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Do as I say, not as I do? Economists policymakers and fiscal consolidation

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ABSTRACT

Do individual policy-makers matter for fiscal policy and, if so, under which conditions do they matter the most? Does a formal training in economics lead policymakers to implement a distinct set of fiscal policies? Do economists-turned-policymakers follow through with what they presumably teach in their classroom? This article aims to answer these questions with respect to fiscal consolidation (austerity) by analyzing a sample of Western and European countries between 1978 and 2019. By focusing on a subset of fiscal policies that are weakly orthogonal to the business cycle, I abstract from the most contentious debates in macroeconomics which revolve around the 'best' fiscal response to economic shocks (the infamous austerity vs stimulus debate). As such, I investigate the effects of economists on fiscal policy in a most-likely-case approach, i.e. when economic theory is by and large in agreement on what the best course of action is. Across a variety of specifications, modeling choices, estimators, and temporal and spatial sub-samples, I find no evidence that either the Head of the Executive or the Finance Minister's formal education in economics is (unconditionally) associated with fiscal consolidation policy. Nevertheless, the analysis reveals some political and institutional conditions under which economists-turned-Heads of Government are indeed more likely to implement fiscal consolidation. Governments led by economists are more likely to implement fiscal consolidation when the government is less fractionalized, when they are supported by a parliamentary majority, and when there are fewer institutional constraints on the executive.

Do individual policymakers matter for fiscal policy? Does a formal training in economics lead policymakers to follow through with what they (presumably) learned in their classroom? Traditional approaches to the determinants of fiscal policy have emphasized the role of economic and political factors across both domestic and international dimensions, while relegating the role of individual policymakers to the background (Grilli et al., 1991; Roubini and Sachs, 1989). More recently, though, scholars have put forward theoretical arguments linking individual leaders' biographical characteristics and the economic policies they enact once in office (Alexiadou, 2016, 2022; Alexiadou and Gunaydin, 2019; Besley et al., 2011; Dreher et al., 2009; Hayo and Neumeier, 2016; Moessinger, 2014; Nones, 2023, 2024). From this body of research, a growing scholarship has emerged more specifically on leaders' formal training in economics and policy outcomes (Brown, 2020; J. Chwieroth, 2007; J. M. Chwieroth, 2009, 2015; Dreher et al., 2009; Hira, 2007; Jochimsen and Thomasius, 2014; Kaplan, 2017; Kogut and Macpherson, 2011; Moessinger, 2014; Strong, 2024).

Drawing from this intellectual tradition, I examine the relationship between the educational background of political leaders and their fiscal policies. This study contributes to the literature on the political economy of fiscal policies and to our understanding of how individual leaders' characteristics influence decision-making. I move beyond previous studies by focusing not only on the Head(s) of

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Government (HoG from now on), but also on the finance minister (FM from now on) and for a larger sample of countries and years.,[1][2] In addition, I investigate the scope conditions under which a leader's background characteristics are most likely to be associated with fiscal policy adjustments. Importantly, I enhance our understanding of the impact of leaders on fiscal policy by employing a research design that partially addresses both theoretical and methodological concerns. From a theoretical perspective, one of the main challenges in the study of formal educational training in economics follows directly from the pluralist nature of the social sciences. Simply put, while some degree of consensus has been achieved on foundational issues, economists tend to disagree on many, possibly most, topics with immediate public policy applications. This, in turn, makes it hard to identify the effect of economics training and opens the door to the possibility of heterogenous effects across economics trainings (J. Chwieroth, 2007; Kaplan, 2018). An additional concern, common to the literature on leaders' characteristics (Krcmaric et al., 2020), pertains individuals' selection into political office. Neither the Heads of Governments nor finance ministers are selected at random, and the selection process may be related to the overall state of the economy (Armstrong et al., 2023; Hallerberg and Wehner, 2020) and, more specifically, to the state of public finances (Moessinger, 2014; Nones, 2023).

To mitigate these concerns, I leverage recent advancements in macroeconomic research and utilize a dataset on fiscal consolidations that are weakly *orthogonal* to the business cycle. By disentangling the confounding relationship between the state of the economy, leaders' selection, and fiscal policy, this approach helps to alleviate the primary concern of endogeneity present in leaders' studies, namely, the self-selection into political office. Moreover, narratively identified fiscal consolidation policies approximate a most-likely-case for the effects of economics training. While fiscal policy is a contested topic of debate within economics, much of the debate concerns the *short-term effects* and, more specifically, how to best leverage fiscal policy to respond to economic shocks – the (in)famous austerity vs stimulus debate. By contrast, most (mainstream) economists seem to agree, at least in principle, that a government should aim to balance the budget *across the business cycle*. Being (weakly) orthogonal to the business cycle, narratively identified fiscal consolidation policies best approximate the latter case.

The main empirical results can be summarized as follows. I find no evidence that the Head of the Executive nor the Finance Minister's formal education in economics is unconditionally associated with their country's fiscal consolidation policy. Nevertheless, I uncover some conditions under which economists-turned-Heads of Government do matter. Governments led by economists are more likely to implement fiscal consolidation when the government is less fractionalized, when they are supported by a parliamentary majority, and when there are fewer institutional constraints on the executive.

1. Leaders, economists, and policymaking

According to standard spatial models (Downs, 1957), individual-level traits are presumed to be inconsequential. Candidates align with the preferences of the median voter to enhance their chances of retaining power. This premise underlies many well-known political economy explanations of fiscal consolidation which implicitly portray leaders as having no independent stance on fiscal consolidation but rather a strong preference for policies that maximize their power (Grilli et al., 1991; Hallerberg et al., 2007; Hübscher, 2016; Roubini and Sachs, 1989). However, alternative models relax these assumptions and allow for the possibility that policymakers enact policies aligned with their personal preferences (Besley and Coate, 1997).

Acknowledging the potential impact of individuals, a body of empirical research has been establishing connections between the characteristics of leaders and the economic policies they implement (Alexiadou, 2016, 2022; Alexiadou and Gunaydin, 2019; Beach and Jones, 2016; Brown, 2020; Dreher et al., 2009; Gift and Krcmaric, 2017; Nones, 2023, 2024; Szakonyi, 2021). Within the broader literature on leaders' personal attributes, a subset of studies focuses on fiscal policy/outcomes and educational background (Dreher et al., 2009; Mikosch and Somogyi, 2009; Moessinger, 2014; Strong, 2024). This body of literature enhances our comprehension of the role of individual leaders but also underscores several potential challenges.

First, it is not obvious to what extent, and under which conditions, individual leaders enjoy enough leeway to successfully pursue their fiscal preferences. Hence, the current emphasis on fiscal outcomes, such as changes in debt and/or deficits (e.g. Hayo and Neumeier, 2016; Hira, 2007; Mikosch and Somogyi, 2009; Moessinger, 2014; Strong, 2024), may be problematic as it is the result of a mix of policy choices and non-policy choices (Hübscher, 2016).

The reliance on fiscal outcomes may be even more problematic considering the second challenge, i.e. individual self-selection into political office (Krcmaric et al., 2020). To the extent that both fiscal outcomes and leaders' selection (and retention) into office are associated with the business cycle, concerns about endogeneity should be taken seriously. We know that there is some overlapping regarding the economic factors that influence fiscal consolidation (Giavazzi et al., 2019; Perotti, 1998) and leaders and ministers' selection/retention (Alexiadou and Gunaydin, 2019; Armstrong et al., 2023; Camerlo and Pérez-Liñán, 2015; J. M. Chwieroth and Walter, 2020; Hallerberg and Wehner, 2020; Jacques and Haffert, 2021; Nones, 2023). As such, concerns about endogeneity should be given due consideration. For example, Hallerberg and Wehner (2020) show under which economic conditions the selection of Finance minister with formal training in economics is more likely, thus underlining the importance of controlling for the business cycle.

Finally, studying the effect of formal education in economics faces a further conceptual challenge. Economists disagree on most topics that are consequential from a public policy perspective. As the well-known debate over stimulus vs austerity suggests, fiscal

[1] Throughout the paper I refer to the finance minister as the key government official responsible for overseeing and managing the country's budget, although the official name might differ.

[2] The study that comes closest to this paper is arguably that of Moessinger (2014). The author employs a dataset covering 110 FMs, 81 HoGs, and 15 countries for the 1982–2010 period. By contrast, my dataset contains 266 FMs, 195 HoGs, and 27 countries.

policy is no exception. Facing this task, scholars have often resorted to classifying different "schools" of economic thought. For example, Kaplan (2018) proposes an Index of Economic Advisors based on individual occupational and educational backgrounds to classify Latin American economists as either mainstream or heterodox. Likewise, several scholars have employed US economics training – or economics training in selected universities – as a proxy for neoliberalism (J. Chwieroth, 2007; Nelson, 2014). Unfortunately, though, this approach leads to crude proxies based on debatable judgment calls.[3] In addition, to the extent that the subset of universities used to proxy neoliberal training overlaps with highly ranked Economics departments, it may conflate neoliberal training with elite education and/or individual ability. It also becomes quickly infeasible. While most political economists may identify the University of Chicago and the New School for Social Research as relevant poles of mainstream and heterodox economics, respectively, the classification task becomes ambiguous once we expand the geographic scope to other parts of the world. A related difficulty concerns the study of economics training in a heterogenous set of countries over a moderately long period of time. Indeed, while sociologists aptly remind us how economics has increasingly converged towards a global profession (Fourcade, 2006), they also alert us to the possibility that its content may vary across countries (Hirschman and Berman, 2014; Lindvall, 2009).

In the next sections, I argue that refocusing our attention on a specific subset of economic fiscal policies help alleviate some of these concerns.

