

The Positive Political Economy of Public Debt: An Empirical Examination of the OECD Postwar Experience

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Originally Prepared: Tel Aviv Winter Macro Meetings, 25 January 2001

This Presentation: Essex Summer School, 17 August 2009

ABSTRACT: Theoretical literature seeking to explain public-debt accumulation exploded in recent years as debt crises emerged in many nations. Empirical evaluation of political-economy theories has lagged that of the standard tax-smoothing/economic-conditions model (0). This paper joins recent work aiming to redress that imbalance, operationalizing and testing nine positive-political-economy-of-public-debt theories, several for the first time. Theories regarding (1a) influence and (1b) veto-actor conceptions of government fractionalization and polarization and delayed stabilization, (2) wealth and age distributions and the inter- and intra-generational-transfer roles of debt, (3a) electoral and (3b) partisan budget-cycles, (4) strategic debt-manipulation to alter future governments' fiscal incentives, (5) distributive politics and multiple constituencies, (6) fiscal-structure complexity and fiscally-illuded voters, and (7) central bank autonomy and conservatism as a debt-financing constraint, all receive empirical attention. The historical record of 21± developed democracies over 40± years strongly supports 0, 1b, 3a, and 6, unequivocally favoring 1b over 1a. Evidence for 3b, 5, and 7 is weaker or more mixed, and 2 and 4 receive no support. In most cases, the results suggest interesting avenues for further theoretical development and refinement. Shared exposure to adverse economic shocks in the 1970s and changing policy emphases toward anti-inflationary monetary policy in the 1980s emerge as especially important in explaining the commonalities across country-times; fractionalized governments were critical in the most extreme cases of exploding debt; and macro-political institutions like presidentialism and central bank autonomy and conservatism were also central to persistent cross-national differences.

Structure of the Research Project

- **Explanandum:** *Consolidated Central Government Gross Debt* in 21 Developed Dem's, 1956-97
- **Arguments:** highlight testable implications, and operationalize
 - Tax-Smoothing/Economic-Conditions (Default) Model
 - Fractionalization, Polarization, and Delayed Stabilization (2 Competing Versions)
 - Strategic Debt Policy to Alter Future Governments' or Other Actors' Incentives
 - Electoral and Partisan Budget Cycles
 - Age-, Income-, and Age-&-Income-Distributions and Public Debt as Redistribution
 - Distributive Politics, the Multiple Constituencies Problem, and Public Debt
 - Democracy, Fiscal Structure (Complexity), and Fiscal Illusion
 - Budgetary Rules, Macro-Institutions, and Public Debt
 - Central Bank Independence as a Debt-Financing Constraint

- **Q1:** How well can Economic Conditions (default model) explain DD's postwar debt experiences?
 - An adjusted 43% (upper bound) can be explained by economic conditions
 - Especially important: sequencing of stagflation (low Δy , high UE & π) then $\uparrow\uparrow$ real-interest
- **Q2:** Do variables identified by each PE theory add explan. power to simple ec.-conditions model?
 - Set of 8 F-Tests: adding each theory's complex of variables to the default model
 - Results: Each is significant at $p < .05$ or better
- **Q3:** Do some of these (non-nested) PE theories encompass each other or does each offer some unique explanatory power not covered by others?
 - Set of 53 Pairwise J-Tests of *encompassingness*, keeping default model as non-contentious
 - w/ 2 exceptions, 1 highly theoretically informative, each adds explan. power to any other
- **Q4:** How do Ec & Pol-Ec factors matter? (encompassing model)
 - Economic conditions remain much of story, but political/institutional factors can magnify.
 - Esp. important of political variables: (veto-actor conception of) fractionalized government.
 - Electoral cycles exist & have long-run implications. Partisan cycles also, but usually small, & manifested in ways ill-explained by strategic or simple partisan theory.
 - Age & income-distributions may enter, but again not in ways well-explicated by theory.
 - Among macro-institutions: presidentialism & central bank independence may be key.
- **The Explanandum:**

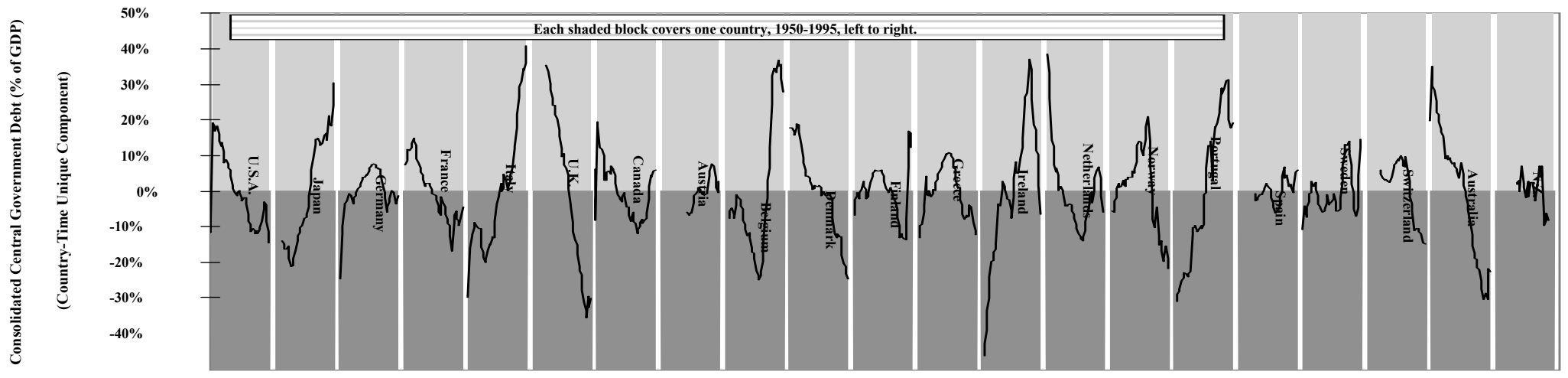
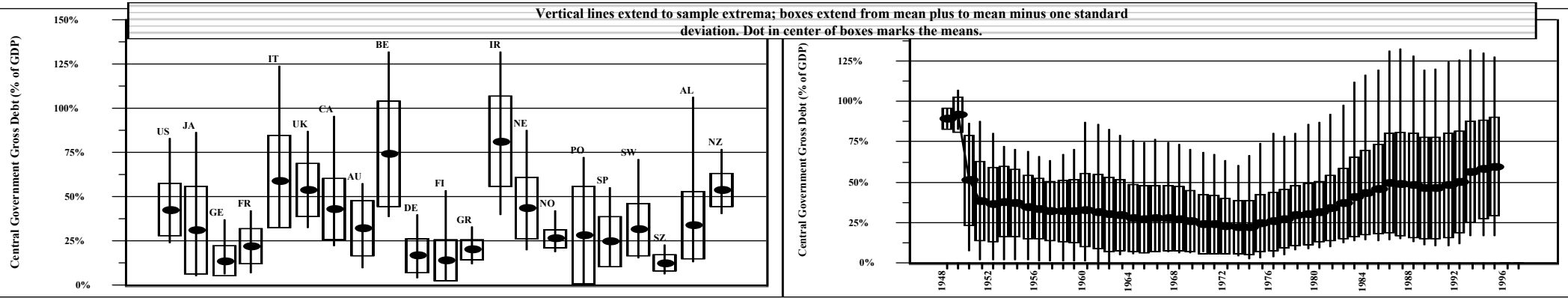
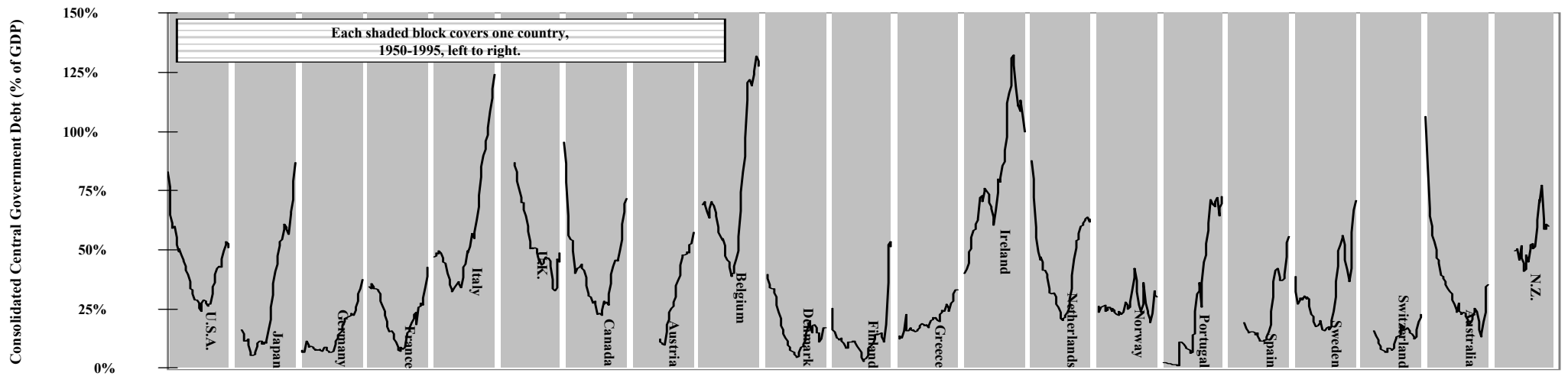
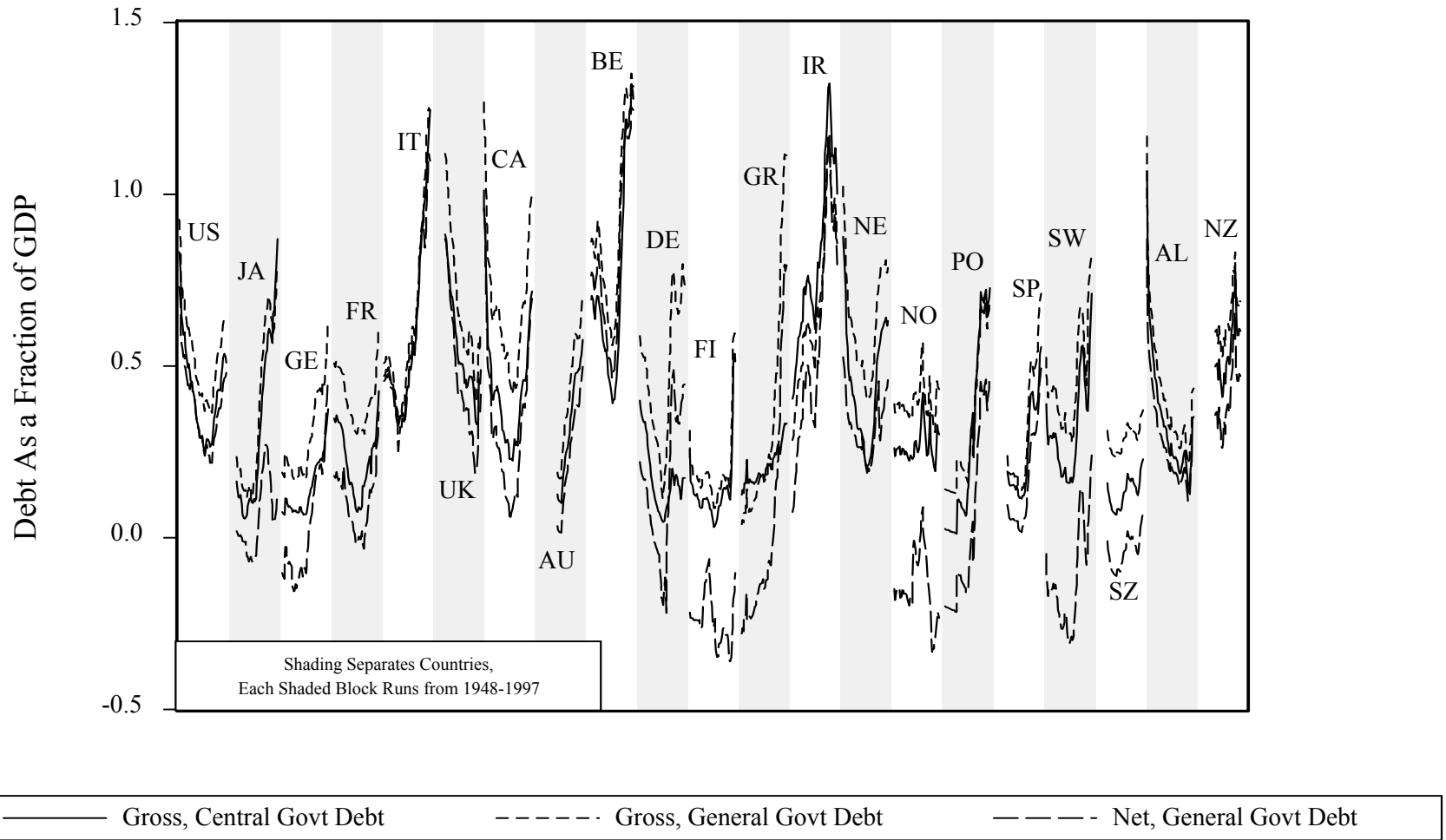


