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Fiscal Policy and Presidential Elections: Update and Extension

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This article updates, deepens, and extends previous articles published in this journal on the relation between fiscal policy and presidential elections. It presents evidence that is consistent with the view that voters reward fiscal frugality and punish fiscal expansion. The relationship is robust with respect to economic conditions, presidential incumbency, number of consecutive terms in the White House by presidents of the same party, and war. An intriguing finding is that, when fiscal policy is controlled for, incumbency advantage practically disappears. It is hoped that these findings will stimulate more political scientists, especially students of the presidency, to pay more attention to the role of fiscal policy in presidential elections.

According to two articles previously published in this journal, fiscal policy exerts a predictable effect on the outcome of presidential elections in the United States (Cuzán and Heggen 1984; Cuzán and Bundrick 1992). It appears that, independent of economic conditions, fiscal restraint is rewarded but fiscal expansion is rejected at the polls. These findings are consistent with those of William Niskanen (1975, 1979) and Sam Peltzman (1990, 1992), the only other scholars, both economists, who have explored the impact of fiscal policy on American presidential elections.[1]

This article updates, deepens, and extends the earlier work. The 1992 and 1996 elections are added to the set, for a total of thirty-two elections (or thirty, depending on

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1. For parallel results in parliamentary democracies, see Happy (1992) and Landon and Ryan (1997) on Canada and, on Great Britain, Pissarides (1980).

data availability—see below) extending across a period of well over a century, one of the two longest data series that, to the best of our knowledge, is accounted for by any one presidential elections model.[2] An improved specification of the multiple regression model, one that uses the percentage of the two-party vote, rather than the percentage of the total vote, and which adds the number of consecutive terms that presidents of the same party have occupied the White House, results in a respectable fit with the data. Finally, analysis of the relationship between fiscal policy, presidential incumbency, and election outcome shows that it is not incumbency but fiscal policy that accounts for the success of sitting presidents. This last finding raises intriguing questions about the role of presidential leadership in democratic government.

Fiscal Policy and Presidential Elections: Testing an Implausible Hypothesis

Following Cuzán and Heggen's original article, published in this journal (see also Cuzán and Heggen 1985; Cuzán and Bundrick 1996), it is hypothesized that the outcome of presidential elections is contingent on fiscal policy. If fiscal policy is *expansionary*, incumbents are defeated; if it is *cutback*, they are reelected. By incumbents we mean the president or his party's candidate, along with his team. Fiscal policy is expansionary if F, the ratio of federal expenditures to gross national product (GNP) between election years, rises at a rate that is equal or greater than during the previous presidential term; it is cutback if this ratio declines or increases at a slower rate than in the previous administration (for a formal definition, see Table 1). There is a third possibility: a steady-state fiscal policy, where the ratio stays the same for two consecutive administrations. However, there is not one such case since 1872. Thus, de facto, fiscal policy or FISCAL is a binary variable (more about this below). Note that what defines fiscal policy are not the changes in the absolute amount of federal expenditures but in the percentage of GNP spent. It is in this relative sense that terms such as *federal spending* or *expenditures* and *size of the budget* are used here.

The theoretical rationale for a fiscal hypothesis of presidential elections rests on an economic analogy. It is assumed that federal spending (again, as a percentage of GNP) is equivalent to a "price" that the national government charges the economy for its services. When this price rises, voters-cum-consumers refuse to "buy" another term from the incumbents, casting their ballots, instead, for opposition candidates. On the other hand, when this "price" falls or rises more slowly than in the previous administration, voters interpret it as a sign of good fiscal management and hence are willing to return the incumbents to the White House for another four years.

We hasten to clarify that it is not necessary to believe that voters do, in fact, make these fiscal calculations before going to the polls. Rather, it is sufficient to suppose that the electorate can observe the effects of fiscal policy, is averse to those caused by fiscal expan-

2. Only Norpoth's (1996) data series extends across a comparable period, taking in thirty-one elections. For a comparison of the two models, see Cuzán and Bundrick (1999).

