

# The Effects of Political Institutions on Public Budgeting

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## Abstract

*Economics around the globe has been a growing issue of late due to the current economic crisis. This study focuses on political institutional factors that influence spending in a particular country. The variables used in this study include Gross Domestic Product (GDP), Tax Revenue as Percent of GDP, and current account balance to name a few. This research looks at the relationship between proportional representation compared to majoritarian systems as well as presidential compared to parliamentary systems and how these relate to public budgeting. This research updates the analysis of Persson and Tabellini in their book *The Economic Effects of Constitutions*. They found that presidential systems promote smaller public sectors, whereas proportional representation results in greater government spending and on average a larger budget deficit. Results confirm their finding in regards to presidential systems as well as proportional representation. This suggests that constitutional design can have a significant impact on the financial performance of political systems.*

## Introduction

People around the globe look at the ways in which governments spend, in recent years most economies around the globe are declining to some degree. When analyzing countries and their respected economies what dictates how much money will be spent and in what areas that money is spent? Instead of looking at a broad overview of the many possible reasons and places in which governments can spend I will look at what structural characteristics influence those decisions. This can be done by looking at the government and/or electoral structure within a country. For this research I primarily looked at research performed by Torsten Persson and Guido Tabellini in their book *“The Economic Effects of Constitutions.”*

The most notable example today regarding debt crisis is within Europe. Countries of the “Euro Zone” are having a difficult time keeping their national debts under control without the intervention of other nations using the Euro. While only a handful of countries are experiencing debt crisis the whole region is feeling the effects. The countries that have mainly been affected by this debt crisis are Greece, Ireland, Portugal, as well as Cyprus. The damage of the debt crisis does not stop here however; Italy, Spain, Belgium, the UK, and France are all countries that could have possible future debt issues. Three out of the four countries who have been most affected with debt have a parliamentary form of government with Cyprus having a presidential. In regards to electoral system all four have a form of proportional representation as their electoral system. While Cyprus has had to receive two and a half billion from Russia to avoid debt issues their debt is next to nothing compared to their parliamentary counterparts. Each of the other three nations has had to receive bailouts by the European nations of more than seventy billion Euros apiece. Greece has needed two separate bailouts almost doubling Irelands eighty five billion bailout. So this leaves the question of whether this is strictly due to individual

countries circumstances or is there a connection between form of government and electoral system and the amount of debt a nation has?

## Previous Research

### Political Ideology and Spending

Alesina and Tabellini (1989) focus on policymakers and their differing economic policies. The authors look at how different ideologies can affect economic policies. In “A Positive Theory of Fiscal Deficits and Government Debts” they consider a scenario in which control of elected office rotates between ideologies. From one election to another the people in office would rotate between different preferences in regards to how to approach the economic policies at hand. The one aspect of government debt and deficit that Alesina and Tabellini focus on is that public debt is used as a way of distributing expenditures over time. The authors argue that when uncertainty arises between the current policymakers and potential future policymakers, public debt is often used as means to influence the policy of the successor. In this scenario, if the current administration is unsure of its political future and its likelihood of being reelected the administration won't fully internalize the debt. This will result in a larger public debt. On a larger scale, Alesina and Tabellini use this model as a means to answer the question of why different countries have different economic policies in regards to managing their debt. According to their model public debts are larger when there is a larger variance between rival policymakers and when the current administration is unlikely to be reelected.

Bawn (1999) looks at the issue of debt from the perspective of the Federal Republic of Germany from the years 1961 - 1989. In his findings he noticed over time the right wing governments would alter spending in favor of their issues and left wing governments would do the same. Bawn asks the question, how do political institutions affect policy choices in modern democracies? With a veto player model in government individual players or politicians affect what bills and policies get through. In a given year or government if there are more people who

can veto a bill, the harder it will be to change a policy. In some situations the incumbent party is trying to alter or change a policy that the previous party set up the minority members can veto the bill. The closer the legislative balance is the harder it becomes to pass a bill; this is due to competing interests in both parties. Veto player models can usually be found when there is a directly elected president, a coalition government, or a bicameral legislature. According to Bawn a country with a coalition government is less likely to see the policies change than when there is a single party in charge. This is largely because of the veto player model. This model makes it difficult for the differing parties to agree and makes them less likely to cooperate with one another more; each politician has the choice to decline a bill. This would affect spending because it requires more favors being offered for votes or more buying of votes to get an issue into a bill.