Figure 1: Debt (% of GDP)—Full, By Country, By Year, and Country-Time-Unique Components



Correlation Matrix	Debt Levels			Change in Debt (<i>i.e.</i> Deficits)		
	IMF g,c	OECD g,g	OECD n,g	IMF g,c	OECD g,g	OECD n,g
IMF g,c	1	.891	.858	1	.869	.743
OECD g,g	.891	1	.896	.869	1	.838
OECD n,g	.858	.896	1	.743	.838	1

● **Arguments:**

Table 2: Variables, Theories, and Hypothesized Signs of their Relationship with Debt

<i>Theory</i>	<i>Variable</i>	<i>Hypoth. Sign</i>
tax-smoothing \ economic control default model	<i>UE</i>	+
	<i>ΔY</i>	-
	<i>INTPAY</i>	+
	<i>OPEN</i>	+
	<i>ToT / ToT·OPEN</i>	-
democracy and fiscal illusion	<i>TTAX</i>	-
	<i>ITAX</i>	+
	<i>CTAX</i>	-
inter- and intra-generational-transfer role of debt	<i>y</i>	-
	<i>OY</i>	+
	<i>RW</i>	+
	<i>OY·RW</i>	+
multiple constituencies (PRES also bdgtry ldrshp? / FED dem. & fisc. illusion?)	<i>FED</i>	+
	<i>PRES</i>	-
	<i>AE</i>	+
	<i>ENED</i>	+

electoral and partisan budget-cycles	<i>ELE</i>	+
	<i>CoG</i>	-
fractionalized and polarized governments	<i>SDwiG/ADwiG</i>	+ or 0
and delayed stabilization	<i>SDwiG·D/ADwiG·D</i>	+
(influence / veto-actor conceptions)	<i>ENoP/NoP</i>	+ or 0
	<i>ENoP·D/NoP·D</i>	+
central bank autonomy & conservatism	<i>CBI</i>	-
strategic debt-use	<i>CoG</i>	?
(Alesina and Tabellini)		+
strategic debt-use (Persson and Svensson)	<i>RR</i>	-
(to influence electorate interests)		?
(Alesina and Tabellini)		0
strategic debt-use (Persson and Svensson)	<i>RR·CoG</i>	+
(to influence electorate interests)		?

- **A1** (part a): How well do economic conditions explain DD's postwar debt experiences? Fairly Well.

The Tax-Smoothing/Economic-Controls Default Model

Independent Variables	Coefficients	Standard Errors	p-Levels
C	+.2056	.9647	.8313
ΔD_{t-1}	+.4511	.0545	.0000
ΔD_{t-2}	+.6567	.0460	.0109
D_{t-1}	-.0047	.0048	.3289
$\Delta D_{\sim i,t}$	+.2057	.0562	.0003
(1) ΔINTPAY_t	+.0056	.0008	.0000
(2) INTPAY_{t-1}	+.0047	.0009	.0000
(3) ΔUE_t	+.6104	.1000	.0000
(4) UE_{t-1}	+.0310	.0244	.2046
(5) ΔGROWTH_t	-.0396	.0351	.2592
(6) GROWTH_{t-1}	-.0045	.0399	.9109
(7) ΔDXRIG_t	-.0358	.0449	.4249
(8) DXRIG_{t-1}	-.1400	.0344	.0001
(9) ΔOPEN_t	+13.36	5.950	.0251
(10) OPEN_{t-1}	+2.343	2.919	.4225
(12) ΔToT_t	+4.156	2.267	.0673
(13) ToT_{t-1}	-.3543	.8785	.6868
(14) $\Delta(\text{ToT}_t \cdot \text{OPEN}_t)$	-15.29	6.107	.0125
(15) $\text{ToT}_{t-1} \cdot \text{OPEN}_{t-1}$	-2.064	2.781	.4583
N (° Free)	618 (599)	s.e.e.	2.328
\bar{R}^2	.430	Durbin-Watson	1.995
Omit (1) through (15):	$p(\chi^2) \approx .0000$	Omit (5) and (6):	$p(\chi^2) \approx .3558$
Omit (1) and (2):	$p(\chi^2) \approx .0000$	Omit (7) and (8):	$p(\chi^2) \approx .0001$
Omit (3) and (4):	$p(\chi^2) \approx .0000$	Omit (9) to (15):	$p(\chi^2) \approx .0429$

NOTES:

Model: $\Delta D_{i,t} = f(\Delta D_{i,t-1}, \Delta D_{i,t-2}, D_{i,t-1}, \Delta \bar{D}_{\sim i,t}, \Delta \mathbf{X}_t, \mathbf{X}_{t-1}, \varepsilon)$

Estimation: Panel WLS regression with panel-corrected standard-errors.

Reports: p =probability false rejection from 2-sided t .

s.e.e.=standard error of estimate

s.e.e. and \bar{R}^2 from unweighted data; D-W from weighted data

$p(\chi^2)$ =Wald-test of joint significance of variables identified to left

Stationarity: Recall that $INTPAY = r_t \cdot D_{t-1}$, and note that r_t averages -1.3 in the sample.

- **A2:** Do Political-Economic Theories add to a simple economic-conditions explanation? Yes.

Adding the Political-Economy Models to the Default Model

Theory	Variables Added to Default Model	P-level
(1a) War of Attrition, Influence Conception	$ENoP_t, ENoP \cdot D_{t-1}, SDwiG_t, SDwiG \cdot D_{t-1}$	$p(\chi^2) \approx .0462$
(1b) War of Attrition, Veto-Actor Conception	$NoP_t, NoP \cdot D_{t-1}, ADwiG_t, ADwiG \cdot D_{t-1}$	$p(\chi^2) \approx .0038$
(2) Inter- and Intra- Generational Transfers	$LRGDPC_{t-1}, \Delta OY_t, OY_{t-1}, \Delta RW_t, \Delta(OY \cdot RW)_t$	$p(\chi^2) \approx .0071$
(3 & 4) Electoral and Partisan Budget-Cycles + Strategic Debt	$ELE_t, ELE_{t-1}, CoG_t, RR_t, (RR \cdot CoG)_t$	$p(\chi^2) \approx .0018$
(5) Distributive Politics and Multiple Constituencies	$PRES_t, FED_t, FED_t^2, ENED_t, ENED_t^2, AGRETH_t$	$p(\chi^2) \approx .0008$
(6) Fiscal Complexity and Fiscal Illusion	$FED_t, FED_t^2, TTTCR_{t-1}, ITTCR_{t-1}, CGRGGR_{t-1}$	$p(\chi^2) \approx .0469$
(7) Central Bank Independence and other Macro Institutions	$CBI_t, PRES_t, FED_t, FED_t^2, ENED_t, ENED_t^2$	$p(\chi^2) \approx .0007$
(8) Nested Multiple-Constituency, Fiscal Illusion, and Institutions Model	$CBI_t, PRES_t, FED_t, FED_t^2, ENED_t, ENED_t^2, AGRETH_t, TTTCR_{t-1}, ITTCR_{t-1}, CGRGGR_{t-1}$	$p(\chi^2) \approx .0001$

- **A3:** Do any PE theories encompass others? One does + one suggestive result + one non-interesting.

J-Tests of Pairwise Competitions of the Political-Economy Theories

Null \Rightarrow Alternative \Downarrow	(1a)	(1b)	(2)	(3-4)	(5)	(6)	(7)	(8)
(1a) War of Attrition (Influence)	XXX	.8056	.0039	.0008	.2076	.0017	.1421	.0470
(1b) War of Attrition (Veto-Actor)	.0136	XXX	.0003	.0000	.1092	.0001	.0845	.0292
(2) Inter-/Intra-Gen.-Transfers	.0002	.0003	XXX	.0000	.0001	.0000	.0000	.0000
(3-4) E&P Bdgt-Cycles +Strategic Debt	.0000	.0000	.0000	XXX	.0017	.0000	.0012	.0006
(5) Distributive Pol. & Multiple Constituencies	.0004	.0013	.0000	.0001	XXX	.0000	.6441	XX (1.0)
(6) Fiscal Complexity & Fiscal Illusion	.0011	.0010	.0000	.0012	.0103	XXX	.0038	XX (1.0)
(7) CBI and Other Macro-Institutions	.0004	.0016	.0000	.0001	.5348	.0000	XXX	XX (1.0)
(8) Institutions, Const's, & Fiscal-Structure	.0000	.0000	.0000	.0000	.0008	.0001	.0010	XXX

NOTES: Reported are probability of false rejection of null model, 2-sided test. (8) encompasses (5), (6), and (7) by construction.

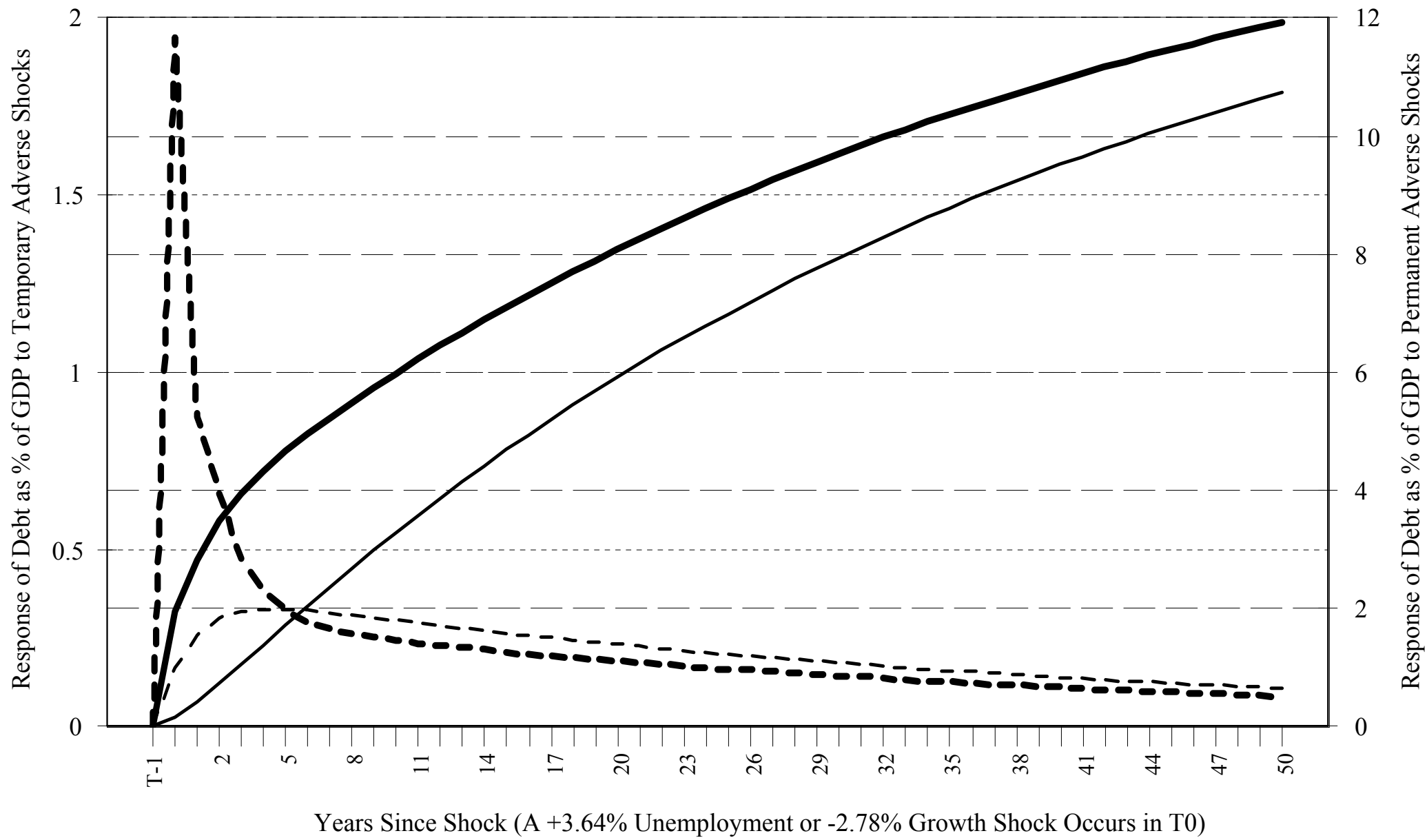
- *Bottom-right:* theories as operationalized nearly coterminous \Rightarrow wholly unsurprising result.
- *Top-right & Bottom-left:* weak, but may suggest some of (5), (7) institutions retard policy-adjust?
- *Top-left: Only unambiguous rejection:* Veto-actor (Tsebelis 1995) conception dominates influence conception of governmental fractionalization and polarization.

