018	1946

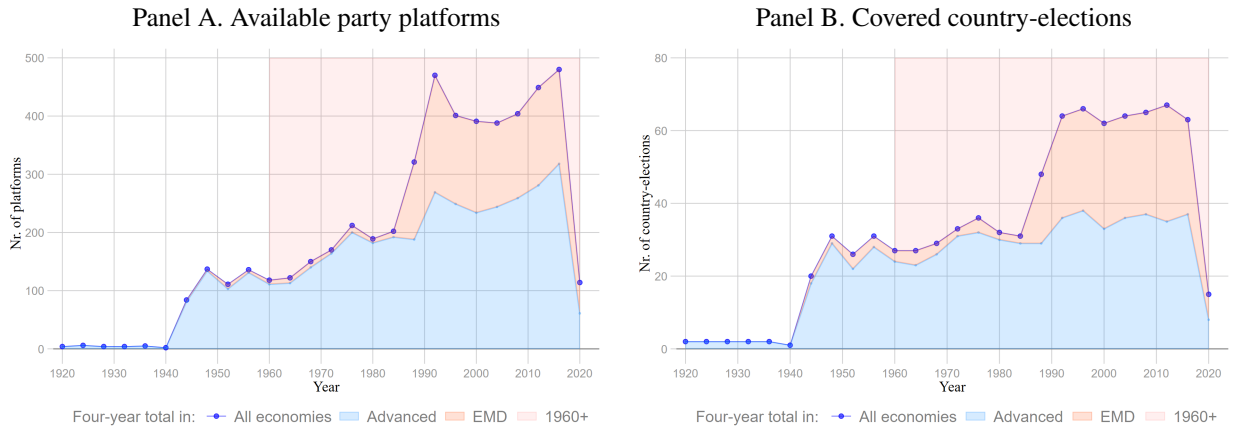
Continued on next page

Table A1 – *Continued from previous page*

Economy	Group	# Elections	# Manifestos	Main Range	First Election
Moldova	EMDE	8	33	1994-2019	1994
Montenegro	EMDE	11	61	1990-2020	1990
Netherlands	AE	18	166	1963-2021	1946
New Zealand	AE	21	95	1960-2020	1946
North Macedonia	EMDE	9	69	1990-2016	1990
Northern Ireland	AE	4	10	1962-1973	1921
Norway	AE	15	106	1961-2017	1945
Panama	EMDE	6	26	1994-2019	1994
Peru	EMDE	3	14	2006-2016	2006
Poland	EMDE	9	74	1991-2019	1991
Portugal	AE	16	111	1975-2019	1975
Romania	EMDE	8	52	1990-2016	1990
Russia	EMDE	6	45	1993-2011	1993
Serbia	EMDE	13	89	1990-2022	1990
Slovakia	AE	9	69	1990-2016	1990
Slovenia	AE	9	72	1990-2018	1990
South Africa	EMDE	6	29	1994-2019	1994
South Korea	AE	8	33	1992-2020	1992
Spain	AE	15	173	1977-2019	1977
Sri Lanka	EMDE	4	8	1960-1977	1947
Sweden	AE	18	112	1960-2018	1944
Switzerland	AE	15	137	1963-2019	1947
Turkey	EMDE	16	70	1961-2018	1950
Ukraine	EMDE	8	63	1994-2019	1994
United Kingdom	AE	16	83	1964-2019	1945
United States	AE	16	32	1960-2020	1920
Uruguay	EMDE	1	5	2014	2014

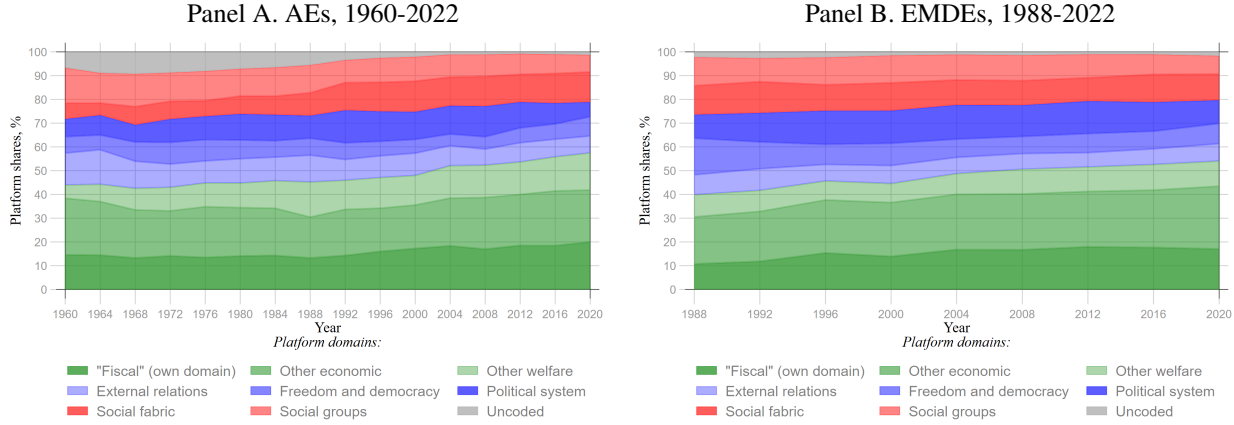
Notes: The table documents the coverage of elections and manifestos for each available economy in the Manifesto Project (MP) 2023a version data over the 1960-2022 period. Only manifestos with non-missing expansion and restraint information as defined in Section **??** are considered. The group column reflects assignment by the IMF to either advanced economy (AE) or emerging market and developing economy (EMDE) status as of 2022. The number of elections and manifestos and the main range columns only reflect the elections and manifestos available in the Manifesto Project database for the 1960-2022 period. On the other hand, the last column reports the election year of the earliest manifesto available in the MP data at large. Relative to the original database, manifestos from the German Democratic Republic are excluded. On the other hand, Northern Ireland is included in our descriptive statistics, but it is generally excluded from any analysis involving data other than that in the Manifesto Project.

FIGURE A2. MANIFESTO PROJECT: COVERAGE EVOLUTION BY COUNTRY GROUP, 1920-2022



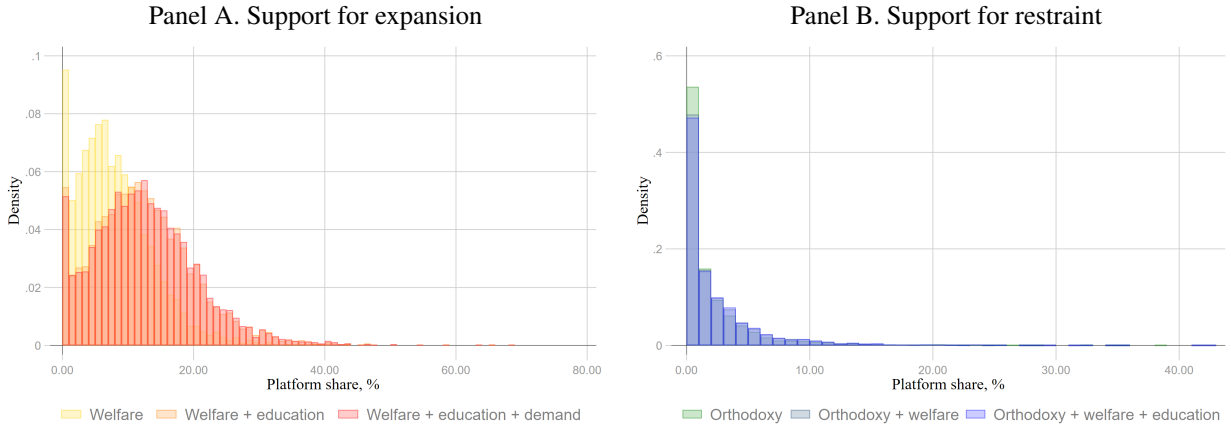
Notes: Year refers to the first of four years covered. In Panel A, the y-axis reports the total number of platforms available in the Manifesto Project data across those four years in each country group. In Panel B, the y-axis reports the total number of elections covered in each four-year period. In both panels, the last period consists of three years (2020-2022). Large blue dots refer to all countries, and shades refer to advanced and EMD economy groups. EMD stands for emerging market and developing. The 1960-2022 period is also marked out to single out the main sample period for our analysis.

FIGURE A3. MANIFESTO PROJECT: DOMAIN EVOLUTION BY COUNTRY GROUP



Notes: The figure shows the mean share of platform statements that MP compilers have assigned to one of several domains, with the exception of the fiscal domain. Fiscal refers to topics covered by the baseline MP variables that we choose to build our own fiscal discourse measures as defined in Section **II.** and Appendix A. Specifically, this ad-hoc domain aims to reflect a party's implied support for government expansion and fiscal restraint, drawing from the MP pre-existing economic and welfare domains, which we show here as residual categories after carving out our selected variables. Year refers to the first of four years covered. Domain shares are reported as four-year means and are built as follows: *1.* platform shares for all MP variable are summed up by domain for each platform; *2.* the average share for each domain is computed across all platforms in a given country-election first, and for each country-year next; *3.* a four-year average is computed by averaging across all country-year shares in a given four-year period; *4.* all shares are rescaled so that they sum up to 100% in each four-year period. Panel A shows the domain share breakdown among advanced economies (AEs) and Panel B for emerging market and developing economies (Panel B).

FIGURE A4. BUILDING THE BASELINE FISCAL DISCOURSE PROXIES: EXPANSION VS. RESTRAINT



Notes: The charts show the histograms of the share of expansion or restraint discourse across all platforms over 1960-2022. Darker colours reflect progressively more comprehensive variable definitions. Each distribution adds one Manifesto Project variable to the sum, namely *per504*, *per506*, and *per409* in the case of expansion (Panel A), and *per414*, *per505*, and *per507* in the case of restraint (Panel B). The baseline expansion and restraint variables in our analysis are those defined by the most comprehensive distribution and the darkest shade in each of the two panels. More comprehensive definitions of expansion support, including more potential public spending topics, are discussed elsewhere in the paper.

