

“Fiscal Policy and Politicians’ Term Length” by D. Cipullo, F. Franzoni and J. Klarin

Discussion Thomas Lambert – 2025 CESIFO Workshop on Political Economy



- U.S. evidence that governors' term lengths reduce overall size of public budgets by affecting their incentives and selection
 - → Large effect: 7% reduction in spending
- Ambitious and well-executed paper
- Important question and interesting findings
- Nice data, esp. on politicians' background
- Recommended!

1. Periodic **elections** are the main instrument through which voters can hold politicians accountable
 2. Appropriate **checks and balances** are another (complementary) instrument, which create a conflict of interest between the executive and the legislature (Persson, Roland and Tabellini QJE 1997)
- The paper is about the economic effects of #1 not #2

- Term length reduces voters' ability to hold politicians accountable for their fiscal policy choices
- But longer terms...
- ... can also increase the value of holding office, in turn improving the selection of politicians
- ... are widely used (esp. 4 years)
- Conclusions similar to the literature on term limits (Besley and Case QJE 1995; Smart and Sturm JPubE 2013)

Why care... today?

Table A.2: Dates Constitutional Amendments

State	Constitution Amended	Treatment (t)	Last 2-year term election	First 4-year term election	Unsuccessful Attempts
Arizona	1968-11-05	1969	1968	1970	3
Arkansas	1984-11-06	1985	1984	1986	3
Colorado	1956-11-06	1957	1956	1958	2
Connecticut	1948-11-02	1949	1948	1950	0
Georgia	1941-06-03	1942	1940	1942	0
Idaho	1944-11-07	1945	1944	1946	2
Iowa	1972-11-07	1973	1972	1974	0
Kansas	1972-11-07	1973	1972	1974	0
Maine	1957-09-09	1958	1956	1958	0
Massachusetts	1964-11-03	1965	1964	1966	0
Michigan	1963-04-01	1964	1964	1966	0
Minnesota	1958-11-04	1959	1960	1962	0
Nebraska	1962-11-06	1963	1964	1966	0
New Hampshire					1
New Mexico	1970-11-03	1971	1968	1970	1
North Dakota	1964-06-30	1965	1962	1964	2
Ohio	1954-11-02	1955	1956	1958	1
Rhode Island	1992-11-03	1993	1992	1994	2
South Dakota	1972-11-07	1973	1972	1974	1
Tennessee	1953-11-03	1954	1952	1954	0
Texas	1972-11-07	1973	1972	1974	1
Vermont					1
Wisconsin	1967-04-04	1968	1968	1970	1

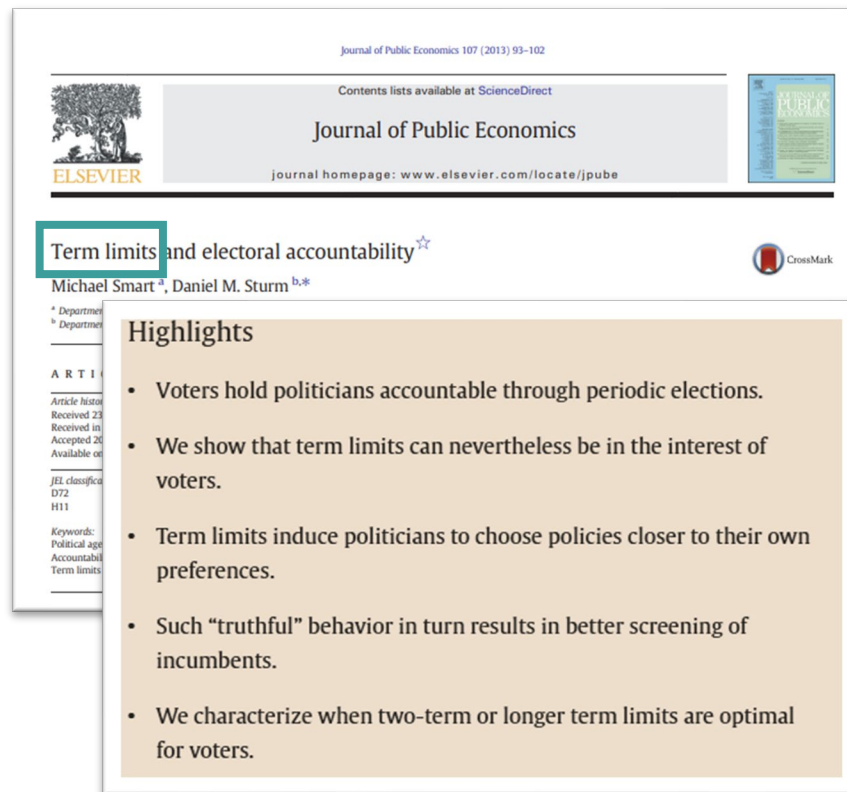
Notes: New Jersey switched from three-year terms to four-year terms in 1947. South Carolina and New York approved a four-year gubernatorial term on November 2, 1926 and November 2, 1937, respectively. These states are included in the robustness checks performed in Table A.9 and Table A.10, respectively.