In a study of liberal democracies around the world Blais, Blake, and Dion (1993) look at fifteen countries from the years of 1960 through 1987. They are looking to answer the question of whether parties with differing ideologies differ in spending? The authors look at a detailed view of how the different parties affect government. Within a two party system you are more likely to see similarities or a meeting ground between the two parties. This is due to the fact that there are fewer choices out there for the people to vote on. If a region or country has five different political parties that all have to agree it requires more deals to be made in order to come to an agreement. In a two party system the party's more often than not will try and please as many voters as possible. In any given governmental system one cannot forget the influence that the business sector has on a political party. This is sometimes an influence that is greater or equal to voters. Because the economy and investments are attached to businesses parties must give in to some of the investment sectors needs and wants. In the case of the parties being completely different in ideology, it takes time for that party in control to implement its policies. Those

policies that are implemented by the party then take time to take effect. In the comparison of different parties the size of the government is just as important as the ideology of the party. In conclusion the authors found that parties do in fact make a difference in spending and influence on the government. This influence is minor; however, it is still evident. Governments that lean more to the ideological left tend to spend more in relation than the parties that lean to the ideological right. If there is an effect on the government the changes take time to take effect. Therefore that party has to be in control for some time.

Hofferbert and Budge (1992) examine the difference of parties within Britain in relation to spending. They sought to answer the underlying question that was asked about American politics as well, that question is how far does the party mandate go? Does what a party promises in a campaign carry over into governing? The authors compared the three main parties within the UK. Those parties are the Labor, Conservative, and the Liberal Democrats. Within any given country political parties compete with each other for popularity among the voters. In the American political system if one party promises something in their campaign they usually attempt to carry it into policy when elected. If one did not do this they would not be the majority party for long. This finding reinforces the mandate theory and its importance to politics today. Hofferbert and Budge find that government programs are supported in governing.

## **Forms of Government and Spending**

Heller (1997) seeks to answer the question of what the relation is between a bicameral government and national budget deficits. In differing between bicameral and unicameral governments one might expect that in bicameral governments more interests are being represented, making it more difficult to come across a compromise. Heller argues that bicameral governments will have higher budget deficits than that of unicameral governments. The reason



this occurs is because within a government it is more often than not easier to make deals to raise spending than it is to raise taxes. He goes on to explain his argument by saying the more opposition that is there to oppose the bill the more deals the majority party has to make in order to come to an agreement. This in turn raises the number of deals in the bill raising the cost. His findings are consistent with his hypothesis. In order to get a deal done in parliament one might have to make a deal with two different majorities raising the cost significantly.

Kim (2010) compared the difference between the two major government systems in the world. These systems are coalition governments and single-party governments. They sought to answer the question of whether or not spending increases in a single party system or a coalition. Within coalition governments in order to get any policies and bills past one must make deals with opposition, whereas in a single party government there are no other parties to compete and make deals with. In their findings they found that single party governments generally have lower budget deficits than do coalition governments.

Torsten Persson and Guido Tabellini (2003) analyze different political institutions in their book *"The Economic Effects of Constitutions."* Persson and Tabellini looks at how different institutions affect economic policies. The institutions that they analyze are proportional representation vs. majoritarian electoral system and presidential vs. parliamentary governments. Persson and Tabellini seek to answer the questions of which system promotes greater public spending and the effects that a constitution has on a particular country's economy and policies. The authors did two different studies, the first they look at the averages of eighty-five democratic countries across the globe in the 1990's. The other looks at annual outcomes of sixty countries from 1960 to 1998. While researching which political institution promotes a greater public and private sector they take a few variables into account. They include; the region in which the

country lies, whether or not the particular country is a former colony, as well as structural policies and productivity in the country. They found that proportional representation promotes greater public spending.

Matthew Gabel (2005) reanalyzes Persson and Tabellini in “Reconsidering the Economic Effects of Constitutions”. Gabel states that even though Persson and Tabellini provide the most thorough comparative study of constitutional design to date, they incorrectly specified a few variables. Gabel states that the data is based around expectations that voters hold politicians accountable. This is inaccurate for this research due to the fact that within a proportional representation system it’s more difficult to hold policymakers accountable. Another issue with Persson and Tabellini’s work is that they assume the voters preferences in that most if not all voters do not wish to have their government raise spending. Gabel asks the question, what if a majority of voters actually elect a government to raise spending? This scenario is not possible within the Economic Effects of Constitutions model.