TABLE A2—FISCAL DISCOURSE: SUMMARY STATISTICS (PLATFORM %)

Variable	Level	*N*	Mean	Median	SD	Min	Max
1960-2022							
Expansion	platform	4,504	12.7	12.1	7.9	0	68.4
	country-year	721	12.9	12.5	5.3	1.5	39.5
Restraint	platform	4,504	2.5	1.1	3.8	0	42.6
	country-year	721	2.5	2.0	2.2	0	21.0
1990-2022							
Expansion	platform	3,245	13.7	13.0	7.9	0	68.4
	country-year	492	14.0	13.4	5.3	1.5	39.5
Restraint	platform	3,245	2.2	1.1	3.2	0	25.9
	country-year	492	2.2	1.7	1.8	0	10.5

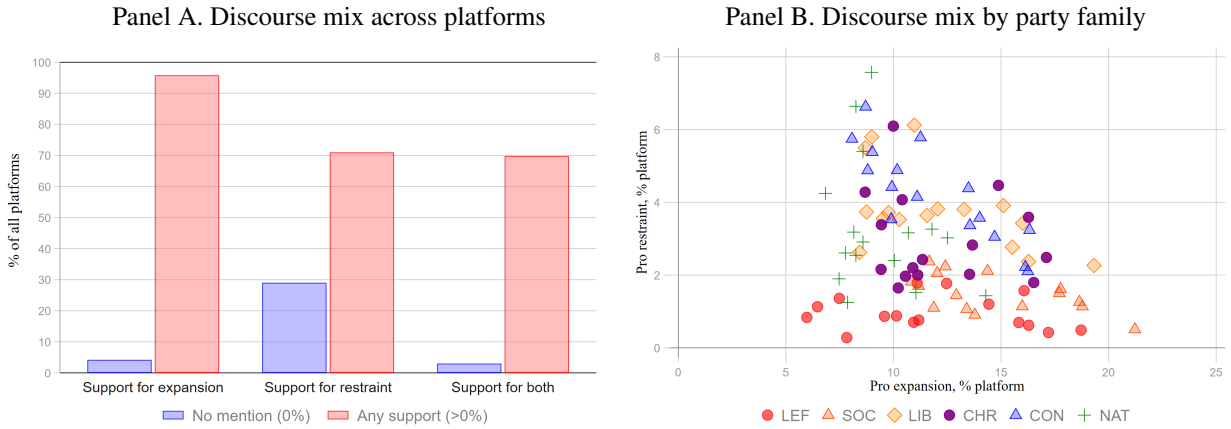
Notes: Statistics are reported in platform percentage terms. Expansion and restraint refer to the share of a party's platform calling for supporting an expansion in public spending on welfare, education, or demand policies, or advocating for economic, orthodoxy, including the reduction of the budget deficit, or the limitation in public spending on welfare and education, respectively. The underlying total number of elections over 1960-2022 is 729, but it reduces to 721 country-year observations since some elections in the MP are held within the same country-year.

TABLE A3—FISCAL DISCOURSE: MEAN PLATFORM SHARE CHANGE ACROSS TIME PERIODS (IN P.P. AND %)

Start period	End period	Expansion			Restraint		
AEs		Start,%	Δ,p.p.	Δ,%	Start,%	Δ,p.p.	Δ,%
1960-63	2016-19	11.09	+5.56	+50	3.42	-1.59	-47
	2020-22		+7.62	+69		-2.10	-62
1992-96	2016-19	11.17	+5.49	+49	3.13	-1.31	-42
	2020-22		+7.54	+67		-1.82	-58
1980-83	2016-19				4.23	-2.40	-57
	2020-22					-2.91	-69
EMDEs							
1988-91	2016-19	8.37	+7.64	+91	2.40	-0.71	-30
	2020-22		+7.27	+87		-1.03	-43
1992-96	2016-19	9.58	+6.43	+67	2.25	-0.56	-25
	2020-22		+6.07	+39		-0.88	-39

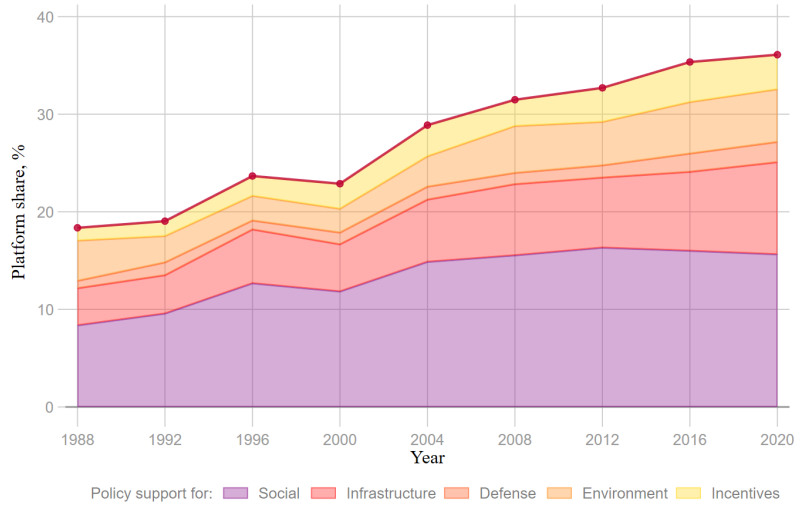
Notes: The table provides a time comparison of the shares of expansion discourse on one hand, and of restraint discourse on the other, for advanced and emerging market and developing economies. Column 1 and 2 select a start and end period pair from those in Figure 4, Panel A. Column 3 and 6 column show the four-year (or three-year for the 2020-2022 period) mean platform share of expansion and restraint content, respectively, in a given start period. Column 4 and 7 show the percentage point change in each mean platform share by a given end period. Column 5 and 8 present this change in relative terms dividing the percentage point change by the start period level and multiplying by 100. Note that relatively few platforms are available for the 2020-2022 period.

FIGURE A5. FISCAL DISCOURSE MIX: EXPANSION AND RESTRAINT



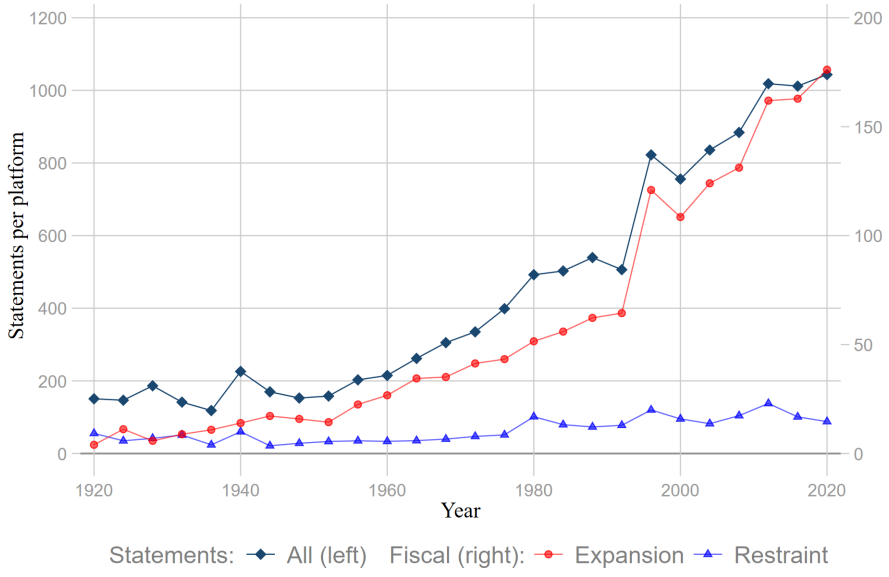
Notes: The charts describe the extent of expansion and restraint discourse coexistence in platforms over 1960-2022. In Panel A, only platforms with non-missing fiscal discourse information across all ideology families are included. In Panel B, platforms from parties across six major ideology families are included, namely the left (LEF), socialists (SOC), liberals (LIB), Christian-democrats (CHR), conservatives (CON), and nationalists (NAT). Each marker shows the mean share of platform support for government restraint or expansion within a party family-four year period combination.

FIGURE A6. EXPANSION SUPPORT: ALTERNATIVE DEFINITIONS, EMDES, 1988-2022



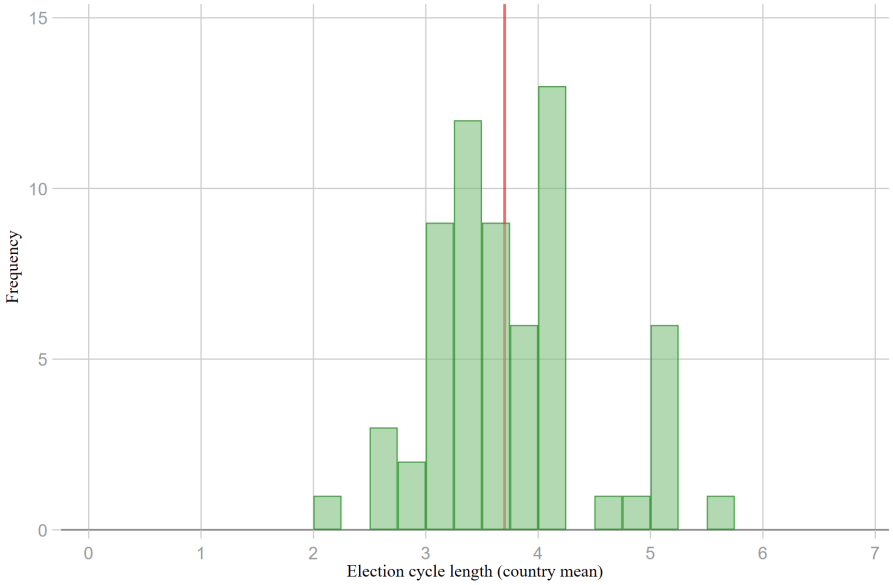
Notes: Year shows the first of four years covered. Y-axis reports the mean share of platform statements by policy realm in which a party potentially advocates for more government spending or support. Social includes support for the welfare state (e.g. health-, child-, elder care and pensions, social housing) and education. Note that underlying Manifesto Project variables could also record broader value judgments and not just spending intentions.