TABLE 1
Definitions and Measurements of Variables

VOTE2	Percentage of the two-party vote won by the incumbent party candidate (adapted from Fair 1996a).
ELECT	ELECT = 1 if incumbents (the president or his party's nominee) win reelection; ELECT = –1 if incumbents are defeated.
GROWTH (g3)	The annualized rate of growth of real per capita gross domestic product (GDP) through the first three quarters of the presidential election year (Fair, 1996a, 1996b).
INFLATION (p15)	The annualized rate of growth of the GDP price index in the first fifteen quarters of the presidential term (Fair 1996a, 1996b).
TERMS (T)	The number of consecutive terms by presidents of the same party affiliation.
PRESIDENT	PRESIDENT = 1 if the president ran for reelection. PRESIDENT = 0 if the president did not run for reelection.
WAR	WAR = 1 in 1920, 1944, and 1948; WAR = 0 all other years (Fair 1996a, 1996b).
F	Federal expenditures as a percentage of gross national product. $$F = \frac{\text{Federal Outlays}}{\text{GNP}} \times 100$$
F′	Percentage change in F between presidential election years. $$F = \frac{F_t - F_{t-1}}{F_{t-1}},$$ where t is an election year and $t - 1$ the previous election year.
F″	The arithmetic change in F′ between presidential election years. $F'' = F'_t - F'_{t-1}$
FISCAL	Fiscal policy: expansionary (1), cutback (–1), or steady-state (0). FISCAL = 1 if $F' > 2$ *and* $-2 \leq F''$ FISCAL = –1 if $F' < -2$ *or* $F'' < -2$ FISCAL = 0 if $-2 \leq F' \leq 2$ *and* $-2 \leq F''$ (There is no case of a steady-state policy in the data—see the appendix.) The rationale for setting the threshold value at ±2 is that, to be recognized as a change in fiscal policy, the change in these ratios cannot be of a trivial magnitude.

sion, and votes accordingly. In other words, voters cast their ballots *as if* they made the fiscal calculations directly.[3] Still, this line of reasoning is likely to strike many readers as implausible or counterintuitive. At this point, all we ask is that they suspend judgment until they see the evidence. For, as Ashby (1970) says, "Test by demonstration is always treated as the ultimate test, let plausibility say what it will" (p. 110).

3. Economists routinely make similar assumptions. Thus, in explaining the Walrasian "vision," Katzner (1992) observes that "although there is no guarantee that the consumer is, in fact, a utility maximizer, the model constructed here and the vision from which it emanates explains his behavior *as if* he were" (p. 46, emphasis added).
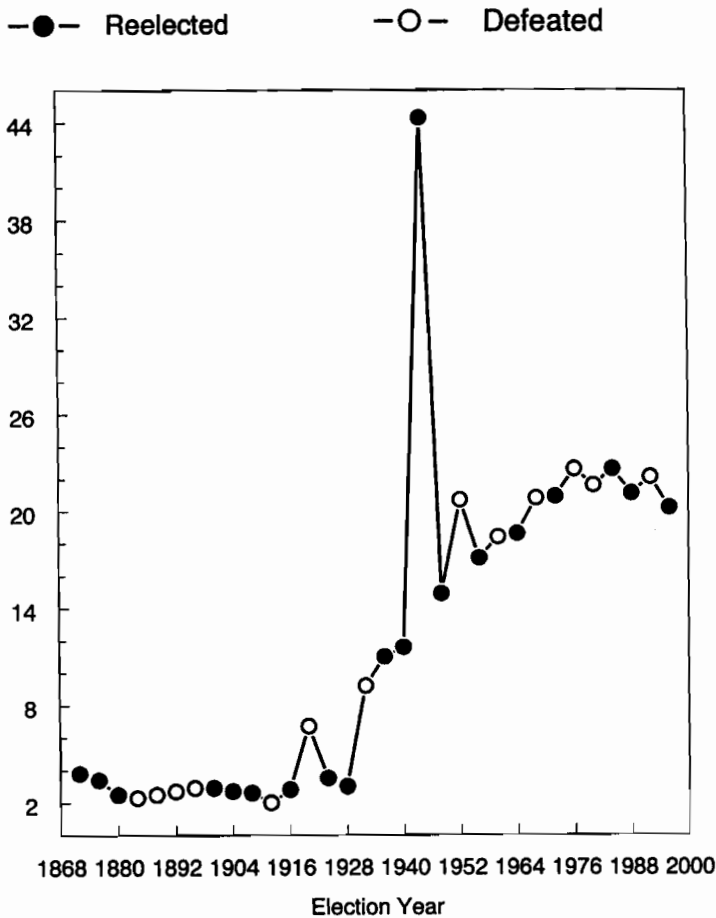
FIGURE 1. *F* and Election Outcome: 1872-1996.