2. Economic theory and fiscal consolidation

Fiscal policy is arguably one of the most contentious elements of economic policy. Nevertheless, it is important to notice that most of the discussion on fiscal consolidation in the mainstream economics literature concerns the short-term effects on output and, in particular, how to best employ fiscal policy in response to economic shocks (Alesina and Ardagna, 1998; Giavazzi et al., 2019; IMF, 2010). Standard Keynesian models suggest that a fiscal contraction leads to a decline in demand and, possibly, to an economic downturn in the short run (Ziogas and Panagiotidis, 2021). However, several studies starting in the early 90s have documented how, under certain conditions, fiscal adjustments can be expansionary (Alesina and Ardagna, 1998; Giavazzi and Pagano, 1990). In practice, most (mainstream) economic models seem to fall between these extremes.

While this debate is far from settled, what economists seem to agree on, at least in principle, is that a government should aim to balance the budget *across the business cycle.* In other words, while opinions diverge regarding the extent to which the state can/should rely on fiscal policy and deficit-financing in the short term, most economists agree that it is not sustainable to have an unbalanced budget in the long term. As the IMF summarizes the debate, "Although there is widespread agreement that reducing debt has important long-term benefits, there is no consensus regarding the short-term effects of fiscal austerity" (IMF, 2010 p. 93).

Following Lindvall (2009) we can think of economic ideas as causal beliefs which, at least in principle, can be mixed across different normative (ideological) lines. The extent to which the descriptive nature of economic beliefs does or does not overlap with the normative prescriptive component is partly a function of the degree of consensus within the discipline. At one extreme (low expert consensus situations), disagreements about the causal (and descriptive) processes at play result in possibly disparate prescriptions. This is arguably the case in most areas of economic policy. Instead, on the opposite side of the spectrum, high expert consensus situations is likely to generate a greater overlapping between the descriptive and the prescriptive. Here, the typical case concerns the aggregate benefits of free trade, which commands an unrivaled degree of consensus among economists (Weymouth and Macpherson, 2012). As argued above, this is hardly the case for fiscal policy in general. Nevertheless, it is arguably the case concerning one specific aspect of fiscal policy, the need to balance the budget *across the business cycle*. In other words, it seems reasonable to agree with Mikosh and Somogyi's assertion that "an education or profession in economics […] leads to the insight that a budget should be balanced, *at least in the long run*" (emphasis mine) (2009, p. 5).

Theoretical expectations aside, is there more systematic evidence regarding economists' opinion on fiscal consolidation? Yes, albeit only indirectly. Starting in the late 70s, economists have surveyed their colleagues to assess the degree of consensus on several topics. The most useful survey item with respect to my research question is phrased as such: "The federal budget should be balanced over the business cycle rather than yearly" (Kearl et al., 1979). Successive surveys maintained the same phrasing, although starting from the 90s the question is premised by "If the federal budget is to be balanced" (See, for example, Alston et al., 1992; Frey et al., 1984; Fuller and Geide-stevenson 2003; Fuller and Geide-Stevenson, 2014; Geide-Stevenson and La Parra-Pérez, 2024). The important point to notice is that the original question *presupposes* that the goal of a balanced budget should be aimed for. The major difference is not whether a government should aim to balance the budget, but how/when. Not balancing the budget indefinitely is not contemplated. One possibility corresponds to a strongly orthodox view that a government should strive to balance its budget in any single fiscal year. The other one allows for deficit-spending during "bad" times as long as a budget surplus is then achieved during "good" times, thus leading to a balanced budget across the business cycle. In the first two surveys that maintained the same phrasing as stated above, the latter view commanded a great deal of consensus with 83 % and 82 % of respondents somehow agreeing (Kearl et al., 1979; Frey et al., 1984). To be true, the more recent surveys are more ambiguous with respect to my point since the premise of the question presumably leaves room for respondents to disagree with the view that budget should be balanced. Nevertheless, if that was the case we would see a sizeable proportion of respondents not choosing any option/not responding. Instead, across all successive surveys cited above, only 1.5

[3] Consider, for example, that Chierowth (2007) counts Harvard and UC Berkeley as "neoliberal" departments, while Gordon and Dahl (2013) classify them as "liberal" (as in left-leaning) departments.

% (Alston et al., 1992), 2.4 % (Fuller and Geide-stevenson 2003) and 0.9 % (Fuller and Geide-Stevenson, 2014) of the surveyed economists chose not to respond to the question.[4] In other words, the overwhelming majority of responses can be classified into two camps: either the budget should be balanced year-by-year or it should be balanced across the business cycle. One way or another, thou shalt balance the budget, so to speak.

3. Economics training and fiscal policy: theoretical expectations

As Hirschman and Berman (2014) notice, economists' role in the policymaking process is not obvious. On the one side, most social scientists see economics as the "most politically influential social science" (p. 779). On the other side, economists often contend that "such influence is extraordinarily limited, when it exists at all" (*ib.*). While these extreme views are caricature at best, they raise a set of important questions regarding how, and the conditions under which, economists and their ideas influence policy.

For decades, social scientists have examined the role of ideas in politics. This body of literature underscores the uncertain nature of policymaking, highlighting the necessity for ideas to streamline this complexity into a narrower set of policy alternatives (Blyth, 2003). Economists' influence over public policy may occur in different ways, ranging from indirect practices and informal channels to advisory positions and formal policy roles (Brint, 1990). Within the social sciences, sociologist seem to have focused more on the informal channels through which professional authority "performs" the economy (Bernstein, 2014; Callon, 1998; MacKenzie and Millo, 2003), while political scientists have paid closer attention to formal advisory and/or policy roles (e.g. J. M. Chwieroth, 2009; Kaplan, 2017).

The most obvious mechanism linking an education in economics to fiscal discipline concerns the informational content and technical competencies of economics training itself (Nieman and Allamong, 2023). An increase in the deficit/debt must be financed thorough sovereign bond issuance at time t with a known maturation date T. As such, the bond issuer (the sovereign) gains new liquidity immediately, but the repayments to bond owners via interest payments will occur at periods $t+1, \ldots, T$ into the future with final repayment of the bond's face value when its term matures at. Overall, the intertemporal structure of debt financing makes it easy to see its benefits (which accrue immediately), while at the same time concealing the costs, i.e. that a larger repayment will need to be made in the future. Overall, it seems reasonable to expect that someone with a degree in economics would be better positioned to appreciate the complex economic systems they navigate, and the intertemporal trade-off involved. As a result, economists may be more likely to tell good from bad advice apart and may even have an advantage in communicating the content of their proposed policies to their own cabinet (Jochimsen and Thomasius, 2014).

The technical expertise mechanism emphasizes the skills acquired through education. A second possible mechanism pertains to socialization effects. Simply put, the socialization mechanism posits that students internalize the norms and values of the society they are a part of (Barceló, 2020). A significant portion of this process occurs through informal interactions with peers and networks (Pettigrew, 1998). Unlike other cognate disciplines, which exhibit substantial variation in core theoretical principles, topical focus, and methodological approaches, economics tend to have greater consensus on foundational assumptions, the scope of debate, and suitable methods of inquiry (Nieman and Allamong, 2023). Furthermore, the consistency in course prerequisites and sequencing allows economics courses to seamlessly build on prior knowledge, enabling more material to be covered in advanced courses. Consequently, studying for an Economics degree may expose individuals to more relatively homogenous set of pre-established policy preferences (at least concerning core topics) and connections to like-minded contacts.

Overall, fields of study vary in content and methods and can shape individuals' rewards, status, career paths, networks, and worldview (Hooghe et al., 2024). One key factor contributing to the profound transformative impact of university education is its timing during a pivotal developmental stage for potential leaders and citizens (Barceló, 2020). In summary, a person's attitudes may shift due to the skills they acquire and how these skills are reinforced through interactions with others during their education (Hooghe et al., 2024).

Finally, it is important to notice that the argument suggesting that economists are systematically different that their non-economist counterpart not only makes intuitive sense but is also backed at the micro-level. Indeed, there is now a large body of literature pointing to systematic differences between economics students and non-economics students (Carter and Irons, 1991; Colander, 2005; Colander and Klamer, 1987; Hellmich, 2019; Marwell and Ames, 1981). While I was unable to find surveys that directly mirror those mentioned in the previous section, a rich literature examines the relationship between public opinion and fiscal consolidation. The findings are often mixed or contradictory. On the one hand, some surveys indicate that, on average, the public favors balanced budgets and fiscal responsibility out of concern for debt sustainability and the risks of deficit spending (Bremer and Bürgisser, 2023; Fairbrother et al., 2021). On the other hand, austerity measures often provoke public backlash due to their unpopularity (Baccini and Sattler, 2025; Fetzer, 2019; Hübscher and Sattler, 2017; Jacques and Haffert, 2021), while still others underline some specific conditions under which support for fiscal consolidation can emerge (Fernandez-Albertos and Kuo, 2020; Giuliani, 2022).

One likely explanation for these mixed findings is that people often don't think about the "costs" of fiscal consolidation unless those costs are spelled out for them. This is likely due to the public's limited understanding of the economy and fiscal policy; for instance, Hayo and Neumeier (2017) find that only 10 % of their respondents knew the previous year's budget deficit. Consequently, citizens may endorse fiscal consolidation in principle but reject the specific measures needed to implement it. Moreover, support for debt reduction often depends on partisan alignment. Indeed, Blinder and Krueger (2004) show that ideology is a stronger predictor of fiscal

[4] The relative consensus on this question has also increased: from 82.6 % in the 1990 survey (similar to the ones in the 70s and 80s), to 90.6 %, 89.8 %, and 93 % in the 2000, 2011, and 2020 survey.

preferences than either self-interest or economic knowledge. This overall gap between principle and practice has long been observed in public opinion research (e.g. Page and Shapiro, 1992): voters express support for reducing the deficit/debt in the abstract, but resist concrete measures required to achieve that goal, such as tax increases or spending cuts. Survey experiments reinforce the evidence of voter inconsistency. For instance, Bremer and Bürgisser (2023) show that while citizens support debt reduction in isolation, this support erodes when fiscal trade-offs are made explicit. This suggests that public preferences for fiscal discipline tend to be conditional, shallow, and malleable.