FIGURE A7. FISCAL DISCOURSE EVOLUTION, STATEMENTS ABSOLUTE COUNT, 1920-2022



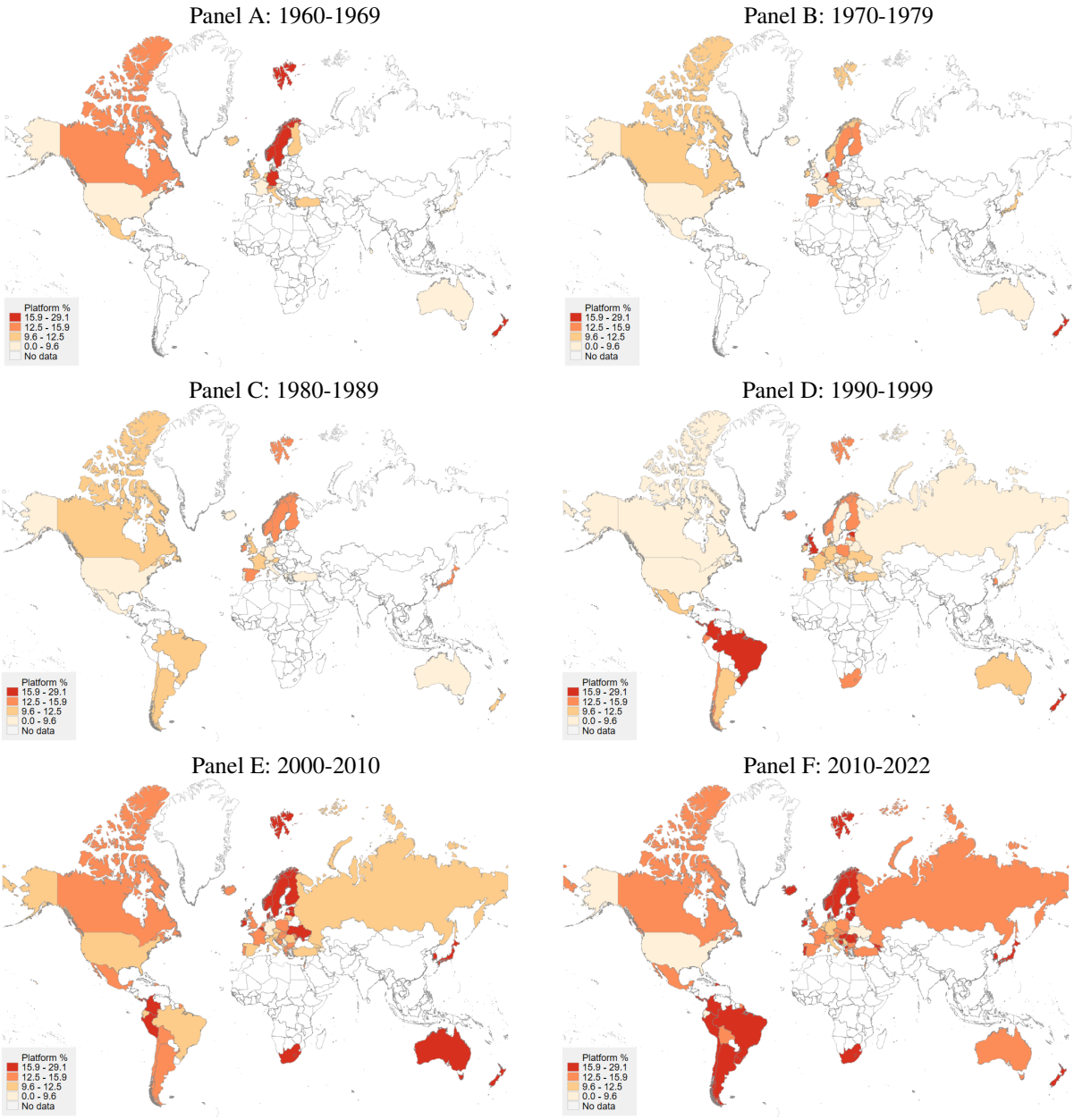
Notes: Y-axis displays the mean number of platform statements for which a code has been assigned by Manifesto Project compilers. Fiscal codes refer to codes displaying a party's implied support for government expansion or restraint according to our baseline definition. Year refers to the first of four years covered. Counts are reported as the four-year means of country-year mean statement counts. In our main analysis, we use the share version of the relevant discourse variables.

FIGURE A8. ELECTION CYCLE LENGTH ACROSS COUNTRIES, 1960-2022



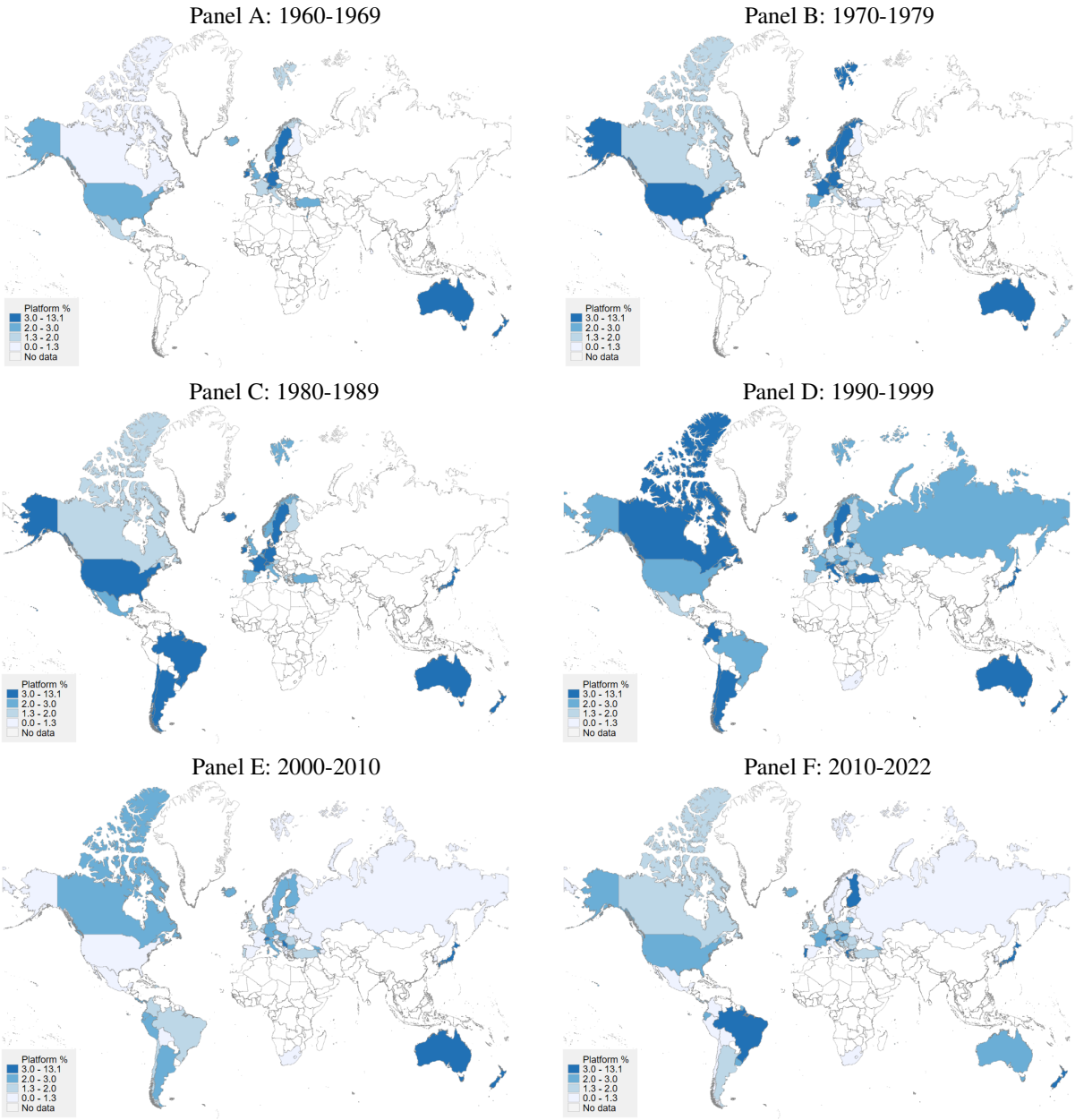
Notes: Election cycle length is computed as the year difference between each two consecutive election years in a given country. This difference is first averaged within each country and plotted with the green bars, with one observation per country. A second average is then taken across countries and displayed as the vertical red line. The plotted mean cycle length is about 3.7 years.

FIGURE A9. SUPPORT FOR EXPANSION BY DECADE, 1960-2022



Notes: Boundaries reflect available World Bank geographic data files information. Darker colors reflect a higher mean share of party platforms' policy statements in support of government expansion. In each map, the common scale reflects quartiles in the distribution of all available country-decade mean values of expansion discourse over the 1960-2022 period. The starting data includes Sri Lanka and Northern Ireland, whose manifesto data is not available after the 1970s. The UK depiction does not reflect Northern Ireland data. Light gray polygons have no fiscal discourse data.

FIGURE A10. SUPPORT FOR RESTRAINT BY DECADE, 1960-2022



Notes: Boundaries reflect available World Bank geographic data files information. Darker colors reflect a higher mean share of party platforms' policy statements in support of fiscal restraint. In each map, the common scale reflects quartiles in the distribution of all available country-decade mean values of restraint discourse over the 1960-2022 period. The starting data includes Sri Lanka and Northern Ireland, whose manifesto data is not available after the 1970s. The UK depiction does not reflect Northern Ireland data. Light gray polygons have no fiscal discourse data.

B Measuring fiscal and non-fiscal platform polarization

This appendix discusses the logic behind our analysis of fiscal polarization based on party platforms. Differently from most of our analysis on fiscal discourse, looking at polarization prompts us to stretch our methods in two directions. First, we leverage vote share data in line with traditional political polarization examinations, which in our view introduces the risk of contaminating the study of political offer (the supply of fiscal ideas) with demand-side trends in voter preferences. Second, it requires us to aggregate pro-restraint and pro-expansion platform share variables, which is bound to mask the nuances of our fiscal discourse measures and platform construction more in general. Still, we wish to introduce fiscal polarization as a natural complement to our study of average fiscal discourse trends to assess the extent of party disagreement in terms of the fiscal content of electoral platforms.