We begin our demonstration with a simple visual exercise. Figure 1 shows the relationship between *F* and election outcome in the United States between 1872 and 1996. The thirty-two observations are connected by a line (the *F*-line) tracing the history of federal spending across the entire period. Note that, from 1872 to 1928, except for the shock of World War I, the fiscal effects of which were erased by time, the share of GNP spent by the federal government ranged between 2 and 3 percent (for fiscal and all other data analyzed in this article, see the appendix). Starting in 1932, *F* underwent a four decade-long climb, topping at about 23 percent in 1976 and zigzagging somewhat below that level after that.

At first glance, there appears to be no relationship between federal spending and election outcome. The ratio of reelections (black dots) to defeats (white dots) during the 1872-1928 period is about the same as during the 1932-96 period (9:6 vs. 10:7). In other words, the height of the *F*-line is unrelated to election outcome: incumbents can win

reelection at any level of government spending. However, if one examines the relationship between *changes* in the slope of the F-line and election outcome, a pattern emerges: clockwise turns are associated with reelection (sixteen of nineteen cases) and counterclockwise turns with defeat (ten of thirteen). Note that these turns in the F-line correspond to the previously discussed types of fiscal policy. Clockwise turns represent decreases in the level of spending or *its rate of growth* (i.e., decelerations) between election years; by contrast, counterclockwise turns describe administrations during which spending growth continued unabated or actually accelerated.

Next, we turn to Table 2, which tabulates presidential election outcome by fiscal policy. All thirty-two elections held between those years are located in the table by chronological order within each cell. The name and party affiliation of the president identify each administration (D = Democrat, R = Republican), by order of terms (e.g., FDR-I [F. D. Roosevelt], FDR-II, etc.), and the year in which the end-of-term election was held. Keep in mind that the election is held in November but the term officially does not end until the following January and, before FDR II, in March. Where a president did not finish his term due to death or resignation, the administration is named after both men, for example, 1900 McKinley/TR (T. Roosevelt), 1964 Kennedy/Johnson; and if a vice president became president by death or resignation of his predecessor and wins election in his own right, the new term is considered his second, for example, 1948 FDR/HT (H. Truman) is followed by 1952 Truman II.

Note that twenty-six of thirty-two elections (81 percent) behaved as expected. In nineteen instances of a cutback policy, sixteen end-of-term elections (84 percent) went for the incumbents, while ten of thirteen cases of fiscal expansion (77 percent) ended in defeat. The probability of obtaining at least twenty-six of thirty-two successes by chance alone is less than .0004. Thus, as hypothesized, the pattern displayed in Table 2 (and Figure 1) suggests that increasing federal spending has not found favor with voters. As a recipe for reelection, fiscal expansion has seldom worked.

Incidentally, note that the two most recent elections fit the pattern. President Bush pursued an expansionary fiscal policy and was defeated. By contrast, President Clinton implemented a cutback policy and coasted to reelection.

Table 2 yields two additional observations. First, most administrations (nineteen out of thirty-two, or just under 60 percent) pursued a cutback policy. This is not without irony, given that, as Figure 1 shows, the federal budget has grown by a factor of seven since 1928. However, large increases in spending are concentrated in only a few administrations, all but one of which were not electorally successful. As the appendix shows, seven administrations implemented increases in spending in the order of 10 percent or greater: Wilson I and II, Hoover, FDR I and III, Truman II, and LBJ II (L. B. Johnson). These are the administrations responsible for most of the budgetary growth that has taken place during this century. Yet, only FDR can be regarded as an electorally successful president, one whose policy was endorsed by a substantial majority of the voters. Wilson was reelected by a modest margin and his party's candidate suffered a crushing defeat at the next election. The same applies to Truman. Moreover, Wilson I occurred on the eve of U.S. entry into World War I and FDR III in the middle of World War II, while FDR I

TABLE 2
Fiscal Policy and Presidential Elections: 1872-1996

| | Fiscal Policy | | |
Election Outcome	Cutback	Expansionary	Total
Reelection	1872 Grant I, R	1916 Wilson I, D	
	1876 Grant II, R	1944 FDR III, D	
	1880 Hayes, R	1984 Reagan I, R	
	1900 McKinley I, R		
	1904 McKinley/TR, R	(3)	
	1908 T. Roosevelt II, R		
	1924 Harding/CC, R		
	1928 Coolidge II, R		
	1936 FDR I, D		
	1940 FDR II, D		
	1948 FDR/HT, D		
	1956 Eisenhower I, R		
	1964 JFK/LBJ, D		
	1972 Nixon I, R		
	1988 Reagan II, R		
	1996 Clinton I, D		
	(16)		19
Defeats	1884 Garfield/Arthur, R	1888 Cleveland I, D	
	1912 Taft, R	1892 Harrison, R	
	1980 Carter, D	1896 Cleveland II, D	
	(3)	1920 Wilson II, D	
		1932 Hoover, R	
		1952 Truman II, D	
		1960 Eisenhower II, R	
		1968 Johnson II, D	
		1976 Nixon/Ford, R	
		1992 Bush, R	
		(10)	13
Total	19	13	32