In short, while the public often backs balanced budgets in theory, that support is inconsistent, driven by partisanship, and easily swayed by how trade-offs are presented. Unlike economists - whose preferences for long-run fiscal balance are arguably more stable and theoretically grounded - public opinion on deficit reduction is shallow and malleable. This gap underscores the relevance of economic training among policymakers: even if the public occasionally endorses fiscal discipline, policymakers trained in economics are likely better equipped to turn abstract endorsement of fiscal discipline into concrete, and sometimes unpopular, fiscal decisions.

Not all individual policymakers are born equal, though. Which ones matter the most with respect to fiscal policy? While all ministers *with* portfolio can generally propose legislative changes to the budget in terms of both taxes and spending, the finance minister is clearly prominent as they are formally in charge of the government's budget (Alexiadou, 2016). Crucially, the finance minister is the only one (in addition to the Head of the Executive) with a responsibility for the overall budget (Jochimsen and Thomasius, 2014; Moessinger, 2014). As the finance minister's primary responsibilities do not involve overseeing specific spending projects or taxes, they have a weaker incentive to engage in pork-barrel behavior. Overall, there is little doubt that the finance minister emerges as the cabinet member with the most compelling stake in ensuring sound public finance. The few available surveys of government ministers show that their own colleagues see the minister of finance as the most important member of the cabinet, at least in the case of Western (Larsson, 1993) and Eastern Europe (Blondel et al., 2007).

In addition, previous research has found that the leader of the executive also exerts an independent effect on economic policy (Dreher et al., 2009; Hayo and Neumeier, 2016; Mikosch and Somogyi, 2009; Nones, 2023, 2024). This is not surprising since the HoG is the most influential decision-maker within the government's executive arm. Indeed, fiscal priorities are frequently seen as a prime illustration of how the HoG guides individual ministers (Dewan and Hortala-Vallve, 2011). Moreover, it is typically the prime minister or president who nominates or directly appoints finance ministers (Hallerberg and von Hagen, 1997). As such, the FM's identity may add little to whatever economic policy is preferred by the HoG because the latter picks the former to minimize the "slack" in the principal-agent relationship. Consistent with this view, some studies find that the minister's individual traits offer little explanatory power (e.g. Moessinger, 2014). Nevertheless, others uncover substantively strong effects of finance ministers' characteristics under some circumstances (e.g. Strong, 2024). As such, I will test two hypotheses.

H1. Heads of Government with formal training in economics are more likely to implement fiscal consolidation policies relative to leaders without formal training in economics.

H2. Finance Ministers with formal training in economics are more likely to implement fiscal consolidation policies relative to leaders without formal training in economics.

A corollary of the line of thinking developed above concerns the moderating role of political conditions. We can think of public policy choices as a function of a leader's willingness and capability. Intuitively, the more leeway the leader(s) have, the more likely they are to be able to implement their favorite policy (Jones and Olken, 2005). In other words, certain political and institutional features may moderate the relationship between leaders' preferences and the policy they implement, thus suggesting the possibility of a conditional relationship. Building on this logic, I suggest a third hypothesis[5].

H3. The effect of formal training in economics among Heads of Government is conditional on the leader's strength. When the leader is strong, the association between economics training and the probability of fiscal consolidation is stronger.

4. Empirical Analysis

4.1. Dependent variable

To reiterate, three main challenges arise when studying the effect of individual policymakers' education: first, formal training in economics may be heterogenous enough to lead to different preferences; second, policymakers are not drawn at random. They both self-select when they decide to run for office and the successful ones need to be selected by the relevant stakeholders; third, economic outcomes are affected by several factors, some of which outside policymakers' locus of control.

To address these challenges, I leverage the large consensus in economics concerning the desirability to balance the budget *across the business cycles*. By doing so, we can set aside the most contentious issues concerning how to best calibrate fiscal policy in response to economic shocks and its short-term effects. In other words, I agree with the intuition that coherence in economic beliefs is more likely

[5] Although a similar hypothesis could apply to the finance minister, her strength relies on hard-to-measure factors like prestige, veto power over peers, and influence on the head of government. Hallerberg and von Hagen (1997) offer a proxy based on delegation versus contract budget processes, but it is limited to 1985–2004 for old EU members.

to translate into action (J. Chwieroth, 2007). Nevertheless, rather that concentrating on coherence *in economics training*, I focus on a specific set of policy which allows us to assume coherence *in economic theory*. The approach is akin to that taken by Weymouth and MacPherson (2012) who focus on trade liberalization.

To identify policy changes that are more likely to satisfy these conditions, I turn to the recent literature in macroeconomics, which employs a "narrative approach" to selectively analyze specific fiscal measures. This approach involves a detailed examination of historical documents to identify fiscal shocks that are *weakly orthogonal* to the business cycle. It comprises several key steps (Devries et al., 2011; Giavazzi et al., 2019; Guajardo et al., 2014). First, researchers ensure that the policy documents being studied do *not* indicate an intent to respond to current or prospective economic conditions. Second, within this subset of policy changes, authors categorize the stated motivations. This qualitative classification is based on the most relevant policy documents from each country or international organizations, including *Budget Reports, Budget Speeches, OECD Economic Surveys*, and *IMF Staff Reports*. These documents must "explicitly present evidence of policymakers' beliefs at the time the decisions were made" (Devries et al., 2011 p.4). Specifically, this paper focuses on fiscal consolidation episodes motivated by *a desire to reduce budget deficits* (rather than direct responses to economic fluctuations). Finally, the policy changes are traced over time to confirm that they were executed (Giavazzi et al., 2019).

Relying on narratively identified fiscal policies partly offsets the three challenges underlined above. By construction, these fiscal policies are not responses to the contemporaneous business cycle. Hence, we minimize the relevance of "doctrinal" differences with respect to how to best employ fiscal policy in response to economic shocks. For the same reason, this approach ameliorates, although it cannot fully solve, the issue concerning leaders' self-selection. Leaders' selection (and retention) is likely a function of the business cycle, which may itself be affected by leaders' characteristics. To the extent that a country's fiscal policy is affected by the state of the economy, one cannot reliably estimate the leader-level effects on fiscal policy. For example, a leader with formal training in economics may be better at handling their country's economy. As a result, the country's GDP would grow and the debt-to-GDP ratio would decrease, thus making fiscal consolidation less necessary. Alternatively, economists may be selected (and retained) into office when the business cycle is at its peak (or trough), with such time being correlated with fiscal consolidation. The narrative approach helps alleviate these selection effects by attenuating the link between fiscal consolidation and the business cycle.

Finally, this approach also offers an advantage with respect to the third point raised above. Previous studies on individual leaders and fiscal policy examined tangible shifts in budget balances, such as the debt-to-GDP ratio (Jochimsen and Thomasius, 2014; Moessinger, 2014; Strong, 2024). However, outcomes are influenced by several factors, policy changes being only one of them. By focusing on the government's consolidation *efforts*, we mitigate this concern. It enables us to analyze leaders' "discretionary and deliberate" decisions over concrete policies, rather than outcomes that are only indirectly affected by governments (Hübscher, 2016 p. 575).

I start with the most comprehensive and up-to-date dataset developed by Giavazzi et al. (2019), building upon the earlier work by Devries et al. (2011). This dataset covers 16 OECD countries over the period 1978–2014. To identify potentially exogenous fiscal consolidation measures, the authors sought out "clear sentences […] that attributed measures either to the aim of correcting the dynamics of some budgetary item […], or to the aim of addressing the dynamics of the debt over GDP ratio, or the deficit." (p. 79). My focus is on fiscal changes driven by *a desire to reduce budget deficits*. I extend the dataset to include 11 Eastern European countries over the period 2004–2019 (from Ciżkowicz et al., 2023). While collected by different teams of scholars, the datasets were constructed following identical procedures.[6] Despite standardized coding protocols, it should be acknowledged that the identification and classification of fiscal events to some extent inevitably rely on the coder's interpretation. The Online Appendix shows that the results hold after explicitly accounting for the two different sources.

The final unbalanced panel comprises 27 countries. The dataset distinguishes between fiscal "plans" (government decisions to consolidate in the future, often spanning multiple years) and "episodes" (individual years of fiscal adjustment as implemented). In this paper, I focus on the fiscal *episodes* rather than plans for two main reasons. Theoretically, it is the most sensible measure given our interest in year-to-year execution of political decisions (Nones, 2023). In addition, the coding of fiscal plans is somewhat ambiguous because it encompasses both genuinely new plans and significant revisions to previously announced plans (Giavazzi et al., 2019). The combined dataset from Giavazzi et al. (2019) and Ciżkowicz et al. (2023) offers a further advantage. Unlike other datasets on narrative fiscal policy, the authors distinguish between the "anticipated" and the "unexpected" components of fiscal consolidation. The former is the portion of fiscal consolidation "inherited" from the past fiscal year, while the latter includes "measures that go into effect immediately, that is the same year the plan is approved" (Giavazzi et al., 2019, p. 65). As such, one portion (the "unexpected" component) can be unambiguously attributed to the present government, while the other portion (the "anticipated" component) is carried over from the previous fiscal year, when the economic decisions was made by (possibly) a different government. The decision to execute a previously planned fiscal consolidation is still under the purview of the current government, but it is a conceptually different decision that involves reputational and material trade-offs concerning the costs and benefits to renege on a previously agreed upon policy. Overall, given the focus of this paper, it is best to focus on those policy decisions that are unambiguously executed by the government. As such, the dependent variable is a dummy indicator capturing whether a government implements an "unexpected" fiscal consolidation.