One of the most common uses of the Manifesto Project data is the construction of an ex-ante indicator of a party's political leaning based on its platform's content, evaluated against a set of traditional ideological concerns (Volkens et al., 2013). This indicator, known as the Right-Left (RILE) index (Laver and Budge, 1992), relies on 26 individual platform share items in the 2023 version of the MP data manual. Platform share variables capturing a party's implied support for values or stances traditionally associated with left-wing ideology are subtracted from the sum of platform share variables capturing statements associated with right-wing politics. Drawing from the polarization index in Dalton (2008), the relative right-left position of all available platforms can then be used to measure the prevailing level of polarization in a given election.[28] Conditional on the vote shares received by each party, the more platforms differ in the share of their statements dedicated to each one of several ideologically-charged topics, the more an election can be thought of as polarized, as measured on a 0-1 scale.[29]

We adapt this approach to the construction of a relative pro-fiscal restraint indicator first, and to the definition of a corresponding fiscal polarization measure next. We detail our preferred baseline fiscal items among the available Manifesto Project variables in Appendix A. For each party platform, we define its relative pro-restraint position (for brevity, RR) as:

$$RR_{i,j,e} = FD^{Restraint}_{i,j,e} - FD^{Expansion}_{i,j,e}$$

where i specifies a country, j specifies a party, e represents an election year, and the two FD fiscal discourse components reflect that platform's share of pro-restraint and pro-expansion statements.[30] A country-election's level of fiscal polarization is then measured by the formula below:

[28] To this end, we adapt the original formula to compute RILE-based polarization provided by Nicolas Mertz at https://manifesto-project.wzb.eu/datasets/mpelds.

[29] The bounded nature of these polarization indicators come from the fact that its constitutive items are based off of platform shares, which are constrained to cover between 0 and 100% of all platform statements.

[30] We restrict ourselves to the same fiscal content variables behind our main analysis, namely MP variables *per414*, *per505*, and *per507* for restraint, and *per504*, *per506*, and *per409* for expansion, respectively. The analysis can be readily extended to the additional pro-spending expansion variables that we discuss in our extensions, albeit at the risk of a less conceptually tight analysis.

$$\text{Fiscal polarization}_{i,e} = \sqrt{\sum_j w_{i,j,e} \cdot \left(RR_{i,j,e} - \overline{RR}_{i,e}\right)^2}$$

where $w_{i,j,e} = \frac{\text{vote}_{i,j,e}}{\sum_j \text{vote}_{i,j,e}}$ is the vote share gained by party j in country i and election-year e relative to the total votes gained by all parties covered in MP data for that election, and $\overline{RR}_{i,e} = \sum_j w_{i,j,e} \cdot RR_{i,j,e}$ is the weighted average relative restraint position among all parties in that country-election episode. As a last step, we create a relative fiscal polarization measure rescaling the index above by the weighted average platform share covered by *all* fiscal statements underlying the index as follows:

$$\text{Relative fiscal polarization}_{i,e} = \frac{\text{Fiscal polarization}_{i,e}}{\sum_j w_{i,j,e} \cdot \left(FD_{i,j,e}^{Restraint} + FD_{i,j,e}^{Expansion}\right)}.$$

The latter measure allows us to assess the extent of party disagreement on relative pro-restraint positions in relation to the average share of platform content devoted by all parties to the underlying fiscal themes in our baseline analysis. While the original polarization measure is bound to lie between 0 and 1, the relative measure can exceed 1 (or 100%) when the extent of party disagreement in an electoral contest is larger than the mean platform share of statements dedicated to those topics.

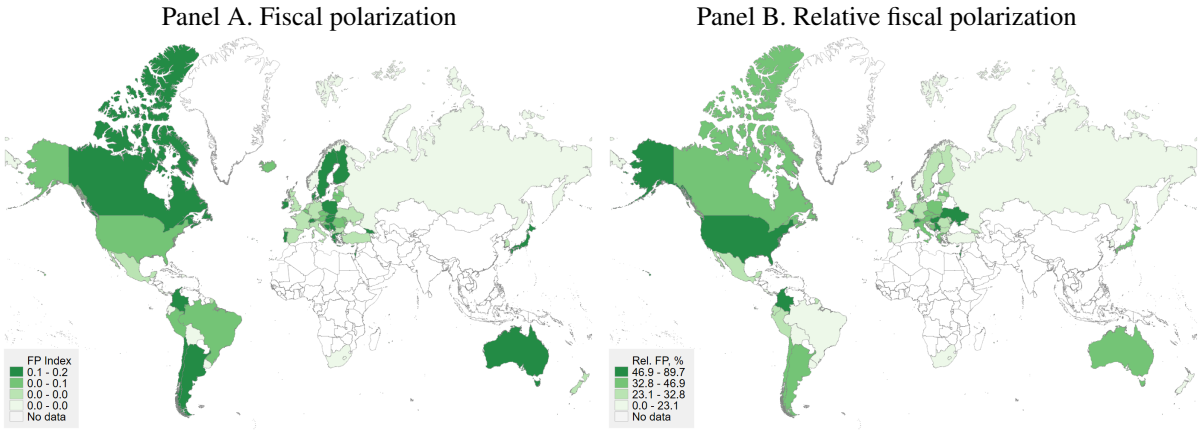
Relative measures are especially useful to compare the prevailing level fiscal polarization with polarization on other topics, especially when these topics may command substantially higher shares of platform content. Given the common use of RILE in the literature, and its partial overlap with our preferred fiscal platform share variables, we first compute a relative polarization measure using all 26 items underlying the standard RILE as an indicator of overall ideological disagreement first, and then take out the overlapping fiscal components from RILE to define a non-fiscal RILE-based polarization measure.[31] Importantly, while RILE is conceived as an ideology indicator, our fiscal polarization measure aims to focus on fiscal policy disagreements rather than traditional splits on the left-right spectrum, although there are challenges with cleanly distinguishing between the two.

Figure A11 shows the impact of rescaling by the average fiscal content shares on fiscal polarization country rankings. Panel A presents the 2010-2022 global map of fiscal polarization (on a 0-1 range), categorizing countries in terms of the historical quartiles of polarization computed across all available country-decades. Panel B, on the other hand, rescales each country's polarization by the weighted average platform share devoted by its parties to fiscal themes in a given election, ahead of averaging across elections, and expresses relative polarization in percent terms. Comparing the two panels, we can notice how rescaling lifts the U.S. to the top historical quartile of relative polarization in recent years, while lowering the polarization ranking of several European and South American economies.

We have described the overall trends in relative polarization in Figure 7 in Section **II.**. We conclude here by assessing the extent to which fiscal polarization comoves with our measure of

[31] Specifically, looking at the RILE formula provided in the MP variable manual, we need to subtract MP platform share variables *per414* and *per505* originally added to the rightwing-leaning part of RILE, and add back *per504* and *per506* originally subtracted along with the other leftwing-leaning components of RILE.

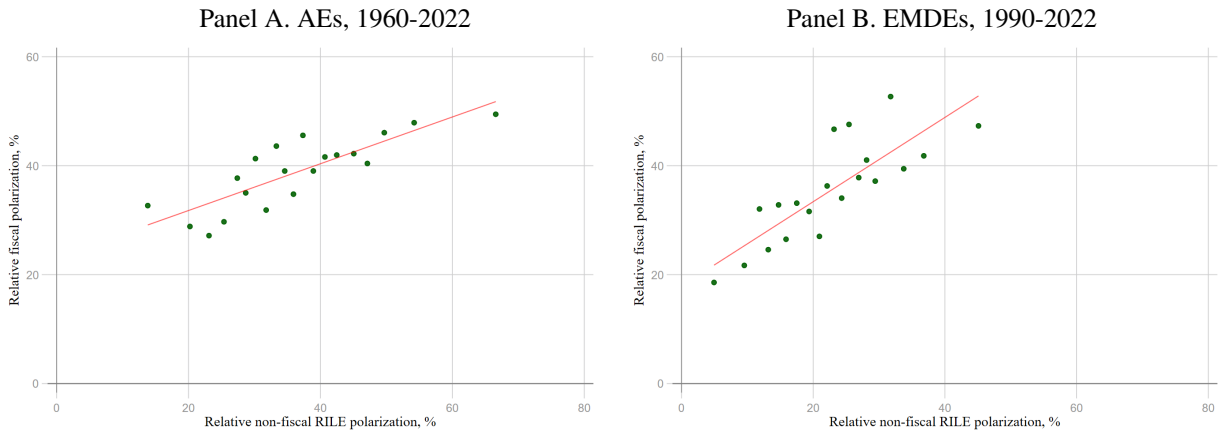
FIGURE A11. POLARIZATION IN FISCAL DISCOURSE ACROSS THE WORLD, 2010-2022



Notes: Boundaries reflect available World Bank geographic data files information. Darker colors reflect a higher degree of fiscal polarization, either on a 0-1 scale (Panel A), or as percentage of the mean platform share covering fiscal topics (Panel B). In each map, the scale reflects quartiles in the distribution of all available country-decade mean values of the relevant polarization measure over the 1960-2022 period. The starting data includes Sri Lanka and Northern Ireland, whose manifesto data is not available after the 1970s.

non-fiscal RILE-based polarization. Figure A12 shows the binscatter plots and fitted lines from regressing our measure of relative fiscal polarization on that of relative non-fiscal RILE-based polarization with country fixed effects. We provide separate charts for advanced economies over the 1960-2022 period (Panel A) and for emerging markets over the 1990-2022 (Panel B). In both cases, we see that the residuals of country-years with higher non-fiscal polarization display reliably more disagreements over fiscal issues, too. The relationship is about 80% steeper among emerging markets, possibly a reflection of their relatively lower non-fiscal and higher fiscal polarization levels seen in Figure 7.