- 2 reform clusters: post-WW2 and 1970s (almost no changes post-1975, cf. Fig 3)
- Short-term fiscal dynamics are explored
- Would the U.S. follow a significantly different trajectory today?
- Have *state constitutions* produced long-term economic effects?
- Use e.g. synthetic control methods for multiple treated units with partly staggered adoption (Abadie and L'Hour JASA 2021)
- What are the policy implications? Shall we increase term length further or is 4-year optimal?



Why improved selection of politicians?

- Term length increases the value of holding office, in turn improving the selection of politicians (that is, better educated and better experienced)
- No clear theoretical support for this idea:
 - Value of holding office can be non-monetary: reputation, prestige
 - Securing a revenue stream for longer may also attract candidates with less outside options
- In general: improve theoretical frameworks



De jure power, de facto power: confounders

- Confounding constitutional features: term limits (again)!
- De facto effects of de jure features: divided governments!

TABLE II
TERM LIMITATIONS BY STATE, 1950–1986

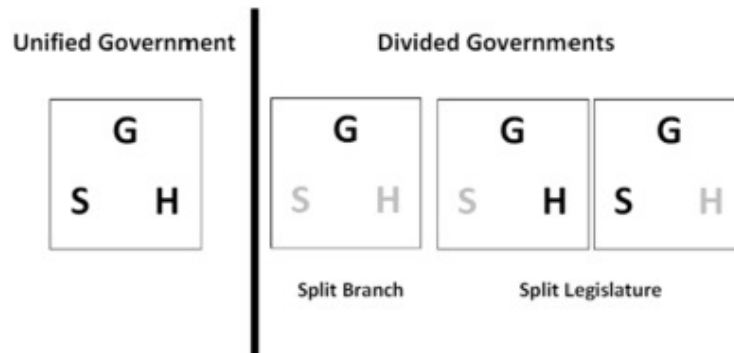
State law:	
States with no term limits	AZ, AR, CA, CO, CT, ID ^a , IL, IA, MA, MI, MN, MT, NH, NY, ND, RI, TX, UT, VT, WA, WI, WY
States limiting governors to 1 term in office	KY, MS, VA ^b
States limiting governors to 2 terms in office	DE ^c , NJ, OR
State law changed from no limit to 2-term limit (year of change)	KS (1974), ME (1966), MD (1954), NB (1968), NV (1972), OH (1966), SD (1956)
State law changed from allowing 1 term to allowing 2 terms in office (year of change)	AL (1970), FL (1970), GA (1978), IN (1974), LA (1968), MO (1966) ^c , NC (1978) ^c , OK (1968), PA (1972), SC (1982), TN (1980), WV (1972)
State law changed from 2-term to 1-term limit (year of change)	NM (1972)

a. No term limitation after 1966.

b. Restriction on terms enacted in VA in 1954.

c. Two-term limit over a lifetime. Enacted in DE (1968), MO (1968), and NC (1978).

Besley and Case (QJE 1995)



Bernecker (JPubE 2016)

All my best!

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