A possible limitation of my dependent variable is that it cannot differentiate between different intensities of consolidations. However, it remains preferable to measuring consolidation size for a key reason: without detailed intra-year fiscal policy data, summing up the size of fiscal consolidation would likely weaken the exogeneity assumption. Indeed, governments may adjust the scale

[6] The original excel file structures are identical to facilitate merging and comparisons.

of consolidation packages in response to evolving economic or political developments within the same fiscal year, introducing endogeneity when using consolidation size as the outcome.[7] By contrast, a binary indicator merely records whether a consolidation occurred and is therefore less vulnerable to those within-period adjustments. Consequently, a discrete dependent variable seems more suitable for inference.

4.2. Independent variable

For each country-year observation, I select the finance minister and the Head of the Executive that were in office for most part of the year.[8] This is standard practice in the literature (e.g. Moessinger, 2014; Strong, 2024) and consistent with the idea that fiscal consolidation is executed (or could be reversed) over the year (Nones, 2023).

To measure economics training, I start from Hallerberg and Wehner (2020) who provide a three-way coding of economics experience for 40 countries between 1973 and 2010. First, they code whether a leader has a PhD in economics or related subjects. Second, they code whether a leader has concluded any graduate-level education in economics and related subjects (i.e. MA or PhD). Third, they also provide data at the undergraduate level. I manually collect data on economics training for the leaders and years not included in their dataset. I code each leader according to the second measure, which capture any graduate level training in economics.[9] This seems the best option for a comparison over time and across several countries, and is also more consistent with prior work on leaders' education in economics (Alexiadou and Gunaydin, 2019; Kaplan, 2017). As Hallerberg and Wehner (2020, p. 1197) argue, undergraduate training is unlikely to be "a strong signal of economics training." By contrast, a PhD in economics-related subjects certainly is a strong signal. Nevertheless, it makes it harder to compare leaders across space and over time. Consider, for example, the case of Italy, where PhD programs did not exist prior to 1980. As a result, coding economics training based on PhD degrees would lead to paradoxical outcomes, such as excluding former Italian Prime Minister Romano Prodi who was, in fact, a professor at the Department of Economics at the University of Bologna. At any rate, my coding may still be ambiguous with respect to what to include or exclude under "economics." As such, I code each leader according to a restrictive and an expansive criterion. In the main paper, I show the results using the restrictive coding rules. In practice, I count the following subjects as economics: Economics, Finance, and Macroeconomics. In the Appendix, I probe the robustness of the results using the expansive definition, which also includes degrees in Business (e.g. MBA), Investment, Banking, Political Economy, Public Policy, and Economic Accounting.

The figures below show the distribution of Heads of Government (Fig. 1) and Finance Ministers (Fig. 2) with economics degrees. I show the graphs separately for OECD countries (1978–2014) and for Eastern European countries (circa 2003–2019).

4.3. Control variables

It is important to acknowledge that the narrative approach is not perfect. This approach identifies fiscal policies that are *weakly* (i.e. contemporaneously) exogenous. Yet, the impetus to reduce public deficits often arises from a previous deterioration of public finances. This weakened financial stance can impact other macroeconomic factors, potentially correlated with leaders' selection/retention. Therefore, it remains important to control for historical realizations of relevant macroeconomic variables.

As such, I include controls for a range of economic variables. I rely on the well-established literature on the economic determinants of budgets deficits and fiscal adjustments (Alesina and Ardagna, 1998, 2013; Grilli et al., 1991; Perotti, 1999; Roubini and Sachs, 1989). As measures of the stock and flow of debt, I control for the level of gross public debt and for the government primary balance (as % GDP), respectively (both from the IMF Public Finance database). Then, I control for the following observable measures of the business cycle from the World Development Indicators database: GDP growth, the inflation rate, GDP per capita, and trade openness. The unemployment rate (from the OECD Economic Outlook n.105 complemented with data from the World Bank) exhausts the vector of macroeconomic variables. In the case of GDP growth and unemployment rate, I use the Hodrick-Prescott (HP) filter to extract deviations from each country's trend. These filtered series more accurately capture cyclical fluctuations and provide a better control for the macroeconomic context. All economic variables are lagged by one year.

In addition, I include several political variables from the literature on minister-retention (Camerlo and Pérez-Liñán, 2015; J. M. Chwieroth and Walter, 2020) and on political budget cycles (Brender and Drazen, 2013; Klomp and de Haan, 2013). Regarding the political controls, I distinguish between institutional characteristics and cabinet characteristics. As institutional variables, I first include a binary indicator for whether the country has an election in a given year. The original variables comes from the Database of Political Institutions (DPI) (Scartascini et al., 2021), which I modify in two ways[10] first, I include only pre-determined elections, to

[7] For a similar reasoning in the analysis of Central Banks foreign exchange intervention see Manger and Nones (2025). The supporting documentation in Giavazzi et al. (2019) also offers some evidence to support my claim. For example, there were two rounds of fiscal consolidation in Italy in 1993: the first round took place early in the year and involved, among other things, selling state-owned assets. Later, though, the country experienced a "new fiscal slippage" partly due to "a lack of privatization proceeds", thus prompting the new government to introduce additional measures.

[8] In two cases, two finance ministers were in office for exactly half of the year. I select the ones that were in office in the latter part, although the results are not affected by this choice.

[9] Nevertheless, undergraduate programs may introduce students to foundational concepts such as intertemporal budget constrain. As such, I coded also the undergraduate training. The results are in the Online Appendix.

[10] The results are substantively similar if I leave the original election indicator unchanged.

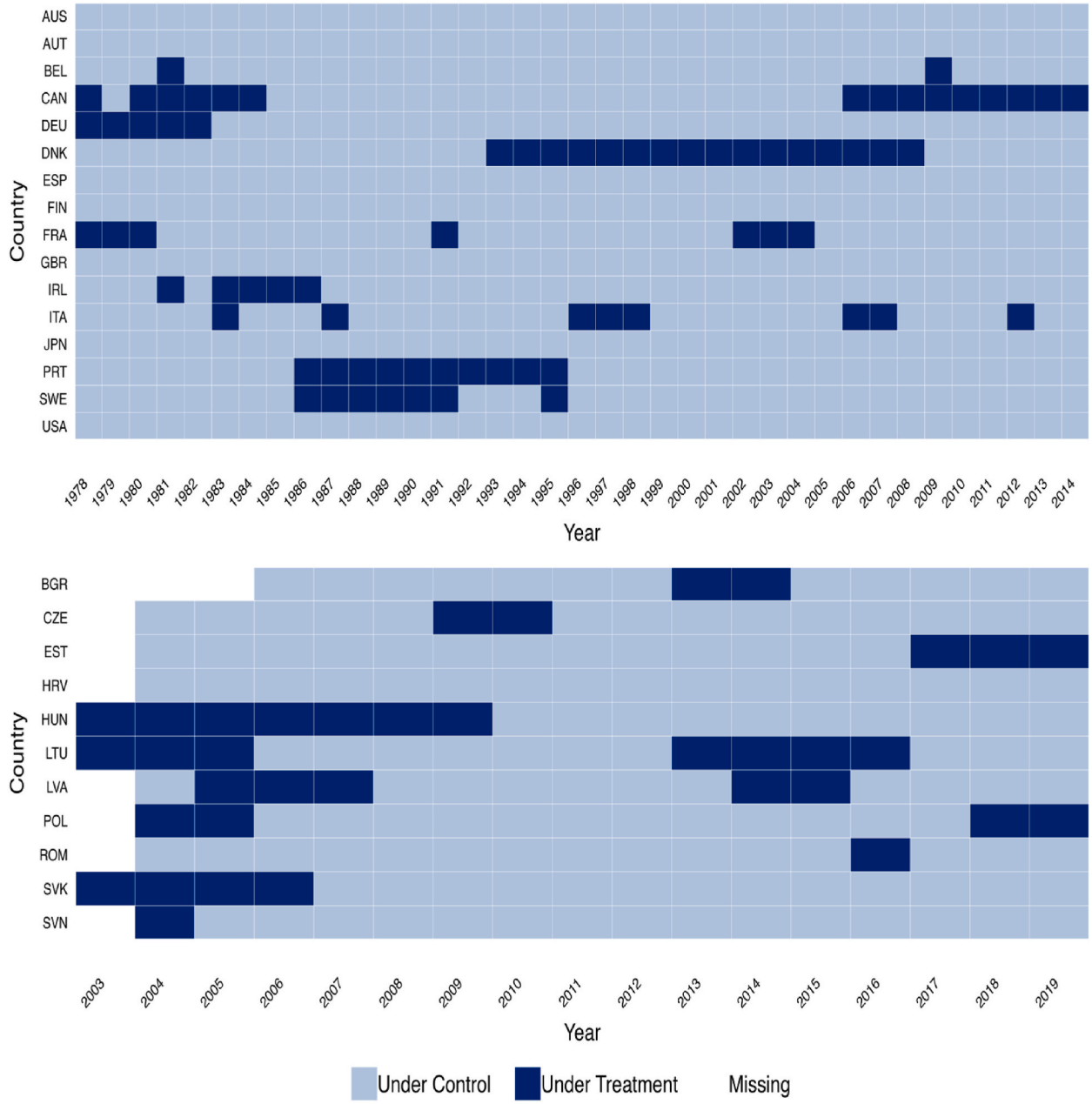

Fig. 1. Heads of government with economics graduate training.

avoid the endogeneity of snap election due to political business cycles; second, elections held in the first half of a year are attributed to the previous calendar year - reflecting the idea that any electoral manipulation would occur in the lead-up to the election - whereas those in the second half are assigned to the same year. Political instability can also influence both leader selection/retention and the urgency to consolidate. To account for this, I include a checks and balances measure. This variable reflects the number of independent veto players in the political system. Although it cannot directly capture administrative continuity during political turnover, it proxies for the broader institutional environment that shape cabinet dynamics and policy choices.[11] Moreover, the economics literature has emphasized the role of monetary policy as an important condition under which the contractionary effects of austerity can be mitigated (Giavazzi et al., 2019). To the extent that economists might be more aware of this, it may affect their policy decisions. As Eurozone

[11] The literature also suggests that the type of electoral system may matter. I show the results after including the proportional system binary variable in a random effects model in the Appendix.