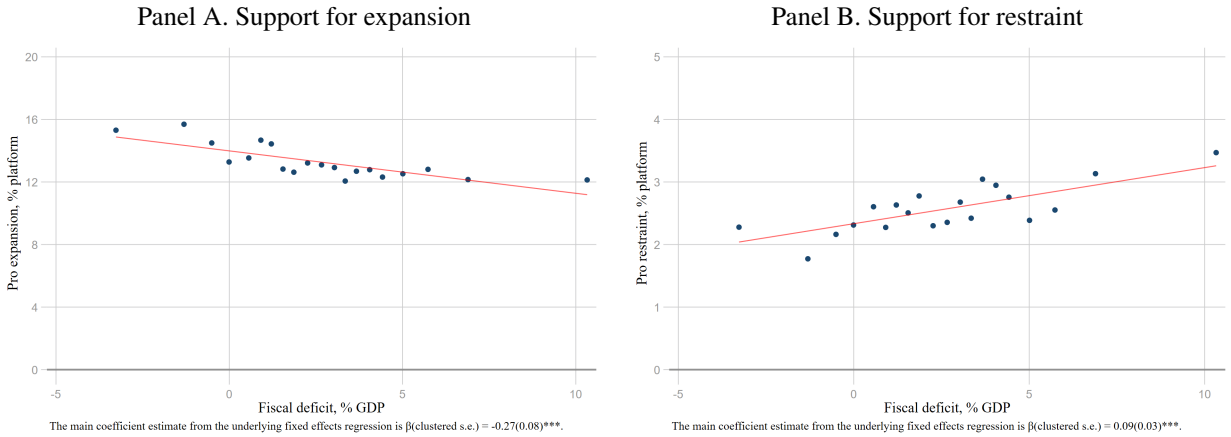
FIGURE A12. CONDITIONAL RELATIONSHIP BETWEEN FISCAL AND NON-FISCAL POLARIZATION



Notes: Fiscal and non-fiscal RILE-based polarization are computed as discussed in this appendix. Country-election polarization estimates are averaged at the country-election year level. Conditional binscatters for advanced economies over 1960-2022 (Panel A) and for emerging and developing economies over 1990-2022 (Panel B) plot the average fiscal and non-fiscal polarization for each of several equal-size bins of the horizontal axis variable, after residualizing for country fixed effects. A linear fit for the resulting binned observations is added.

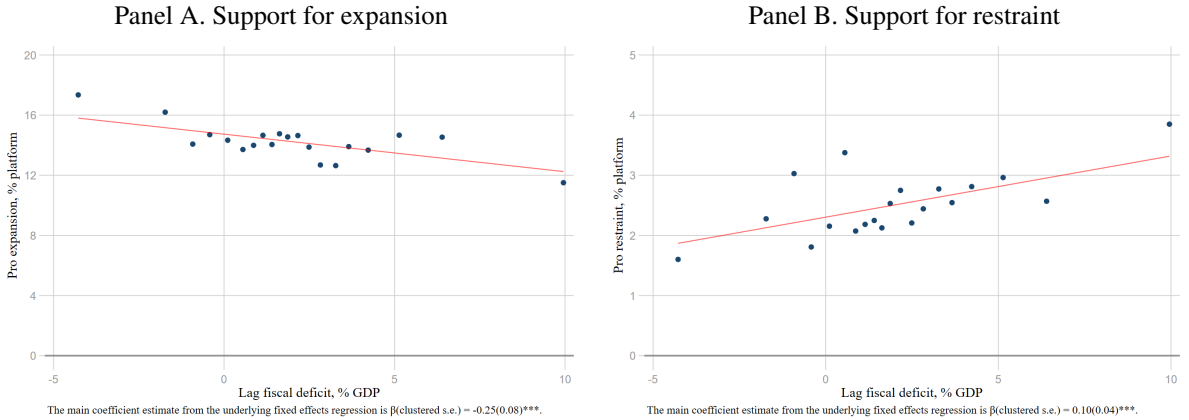
C Conditions at elections and fiscal discourse: robustness and alternative measures

FIGURE A13. FISCAL DISCOURSE AND SAME-YEAR FISCAL DEFICIT, 1960-2022



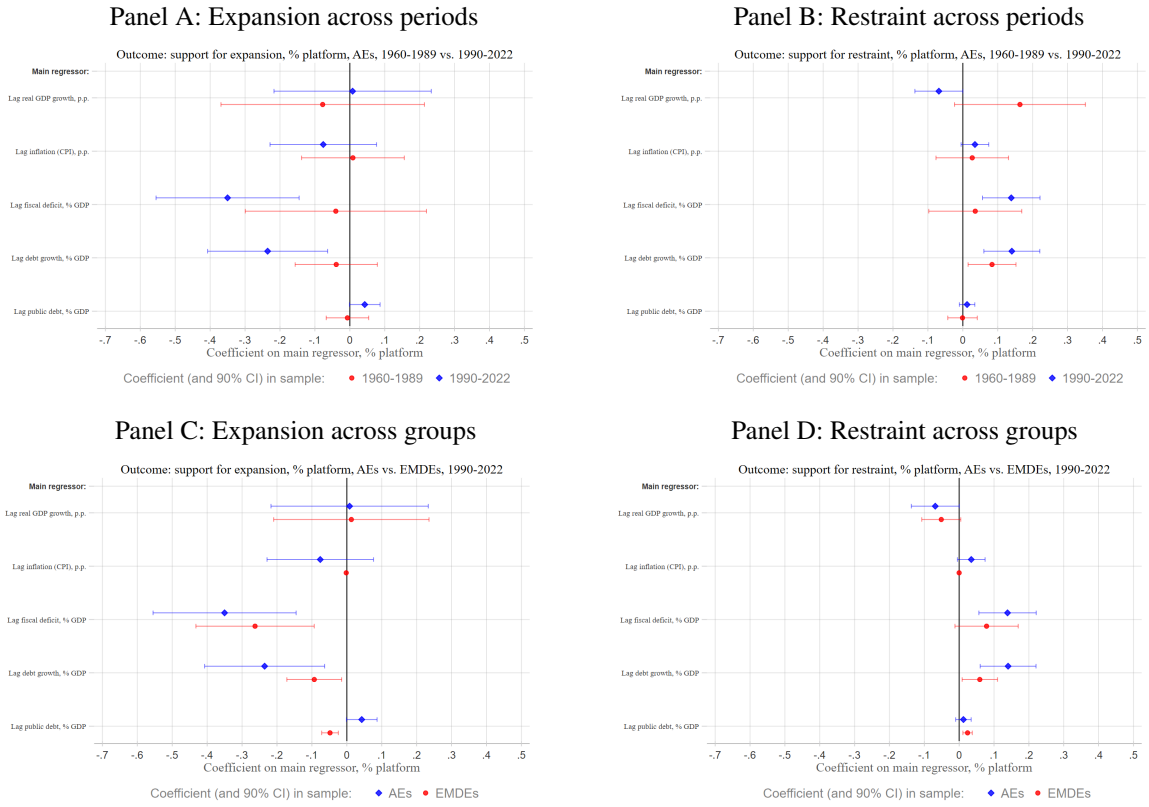
Notes: Fiscal deficit is as measured in the same calendar year of the election. Other details are as for Equation (1) and Figure 8.

FIGURE A14. FISCAL DISCOURSE AND LAGGED FISCAL DEFICIT, PREDETERMINED ELECTIONS, 1960-2022



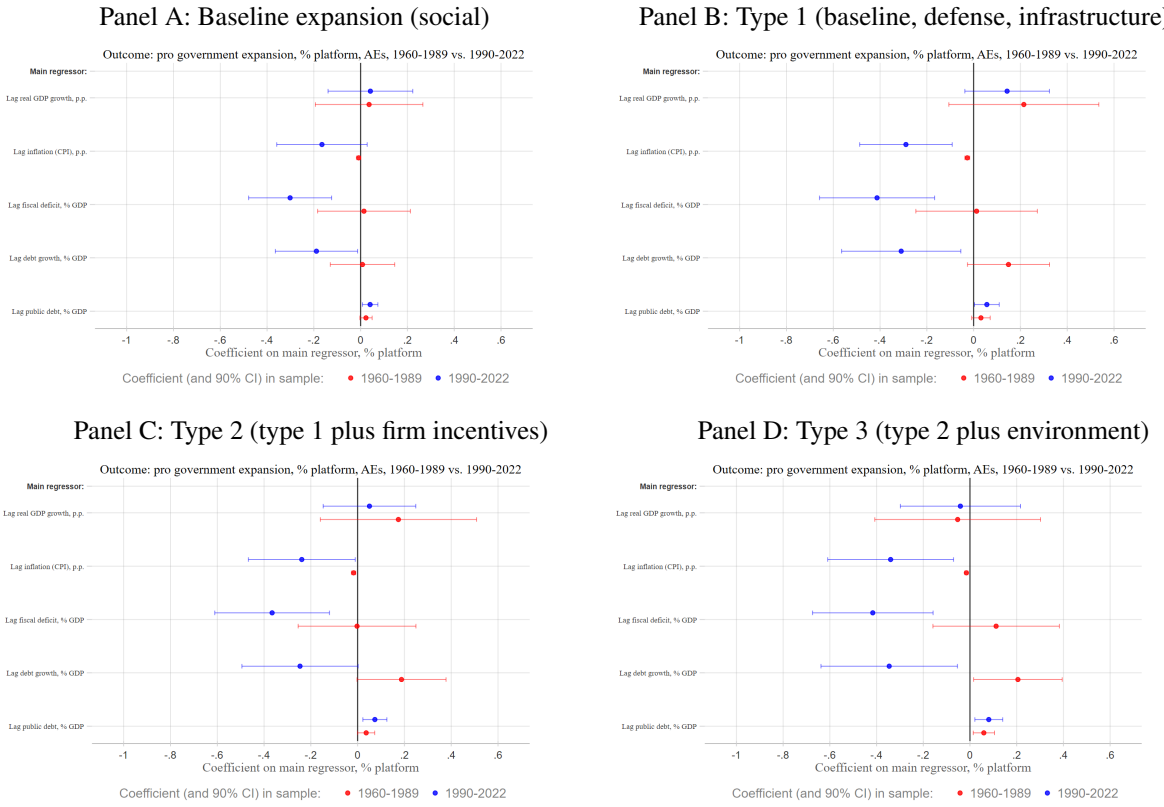
Notes: Predetermined elections reflect election episodes that the NELDA database records as happening according to the regular cycle set or implied by a country's constitution or electoral law. Other details are as for Equation (1) and Figure 8.