### **Public Opinion and Private Sector**

Cisneros (2010) noticed that even though public opinion and government budget policy are related, and these two fields are greatly researched their relationship is rarely studied. The author looked to see how the people voted on the whether they preferred government spending and how it their opinion influenced government. Through polls and surveys people generally give their opinions on matters. The author found that through these surveys politicians and parties gathered their data to see what their constituents want. The politicians took the mean of the people of their party’s ideology and determined their policies based on how their constituents voted on the matter in polls.

Income distribution across a country differs from country to country depending on how

their economy is set up. The authors develop the theory that the government income they distribute is set up by those individuals that are informed. This is due to the fact that in any given country the policy that is being set in place is being implemented by the officials that were voted for. So by voting in elections the citizens of a country are voting for the policy's they want. The authors looked at if and how the size of government is connected to the growth of the economy. In their findings they found that government is independent, however governments within a country are connected to the economy.

Karras (1994) looks at the relationship between government consumption and private consumption. The authors of this paper hypothesis that government and private spending are not only connected but complimentary of each other. Their hypothesis was correct in that they do complement each other. When the government spending sector rises so does the private sector. However the larger a country's government sector the smaller the private sector is going to be. This is due to the overcrowding of the government sector.

Spence (2009) asked the question of, if a country is open economically do the prices and budget rise or fall within the given nation? He argues that if a country trades and its markets are open that country is not going to tax its citizens. The country will compensate their citizens due to the higher risk due to the trade among countries. In his findings he found that it is not that case that the more you trade the more a country will spend. It is on the other hand a positive thing. Only slightly does trade benefit your countries spending. If you trade you don't have to spend as much on goods and services.

After looking at the research I began to formulate a few hypotheses. The first of two hypotheses states in a comparison of countries, those who have a presidential form of government will have a smaller deficit than those with a parliamentary form of government. I

formulated this hypothesis based off of the previous literature that was researched. In The Economic Effects of Constitutions Tabellini and Persson found that presidential styles of government have smaller public sectors. This as well as my theory that due to a more split between the branches (Legislative and Executive) within the presidential form of government there will be more obstacles from one party to control the legislative process. The second hypothesis that I state is in a comparison of countries, those who have a majoritarian electoral system will have a smaller deficit than those with a proportional representative electoral system. I formulated this hypothesis from two basic aspects. The first being from The Economic Effects of Constitutions that states proportional elections cause greater and wider ranged government spending as well as larger budget deficits. The second aspect that brought me to this conclusion was my theory that in a PR system there will be more deal making in the legislative process that could raise the costs of bills and/or budgets.

## Methods and Analysis

### Defining Dependent and Independent Variables

#### *Dependent Variables*

For this study I used dependent variables that I gathered data from the World Bank. From there I gathered information on the eighty five countries within this study. For my main dependent variable I obtained tax revenue as a percent of GDP from the years 2006 – 2009. After gathering the information for tax revenue I obtained Public Expenses as a percent of GDP for the years 2006 – 2009. With these two variables I subtracted expenditures from revenues to create a new variable of deficit. Other variables I used for economic purposes in this study were Account Balance for the same years and countries as well as GDP per Capita. All of these variables are in current US dollars.

#### *Independent Variables*

For the independent variables I obtained them from the data set from Persson and Tabellini in “*The Economic Effect of Constitutions.*” From there data set I used two main variables. The first of these variables classified for the countries whether the country had a Presidential or Parliamentary system. This variable is coded 1 if the country has a Presidential system and 0 for Parliamentary. The other main independent variable that I used in this study was once again a variable from the data set. This one however showed a country’s electoral system, whether it has a majoritarian rule or proportional representation. To clarify majoritarian election this is simply a winner takes all district as opposed to proportional which the winner gets as many seats in that district equal to the percentage of the vote they obtained. Other independent variables that I used showed whether a nation was some combination of these two variables. These variables showed which countries a majoritarian Parliament and the other had showed

majoritarian Presidential systems.

## Analyzing the Data

I began by listing each of the countries in my data and what their form of government and electoral system are. There are thirty three nations that had a majoritarian electoral system and fifty two that had proportional representation as their electoral system. In regards to form of government there was thirty three nations that had a presidential form of government and fifty two that had some form of parliamentary government.