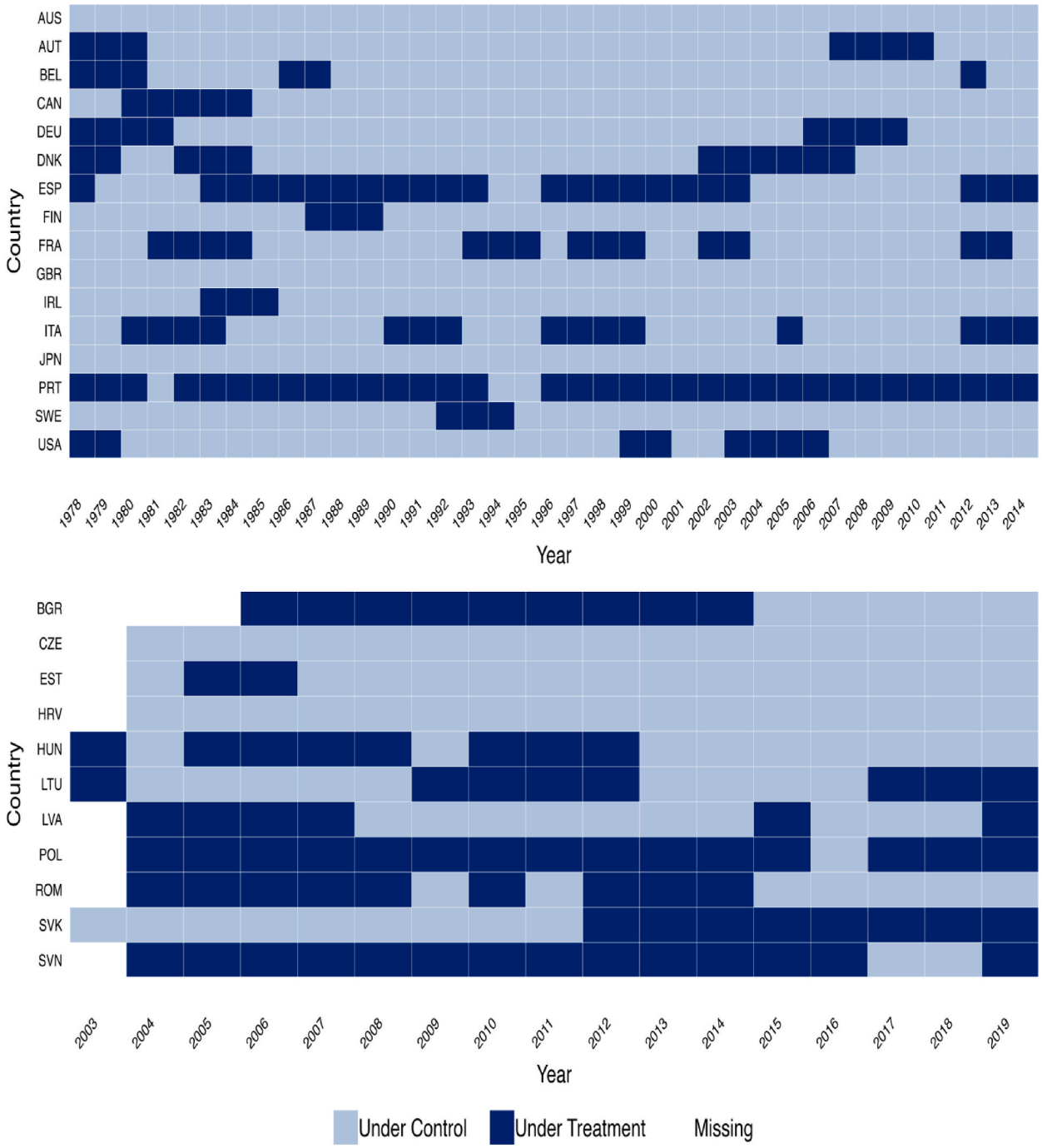

Fig. 2. Finance ministers with economics graduate training.

members do not have an autonomous monetary policy, I include a dummy for these countries. The same reasoning suggests to control for Central Bank Independence, which I do drawing the data from Garriga (2025). At the cabinet level, it is important to control for the government ideology not only because it may directly affect the probability of fiscal consolidation (Herwartz and Theilen, 2021), but also because left and right-wing governments may be differently inclined to appoint an economist as finance minister (Hallerberg and Wehner, 2020). In addition, the strength of the government may affect the degree to which its leaders can push towards their preferred

policy. Hence, I control for the government fractionalization and for whether the government has a legislative majority in all houses. All these variables come from the DPI dataset except for ideology.[12] Given the focus of this paper, I opt for the leader of the government's ideology from the Global Leader Ideology (GLI) dataset (Herre, 2023). To minimize listwise deletion, I complement the ideology variable with the corresponding measure from the DPI when it is missing in the GLI database. Finally, the full models also contain a binary control for whether the country is under an IMF program. The original source is Vreeland (2003), which I extend to the full sample period using information from the IMF's MONA database. This variable captures years in which fiscal policy may have been subject to external constraints. All political variables enter the equation contemporaneously. The Online Appendix provides a descriptive statistics table for all variables.

4.4. Modeling strategy

In a first step, I assess whether individual leaders matter with respect to fiscal policy. To do so, I follow Barceló (2020) and fit a set of random intercept multilevel models to estimate the amount of cross-leader variation in fiscal policy after accounting for country and year effects. Table 1 below shows the intra-cluster correlation coefficients (ICC) from the two triplets of multilevel regressions with random intercepts by leaders (HoG or FM or both). The ICC is an estimate of the proportion of variance in the outcome that can be attributed to differences between the clusters (leaders) compared to the total variance, after controlling for the year and country fixed effects. For the two-leaders random intercepts model, it is calculated as following:

$$ICC = \frac{\left(\sigma^2_{u_{hog}} + \sigma^2_{u_{fm}}\right)}{\left(\sigma^2_{u_{hog}} + \sigma^2_{u_{fm}}\right) + \sigma^2_e}$$

Where $\sigma^2_{u_{hog}}$ and $\sigma^2_{u_{fm}}$ capture the variance in fiscal policy outcomes within head of governments and/or finance ministers, respectively, and σ^2_e represent the residual variation. For the remaining two columns, either $\sigma^2_{u_{hog}}$ or $\sigma^2_{u_{fm}}$ is set to zero and the ICC is calculated accordingly. As we can see, the amount of variation at the leader level, both individually and jointly, is substantial. With these baseline results, it is worth exploring whether more specific characteristics may matter.

To test my hypotheses more formally, I estimate a set of fixed effects linear probability models. The model is set as following:

$$Y = \alpha + \beta_1 LeadersAttributes_t + \beta_2 EconomicControls_{t-1} + \beta_3\ InstitutionalControls_t + \beta_4 GovernmentControls_t + Country\ FE + Year\ FE$$

To ease concerns about suppression effects, I include the covariates sequentially (Lenz and Sahn, 2021). The coefficient of interest is β_1. The first specification (Model 1) constraints $\beta_2 = \beta_3 = \beta_4 = 0$, thus estimating the simple relationship between the economics education indicator(s) and the dependent variable. Model 2 introduces the economic controls, Model 3 adds the institutional covariates (EU membership, checks & balances, election dummies, and the CBI index), and Model 4 is the full model including the government-level controls (ideology, government fractionalization, legislative majority, and the IMF dummy). All models include country and year fixed effects, and standard errors clustered at the country level (see the Appendix for the results with only country effects). Each table showing the unconditional model results has three panels: Panel A shows the results when including only the HoG's economics training indicator; Panel B includes only the FM's economics training; and Panel C includes both indicators. All subsequent tables will maintain the same structure, but I will show only the coefficient(s) of interest to save space. Table 1 is the exception as it reports the estimates for the economic controls as well to demonstrate that the narratively identified fiscal consolidation episodes are indeed weakly orthogonal to the business cycle. As expected, most macroeconomic variables remain statistically insignificant, whereas variables representing a country's fiscal stance (e.g. the primary balance deficit) remain significant.[13] This aligns with the assumption that fiscal consolidations are weakly independent to the business cycle.

As we can see in Table 2, there is no evidence of an unconditional relationship between leaders with training in economics and fiscal consolidation. The economics indicator never reaches statistical significance for the Head of Government (Panel A). Moreover, regardless of significance, the effect size seems quite small. A similar story emerges with respect to the Minister of Finance (Panel B). The (null) results are further confirmed in the models that include both leaders' indicators of economics training (Panel C).

Somehow intrigued by these (null) results, I turn to Extreme Bound Analysis (EBA) and systematically examine the sensitivity of the model coefficients to all possible combinations of the control variables. The results across 27,344 regression models are summarized in Table 3 below. A detailed explanation of the models and the procedure followed is in the Online Appendix.