FIGURE A15. MACRO-FISCAL CONDITIONS AT ELECTIONS AND DISCOURSE, PREDETERMINED ELECTIONS



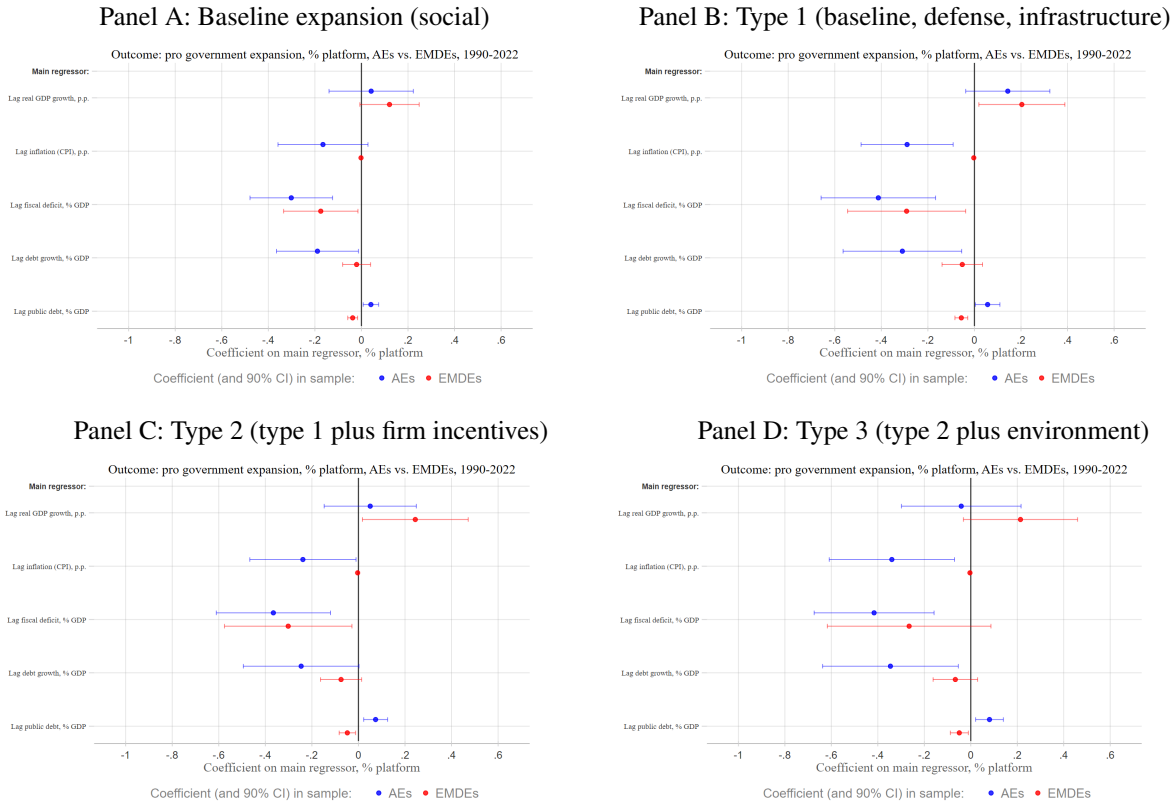
Notes: Data is sourced from the Manifesto Project, NELDA, PFMH, and WEO. Predetermined elections reflect election episodes that the NELDA database records as happening according to the regular cycle set or implied by a country's constitution or electoral law. Coefficient markers show the estimated relationship between the one-year lag of a given macro-fiscal variable and fiscal discourse for each of two time periods (Panels A and B) or country groups (Panels C and D). Fiscal discourse is regressed separately on each macro-fiscal variable, along with country, data source, and government perimeter fixed effects as needed. Each model is estimated in a separate sample period (Panels A and B) or country group (Panels C and D), and the coefficients on the model's main macro-fiscal regressor from the two sample periods or country groups are plotted for comparison purposes, along with their 90% confidence intervals based on country-clustered standard errors. Winsorization is implemented for GDP growth (5-95th percentile) and CPI inflation (95th percentile) to limit the impact of outliers. Debt growth is the mean yearly change in public debt-to-GDP over four years.

FIGURE A16. ALTERNATIVE EXPANSION DEFINITIONS AS OUTCOMES: AES, PERIOD COMPARISON



Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. Each panel rests on a progressively more comprehensive definition of expansion discourse: our baseline definition focusing on the social domain in Panel A; adding defense and infrastructure in Panel B; adding support for firm incentives in Panel C; and adding environmental concerns in Panel D. Variable details are in Appendix A. In each panel, estimation follows Equation (1). Coefficient markers reflect the estimated relationship between the one-year lag of a given macro-fiscal variable and expansion discourse for each of two time periods. Expansion discourse is regressed separately on each macro-fiscal variable, along with country, data source, and government perimeter fixed effects as needed. Each model is estimated in a separate sample period. The coefficients on the model's main macro-fiscal regressor from the two sample periods are plotted for comparison purposes, along with 90% confidence intervals based on country-clustered standard errors. We winsorize GDP growth (5-95th percentile) and CPI inflation (95th percentile) to limit the impact of outliers. Debt growth is the mean yearly change in public debt-to-GDP over four years.

FIGURE A17. ALTERNATIVE EXPANSION DEFINITIONS AS OUTCOMES: AES VS. EMDES, 1990-2022



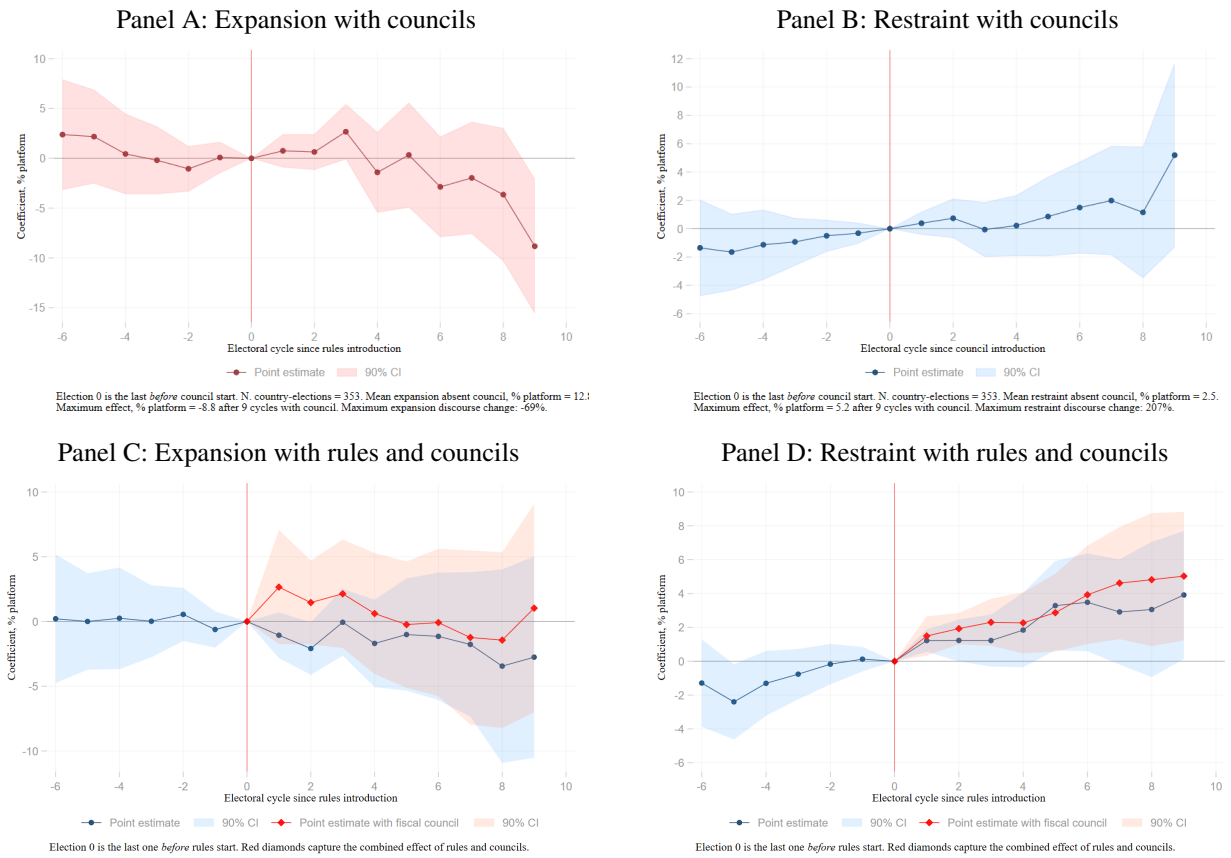
Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. Each panel rests on a progressively more comprehensive definition of expansion discourse: our baseline definition focusing on the social domain in Panel A; adding defense and infrastructure in Panel B; adding support for firm incentives in Panel C; and adding environmental concerns in Panel D. Variable details are in Appendix A. In each panel, estimation follows Equation (1). Coefficient markers reflect the estimated relationship between the one-year lag of a given macro-fiscal variable and expansion discourse for each of two country groups. Expansion discourse is regressed separately on each macro-fiscal variable, along with country, data source, and government perimeter fixed effects as needed. Each model is estimated in a separate country group. The coefficients on the model's main macro-fiscal regressor from the two country groups are plotted for comparison purposes, along with 90% confidence intervals based on country-clustered standard errors. We winsorize GDP growth (5-95th percentile) and CPI inflation (95th percentile) to limit the impact of outliers. Debt growth is the mean yearly change in public debt-to-GDP over four years.