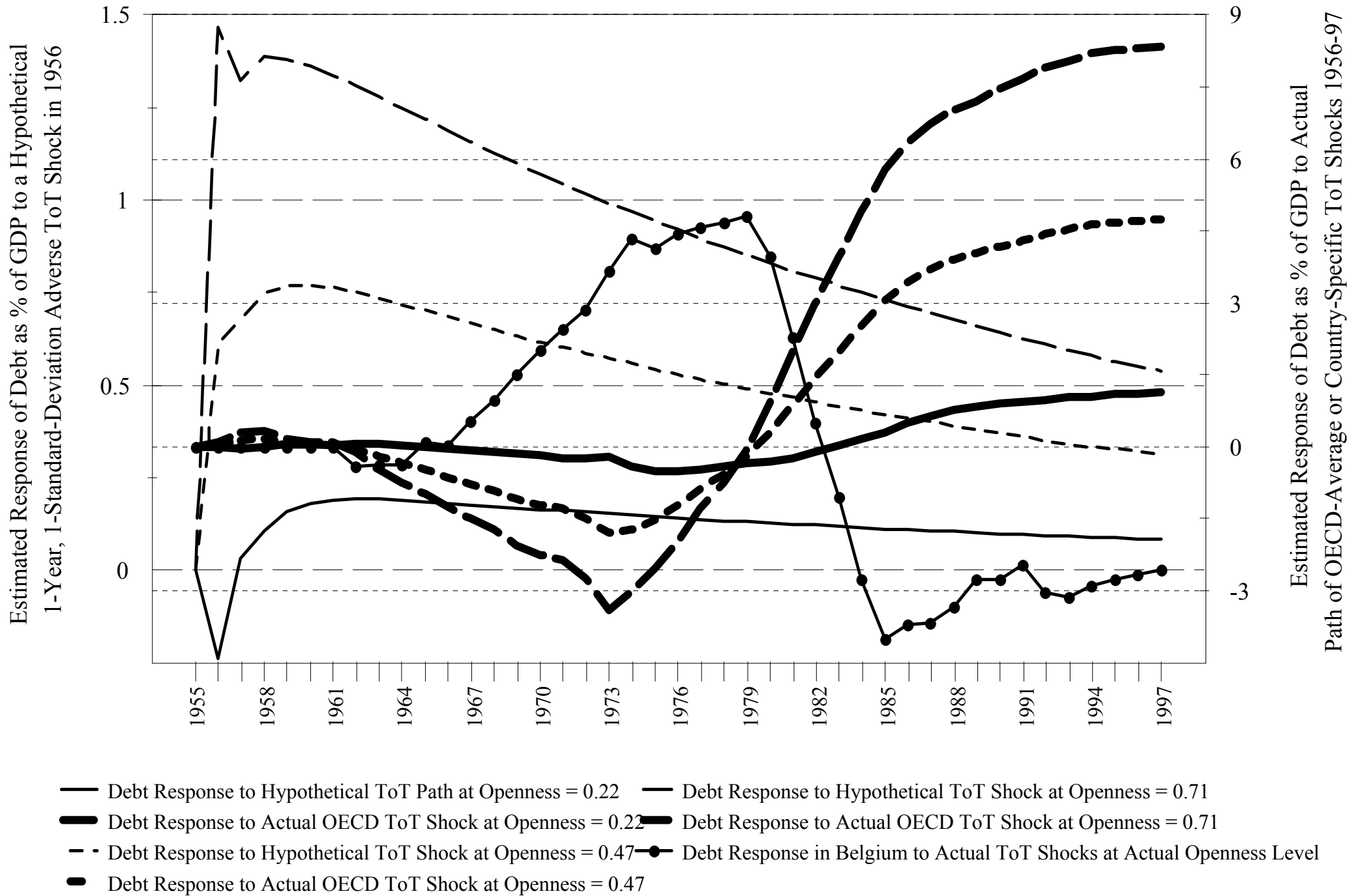
- **A4** (part a): How have Ec & Pol-Ec conditions impacted DD's postwar debt experiences?

The Encompassing Model

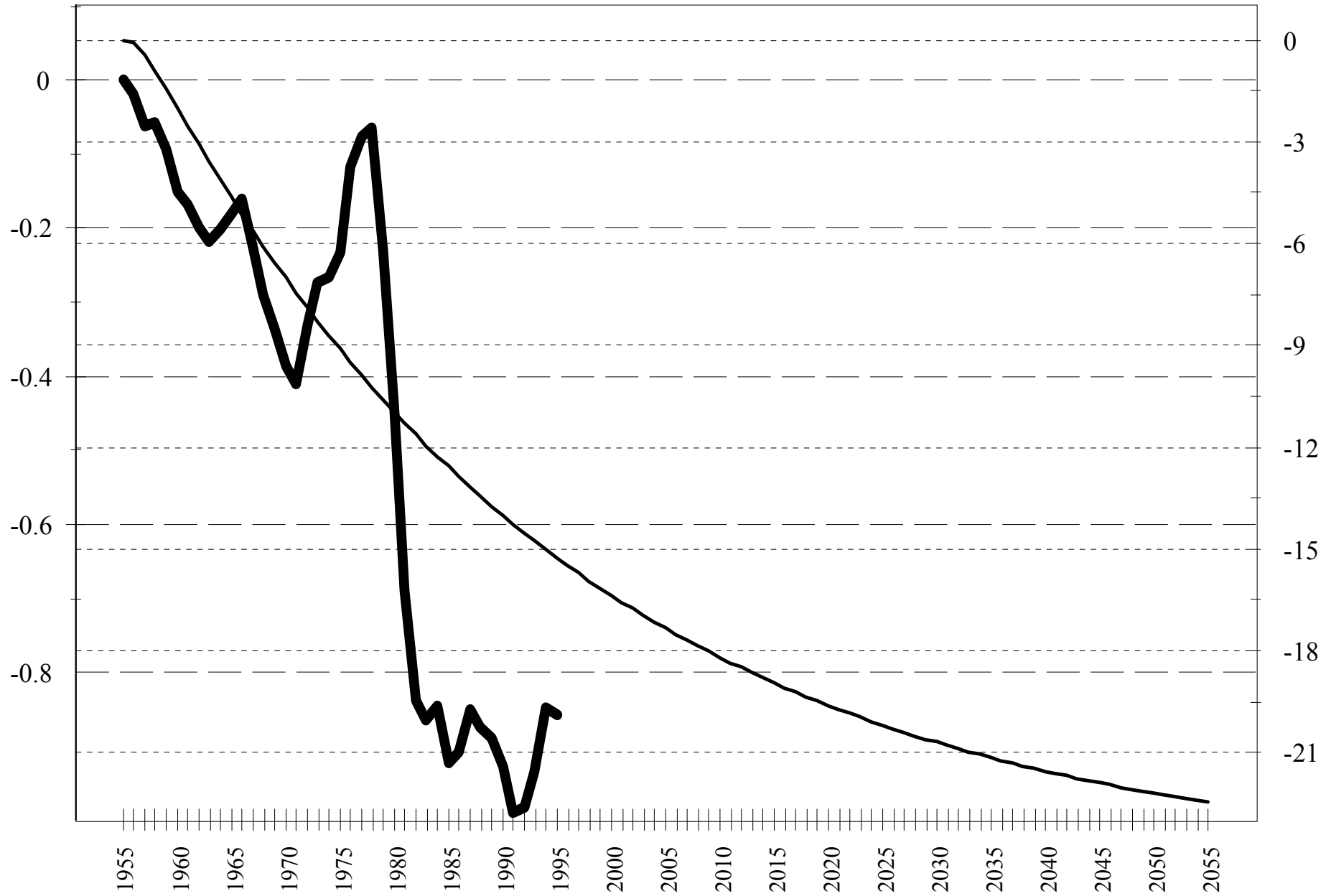
Theory / Theories	Independent Variable	Coefficient	Std. Errors	p-Levels	
Tax-Smoothing	D_{t-1}	-.0321	.0086	.0002	
	ΔUE_t	+.5335	.1005	.0000	
	UE_{t-1}	+.0570	.0261	.0294	
	$\Delta GROWTH_t$	-.0592	.0394	.1330	
	$GROWTH_{t-1}$	-.0730	.0487	.1346	
	$\Delta DXRIG_t$	-.0314	.0458	.4931	
	$DXRIG_{t-1}$	-.1082	.0467	.0207	
	/	$\Delta INTPAY_t$	+.0046	.0007	.0000
		$INTPAY_{t-1}$	+.0039	.0009	.0000
	Economic-Controls	$\Delta OPEN_t$	+22.49	5.597	.0001
$OPEN_{t-1}$		+10.83	3.316	.0012	
ΔToT_t		+6.749	1.888	.0004	
ToT_{t-1}		+1.387	.9579	.1480	
$\Delta (ToT_t \cdot OPEN_t)$		-23.12	5.598	.0000	
$ToT_{t-1} \cdot OPEN_{t-1}$		-9.599	3.125	.0022	
Wars of Attrition and Delayed Stabilization	$ADwiG_t$	+.1122	.1275	.3794	
	$ADwiG_t \cdot D_{t-1}$	-.0025	.0039	.5151	
	NoP_t	-.3043	.1698	.0736	
	$NoP_t \cdot D_{t-1}$	+.0129	.0045	.0046	

Inter- & Intra- Generational Transfers	LRGDPC _{t-1}	+ .5506	.3628	.1296
	ΔOY_t	-46.48	10.94	.0000
	ΔRW_t	-27.01	5.931	.0000
	$\Delta(RW_t \cdot OY_t)$	+47.63	11.52	.0000
	OY _{t-1}	-1.905	.6468	.0034
Electoral & Partisan	ELE _t	+ .4425	.1707	.0098
	ELE _{t-1}	+ .5080	.1750	.0038
Budget-Cycles Plus Debt-as-Commitment	CoG _t	+ .1273	.0606	.0360
	RR _t	+ .9741	.7151	.1737
Institutions	RR _t · CoG _t	- .1990	.1201	.0982
	CBI _t	-1.277	.6793	.0607
Institutions & Multiple Constituencies	PRES	-1.333	.4472	.0030
	ENED _t	+ .0064	.0070	.3608
	ENED _t ²	-2.2e ⁻⁵	2.0e ⁻⁵	.2696
Multiple Constituencies	AGRETH _t	+ .8158	.5089	.1094
Inst., Mult. Constit., Fisc. Illusion	FED _t	- .1013	.0347	.0037
	FED _t ²	+ .0022	.0006	.0003
Fiscal Complexity and Fiscal Illusion	TTTCR _{t-1}	-3.913	3.072	.2032
	ITTCR _{t-1}	+3.987	1.824	.0292
	CGRGGR _{t-1}	-4.859	1.033	.0000
Summary Statistics	N (° Free)	618 (575)	s.e.e.	2.252
	\bar{R}^2	.466	D-W	2.001
Joint Hypothesis Tests	War-of-Attrition	p(χ^2) ≈ .005	Multi. Constits.	p(χ^2) ≈ .005
	Inter-/Intra-Gen Trans	p(χ^2) ≈ .000	Institutions	p(χ^2) ≈ .001
	E&PBC's & Strategic	p(χ^2) ≈ .004	Fiscal Illusion	p(χ^2) ≈ .000

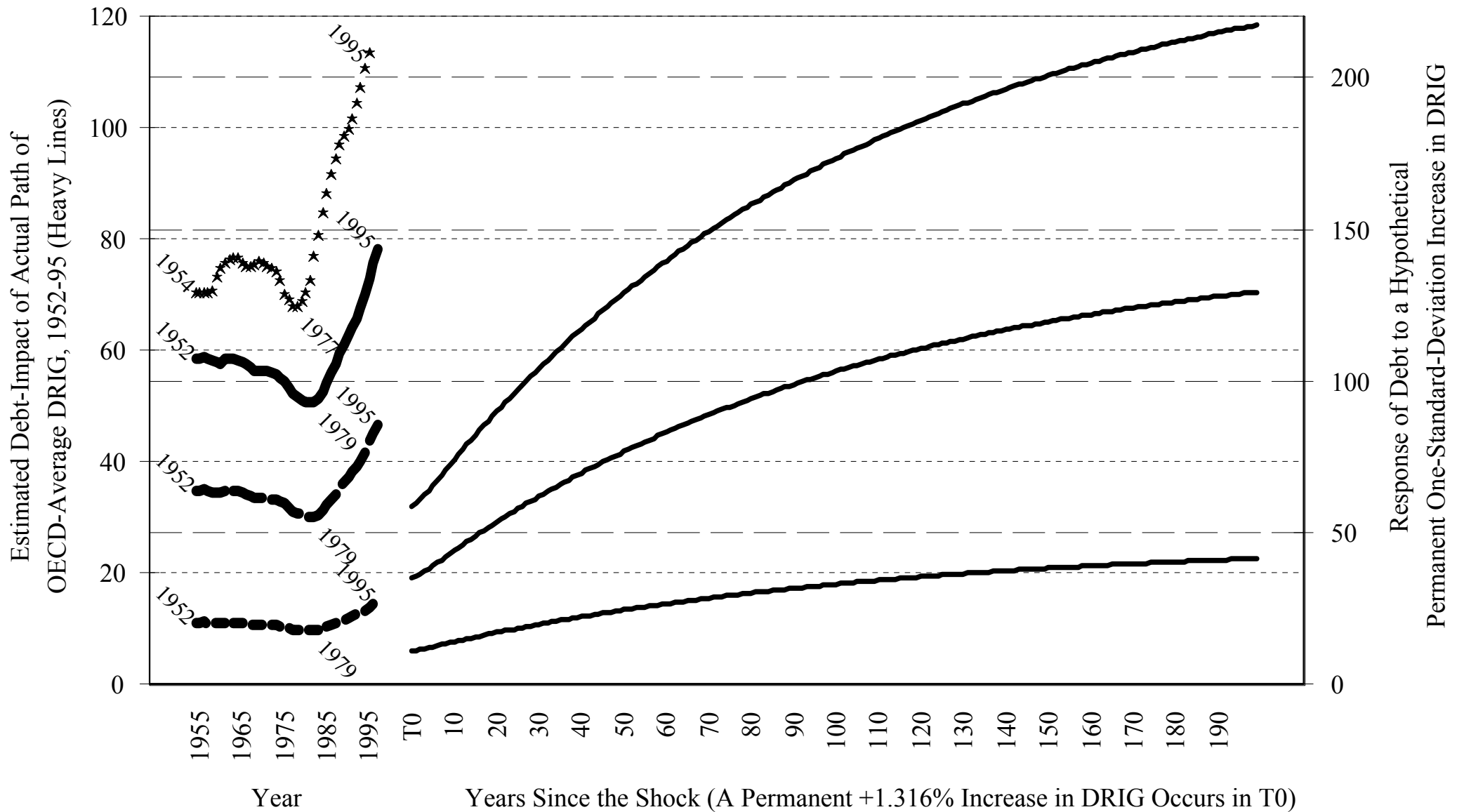




Estimated Response of Debt as % of GDP to the Actual Path of OECD-Average DXRIG Shocks from 1956-95