*(Table 1 about here)*

In order to better illustrate the data I created a simple bar graph showing the relationship between deficits in the year 2008 to what electoral system a country has, while controlling for form of government. In the graph between the two electoral systems proportional representation on average has the most deficits. When looking at the effect that the form of government has on deficit those with a parliamentary system on average have a larger debt, in both majoritarian and PR systems. With regard to presidential systems those with PR are slightly lower than those with a majoritarian electoral system

*(Figure 1 about here).*

Next, I ran a crosstab, once again using Deficits 2008 as my dependent variable. The only difference in this case is that I transformed this variable into an ordinal variable to make it easier to read. For the independent variable I used form of government, electoral system, as well as GDP per capita, and Foreign Direct Investment. When looking at the first crosstabs of Deficit 2008 and electoral system it showed that on average proportional representation systems on average had more deficits. In regards to low deficits both electoral systems were even, however when looking at high deficits proportional representation was at 46% and majoritarian was at

only 9%. The Gamma score for this was .556 and was statistically significant. Chi-Square was also significant with a score of .011.

*(Table 2 about here)*

The next data looks again at crosstabs with the same dependent variable of Deficits 2008. This table looks at the effect on deficits of form of government. When looking at this crosstabs the parliamentary system on average has more of a deficit than the Presidential form of government. When looking at high deficits parliamentary sits at 50% and Presidential is sits at 4%. Both forms of government are about even in terms of low deficits. The Chi-square score is 14.652 and shows significance. The Gamma score is .520 with a significance of .002 which follows the .05 rule.

*(Table 3 about here)*

The third crosstabs looks at the dependent variable of deficit 2008 and the independent variable of GDP per Capita 2008. Within this crosstab the ranges of both GDP per capita and deficits match up. Meaning with high levels of GDP per capita a country also experiences high levels of deficits. The same can be said for low levels of GDP per capita and deficit. The Chi-square significance is at .036 which follows the .05 rule of the P value. The Gamma score has a significant although negative effect with a score of -.466. The Gamma significance is .002 which also follows the .05 P value rule.

*(Table 4 about here)*

After running the case summary on the countries and their forms of government and electoral system I ran a linear regression with deficits of the countries from the year 2008 as my dependent variable. For my independent variables I used electoral system as well as form of

government and GDP per capita. In this linear regression table the R square and adjusted R squared were .258 and .220. Meaning this equation and the variables accounted for 26% and 22% of the variance in the dependent variable (deficits). When looking at which on the variables were significant or had a significant impact on the dependent variable, two out of the three were relevant. Of the three the only one that didn't have a significant impact on deficits 2008 was GDP per capita. With a T- score sitting at -.225 the variable was far off from being significant with holding the value of significance at 2, correspondingly the P value of .823 is not significant at the .05 level. Form of Government and electoral system both had a positive impact on the dependent variable. Between the two, form of government had the larger impact on deficits 2008.

*(Table 5 about here)*

## **Conclusion**

My hypothesis is that countries with a presidential style government will have fewer deficits than those with a parliamentary style government. In regards to electoral systems, those with a majoritarian electoral system will on average have fewer deficits than those with a proportional representation system. My main variables supported my hypotheses. As I predicted the countries went the way in which I thought they would with presidential forms of government having fewer deficits than those of parliamentary systems. With electoral systems they also went the direction I thought they would; majoritarian electoral systems on average had fewer deficits than those with proportional representation systems.

Table two gives the best example of the relationships in this study. It shows that both the form of the government and electoral system have a significant impact of deficits whereas GDP had no significant impact. Although I did not hypothesize any correlation between deficit and



GDP per capita, the results shown did present a surprise to me. This table also showed that neither form of government or electoral system have a positive impact on deficits therefore lower it and bringing it closer to a surplus. Figure four gives the best depiction of the relationship between the main variables. This graph once again proves my theory correct by showing that PR electoral systems and the Parliamentary form of government with more deficits.