D Fiscal events: additional event study plots

FIGURE A18. EVENT STUDIES WITH ALL FISCAL RULE TYPES AND UNTREATED COUNTRIES, 1985-2021

Notes: Fiscal rules data comes from the IMF Fiscal Rules Dataset (2022). Estimation follows Equation (4). In Panels A and B, we define as treatment the first adoption over 1985-2021 in a given country of any type of fiscal rules, including on the budget balance, public debt, revenues, or expenditure. In Panels C and D, we only consider the first adoption of a budget balance rule as treatment, as in the main analysis, but we allow both countries which adopt a rule and those which never adopt one to be in the sample. In all panels, the time dimension on the X-axis refers to the number of election cycles - rather than calendar years - relative to the treatment event. For reference, Figure A8 reports the average length of an election cycle in our data. Confidence intervals are based on country-clustered standard errors.

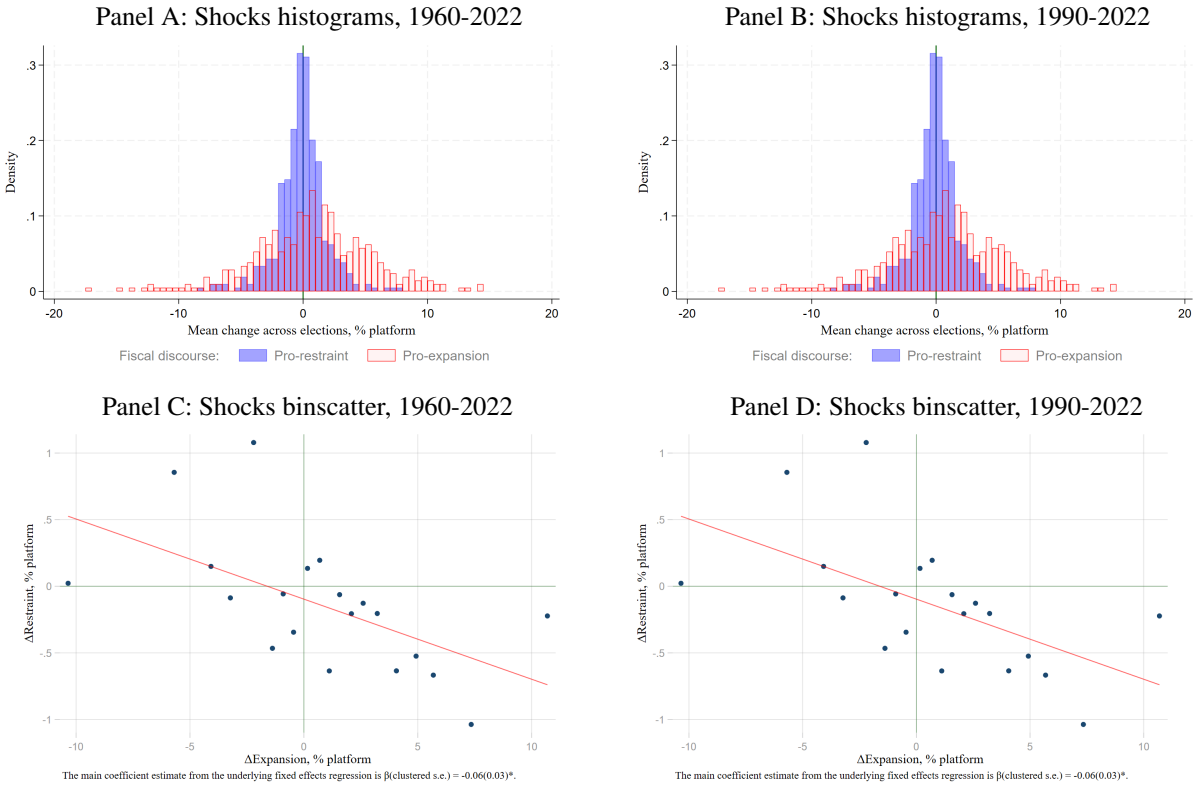
FIGURE A19. FISCAL DISCOURSE RESPONSE TO FISCAL COUNCILS, 1985-2021



Notes: Fiscal councils data come from the IMF Fiscal Council Dataset (2022), while fiscal rules data is from the IMF Fiscal Rules Dataset (2022). Estimation follows Equation (4). The time dimension on the X-axis refers to the number of election years - rather than calendar years - relative to the treatment event. For reference, Figure A8 reports the average length of an election cycle in our data. In all panels, only treated countries are included (those ever adopting a fiscal council in the top panels, and those ever adopting a fiscal rule in the bottom panels). To support the number of council events, we keep Austria, Denmark, and the United States in the sample, albeit they introduce a council ahead of 1985. Panels A and B plot the evolution of fiscal discourse after the recorded introduction of a fiscal council. In Panels C and D, the fiscal rules considered for the event studies are budget balance rules, which include any rule with operational limits to the overall, primary, or cyclically adjusted balance. For the post-rule introduction period, these two panels plot the discourse path both with and without an interaction term for the contemporaneous presence of a rule and a fiscal council. Confidence intervals are based on country-clustered standard errors.