Note: TR = T. Roosevelt; CC = C. Coolidge; FDR = F. D. Roosevelt; HT = H. Truman; JFK = J. F. Kennedy; LBJ = L. B. Johnson.

actually represented a deceleration in the growth of spending (i.e., a cutback policy) compared to the tripling of the budget under Hoover.[4] In other words, it is only under highly unusual circumstances that large increases in spending have not resulted in incumbent defeat. Thus, except for FDR, whose fiscal record outside the war years was actually rather restrained, presidents who implemented large increases in spending did not meet with voter approval. This fact will be taken up again in the conclusion.

4. Contrary to what some readers may believe, the Hoover administration was fiscally expansionary. This was not only because of the economic contraction: under Hoover, federal outlays *increased* by about two-thirds even as the gross national product (GNP) fell by almost one-half. Under F. D. Roosevelt (FDR), by contrast, spending growth in F slowed down for two consecutive terms.

The other observation gleaned from Table 2 is that, at first glance, there appears to be a partisan pattern to the data. Democratic administrations have been as prone to pursue an expansionary policy (seven) as a cutback policy (six). On the other hand, by a better than 2-to-1 ratio, Republicans have carried out fiscal cutbacks. However, this relationship is a function of time: in the 1872-1928 period, all but one Republican and no Democrat (there were only two: Cleveland and Wilson) executed a cutback policy. After 1928 the relationship disappears. It could be that, following the New Deal, Republicans reconciled themselves ideologically to a larger government. Even so, when it comes to fiscal policy, there is no longer any difference between Democratic and Republican presidents.

Having established a strong bivariate relationship between fiscal policy and election outcome, it remains to be seen whether there is a relation between fiscal policy and the presidential vote; and, if a relation does exist, whether it holds up in the presence of conventional control variables. Figure 2 shows that, indeed, fiscal policy is associated with the percentage of the two-party vote (VOTE2) going to the incumbents (the president or his party's candidate). Note that in fifteen of nineteen cases where VOTE2 exceeds 50 percent, the administration pursued a cutback policy (black dots); by contrast, in nine of eleven cases where VOTE2 falls below 50 percent, the administration pursued an expansionary policy (white dots). In the remaining two cases, where VOTE2 was just about 50 percent, one involved an expansionary, another a cutback policy.

To test whether this relationship holds up in the presence of the usual control variables, we now turn to multiple-regression analysis. Table 3 describes, in addition to fiscal policy variables, six others used in the analysis. These include the percent of the two-party vote going to the incumbents, which will serve as our dependent variable, and five control variables.[5] The model to be tested is specified as follows:

$$\text{VOTE2} = A + b \text{ FISCAL} + b \text{ TERMS} + b \text{ GROWTH} + b \text{ INFLATION} + b \text{ PRESIDENT} + b \text{ WAR} + \varepsilon,$$

where all variables are defined and measured as shown in Table 1, A is a constant (intercept), $b1, \ldots, b6$ are coefficients, and ε is an error term.

The inclusion of GROWTH and INFLATION as predictors of presidential elections requires no justification, it being by now routine (see, e.g., Garand and Campbell 1996). TERMS is premised on the idea that, after several terms, voters tire of incumbents. As Abramowitz (1996) puts it, "Once a party has controlled the White House for two or more terms . . . there is growing sentiment among the public that it is simply 'time for a change' " (p. 436). WAR is introduced as a control because voters may be expected to be more tolerant of fiscal expansion during such a national emergency. It is a dummy variable that, as in Fair (1996), takes the value of 1 in 1920, 1944, and 1948, years in which an election was held at the end of a term during which the United States was at war, and 0 in