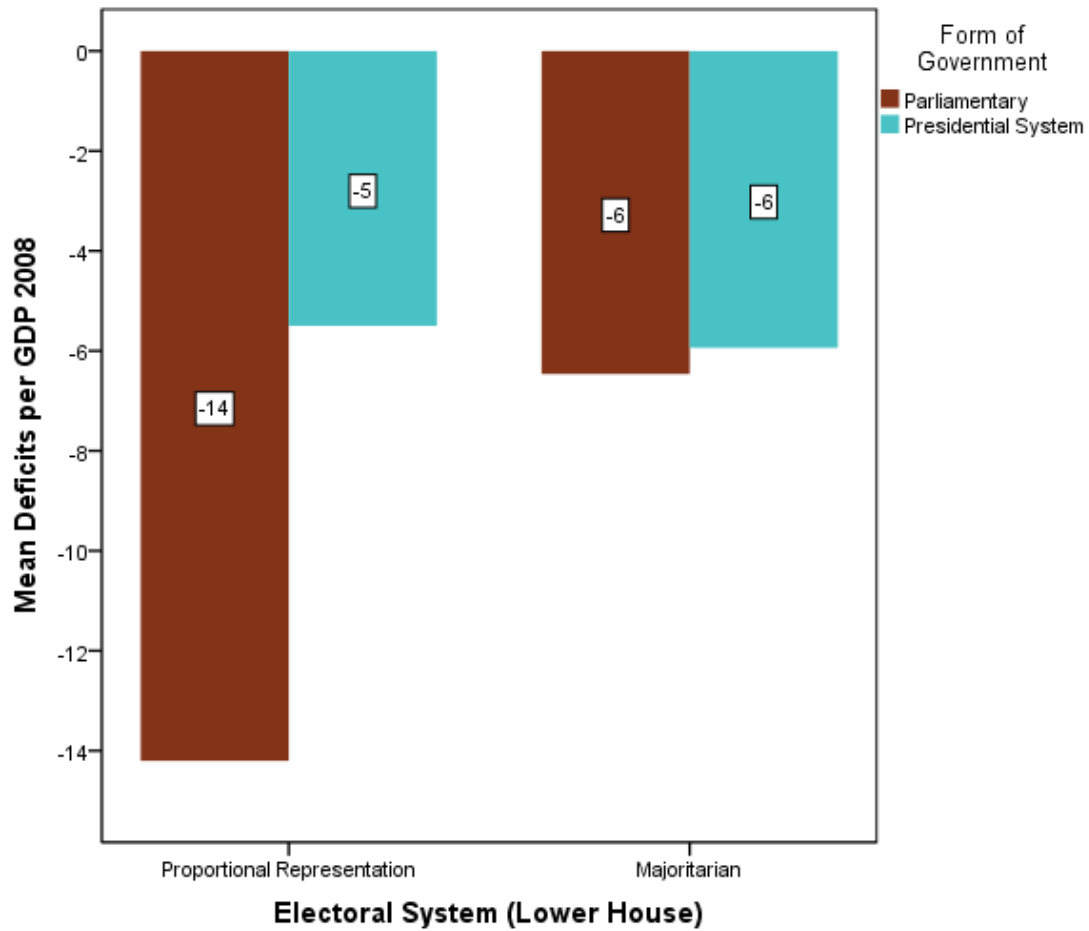
## Appendix

List of Countries Included in Analysis (Table 1)