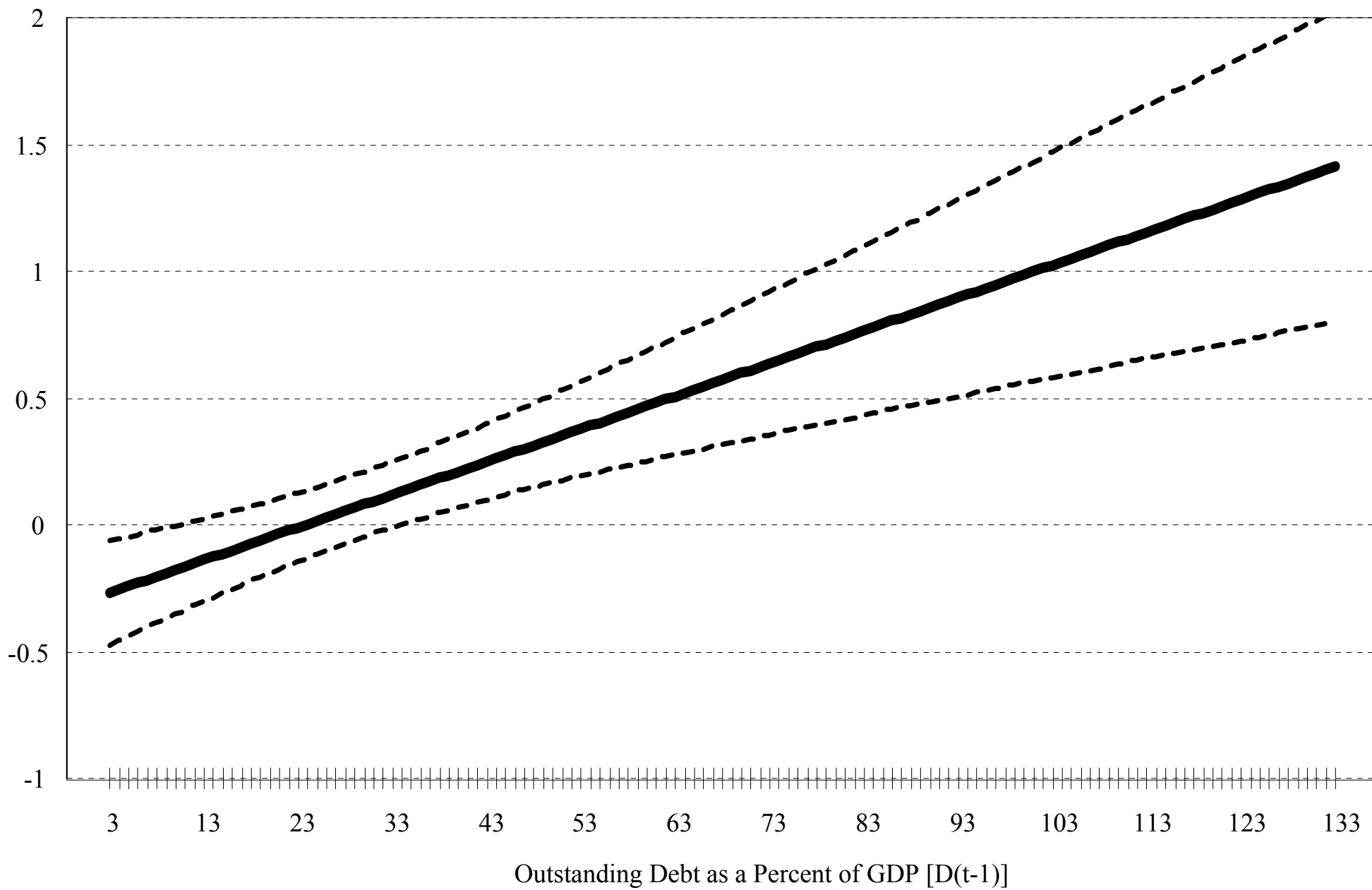


— Estimated Debt Response to +1 s.d. Permanent Increase in DXRIG **—** Estimated Debt Response to Actual OECD-Average Path of DXRIG



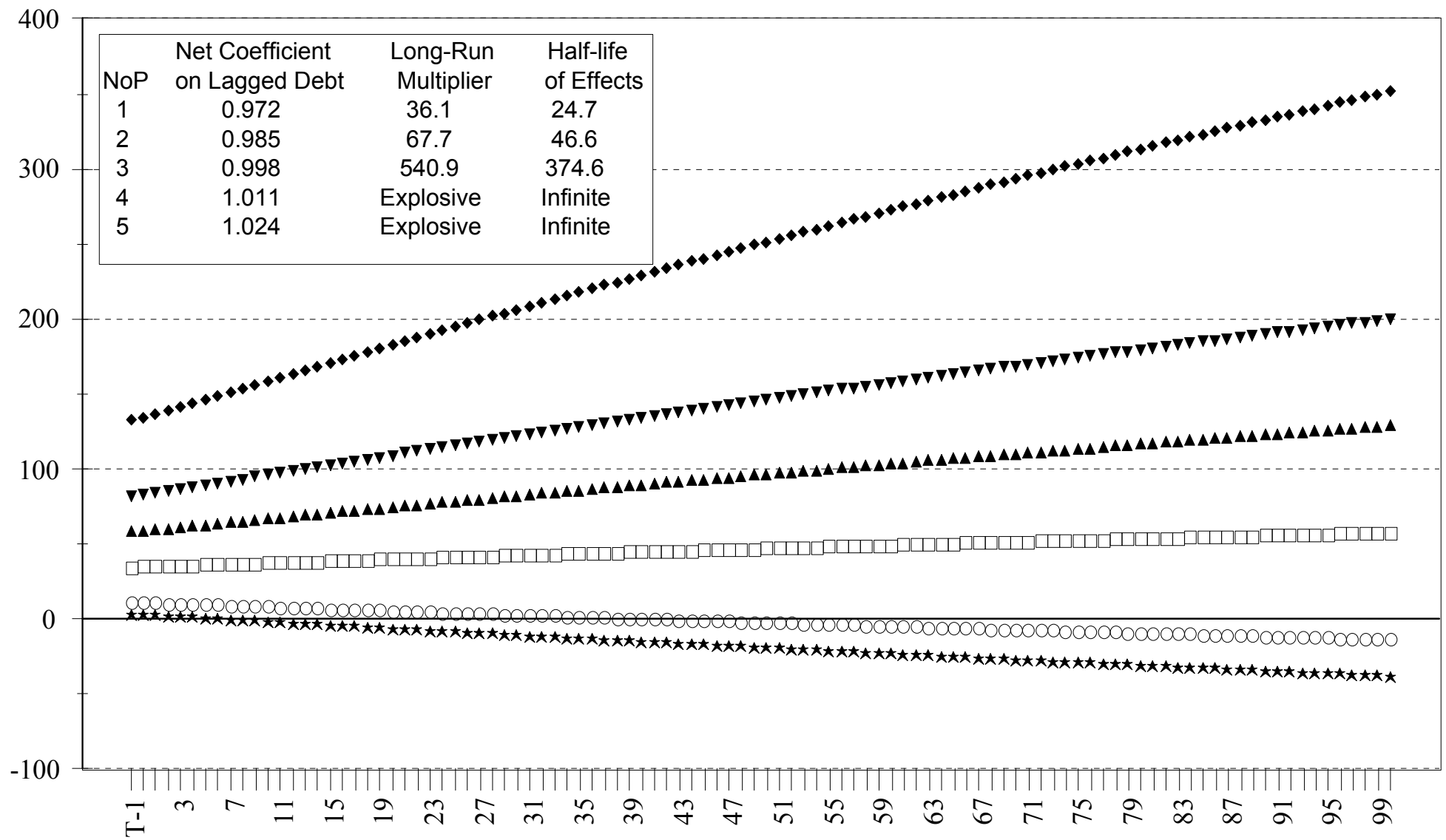
- Debt Initially Stable at 11.2% of GDP
- Debt Initially Stable at 35.0% of GDP
- Debt Initially Stable at 58.7% of GDP
- Data C
- Estimated Debt-Response to Actual DRIG in Belgium, 1954-95; 1953 Debt of 70.3% of GDP Assumed Initially Stable

Immediate Deficit-Impact of Adding 1 Party to Government
As a Function of the Outstanding Debt-Level



— d(Debt)/d(NoP) — 80% Confidence Interval (Corresponds to 1-Sided 0.10 Test)

Debt Response to a Hypothetical Permanent Increase in the Number of Parties in Government from 2 to 3



Years Since Shock (The Number of Parties in Government Increases from 2 to 3 in T0)

- ★ Debt Initially Stable at 3% of GDP □ Debt Initially Stable at 35.07% of GDP ▽ Debt Initially Stable at 82.4% of GDP
- Debt Initially Stable at 11.2% of GDP ▲ Debt Initially Stable at 58.7% of GDP ◆ Debt Initially Stable at 133% of GDP