5. As Table 1 indicates, several variables are borrowed from Fair (1996a, 1996b). As his dependent variable, Fair uses the Democratic share of the two-party vote (V). In this article, then, VOTE2 = V when the incumbent is Democrat and VOTE2 = (1 – V) when Republican. Also, be it noted that Fair adjusted V in the 1912 and 1924 elections. In the former he added T. R. Roosevelt's votes to Taft's and in the latter he, in effect, assigned 23 percent of the LaFollete vote to Coolidge and the rest to the Democratic candidate. We commend Professor Fair for publishing his data, a practice that gives a second meaning to the "social" in social science, that is, that of a common enterprise.
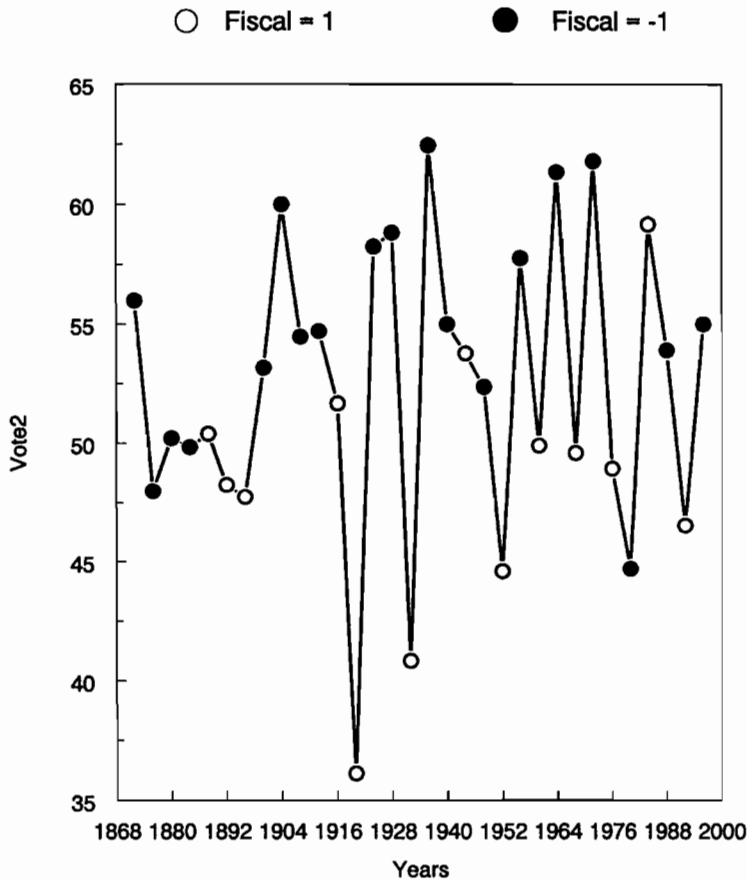
FIGURE 2. Fiscal Policy and Vote2: 1872-1996.

all other years. PRESIDENT takes into account the "well-known advantages of the candidate who is an incumbent" (Peltzman 1992, 330). Finally, FISCAL is a dummy variable measuring changes in the ratio of federal expenditures to GNP between election years as discussed above. Because Fair's data series begins in 1880, the model is estimated with the thirty elections held since then.

Table 3 displays the ordinary least squares (OLS) estimates for VOTE2. Note that, as expected, the relationship of FISCAL with VOTE2 is negative and statistically significant. This is consistent with previous findings, suggesting that voters are, in Peltzman's phrase, "fiscal conservatives." In general, they retain incumbents who cut or slow down spending growth relative to the previous term and turn out of the White House those who do not. In other words, the electorate appears to reward fiscal frugality and punish fiscal expansion. Also as expected, the effect of GROWTH is positive and that of INFLATION and TERMS negative. All three, and FISCAL, are statistically significant at the .01 level.

TABLE 3
The Impact of Fiscal Policy, Terms in Office, Incumbency, Economic Conditions, and War on Presidential Elections: 1880-1996

	Ordinary Least Squares (OLS) estimate of VOTE2[a]
FISCAL[b]	−2.49***
	(0.65)
TERMS	−1.60***
	(0.51)
GROWTH	0.41***
	(0.12)
INFLATION	−0.86***
	(0.29)
PRESIDENT	1.34
	(1.46)
WAR	5.12
	(3.09)
Intercept	57.33***
	(2.09)
N	30
Adjusted R^2	.72
Durbin-Watson (DW)[c]	2.48
First-order autocorrelation	−.27

Note: See Table 1 for variable definitions. Standard errors are in parentheses.
a. VOTE2 = percentage of the two-party vote going to the incumbent party's candidate.
b. FISCAL = expansionary (1) or cutback (−1).
c. Since the DW statistic falls in the uncertainty region of the Durbin-Watson distribution, we ran an autoregressive model AR(1). The regression coefficients changed only slightly, the significance levels for all coefficients remained the same, the adjusted R^2 was .74, and the autoregressive coefficient was not significant ($t = 1.30$, $\rho = .21$). These results validate the appropriateness of the OLS model.
*** Statistically significant at the .01 level.