Overall, Table 3 gives us some confidence that the (null) results are not an artifact of the chosen specification. Column 5 shows the percentage of coefficient distribution that lies above 0. As usual, 90 or 95 % are the common thresholds suggested in the literature (Sala-I-Martin, 1997). As we can see, while positively skewed the full distribution of coefficients never comes close to the 90 % threshold. Importantly, Column 4 shows that not a single HoG coefficient is positive and statistically significant, while the FM's economics indicator coefficient is positive and significant only in a small subset of regression. Moreover, the estimated average coefficients are substantially small (Column 2), and even the maximum coefficients (Column 6) are unimpressive in size. To be sure, we

[12] The results are substantively similar if I substitute the checks and balance index with an alternative proxy of political instability.

[13] Underscoring the *weakly* exogenous nature of the fiscal episodes, some macroeconomic variables are significant in some other specifications as well.

Table 1
Proportion of variation at leader-level.

ICC	HoG	Fm	HoG and Fm
Fiscal Consolidation	0.220	0.231	0.265

Table 2
Fixed effects linear probability models – fiscal consolidation.

	Dependent variable:			
	Fiscal Consolidation (Binary)			
	(1)	(2)	(3)	(4)
PANEL A				
Econ. Educ. (HoG)	0.004	0.029	0.035	0.047
	(0.070)	(0.072)	(0.071)	(0.062)
Primary Balance (t-1)		−0.035***	−0.035***	−0.035***
		(0.008)	(0.007)	(0.006)
Gross Public Debt (t-1)		0.002	0.001	0.002
		(0.003)	(0.002)	(0.002)
GDP growth HP (t-1)		−0.016	−0.017	−0.014
		(0.019)	(0.019)	(0.019)
Unemp. Rate HP (t-1)		−0.038	−0.033	−0.036
		(0.025)	(0.025)	(0.026)
Trade Openness (t-1)		−0.001	−0.001	−0.002
		(0.003)	(0.003)	(0.003)
GDP per capita (t-1)		0.066	−0.013	−0.014
		(0.400)	(0.413)	(0.412)
Inflation (t-1)		−0.025**	−0.022**	−0.023**
		(0.012)	(0.010)	(0.011)
Observations	769	690	689	678
R^2	0.000	0.080	0.097	0.113
F Statistic	0.006	6.723	5.478	4.743
PANEL B				
Econ. Educ. (FM)	0.040	0.050	0.042	0.052
	(0.044)	(0.044)	(0.047)	(0.042)
Observations	769	690	689	678
R^2	0.001	0.082	0.098	0.113
F Statistic	0.891	6.851	5.513	4.777
PANEL C				
Econ. Educ. (HoG)	−0.000	0.023	0.031	0.041
	(0.069)	(0.071)	(0.070)	(0.061)
Econ. Educ. (FM)	0.040	0.048	0.039	0.048
	(0.044)	(0.043)	(0.045)	(0.041)
Observations	769	690	689	678
R^2	0.001	0.082	0.098	0.114
F Statistic	0.445	6.106	5.112	4.531
Economic controls	No	Yes	Yes	Yes
Institutional controls	No	No	Yes	Yes
Government controls	No	No	No	Yes
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Clustered Standard Error in Parenthesis *p < 0.10; **p < 0. 05; ***p < 0.01. Panel A shows the results from the regression with the HoG economics training variable; Panel B shows the equivalent results with the FM economics training variable; Panel C shows the results with both.

Table 3
Sensitivity analysis – H1 and H2.

Model	β_m (wgt)	St. Err. (wgt)	% Sign. & Pos.	CDF(>0)	Max β_m
Set 1: HoG (only)	0.038	0.068	0.000	71.082	0.062
Set 2: FM (only)	0.042	0.044	0.069	82.678	0.074
Set 3: HoG (both)	0.036	0.068	0.000	69.986	0.062
Set 3: FM (both)	0.040	0.044	0.040	81.596	0.074

Clustered Standard Error.

Table 4
Interaction fixed effects linear probability models – fiscal consolidation.

	Dependent variable:			
	Fiscal Consolidation (Binary)			
	Govmnt. Fract.	Legislat. Fract.	Herfindahl Index	Exec. Constraints
Econ. Educ. (HoG)	0.235**	−0.015	−0.330**	1.750***
	(0.118)	(0.062)	(0.154)	(0.487)
Econ. Educ. (FM)	0.047	0.057	0.047	0.083
	(0.038)	(0.038)	(0.038)	(0.039)
Moderator	−0.221**	−0.153***	0.222**	0.065
	(0.101)	(0.056)	(0.102)	(0.093)
Moderator X Hog	−0.558**	0.321***	0.566**	−0.247***
	(0.243)	(0.114)	(0.247)	(0.077)
Observations	703	703	703	667
R^2	0.285	0.285	0.285	0.295
F Statistic	2.969	2.973	2.970	3.069
All controls	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Clustered Standard Error in Parenthesis *p < 0.10; **p < 0. 05; ***p < 0.01.

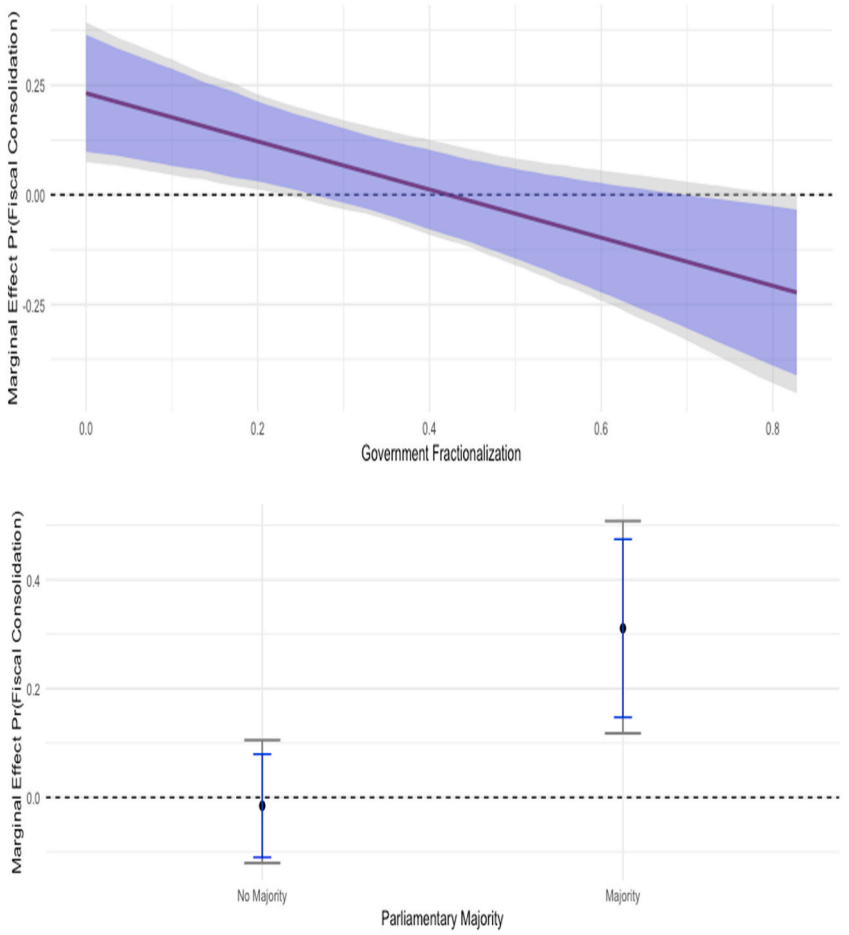

Fig. 3. Conditional marginal effects – HoG
Note: 90 % error bands in grey; 95 % error bands in blue.

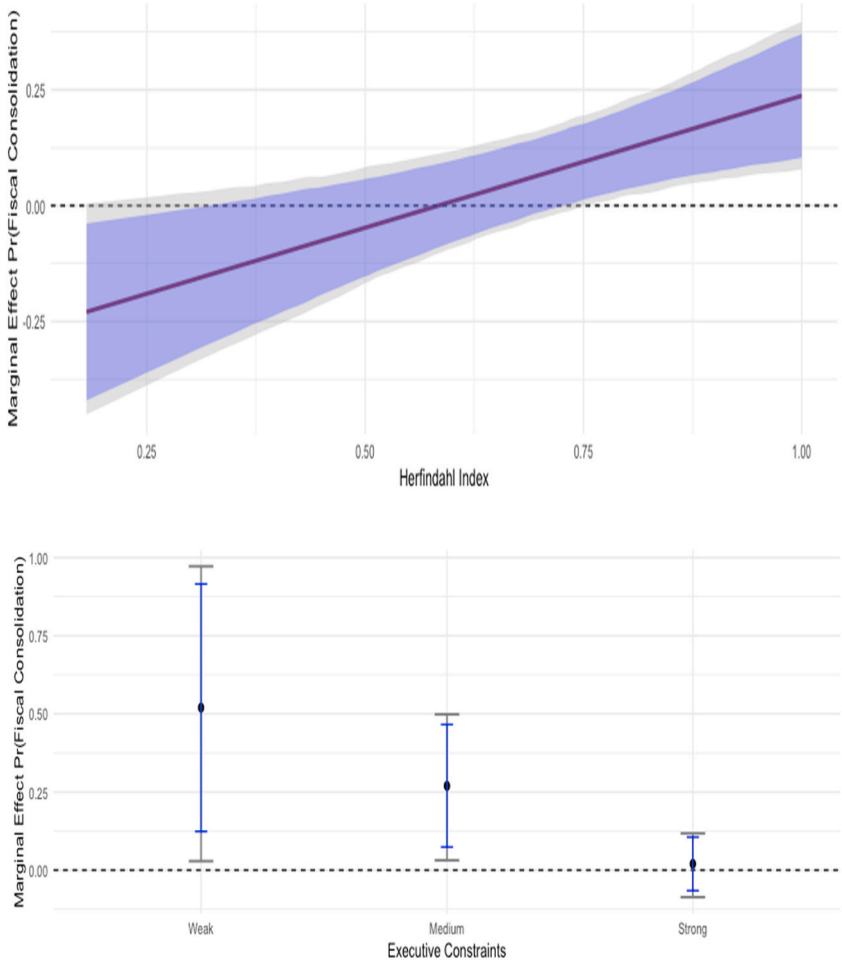

Fig. 3. (*continued*).

cannot exclude the possibility that a genuine relationship between economics training and fiscal policy exists but cannot be detected in a finite sample (Rainey, 2014). Nevertheless, even if that was the case, it would seem to be substantially small, with the maximum effect hovering around a 6–7 % increase in the probability of fiscal consolidation.