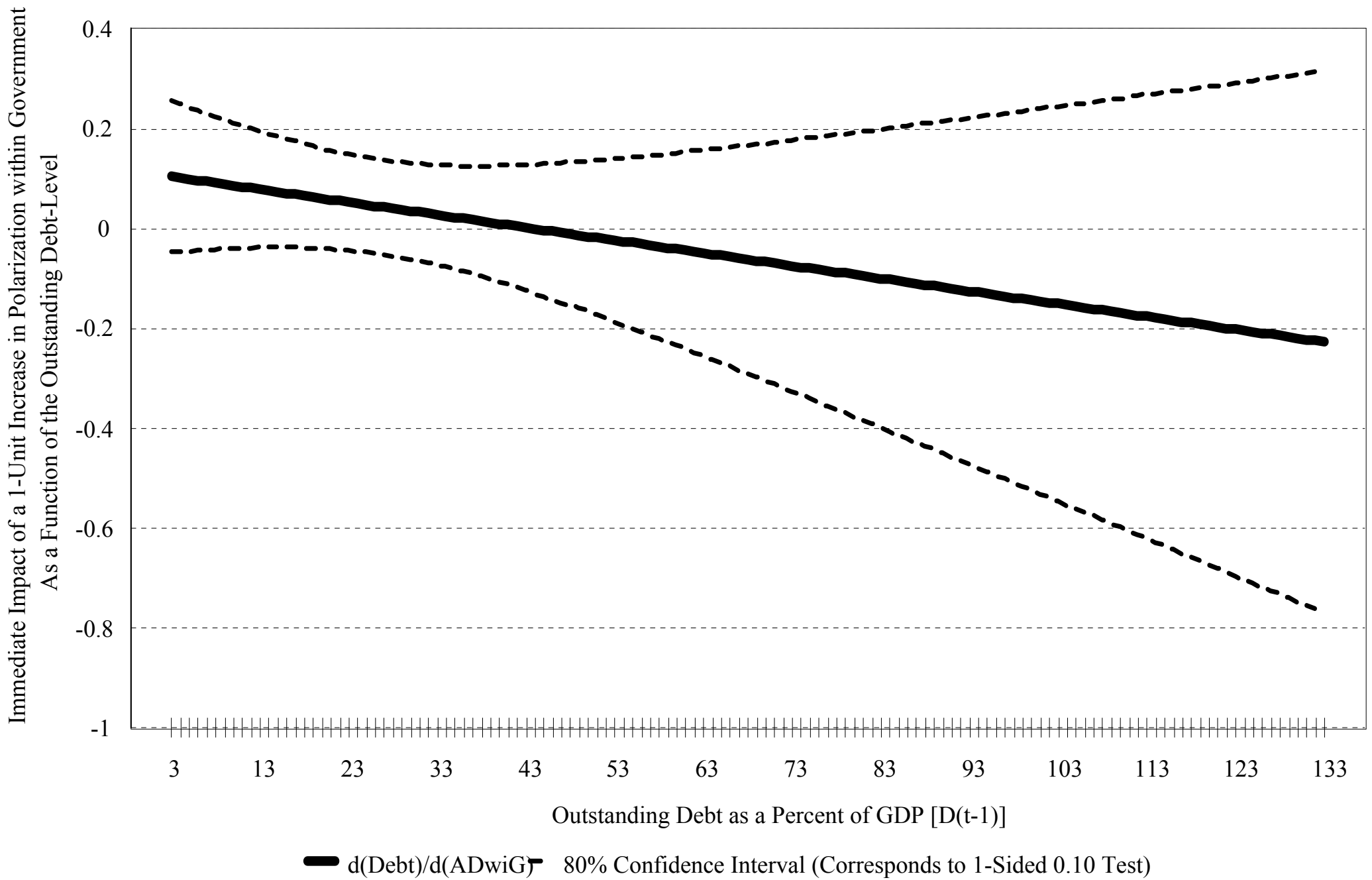
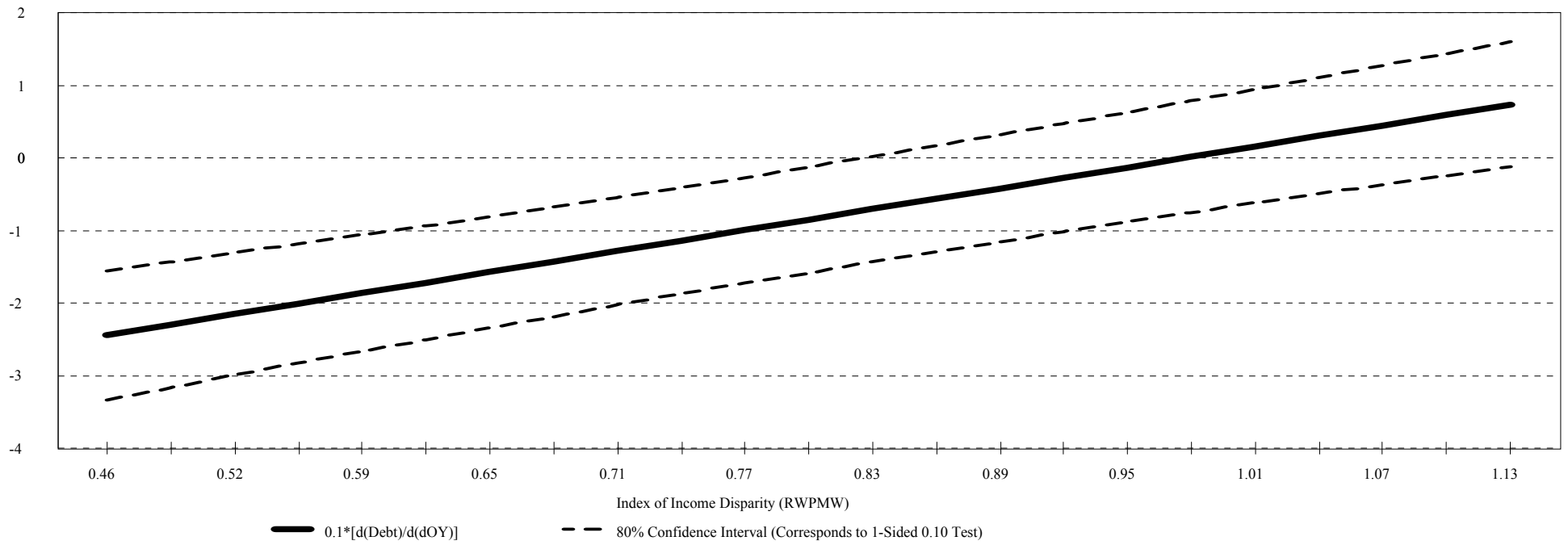
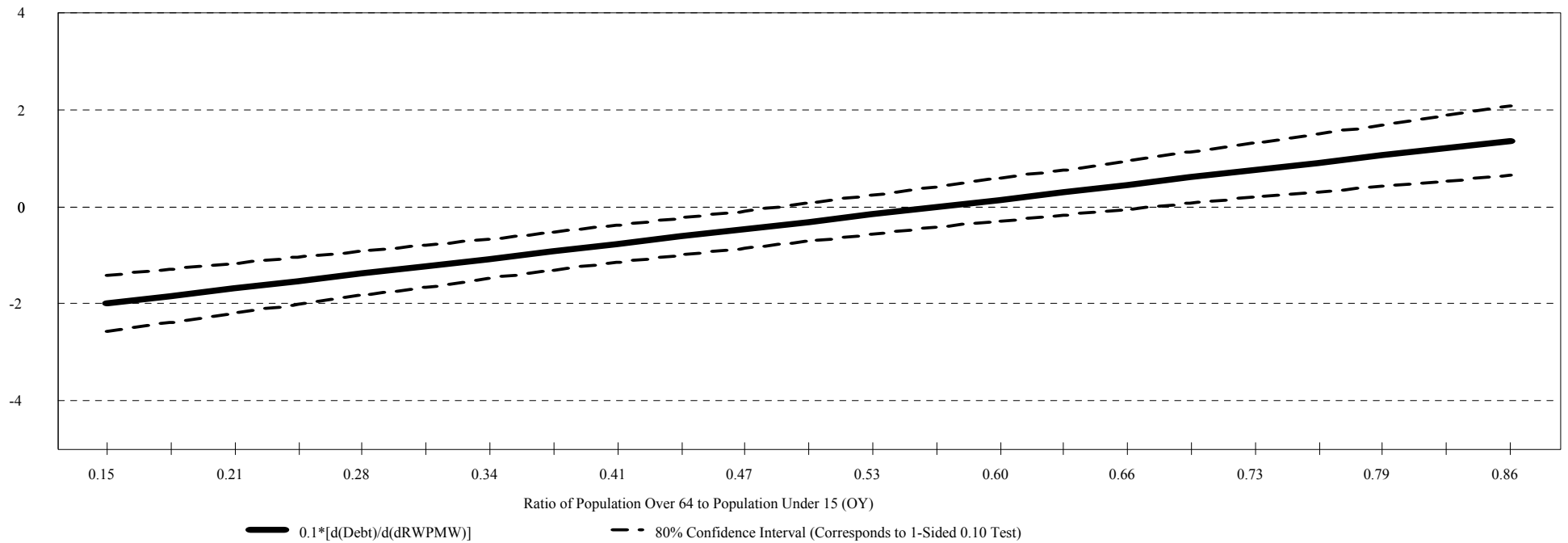


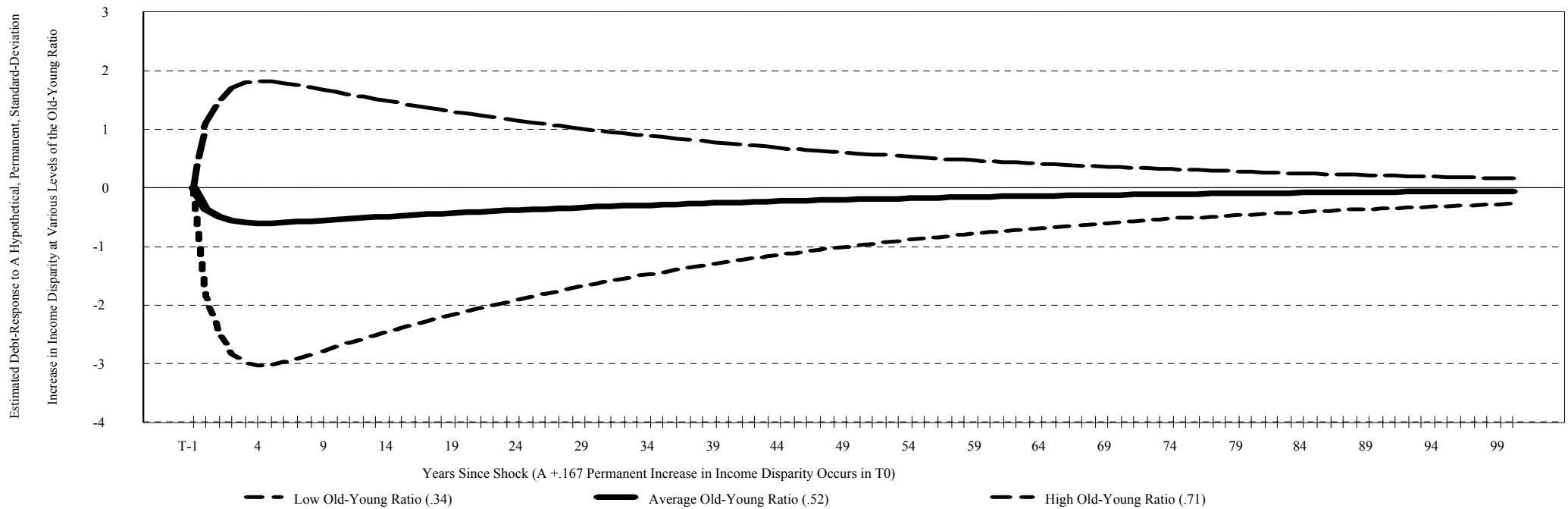
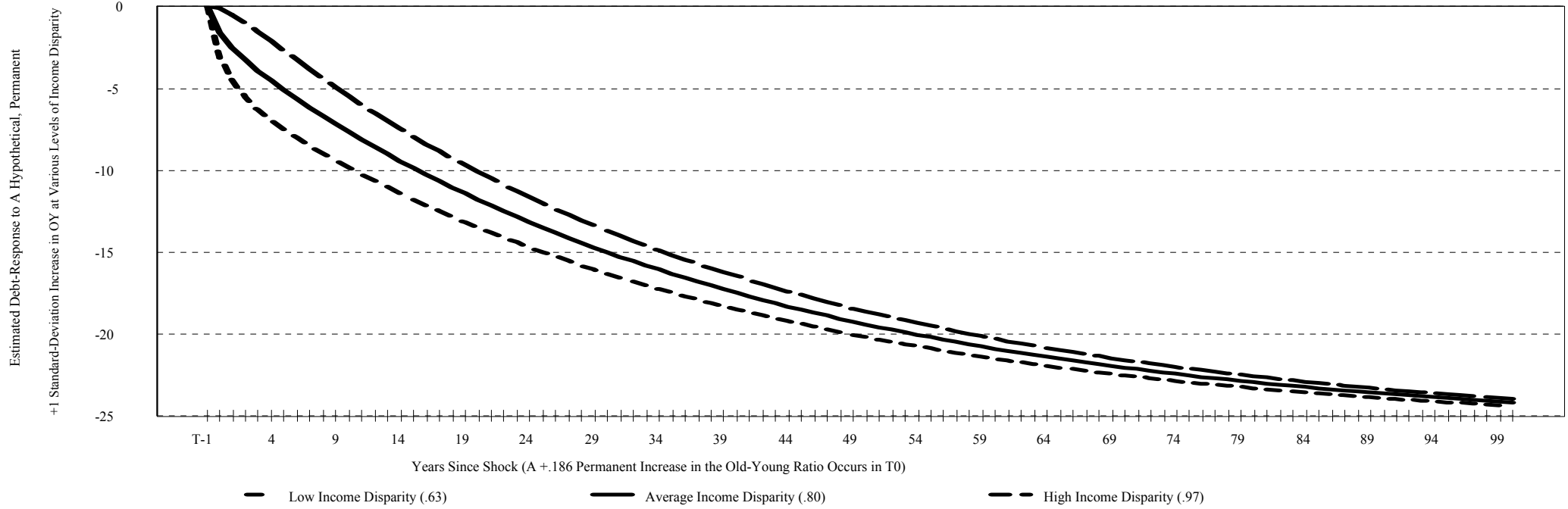
Figure 9: Estimated Deficit-Impact of a Hypothetical Increase in Government Polarization as a Function of the Outstanding Debt-Level