However, the other two variables did not perform well. Although as expected the sign of the relationship is positive, neither WAR[6] nor PRESIDENT was statistically significant. The noneffect of the latter is indeed surprising, given that Campbell (1996) regards presidential incumbency as one of three "key ingredients" in presidential forecasting (p. 424). Part of the discrepancy may be due simply to measurement error: Campbell estimated elections held since World War II only, thus omitting defeats of several incumbent presidents. Moreover, in small data sets, landslide victories such as those scored by FDR (1936), LBJ (1964), Nixon (1972), and Reagan (1984) would have a distorting effect.

6. Be it noted that in an experiment we dropped Fair's in favor of Niskanen's measure of WAR, in which 1944, 1952, and 1968 take the value of 1 and 0 in all other years. These are election years in which the United States was at war—World War II, Korea, and Vietnam, respectively. Niskanen had found a negative relationship with the vote. However, in our case, the results were essentially the same as those reported with Fair's measure. Thus, unlike Niskanen, we do find a weak, although statistically insignificant, "rally around the flag" effect. We suspect that Niskanen's finding is spurious, the result of his not having controlled for TERMS. See Niskanen (1979, 107-8, 112).

However, there is another, more fundamental reason for the poor showing of PRESIDENT: it is confounded with FISCAL. This is shown in Table 4, which is constructed in the same manner as Table 2, that is, each administration is identified, in chronological order, by the name and party affiliation of the president and year in which the end-of-term election was held. Note that in twenty of the past thirty elections the president made a bid for another term and was successful two-thirds of the time. By contrast, incumbent party candidates other than the president have been elected less than half the time. At first glance, it appears that these ratios constitute evidence for incumbency advantage. But that interpretation would be mistaken, because it ignores the relation between presidential incumbency and fiscal policy. Twelve of the twenty presidents (60 percent) running for reelection pursued a cutback policy, and it is *they* who were reelected an astounding 83 percent of the time. By contrast, five of the eight presidents (63 percent) who engaged in fiscal expansion were defeated. Only Wilson (1916), FDR III (1944), and Reagan I (1984) pulled it off. On the other hand, in four of five instances (80 percent) where a retiring president pursued a cutback policy, he was able to hand the keys to the White House to his party's nominee. In other words, for the governing party the reelection record is about the same, regardless of presidential incumbency *as long as fiscal policy is cutback*.

This is not to say that presidential incumbents enjoy no advantage at all, because they do: it is just that it comes into play only in cases of fiscal expansion. Note that, if fiscal expansion reduces a president's chances of reelection to less than half, it is absolutely fatal to his party's prospects for retaining the White House with anyone else as its candidate.[7] Not one incumbent party nominee managed to win an election held at the end of a term in which a retiring president implemented fiscal expansion. It seems as if no one but the president himself can persuade voters that fiscal expansion is justified, and usually not even he can accomplish that feat. Anyone else is doomed to defeat. On the other hand, when a retiring president pursues a cutback policy, the probability that his party will retain control of the White House is almost as good as if he himself were running for reelection. In short, unless fiscal policy is expansionary, the effect of presidential incumbency all but evaporates.

Be it noted that we tried alternative specifications of the model, but none did any better. We substituted F′ and F″, which are continuous variables, for FISCAL, and found that F′ has a direct but statistically insignificant effect, while F″ has a negative effect ($p = .05$) on VOTE2. Neither the direction nor statistical significance of the other three variables was changed, but the overall model fit was not as good, the adjusted R^2 falling below .60. It goes against the grain, continuous variables usually being preferred to binary ones, but it turns out that FISCAL is a better predictor of the vote than its components. Also, we experimented with different economic measures, testing various combinations that

7. It may be wondered whether some presidents declined to seek reelection because they expected to lose. Since 1872, nine presidents eligible to run again did not, seven before and two after adoption of the XXII Amendment limiting presidents to two elected terms. They were Grant, Hayes, Arthur, Cleveland, T. R. Roosevelt, Wilson, Coolidge, Truman, and Johnson. Neither Arthur nor Cleveland could obtain his own party's nomination, and Wilson was incapacitated. Of the remaining six, four (Grant, Hayes, T. R. Roosevelt, and Coolidge) handed the keys to the White House to their party's nominee and two (Truman and Johnson) did not. Thus, the evidence does not support the hypothesis that presidents voluntarily decline to run for reelection because they expect to lose or that they hurt their party's chances to retain the White House when they forego another run.