5. Scope conditions

To sum it up, the data does not offer support for an unconditional relationship between economics training and fiscal consolidation. Nevertheless, certain political and institutional features may moderate the relationship between leaders' preferences and the policy they implement. The intuition is straightforward: the more leeway the leader(s) have, the more likely they are to be able to implement their favorite economic policy. Scholars have used a number of variables to capture the strength of leaders (Alexiadou, 2016; Hayo and Neumeier, 2016; Nones, 2023; von Hagen and Harden, 1995; Wehner, 2010). Here, I will focus on the moderating factors that are most readily available for my sample, i.e. legislative fractionalization, government fractionalization, and executive constraints.

To test Hypotheses 3, I augment the full specification with an interaction term and proceed in the exact same way as before. To save space, I report only the full models with both HoG and FM. In Model 1, I interact the HoG economics training indicator with the government fractionalization measure. The latter is a continuous measure that captures the probability that two deputies picked at random from among the government parties will be of different parties (Scartascini et al., 2021). As such, we would expect the interaction coefficient to be negative: as government fractionalization increases, a leader's ability to implement their favorite policy diminishes because each policy must be bargained over among multiple actors.

In Model 2, I interact the HoG economics training indicator with the dummy capturing whether the party of the executive has an absolute majority (>50 %) in the house with lawmaking powers. Under this condition, the executive should be more able to implement its favorite policy. Hence, we would expect the interaction coefficient to be positive.

In Model 3, I replace the interacting variable with the government Herfindahl Index. While this measure is sometimes used to proxy government fractionalization (e.g. Nones, 2024), it is calculated as the sum of the squared seat shares of all parties in the government.

As such, it may be interpreted as a measure of legislative fractionalization as well. We expect the interaction coefficient to be positive. As the weight of government parties in the legislative chambers increases, the executive leaders should be more able to implement their favorite policy.

Finally, the more institutional constraints there are on the executive, the less leeway for leaders to implement their favorite policy. One way to test this hypothesis would be to rely on the checks and balance variable from the DPI that is already in the set of covariates. Nevertheless, the way it is coded somehow conflates *institutional* and *cabinets* attributes. For example, one scoring criterion is whether the executive party received more/less than 75 % of the seats in parliament, which is an attribute of the government rather than an institutional feature of the system. While this variable arguably captures an important dimension to be controlled for, here we are interested in the *institutional* constraints. As such, I turn to the Executive constraints measure from the Polity IV database. The variable measures "the extent of institutionalized constraints on the decision-making powers of chief executives, whether individuals or collectivities" (Marshall et al., 2017 p. 24). Higher values indicating greater institutional constraints on the executive. Only the three highest categories are populated in my sample. I label these categories as capturing "Weak", "Medium" and "Strong" constraints.

As we can see in Table 4, the interaction terms for the HoG are significant and correctly signed, thus lending credibility to Hypothesis 3.

To ease interpretation, Fig. 3 presents the effect of the HoG's economics training at different values of the mediator.

Overall, the results show that, under certain political conditions, leaders of the executive – but, crucially, not finance ministers - with a formal background in economics tend to implement fiscal consolidation policies. In the extreme (but also common) case of a single-party government (i.e. when government fragmentation is zero), an economist HoG increases the probability of fiscal consolidation by roughly 23 percentage points. This positive conditional effect decreases as the government fractionalization increases and becomes indistinguishable from zero once the fractionalization index passes the 0.25 mark. We come to the same conclusion by looking at the Herfindahl Index graph. Likewise, an economist leader whose party has an absolute majority in the parliament is more likely to implement their favorite policy. Under this condition, an economist increases the probability of fiscal adjustment by roughly 30 percentage points, although there is more uncertainty around the point estimate. Finally, executive constraints also matter. When these constraints are strong, there is no difference between HoG with and without economics training. Nevertheless, under an economist HoG, the probability of fiscal consolidation increases by roughly 25 and 50 percentage points when the executive is subject to medium and weak constraints, respectively. Although the estimates are not precise, the overall pattern seems intuitively plausible: laxer institutional constraints give leaders more leeway to pursue their favorite policy. These are substantively meaningful effects, considering that the unconditional probability of fiscal consolidation in the sample is 26 %.[14]

To further ensure that the results are not a statistical artifact of the posited data generating process, I turn again to EBA following the same procedure as before after augmenting the models with the interaction term. To ease the computational burden, I limit the sensitivity analysis here to the models with both leaders (the equivalent of "Set 3" in Table 3). The results for the interaction coefficients are reported in Table 5 (see the Online Appendix for details). Notice that the last column shows the results for the CDF below zero for Model 1 and Model 4, while they show the CDF above zero for Model 2 and Model 3, consistent with the hypothesized signs for the interaction term. The results are robust and provide further support for H3.

6. Inferential threats

The analysis thus far has rested on the premise that the rise of economist leaders to office and the decision to undertake fiscal consolidation are not driven by the same factor. Nevertheless, one may still worry that worsening public finances in the past could both spur fiscal consolidation and increase the likelihood that an economist enters office. Conversely, strong economic conditions might coincide with the absence of consolidation and the appointment of an economist. Either scenario would violate the parallel-trends assumption and distort the estimated impact of economist-led governments. In the Online Appendix, I test for violations of the fixed-effects model's core parallel-trends assumption as such violations may reveal self-selection. In addition, I run additional tests to check whether the lagged fiscal indicators predict when economists will gain and/or remain in office. I find no evidence that the past outcome path diverges across treated and control units nor do I find any evidence that fiscal stance predicts the appointment of economists as either HoG or FM. Finally, overlapping preferences between voters and leaders could confound the estimates: if economist-candidates run or win when deficit salience is high, fiscal outcomes might reflect voter sentiment rather than leaders' preferences. Using Canadian survey data from 1988 to 2018, additional anlaysis in the Online Appendix shows that deficit salience neither predicts economist candidates running nor winning, suggesting voter concern over deficits does not drive economist leaders candidacy.

The above notwithstanding, my strategy remains imperfect as it cannot fully account for unobservable confounders. A regression-discontinuity design based on close election outcomes would deliver the strongest causal leverage. In practice, though, this is infeasible: the bulk of my sample consists of parliamentary systems, where vote margins do not create a sharp cutoff. We can still extract some suggestive evidence by extending the analysis to a broader set of presidential contests, similarly to Nones (2023). A recent study (Adler et al., 2024) provides narratively identified fiscal consolidation measures for Latin and Central American countries (most of which have presidential systems) up to 2020. I also add Cyprus - the sole presidential system in Europe - using consolidation measure from Kalbhenn and Stracca (2020). Electoral margins come from Bernstein (2014), which I extend through 2020. Consistent with

[14] For reference, Nones (2023) estimates a 27 percentage points increase (unconditional) effect of HoG's business experience on fiscal consolidation.

Table 5
Sensitivity analysis.

Model	β_m (wgt)	St. Err. (wgt)	% Sign. & Correct Direction.	CDF(0)
HoG x Govmnt. Fract.	−0.592	0.257	99.828	98.934
HoG x Legislat. Fract.	0.336	0.136	100.00	99.332
HoG x Herfindahl Index	0.592	0.259	99.795	98.914
HoG x Exec. Constraints.	−0.221	0.071	100.00	99.919

Clustered Standard Error in Parenthesis.

standard practice, I label an election "close" when the top two candidates are separated by ± 2 percentage points. It is the contests pitting an economist against a non-economist that are most informative. I therefore code the economic background of both winners and runners-up, applying the broad definition of economics expertise. After selecting only those elections contested by (potential) leaders with different educational background, I am left with 12 elections, 7 won by economists over non-economists. With this data, I conduct two simple exercises. In the Online Appendix, I turn to Bayesian regressions to maximize insight from the small sample, using informative priors calibrated to the full-sample frequentist estimates. Here I will provide some descriptive statistics regarding these 12 cases.[15]

While the rest of the paper uses the country-year as the unit of analysis, here I switch to individual-leader level of anlaysis. Unlike the previous datasets by Giavazzi et al. (2019) and Ciżkowicz et al. (2023), the fiscal-consolidation indicator from Adler et al. (2024) and Kalbhenn and Stracca (2020) is coded less granularly. These sources do not separate between anticipated and unanticipated consolidations, preventing me from isolating policies newly launched by the incumbent government. Consolidation episodes can therefore appear in longer streaks, presumably reflecting measures inherited from previous administrations. Since economists might differ from non-economists in their propensity to phase consolidation efforts over multi-year plans, I focus on whether a leader enacted at least one consolidation during their post close election tenure.

The 12 cases show almost no difference across leader types: 3 of 7 economists (42.9 %) and 2 of 5 non-economists (40 %) enacted at least one fiscal-consolidation episode during their time in office following a close election. Nevertheless, economists do tend to implement fiscal consolidation in more conducive institutional and political contexts.[16] Fig. 4 descriptively mirrors the conditional patternfound in the main analysis. Exactly half of the economist leaders who lead a one-party government - where no fragmentation existed - implemented a consolidation, whereas their counterpart leading a multi-party executive did not. An identical but inverted pattern emerges when examining economist leaders under high and low values of the Herfindahl index. Party control of the legislature also matters: economist leaders with a parliamentary majority consolidated half of the time, whereas those without did so only 40 percent of the time. Finally, the sole economist leader governing under weak constraints implemented consolidation, two out of three did so under medium constraints, and none under strong constraints.