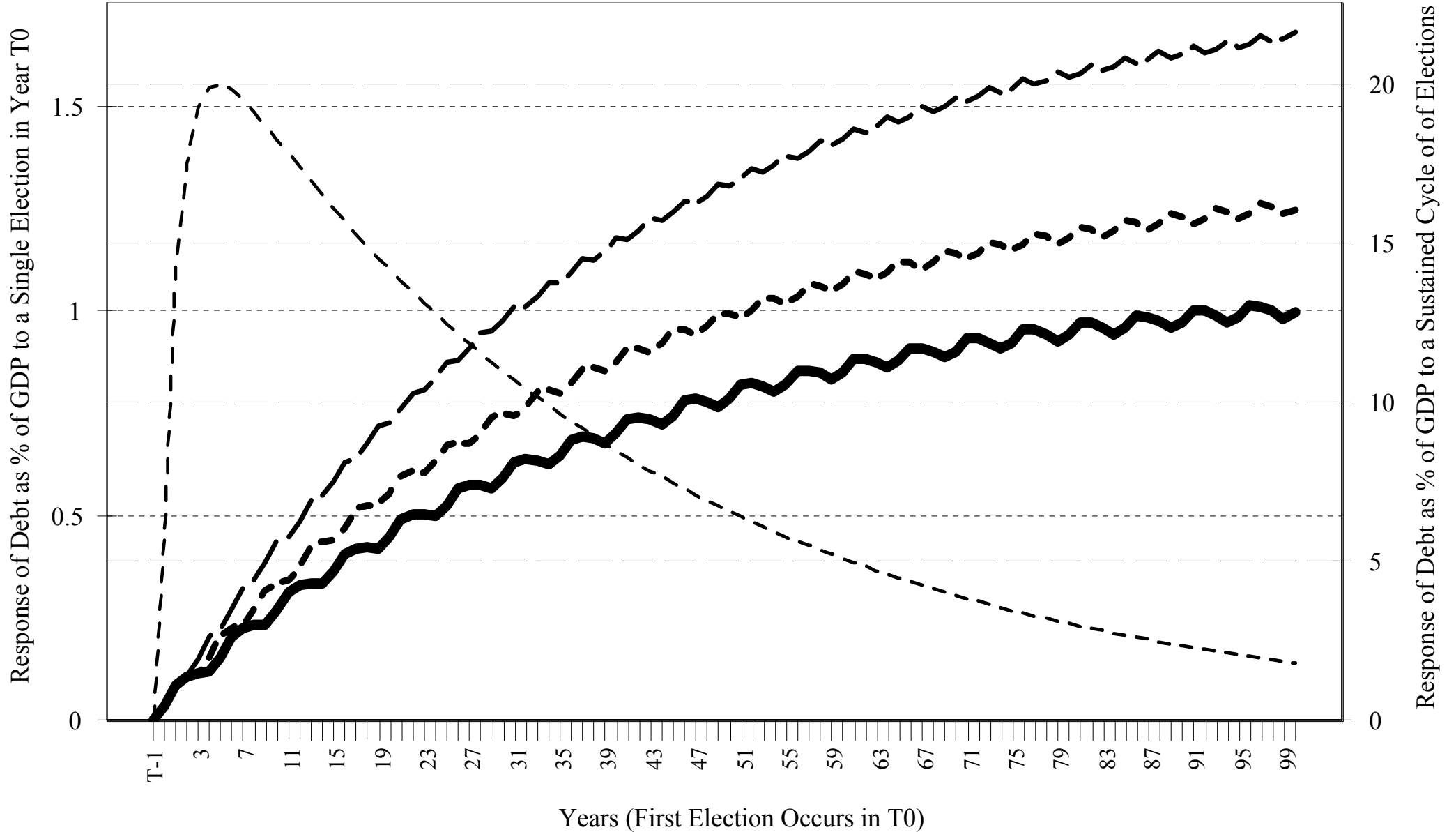
Immediate Impact of a 0.1 Increase in the Old-Young Ratio
as a Function of the Existing Income Disparity



Immediate Deficit-Impact of a 0.1 Increase in Income Disparity
as a Function of the Existing Old-Young Ratio

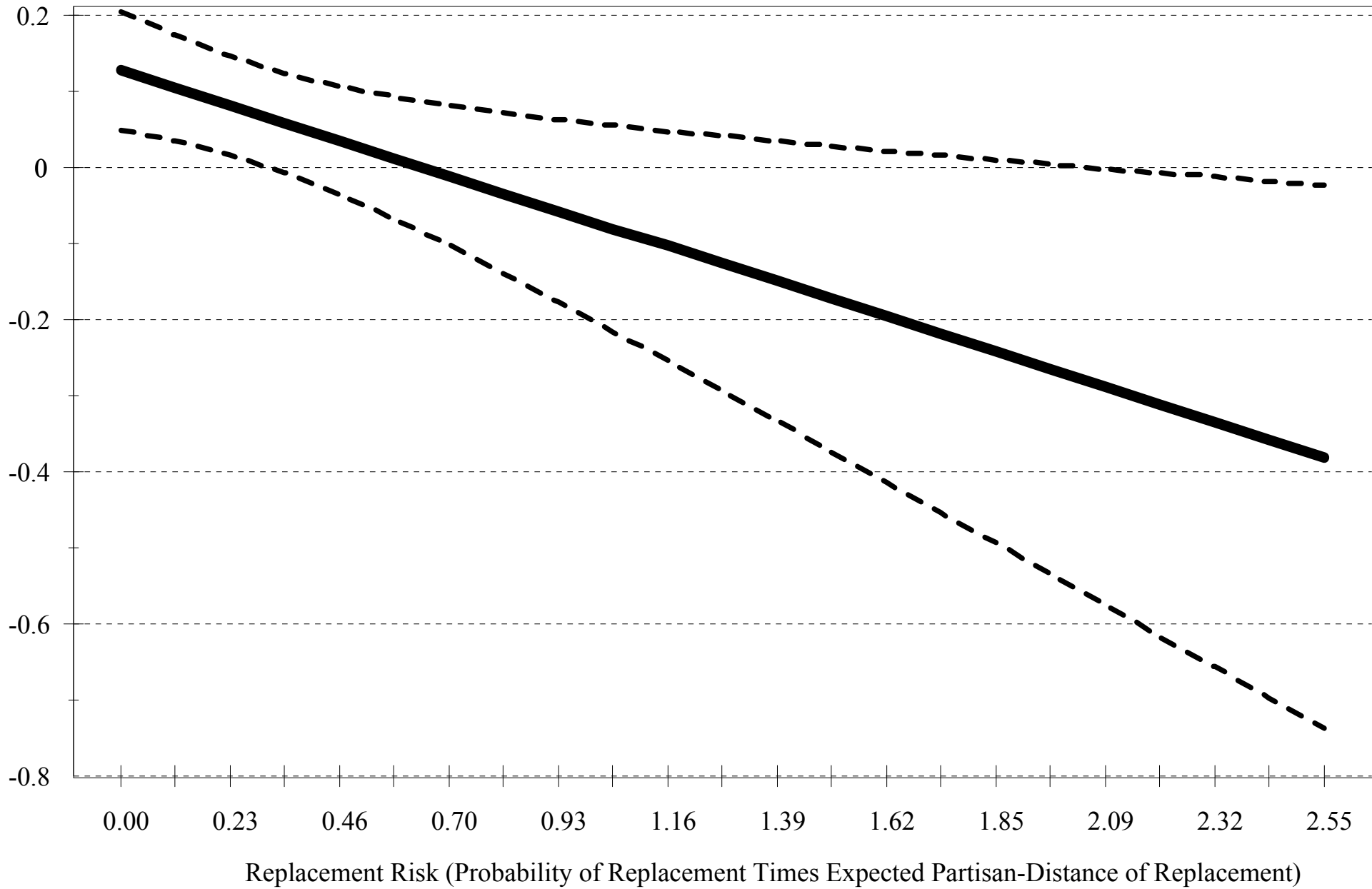




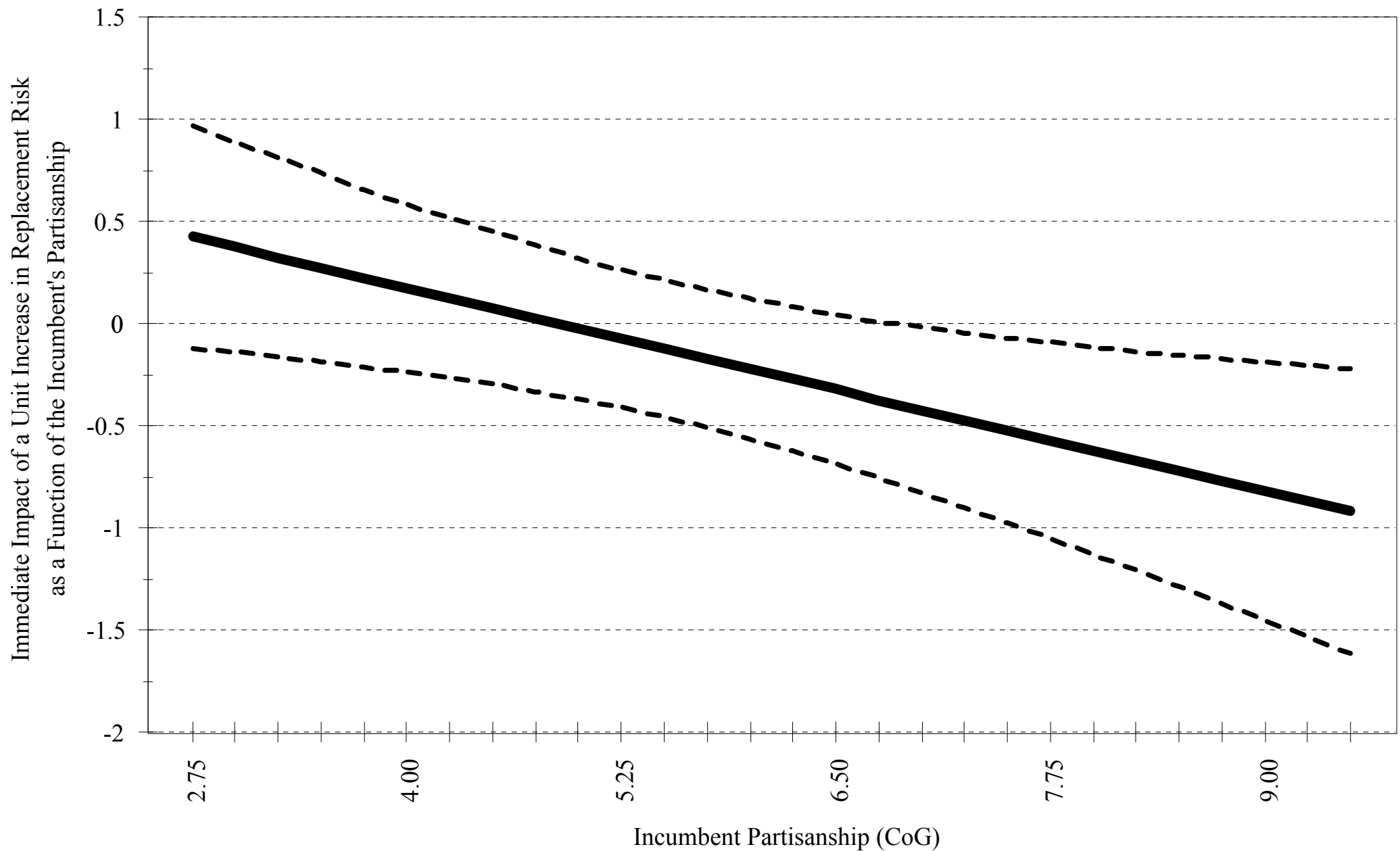


Response to a 5-Year Election-Cycle
 Response to a 3-Year Election-Cycle
 Response to a 4-Year Election-Cycle
 Response to a Single Election in T0

Immediate Impact of a 1-CoG-Unit Rightward Shift of Government
as a Function of the Replacement Risk It Faces