TABLE 4
Presidential Incumbency, Fiscal Policy, and Election Outcomes: 1880-1996 (reelection ratios in parentheses)

	President Running for Reelection?				Total
	Yes		No		
	Fiscal Policy		Fiscal Policy		
Election Result	Cutback	Expansionary	Cutback	Expansionary	
Reelection	1900 McKinley	1916 Wilson I	1880 Hayes		17
	1904 McK/TR	1944 FDR III	1908 Roosevelt II		
	1924 Harding/CC	1984 Reagan I	1928 Coolidge II		
	1936 FDR I		1988 Reagan II		
	1940 FDR II				
	1948 FDR/HT				
	1956 Eisenhower				
	1964 JFK/LBJ				
	1972 Nixon I				
	1996 Clinton				
Defeat	1912 Taft	1888 Cleveland I	1884 Garfield/Arthur	1896 Cleveland II	13
	1980 Carter	1892 Harrison		1920 Wilson II	
		1932 Hoover		1952 Truman II	
		1976 Nixon/Ford		1960 Eisenhower II	
		1992 Bush		1968 LBJ II	
	(10/12)	(3/8)	(4/5)	(0/5)	
Total	12	8	5	5	30

Note: TR = T. Roosevelt; CC = C. Coolidge; FDR = F. D. Roosevelt; HT = H. Truman; JFK = J. F. Kennedy; LBJ = L. B. Johnson.

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included, in addition to the four variables that proved statistically significant in the original model, one of the following variables: INF*GROW to capture interactive effects between inflation and growth; the average unemployment rate during the first fifteen quarters of a presidential term (u15, also borrowed from Fair 1996); and a misery index, obtained by adding the inflation and unemployment rates. None of these proved statistically significant. Neither, incidentally, did deficit spending as a percentage of the federal budget[8] nor an interaction effect (FISC*PRE) of FISCAL and PRESIDENT.[9] Also, we found no evidence of a nonlinear relationship between GROWTH or INFLATION and VOTE2, or that FISCAL is a function of GROWTH. Finally, inspection of the residuals reveals a random distribution, suggesting that the model is not misspecified.[10]

In sum, the data do not support the view that FISCAL is only a proxy for economic conditions not captured by inflation and growth. As hypothesized, fiscal policy appears to exert its own independent effect on the presidential vote.

Conclusion

In line with previous work by several scholars, the evidence presented in this article suggests that voters reward spending restraint and punish fiscal expansion—again, *relative to the previous administration*—during the concluding presidential term. The relationship is robust with respect to economic conditions, presidential incumbency, number of consecutive terms in the White House by presidents of the same party, and war years.

A related finding, interesting in its own right, is that, *when fiscal policy is controlled for*, presidential incumbency loses most, although not all, of its electoral advantage. If fiscal policy is cutback, the incumbent party's White House retention rate is about the same whether its candidate is the president or someone else. Only if fiscal policy is expansionary does it make a difference whether the president himself is running, and even then reelection is not the usual outcome. Fiscal expansion, then, is risky for incumbents. A cutback policy is the safer course, and most presidents seeking a renewal of their lease on the White House have taken it. This may or may not have been a matter of Machiavellian calculation on their part.[11] No matter: fiscal prudence, not incumbency per se, accounts for the high reelection rate of sitting presidents.

8. Data on federal deficits are available in Savage (1988). For later years, see *Economic Indicators*, a publication of the Joint Committee of the Congress, available on the Web.

9. When the interaction term INF*GROW was entered as a fifth variable in the model, the coefficients of GROWTH and INFLATION were reduced by about half, rendering them, as well as the interaction term, statistically insignificant. These were the only coefficients that were substantially altered in any of these experiments.

10. There is no end to the number of variables that could conceivably affect the outcome of presidential elections. We include a data appendix to facilitate replication of our analyses by fellow scholars, some of whom may want to conduct additional tests or experiment with different model forms, adding or subtracting variables from our set to test their own conceptualizations of the phenomenon.

11. Speaking of Machiavelli, his remarks concerning the political *virtù* of parsimony are worth recalling: "Therefore . . . if he is prudent [a prince] must not worry about the reputation of miser: because with time he will be considered even more liberal, when it is seen that because of his parsimony his income suffices him, that he can defend himself against whomever makes war on him, and that he can undertake enterprises without weighing down the peoples; by which token he comes to use liberality toward all those from whom he does not take, who are infinite, and miserliness toward all to whom he does not give, who are few" (1997, 59).