7. Extensions and robustness check

The Online Appendix provides several robustness checks mentioned throughout the paper, including the footnotes. It also contains additional steps and evidence that I briefly describe below. The results remain substantively similar.

First, the analysis thus far assigns each year to the leader who held office the longest. This decision is sensible considering that the execution of complex fiscal packages occurs continuously. The more time a leader is in power each year, the greater their ability to execute, amend, or renege on fiscal austerity. However, this approach may be problematic when multiple short tenures occur. As such, I repeat the analysis after excluding those observations when no leader hold office for at least six months. ***Additionally, I re-estimate the models using a new version of the independent variables: I construct time-weighted measures of leaders' economics education by multiplying the binary economics indicators by the number of days each leader served in a given year and summing these values at the country-year level. This produces a variable capturing the proportion of each year during which an economist was in power.***

Second, as noted before, a binary dependent variable is preferred for inferential clarity. However, this approach conflates minor and major fiscal consolidations, despite the fact that smaller measures may be easier to implement. Therefore, in appendix I present results using the size of fiscal consolidation - as a percentage of GDP - as the dependent variable. Additionally, I re-estimate the models with an alternative binary indicator that captures "major" fiscal consolidation episodes, defined as spending cuts and/or tax increases exceeding 1.5 % of GDP, which is the standard threshold in the literature. This strategy balances the trade-off between endogeneity and information loss: it retains some insight into intervention intensity while still leveraging a discrete indicator to address endogeneity concerns.

Third, Nones (2023) argues that leaders' professional experience in the business sector also shapes their fiscal policy preferences. To the extent that leaders with an economics background may then move to the business sector, the results in this paper might be

[15] Additional tests available in the replication package show that pre-election fiscal outcomes look the same regardless of whether the ensuing close-election winner is an economist. Moreover, economist and non-economist win by virtually identical margins - the mean difference is 0.04 and indistinguishable from zero (t = 0.09, p = 0.93) - indicating no sorting around the threshold.

[16] Because of the small sample size, I collapse the two continuous mediators into two binary indicators. The government fragmentation and Herfindahl index are coded Low when fragmentation is absent or the index is below 1; and High when fragmentation exists or the Herfindahl index equals 1, respectively.

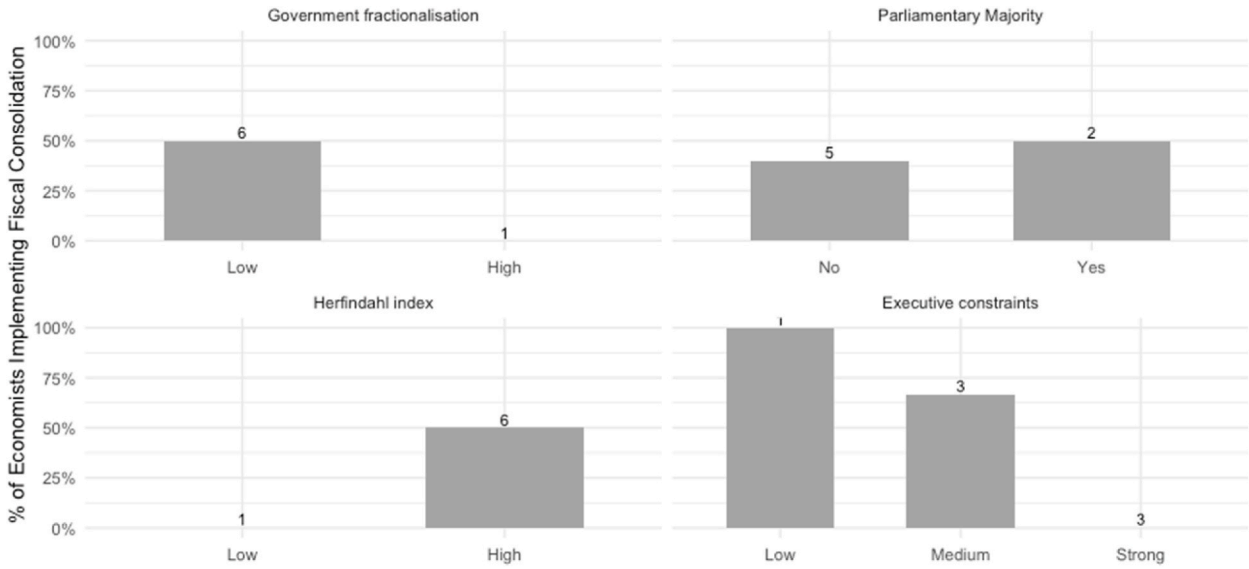

Fig. 4. Close Elections (Economists vs Non-Economists) - Descriptive.
Note: Number above each bar represents the number of leaders in that cell.

confounded by observational equivalence. As such, I re-ran all analyses including the business-experience indicator, after updating it for the new countries following the coding criteria from the original source.

Finally, a split-sample analysis confirms that the headline null finding for economist-led governments in the unconditional models holds both before and after the 2007-08 financial crisis, yet the conditional effects are driven mostly by the post-crisis period: it is mostly after 2008 that economist HoG under permissible institutional and political context tend to implement fiscal consolidation. This time-dimension is interesting considering that the economists' consensus - already high in the 80s - has increased over time as noted in fn. 4. At the same time, while unconditional (i.e. without accounting for the tradeoffs involved) public support for fiscal consolidation remains, it has somehow declined over time - in the EU, 23 of 28 countries saw lower support between 2010 and 2019. Explaining how this widening expert-lay gap shapes the political latitude of economist leaders lies beyond the scope of this paper, but a recent paper by Fairbrother et al. (2021) offers a promising avenue for future research. The authors make a compelling case for the influence of political trust: individuals who trust institutions are more likely to support forward-looking policies (including debt reduction) and to accept higher taxes or spending cuts. Moreover, they find that trust also lessens resistance when fiscal consolidation is framed in terms of concrete trade-offs. While their data is cross-sectional, one may expect that the declining political trust across many countries over time – noted by several authors, such as Citrin and Stoker (2018) and Zavecz (2017) - may have played a role in weakening the public support for balanced budgets. To sum it up, economists have increasingly agreed on the need for long-term budget balance, but public support for fiscal consolidation has weakened and this shift, possibly linked to declining political trust, may help explain why economist-policymakers seem to matter more in the last decade of the sample.

8. Discussion and conclusion

Overall, the results offer a more nuanced picture regarding the role of economists in fiscal policymaking. The simple view that economists-turned-policymakers implement their preferred set of fiscal policy is rejected, thus lending some support to the sociological notion of economists' appointment as a "ceremonial display" (Markoff and Montecinos, 1993 p.37) and their "technical credentials" as "advertisement" (*ib.*, p.53-54). At least with respect to the Heads of Government, though, the analysis does not support a pure public choice interpretation, which would downplay the agency of individuals in favor of an emphasis on incentives and institutions. With a nod to the classics in the social sciences, we can reject both the Marxist view that structure trumps agency as well as Carlyle's view that history is the product of the causal influences of powerful individuals. Instead, the results fall more in line with the Weberian idea that individual leaders matter under certain institutional and social environments. It's neither structure nor agency, but the interaction between the two.

With respect to the ministers of finance, the results remain somehow surprising, albeit not necessarily at odds with previous research (e.g. Moessinger, 2014). One possible interpretation is that the finance minister's identity adds very little to whatever fiscal policy is set by the Head of Government because the latter picks and chooses the former to minimize the "slack" in the principal-agent (HoG-FM) relationship. Consistent with this view, the more specialized literature on the "strength" of the FM explicitly suggests that a strong FM is one who can reliably act as a "faithful" agent of the HoG (von Hagen and Harden, 1995). In other words, the strength of the minister is conceptualized and operationalized in terms of proximity to the HoG. If that is the case, it might be that the FM's individual attributes may not matter much with respect to the overall policy goal of fiscal consolidation, as the evidence provided here suggests.

Whether FM's individual attributes matter with respect to *how* fiscal consolidation is achieved (e.g. through tax hikes or expenditure cuts) is left for future research.

Additional avenues for research include examining whether leaders exhibit shifting beliefs about fiscal policy, similar to recent developments in the monetary literature (e.g. Bordo and Istrefi, 2023). Although I have treated leader's economic expertise as fixed, those with formal economic training might be more likely to update their fiscal views upon receiving new information. Creating a dynamic measurement approach - perhaps leveraging large language models to detect changes in speeches and policy statements - would make it possible to identify "fiscal swingers" and develop a more nuanced, leader-level theory of how background-driven heterogeneity affects fiscal outcomes over time.

Likewise, future research should examine educational and occupational experiences as interacting, rather than independent, dimensions of leaders' backgrounds. To date, most studies isolate one attribute without testing whether these experiences reinforce, substitute for, or condition one another's effects on policy choices. While experimental designs such as conjoint surveys can assess combined attribute effects, observational analyses have rarely explored potential interactions between education and occupation. A comparative, interaction-based approach would allow scholars to capture the complexity of how elite profiles shape governance, opening new avenues for understanding leader-level heterogeneity in policy outcomes. During the preparation of this work the author (s) used ChatGPT in order to improve language and readability. After using this tool/service, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

Ethical approval and informed consent statements

No IRB needed.

Data availability statement

Replication Data for this article will be found at the journal repository and/or the author's personal website.

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Appendix A. Supplementary data

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