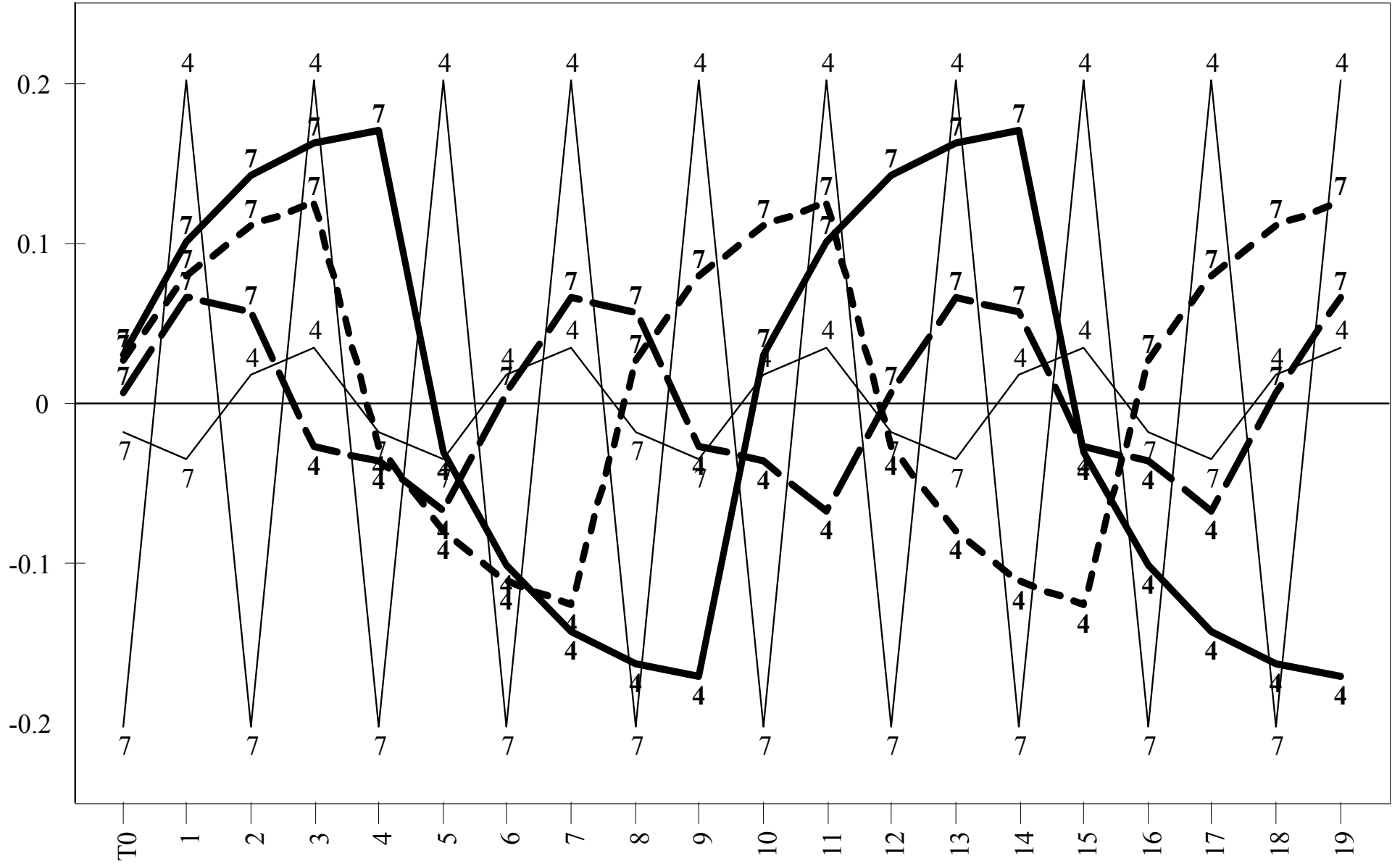


— $d(\text{Deficit})/d(\text{CoG})$ - - 80% Confidence Interval (Corresponds to 1-Sided 0.10 Test)



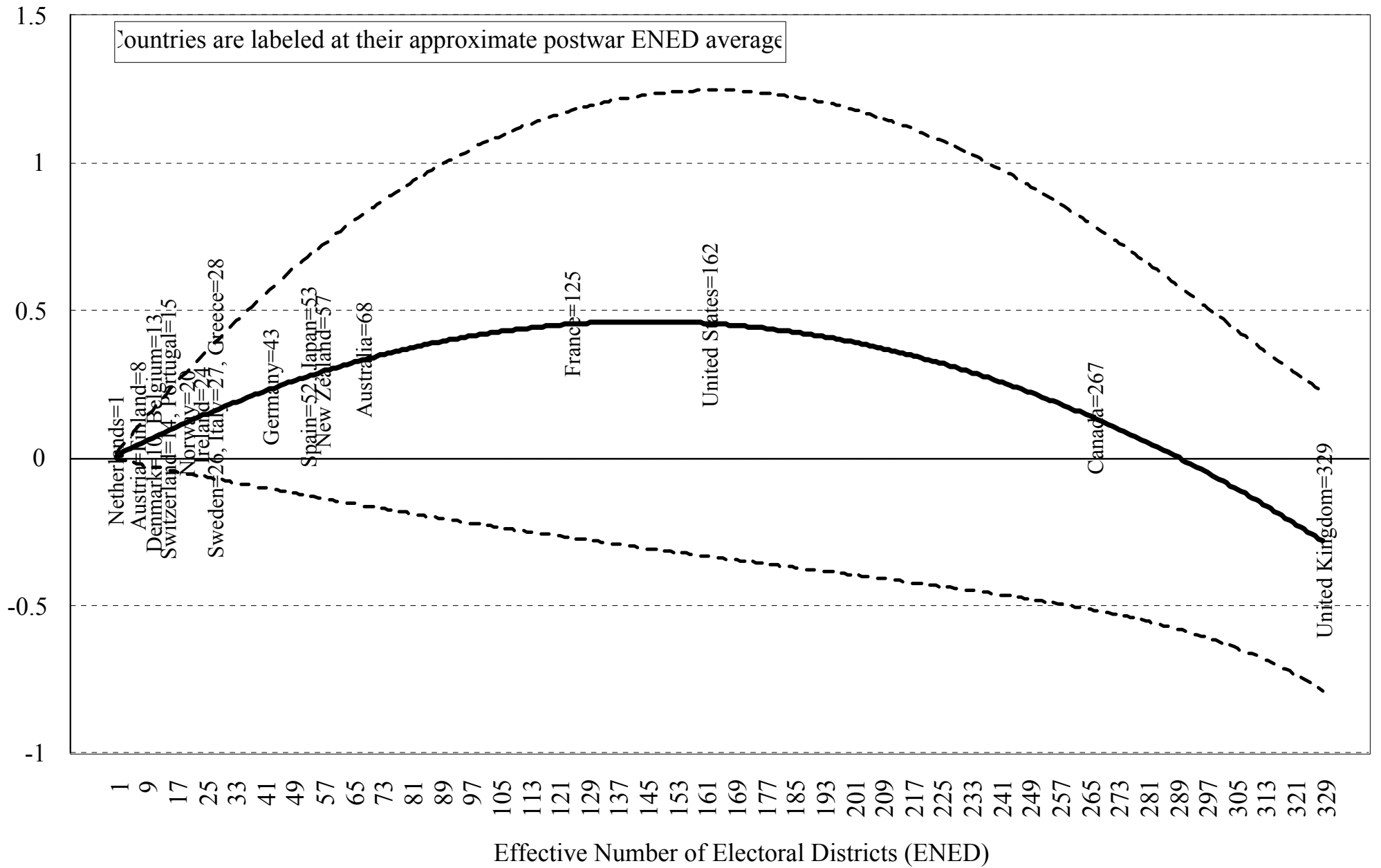
$d(\text{Deficit})/d(\text{CoG})$
 80% Confidence Interval (Corresponds to 1-Sided 0.10 Test)

Increase (Deficit) or Decrease (Surplus) in Debt as Government Partisanship Oscillates from Left (CoG=4) to Right (CoG=7) at Various Frequencies

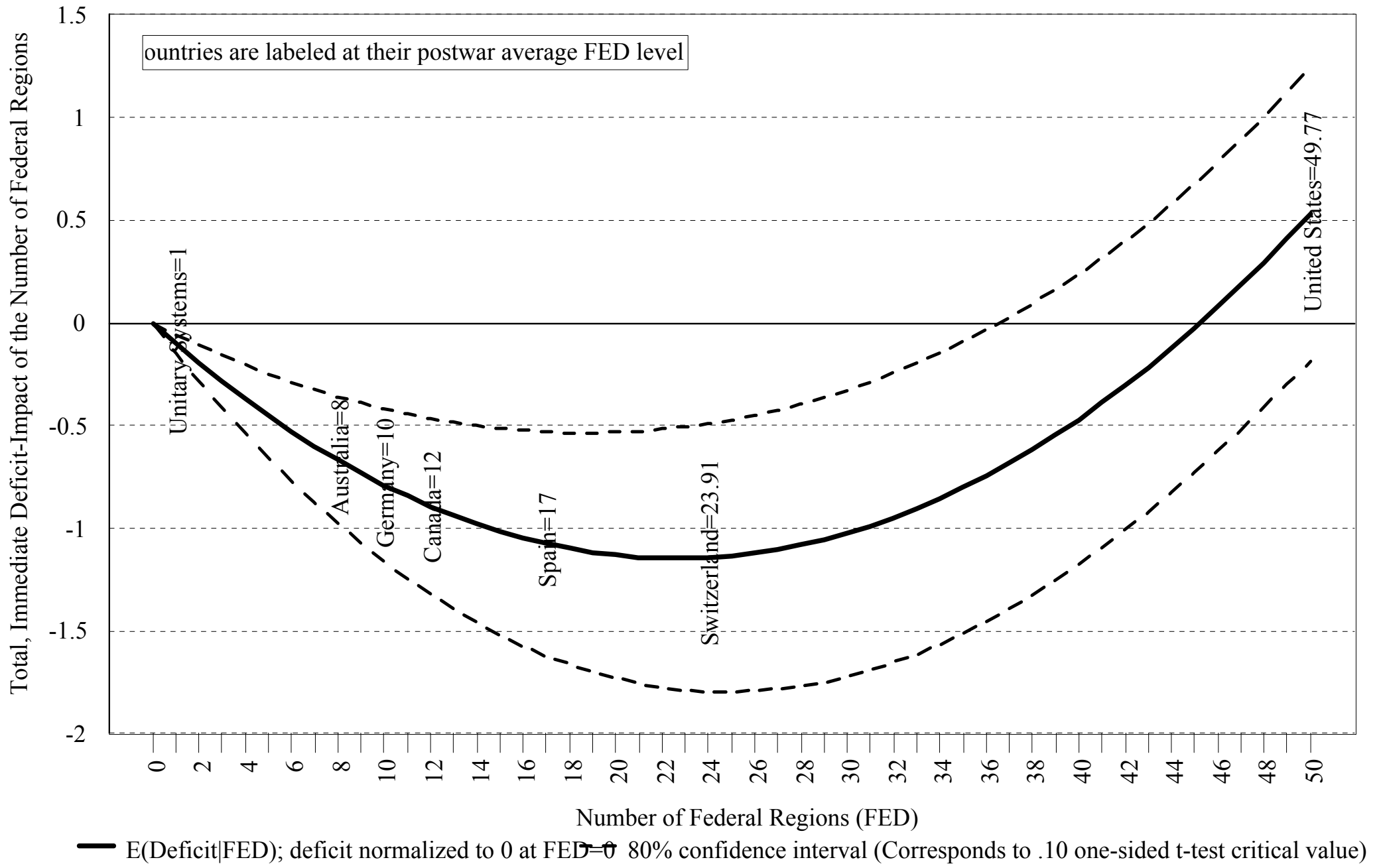


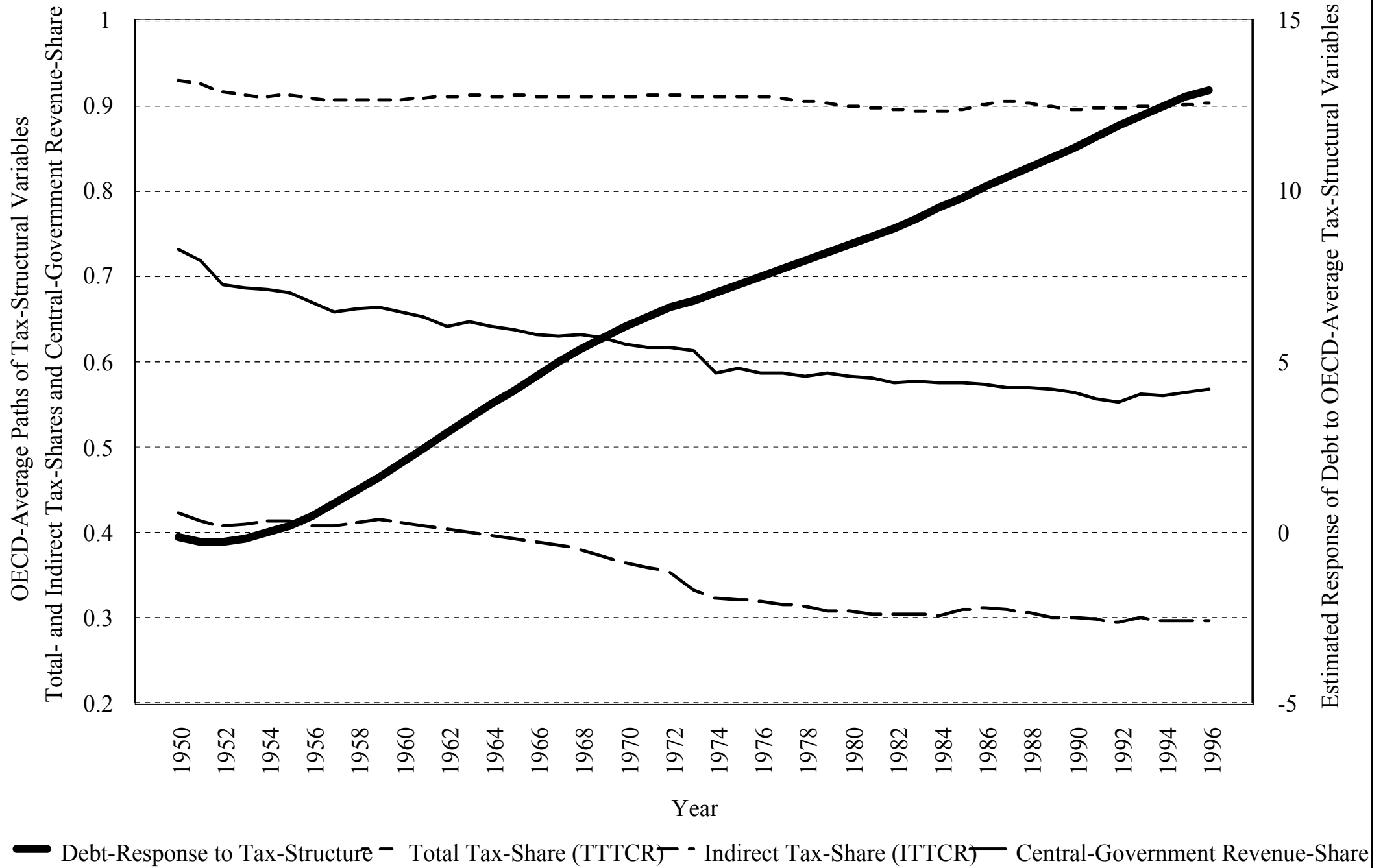
- Left-Right Oscillation in 5-Year Intervals
- Left-Right Oscillation in 3-Year Intervals
- Left-Right Oscillation in 1-Year Intervals
- - - Left-Right Oscillation in 4-Year Intervals
- . - Left-Right Oscillation in 2-Year Intervals