|    | <b>Name of country</b> | <b>Electoral System</b> | <b>Government System</b> |
|----|------------------------|-------------------------|--------------------------|
| 1  | Argentina              | Proportional            | Presidential             |
| 2  | Australia              | Majoritarian            | Parliamentary            |
| 3  | Austria                | Proportional            | Parliamentary            |
| 4  | Bahamas                | Majoritarian            | Parliamentary            |
| 5  | Bangladesh             | Majoritarian            | Parliamentary            |
| 6  | Barbados               | Majoritarian            | Parliamentary            |
| 7  | Belarus                | Majoritarian            | Presidential             |
| 8  | Belgium                | Proportional            | Parliamentary            |
| 9  | Belize                 | Majoritarian            | Parliamentary            |
| 10 | Bolivia                | Proportional            | Presidential             |
| 11 | Botswana               | Majoritarian            | Parliamentary            |
| 12 | Brazil                 | Proportional            | Presidential             |
| 13 | Bulgaria               | Proportional            | Parliamentary            |
| 14 | Canada                 | Majoritarian            | Parliamentary            |
| 15 | Chile                  | Majoritarian            | Presidential             |
| 16 | Colombia               | Proportional            | Presidential             |
| 17 | Costa Rica             | Proportional            | Presidential             |
| 18 | Cyprus (G)             | Proportional            | Presidential             |
| 19 | Czech Republic         | Proportional            | Parliamentary            |
| 20 | Denmark                | Proportional            | Parliamentary            |
| 21 | Dominican Re           | Proportional            | Presidential             |
| 22 | Ecuador                | Proportional            | Presidential             |
| 23 | El Salvador            | Proportional            | Presidential             |
| 24 | Estonia                | Proportional            | Parliamentary            |
| 25 | Fiji                   | Proportional            | Parliamentary            |
| 26 | Finland                | Proportional            | Parliamentary            |
| 27 | France                 | Majoritarian            | Parliamentary            |
| 28 | Gambia                 | Majoritarian            | Presidential             |
| 29 | Germany                | Proportional            | Parliamentary            |
| 30 | Ghana                  | Majoritarian            | Presidential             |
| 31 | Greece                 | Proportional            | Parliamentary            |
| 32 | Guatemala              | Proportional            | Presidential             |
| 33 | Honduras               | Proportional            | Presidential             |
| 34 | Hungary                | Proportional            | Parliamentary            |
| 35 | Iceland                | Proportional            | Parliamentary            |
| 36 | India                  | Majoritarian            | Parliamentary            |
| 37 | Ireland                | Proportional            | Parliamentary            |
| 38 | Israel                 | Proportional            | Parliamentary            |
| 39 | Italy                  | Proportional            | Parliamentary            |
| 40 | Jamaica                | Majoritarian            | Parliamentary            |
| 41 | Japan                  | Majoritarian            | Parliamentary            |
| 42 | Latvia                 | Proportional            | Parliamentary            |
| 43 | Luxembourg             | Proportional            | Parliamentary            |
| 44 | Malawi                 | Majoritarian            | Presidential             |
| 45 | Malaysia               | Majoritarian            | Parliamentary            |
| 46 | Malta                  | Proportional            | Parliamentary            |
| 47 | Mauritius              | Majoritarian            | Parliamentary            |
| 48 | Mexico                 | Proportional            | Presidential             |

|    | <b>Name of country</b> | <b>Electoral System</b> | <b>Government System</b> |
|----|------------------------|-------------------------|--------------------------|
| 49 | Namibia                | Proportional            | Presidential             |
| 50 | Nepal                  | Majoritarian            | Parliamentary            |
| 51 | Netherlands            | Proportional            | Parliamentary            |
| 52 | New Zealand            | Majoritarian            | Parliamentary            |
| 53 | Nicaragua              | Proportional            | Presidential             |
| 54 | Norway                 | Proportional            | Parliamentary            |
| 55 | Pakistan               | Majoritarian            | Presidential             |
| 56 | Papua N. Guinea        | Majoritarian            | Parliamentary            |
| 57 | Paraguay               | Proportional            | Presidential             |
| 58 | Peru                   | Proportional            | Presidential             |
| 59 | Philippines            | Majoritarian            | Presidential             |
| 60 | Poland                 | Proportional            | Parliamentary            |
| 61 | Portugal               | Proportional            | Parliamentary            |
| 62 | Romania                | Proportional            | Parliamentary            |
| 63 | Russia                 | Proportional            | Presidential             |
| 64 | Senegal                | Proportional            | Parliamentary            |
| 65 | Singapore              | Majoritarian            | Parliamentary            |
| 66 | Slovak Republic        | Proportional            | Parliamentary            |
| 67 | South Africa           | Proportional            | Parliamentary            |
| 68 | South Korea            | Proportional            | Presidential             |
| 69 | Spain                  | Proportional            | Parliamentary            |
| 70 | Sri Lanka              | Proportional            | Presidential             |
| 71 | St. Vinc & Gren        | Majoritarian            | Parliamentary            |
| 72 | Sweden                 | Proportional            | Parliamentary            |
| 73 | Switzerland            | Proportional            | Presidential             |
| 74 | Taiwan                 | Proportional            | Parliamentary            |
| 75 | Thailand               | Majoritarian            | Parliamentary            |
| 76 | Trinidad & Tobago      | Majoritarian            | Parliamentary            |
| 77 | Turkey                 | Proportional            | Parliamentary            |
| 78 | USA                    | Majoritarian            | Presidential             |
| 79 | Uganda                 | Majoritarian            | Presidential             |
| 80 | United Kingdom         | Majoritarian            | Parliamentary            |
| 81 | Ukraine                | Majoritarian            | Parliamentary            |
| 82 | Uruguay                | Proportional            | Presidential             |
| 83 | Venezuela              | Proportional            | Presidential             |
| 84 | Zambia                 | Majoritarian            | Presidential             |
| 85 | Zimbabwe               | Majoritarian            | Presidential             |