These findings present us with a paradox. During the twentieth century, federal out-lays as a percentage of GNP have grown by a factor of seven. The United States being a democracy, it is safe to assume that such a relative increase in the size of the budget could not be sustained without public approval. Indeed, there can be little doubt that voters have grown accustomed to a large budget, are fiercely loyal to their favorite programs, and will oppose hacking the federal government down to size. Nevertheless, when first pre-sented with fiscal expansion, large and not so large, they have usually rejected the incum-bent candidate, the president or his party's nominee, at the next election.

It may be that it takes time for the electorate to appreciate the value or at least get used to a larger federal budget, so that a farsighted president who, in anticipation of future needs, increases spending before the citizenry is ready puts his own reelection on the line or, if in his last term, delivers his party's nominee to certain defeat. Still, the idea that voters do not readily support budgetary increases but only come to appreciate its advantages later, if valid, raises intriguing questions about the role of presidential leadership and accountability in a democratic republic.

Democratic paradoxes and presidential dilemmas aside, it is curious that, to this point, research on the effects of fiscal policy on election outcomes, sparse as it is, has been conducted mostly by economists. While incorporating measures of economic perfor-mance in presidential election models, most political scientists have neglected to take into account fiscal behavior.[12] This is ironic, given that presidents, strategic players in the bud-get process, can do more about how much the federal government spends to accomplish its purposes than about inflation or economic growth, and that voters, in turn, cannot be indifferent to the expenses Washington incurs in procuring goods and services. It is hoped that this article will stimulate more political scientists, particularly students of the presi-dency, to subject the electoral impact of fiscal policy to increased theoretical and empirical scrutiny.

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12. The determinants of federal spending, however, have been studied by political scientists. See, for example, Berrry and Lowery (1987) and Lewis-Beck and Rice (1985).

Appendix
Data: 1872-1996 (for variable definitions, see Table 1)

Year	F	F	F	Fiscal	G3	P15	President	T	VOTE2	ELECT
1872	3.8	−24		−1	NA	NA	1	3	56	1
1876	3.4	−11	13	−1	NA	NA	0	4	48	1
1880	2.5	−26	−15	−1	3.879	1.974	0	5	50	1
1884	2.3	−8	18	−1	1.589	1.055	0	6	49.8	−1
1888	2.5	9	17	1	−5.553	0.604	1	1	50	−1
1892	2.7	8	−1	1	2.763	2.274	1	1	48	−1
1896	2.9	7	−1	1	−10.024	3.410	0	1	48	−1
1900	2.9	0	−6	−1	−1.425	2.548	1	1	53	1
1904	2.7	−7	−7	−1	−2.421	1.442	1	2	60	1
1908	2.6	−4	3	−1	−6.281	1.879	0	3	54	1
1912	2.0	−23	−19	−1	4.164	2.172	1	4	55	−1
1916	2.8	40	63	1	2.229	4.252	1	1	52	1
1920	6.7	139	99	1	−11.463	16.535	0	2	36	−1
1924	3.5	−48	−187	−1	−3.872	5.161	1	1	58	1
1928	3.0	−11	37	−1	4.623	0.183	0	2	59	1
1932	9.2	207	218	1	−15.574	6.657	1	3	41	−1
1936	11.0	20	−187	−1	12.625	3.387	1	1	62	1
1940	11.6	5	−15	−1	2.420	0.553	1	2	55	1
1944	44.3	281	276	1	2.910	6.432	1	3	54	1
1948	14.9	−66	−347	−1	3.105	10.369	1	4	52	1
1952	20.7	39	105	1	0.910	2.256	0	5	45	−1
1956	17.1	−17	−56	−1	−1.479	2.132	1	1	58	1
1960	18.4	8	25	1	0.020	2.299	0	2	49.9	−1
1964	18.6	1	−7	−1	4.950	1.201	1	1	61	1
1968	20.8	12	11	1	4.712	3.160	0	2	49.6	−1
1972	20.9	0	−12	−1	5.716	4.762	1	1	62	1
1976	22.6	8	8	1	3.411	7.604	1	2	48.9	−1
1980	21.6	−4	−12	−1	−3.512	7.947	1	1	45	−1
1984	22.6	5	9	1	5.722	5.296	1	1	59	1
1988	21.1	−6	−11	−1	2.174	3.392	0	2	54	1
1992	22.1	5	11	1	1.478	3.834	1	3	47	−1
1996	20.2	−9	−14	−1	2.000	2.300	1	1	55	1

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