Total, Immediate Deficit-Impact of the Effective Number of Electoral District

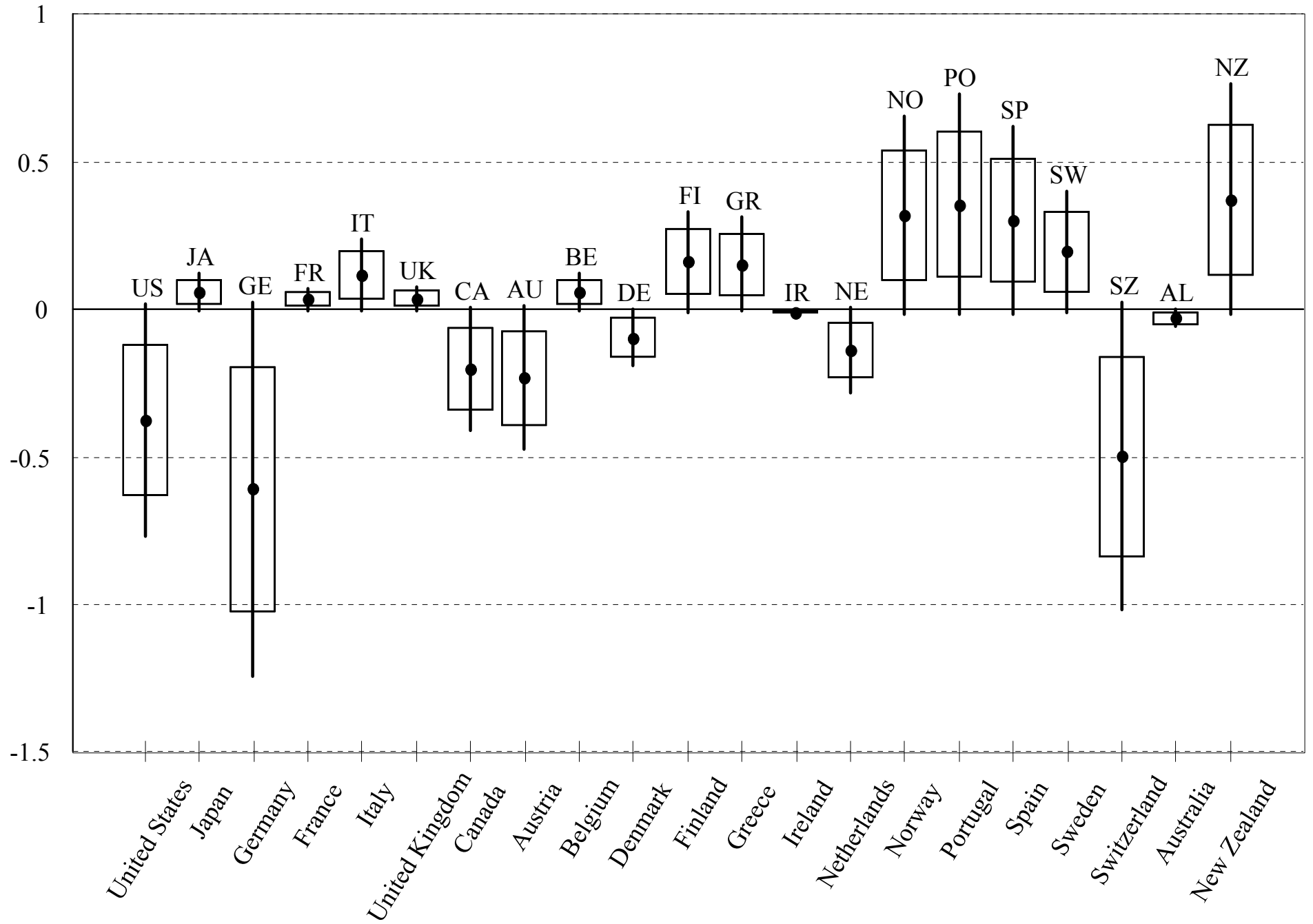


— $E(\text{Deficit}|\text{ENED})$; deficit normalized to 0 at $\text{ENED}=0$ 80% confidence interval (corresponds to .10 one-sided t-test critical value)





Estimated Total Immediate-Deficit Impact of Country's Postwar-Average Country's Postwar-Average Degree of CBI Relative to OECD-Average



Immediate and Long-Run Effects on Debt of 1-Standard-Deviation Permanent Shocks

Independent Variable (Standard Deviation)	“Immediate Effect” on Deficit of + 1 Std. Dev. Shock	“Long-Run Effect” on Debt + 1 Std. Dev. Shock
UE (3.64%)	+0.94*	+15.26*
GROWTH (2.78%)	-0.16	-14.91
DXRIG (3.07%)	-0.10	-24.44*
DRIG (4.32%) at mean(D)-s.d.	+0.23*	+35.56*
DRIG (4.32%) at mean(D)	+0.70*	+110.75*
DRIG (4.32%) at mean(D)+s.d.	+1.18*	+185.94*
ToT (.151) at mean(OPEN)-s.d.	+0.24*	-8.39*
ToT (.151) at mean(OPEN)	-0.61*	-34.37*
ToT (.151) at mean(OPEN)+s.d.	-1.47*	-60.34*
OPEN (.245) at ToT=1	-0.07*	+22.05*
ADwiG (1.47) at mean(D)-s.d.	+0.12	+7.93
ADwiG (1.47) at mean(D)	+0.03	+2.19
ADwiG (1.47) at mean(D)+s.d.	-0.05	-3.55
NoP (1.21) at mean(D)-s.d.	-0.19	-32.95
NoP (1.21) at mean(D)	+0.18*	+30.59*
NoP (1.21) at mean(D)+s.d.	+0.55*	+94.12*
LRGDPC (.372)	+0.20	+15.03
OY (.186) at mean(RW)-s.d.	-3.05*	-25.98*
OY (.186) at mean(RW)	-1.57*	-25.98*
OY (.186) at mean(RW)+s.d.	-0.10	-25.98*

RW (.167) at mean(OY)-s.d.	-1.84*	Long-run effects of income-disparity are zero by construction.
RW (.167) at mean(OY)	-0.37	
RW (.167) at mean(OY)+s.d.	+1.11*	
ELE (1)	+0.95*	+21.35*
CoG (1.54) at mean(RR)-s.d.	+0.20*	+14.39*
CoG (1.54) at mean(RR)	+0.11	+8.33
CoG (1.54) at mean(RR)+s.d.	+0.01	+0.82
RR (.334) at mean(CoG)-s.d.	+0.06	+4.36
RR (.334) at mean(CoG)	-0.04	-3.15
RR (.334) at mean(CoG)+s.d.	-0.15	-10.66
PRES (.372)	-0.50*	-36.38*
CBI (.202)	-0.26*	-18.90*
FED (from 1 to 12)	-0.79*	-58.30*
ENED (from 27 to 115)	+0.29	+21.08
AGRETH (.171)	+0.14	+10.24
TTTCR (2.90%)	-0.11	-8.33
ITTCR (9.07%)	+0.36*	+26.55*
CGRGGR (15.0%)	-0.73*	-53.61*

NOTES: “*Long-run effects*” are those estimated for permanent 1-std.-dev. increases in independent variable, except: FED and ENED are for std.-dev. increases from their medians; ELE is for increasing mean .2 to .5 (*i.e.*, from 5 to 2 ELE/yr). DRIG, NoP, and ADwiG assumed at sample-means, except for their own effects, which are for std.-dev. increases centered on their means. “*Immediate effects*” are the first-year responses of debt to a 1-std.-dev. increase in independent variable, except: ELE sums two-year effect of 1 election. * = significant at .10 or better.

- Broad Conclusions: Explaining the postwar debt-experiences of DD's
 - Econ. cond. central, *BUT* political-institutional factors can be as important.
 - High real-interest-net-of-growth-rates (*DRIG*) and highly fractionalized governments (*NoP*) esp.:
 - magnify the long-run impacts of *all* other public-debt determinants
 - had disastrous long-run consequences where such other PE conditions debt-inducing
- “Weak Governments” Conclusions:
 - “Weak Governments” retard policy-adjustment, i.e. cause inaction (here: delay stabilization):
 - ⇒ Interaction of “weak government” w/ outstanding debt to reflect “retardation” prediction
 - ⇒ magnifies all factors’ long-run impacts, its own & others’
 - Inactive governments may induce *lower* deficits when debt is currently low
 - Governmental fractionalization and polarization, main political factors receiving prior empirical attention, often no more important than other political-institutional factors.
 - Fract. critical at extreme debt, moderate influence around mean, & *reduces* deficits at low debt; matters mostly b/c it magnifies long-run impacts of all factors.
 - Polarization does not appear terribly important, controlling for fractionalization. May suggest something about when polarized governments form.

- *Veto-actor unambiguously dominates influence conception of governmental fract. and polar.*
- Inter-/Intra-Generational-Transfers Conclusions:
 - Age/income-demog. substantive importance may remain, but theory refinement suggested:
 - Translating numbers and other resources to political power,
 - Relevance of demographics to actual and expected growth,
 - Do we have the motivations of different age-groups correct?
- Electoral and Partisan Budget Cycles, and Strategic Debt-Manipulation
 - Election-year BC's seem important in two ways - Time to reopen Tufte's agenda?
 - Statistically strong pre- *and post*-electoral deficit cycle: three possible explanations.
 - Increasing electoral-cycle frequency can have sizable *long-run* impact.
 - Partisan BC's seem rather less important, esp. near sample means, & often opposite conv. wisdom; both simple partisan theory and "strategic debt-manipulation" theories may warrant revisit:
 - Systems w/ frequent, large govt-partisan shifts can have appreciable PBC's of usual sort.
 - Reconsider left/right partisan goals regarding slow-adjusting stock variable like debt?
 - Multiple policy instruments: debt a preferred means to achieve (strategic) partisan ends?

- Macro-Institutions: Presidentialism/parliamentarism (PRES, -), central bank independence (CBI, -), federalism (FED, -), and electoral districting (ENED, +) have small-to-moderate deficit-impacts, but, b/c long-lived or permanent, can have very large long-run debt-effects.
 - Likely little relevant to cross-time, but may be key to explaining cross-country variation.
 - However, rethink in terms of policy-adjustment implications?
 - What's a 'constituency'? (Franzese and Nooruddin 1999)
 - Better, more-encompassing measures of budgetary institutions (von Hagen *et al.*)
- Fiscal-Complexity and Fiscal Illusion: seem statistically real & among substantively most important.
 - Interpretation of Downs (1960): relative opacity of spending and revenue sides of fisc
 - ⇒ measurement exercise incomplete.
 - ⇒ theory under-specified.
 - Simplifying fisc may facilitate efficient voter evaluation of public activity and its revenue- and spending-side composition.
- Summary Conclusion:
 - Evidence argues for eclectic approach to explaining postwar debt-experiences of DD's.

- Pattern of answers to A&P's two questions "Why more in some countries and less in others?" and "Why now and not before" now clearer:
 - largely b/c economic conditions worsened & then policy-shift brought $\uparrow \uparrow r$ relative to Δy
 - dramatically exacerbated where fractionalized govt's delayed stabilization (*e.g.*, Belgium, Italy)
 - persistent macro-institutional (including electoral frequency) and fiscal-structure differences increased cross-national disparity
 - Demographics, income, and their distributions may play some role; theoretical and empirical specification improvements suggested?
 - Election-year politics seem to play role in fluctuations (& frequency in cross-national differences): "Rumors of demise greatly exaggerated." Time to re-open Tufte's agenda?
 - Conversely, partisanship & polarization w/in & across govt and replacement risk seem to have played lesser roles. Again, theoretical and empirical specification improvements suggested?
- However, even encompassing model explains not much more than half of total variation in DD deficits from 1956-90, so another half of A&P's two questions remains unanswered.
- Opportunity: out-of-sample prediction (& cross-validation) to most-recent era of declining debt?