Mean Deficit by Electoral System and Form of Government (Figure 1)



Electoral Systems Debt (Table 2)

|                                  | Electoral System Legislative Elections (Lower House) |                    | Total                             |
|----------------------------------|--|--------------------|-----------------------------------|
|                                  | Proportional Representation                          | Majoritarian       |                                   |
| Revenues minus Expenditures 2008 | <i>High Deficit</i>                                  | 19<br><b>46.3%</b> | 2<br><b>9.1%</b><br>21<br>33.3%   |
|                                  | <i>Medium Deficit</i>                                | 11<br><b>26.8%</b> | 9<br><b>40.9%</b><br>20<br>31.7%  |
|                                  | <i>Low Deficit</i>                                   | 11<br><b>26.8%</b> | 11<br><b>50.0%</b><br>22<br>34.9% |
| Total                            | 41<br>100.0%   | 22<br>100.0%       | 63<br>100.0%                      |

Chi-Square Significance .011

Gamma Value .556

Gamma Significance .002

Form of Government Debt (Table 3)

|                                     |                       | Form of Government |                     | Total        |
|-------------------------------------|-----------------------|--------------------|---------------------|--------------|
|                                     |                       | Parliamentary      | Presidential System |              |
| Revenues minus Expenditures<br>2008 | <i>High Deficit</i>   | 20<br>50.0%        | 1<br>4.3%           | 21<br>33.3%  |
|                                     | <i>Medium Deficit</i> | 8<br>20.0%         | 12<br>52.2%         | 20<br>31.7%  |
|                                     | <i>Low Deficit</i>    | 12<br>30.0%        | 10<br>43.5%         | 22<br>34.9%  |
| <b>Total</b>                        |                       | 40<br>100.0%       | 23<br>100.0%        | 63<br>100.0% |

Chi Square Significance .001

Gamma Value .520

Gamma Significance .002

GDP per capita and Debt (Table 4)

|                                     |                       | Gross Domestic Product Per Capita 2008 |              |                    | Total        |
|-------------------------------------|-----------------------|--|--------------|--------------------|--------------|
|                                     |                       | Low                                    | Middle       | High               |              |
| Revenues minus Expenditures<br>2008 | <i>High Deficit</i>   | 1<br>5.9%                              | 8<br>36.4%   | 12<br><b>50.0%</b> | 21<br>33.3%  |
|                                     | <i>Medium Deficit</i> | 6<br>35.3%                             | 8<br>36.4%   | 6<br>25.0%         | 20<br>31.7%  |
|                                     | <i>Low Deficit</i>    | 10<br><b>58.8%</b>                     | 6<br>27.3%   | 6<br>25.0%         | 22<br>34.9%  |
| Total                               |                       | 17<br>100.0%                           | 22<br>100.0% | 24<br>100.0%       | 63<br>100.0% |

Chi Square Significance .036

Gamma Value -.466

Gamma Significance .002

Constitutions and Debt (Table 5)

| Model |  | Unstandardized Coefficients |            | Standardized Coefficients | t             | Sig.        |
|-------|--|-----------------------------|------------|---------------------------|---------------|-------------|
|       |  | B                           | Std. Error | Beta                      |               |             |
| 1     | (Constant)   | <b>-12.873</b>              | 1.730      |                           | <b>-7.440</b> | <b>.000</b> |
|       | Electoral System<br>Legislative Elections<br>(Lower House) | <b>4.674</b>                | 1.720      | .313                      | <b>2.717</b>  | <b>.009</b> |
|       | Form of Government   | <b>5.679</b>                | 1.833      | .383                      | <b>3.097</b>  | <b>.003</b> |
|       | Gross Domestic<br>Product Per Capita<br>2008               | <b>-8.338E-6</b>            | .000       | -.028                     | <b>-.225</b>  | <b>.823</b> |

*Dependent Variable: Revenues minus Expenditures 2008*

| Model | R                 | R Square    | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|-------------|-------------------|----------------------------|
| 1     | .508 <sup>a</sup> | <b>.258</b> | <b>.220</b>       | 6.34851                    |

a. Predictors: (Constant), Gross Domestic Product Per Capita 2008, Electoral System  
Legislative Elections (Lower House), Form of Government



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