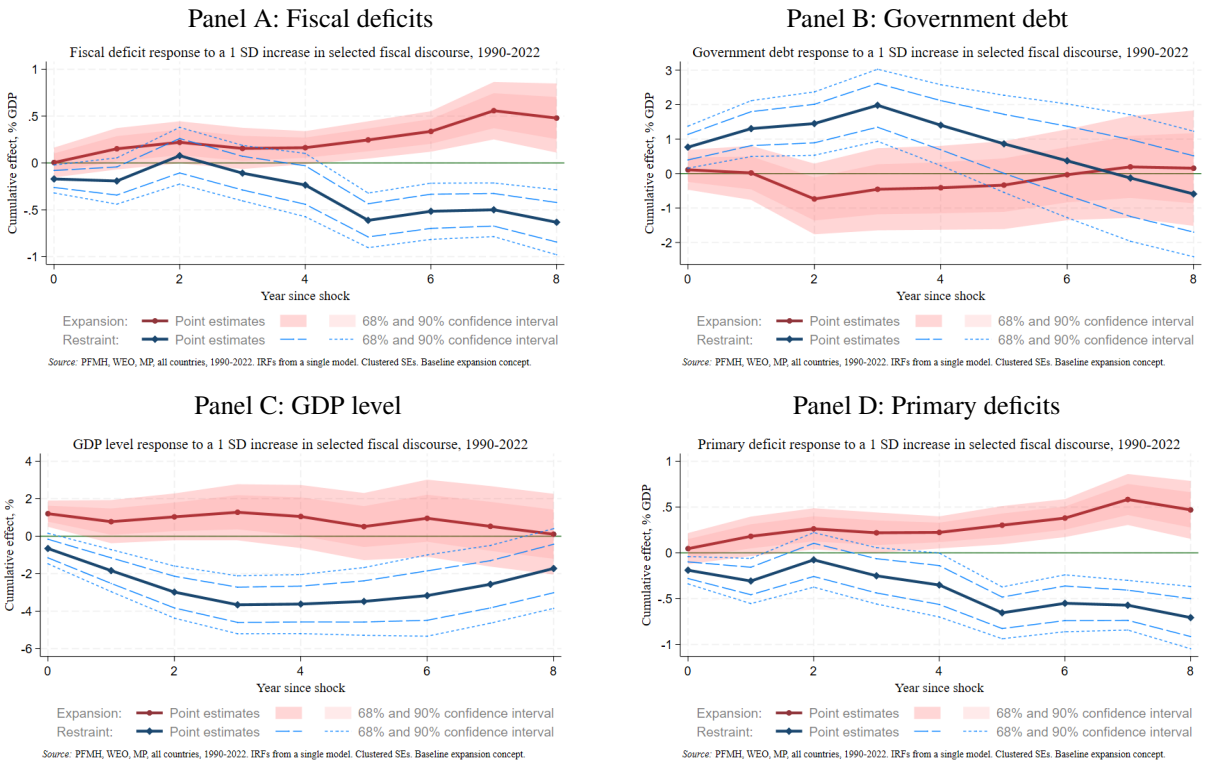
E Local projections: additional details

FIGURE A20. DISTRIBUTION OF FISCAL DISCOURSE SHOCKS IN ELECTION YEARS



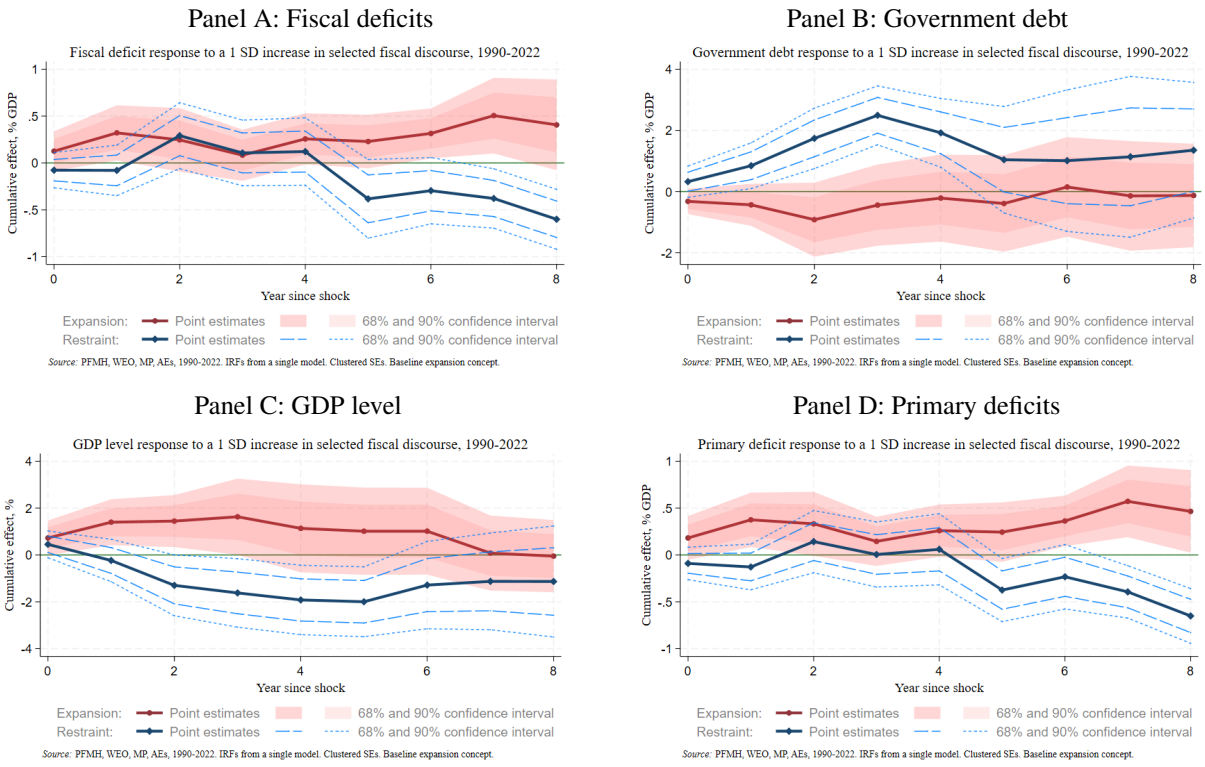
Notes: We define a fiscal discourse shock as the change in the average share of expansion or restraint discourse in a country's party platforms across two consecutive election cycles. The shocks included in the charts come from a local projection regression sample in a model of fiscal deficit as a function of restraint and expansion shocks and other controls as defined in Equation (5), where the outcome difference is computed at the first available time horizon ($h = 0$). Panels A and B plot the distribution of the two types of shocks in a larger and shorter time period. For the 1960-2022 (1990-2022) period, the regression sample's standard deviation for the restraint discourse shock is 2.12% (1.99%) of a party platform's content, while for the expansion discourse shock it is equal to 4.57% (4.74%). Panels C and D show the binscatter relationship between the two types of shocks ($\Delta Expansion$ and $\Delta Restraint$) in each period's regression sample. We also report the underlying country-fixed effect regression's coefficient and country-clustered standard error with conventional significance markers in each panel's bottom note. In all cases, baseline definition of expansion discourse is used.

FIGURE A21. LOCAL PROJECTIONS: RESPONSES TO A DISCOURSE SHOCK, 1990-2022



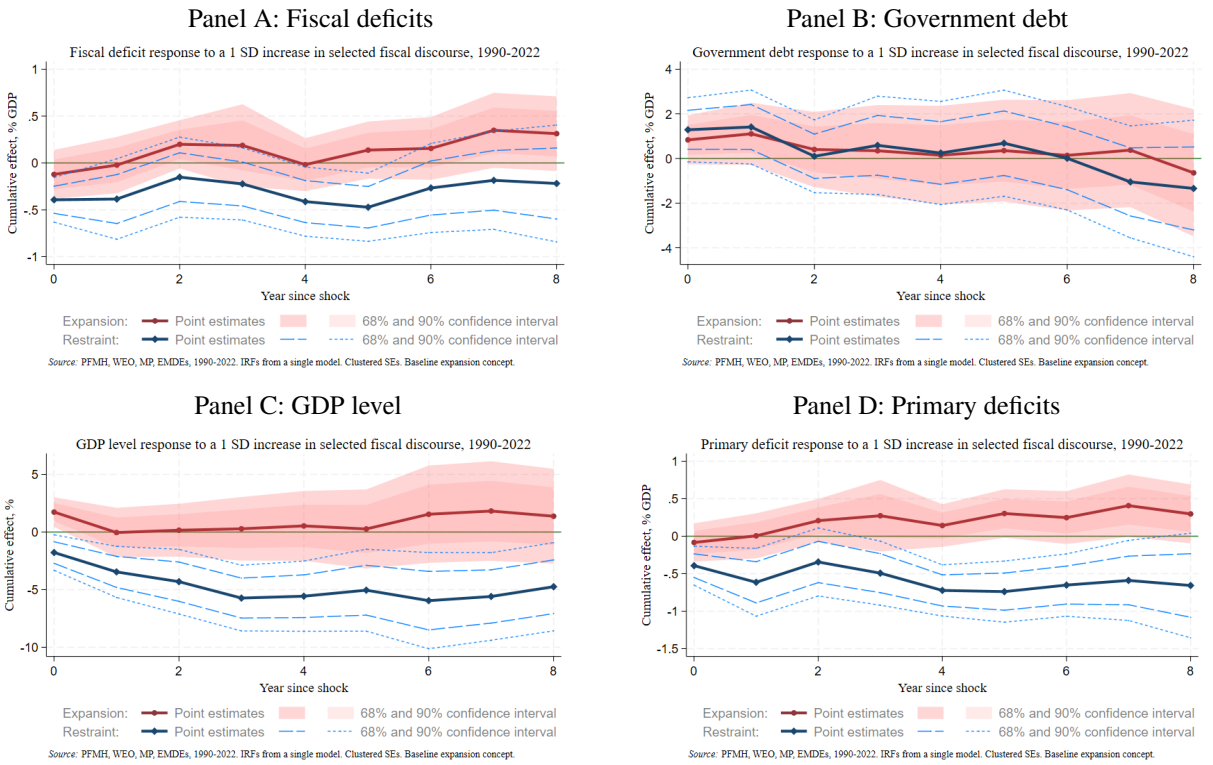
Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. Estimation follows Equation (5). In all panels, the bold blue and red lines connects the estimated impulse responses associated to a one standard deviation shock in restraint and expansion discourse, respectively. Shaded areas (for expansion shocks) and dashed lines (for restraint) reflect the 68% and 90% country-clustered confidence intervals estimated for each impulse response.

FIGURE A22. LOCAL PROJECTIONS: RESPONSES TO A DISCOURSE SHOCK, AES



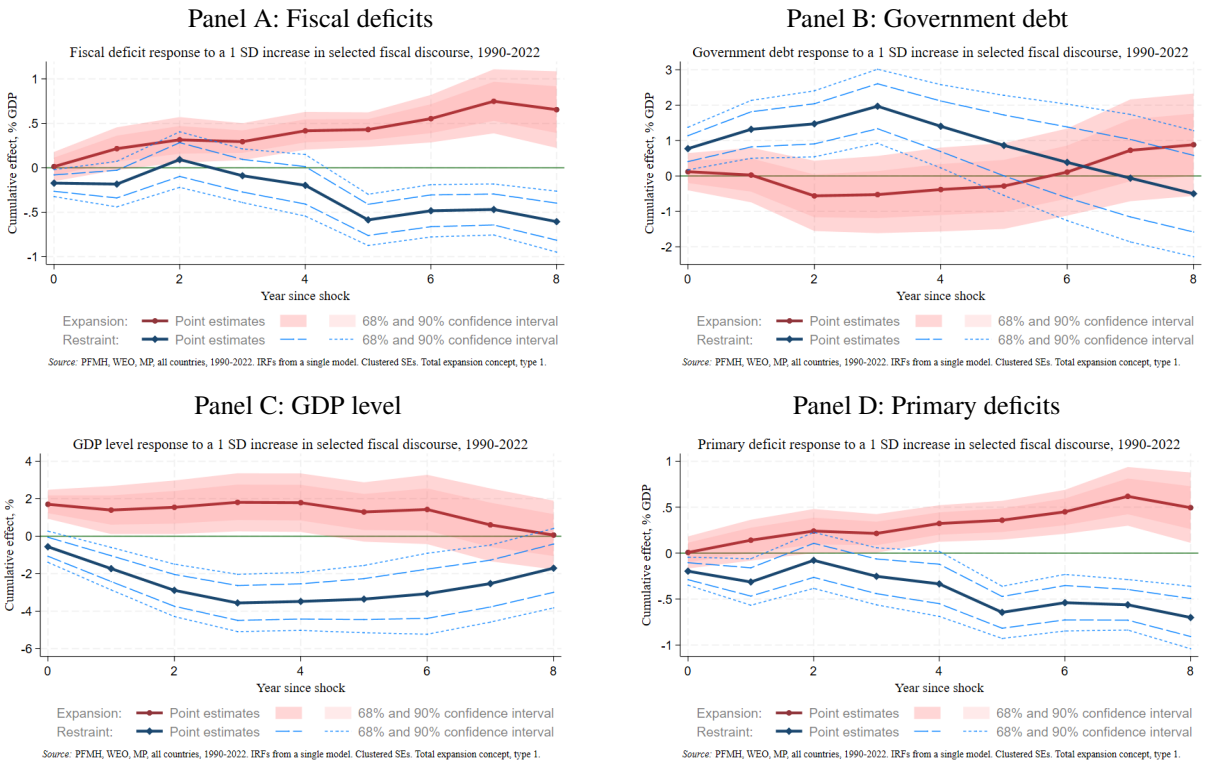
Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. Estimation follows Equation (5). In all panels, the bold blue and red lines connects the estimated impulse responses associated to a one standard deviation shock in restraint and expansion discourse, respectively. Shaded areas (for expansion shocks) and dashed lines (for restraint) reflect the 68% and 90% country-clustered confidence intervals estimated for each impulse response.

FIGURE A23. LOCAL PROJECTIONS: RESPONSES TO A DISCOURSE SHOCK, EMDES



Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. Estimation follows Equation (5). In all panels, the bold blue and red lines connects the estimated impulse responses associated to a one standard deviation shock in restraint and expansion discourse, respectively. Shaded areas (for expansion shocks) and dashed lines (for restraint) reflect the 68% and 90% country-clustered confidence intervals estimated for each impulse response.

FIGURE A24. LOCAL PROJECTIONS: RESPONSES TO A DISCOURSE SHOCK, ALTERNATIVE DEFINITION



Notes: Data is sourced from the Manifesto Project, PFMH, and WEO. Estimation follows Equation (5). In all panels, the bold blue and red lines connects the estimated impulse responses associated to a one standard deviation shock in restraint and expansion discourse, respectively. Shaded areas (for expansion shocks) and dashed lines (for restraint) reflect the 68% and 90% country-clustered confidence intervals estimated for each impulse response.

PUBLICATIONS

Fiscal Discourse and Fiscal Policy
Working Paper No. WP/2024/194