Measuring US Presidents Political Commitment for Fiscal Discipline between 1920 and 2002

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We propose a theoretical method to catch politicians' attitude towards fiscal discipline based on the analysis of the political discourse. We describe the methodological steps used to obtain it.

The methodology is applied to the case of US Presidents during the period 1920 to 2002. The results can be exploited in order to better understand the formation and the evolution of fiscal manifested preferences and their influence on fiscal performance. As the index is based on normative and positive attitudes towards deficits, their analysis can show the presence of strategic political behavior, giving thus a way to test some theoretical models on budgetary political behavior.

JEL Classification: D72, H30, H6

Key words: fiscal discipline, fiscal conservatism, political attitude, discourse analysis

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1. Why and How to Measure Political Commitment for Fiscal Discipline?

Deficit evolution of the OECD countries has been quite disparate since the seventies although the economic evolution is rather similar among these countries. Consequently, an important amount of literature has emerged these last years aiming to identify which are the key political and institutional variables, added to the standard economic and social variables, to reach a better explanation of the different fiscal behavior of industrialized countries. Alesina and Perotti (1995) and Persson and Tabellini (1998) propose a comprehensive review of the state of the question, advancing the main theories and the empirical results. Poterba (1996a), Barea (1997), Krol (1997), von Hagen (1998) and Imbeau (2000) focus more specifically on the literature concerning the impact of formal budgetary constraints.

Apparently, political institutions and budgetary institutions seem to be crucial for fiscal discipline. But, if certain institutions are more favorable to fiscal discipline, it would be possible that these mechanisms have been adopted because voters or politicians in this collectivity are more conservative against debt financing that in others collectivities with more "debt-friendly" settings. Poterba is, to our knowledge, the first author to raise this potential misespecification of the models, pointing out the problem in a very clear way : "The critical question for policy evaluation is how to interpret this correlation between budget institutions and fiscal-policy outcomes. It is possible that the correlation simply reflects correlation involving fiscal discipline, fiscal institutions, and an omitted third variable, voter tastes for fiscal restraint. Voters in some jurisdictions may be less inclined to borrow to support current state outlays or to use deficits to shift the burden of paying for current state programs to the future. If these voters are also more likely to support the legislative or constitutional limits on deficit finance, then the observed link between fiscal rules and fiscal policy could be spurious" (Poterba 1996b: 399). If it was the case, public or political preferences could become at the end a relevant factor explaining the comparative evolution of debt.

Similar questioning has emerged in other institutional context, like the relationship between central bank independence and the control of inflation (Hayo 1998, Hayo and Hefeker 2002, De Jong 2002)

Which attitude has been adopted among the specialists of political economy of debt after Porteba's question was raised? The scope of answers is rather large. A first group of economists, even considering the potential influence of preferences, prefer to consider institutions as if they were completely exogenous. This is the choice taken by Bayoumi and Eichengreen (1995) and Stein, Talvi and Grisanti (1998). Other authors, like Von Hagen and Harden (1994), Bayoumi and Eichengreen (1995), Poterba (1994) or Alesina and Perotti (1997), consider, for different theoretical reasons, that fiscal preferences have great chances to produce a minor impact on empirical results.

Other economists, not satisfied with these attempts to minimize the eventual impact of preferences, use variables that are supposed to catch the complex notion of "preferences on debt". The first attempt done in this direction was logically to take into account the political affiliation of executive or legislative power. That is the solution retained by Holtz-Eakin (1988) and Poterba (1995). But, as Bohn and Inman (1996) remark, this is a too much crude notion of preferences.

Another possibility tempted is to consider fiscal conservatism as a dummy variable that becomes active for countries or collectivities that are reputed to be fiscal conservatives and null otherwise (Bohn and Inman (1996) and Alesina and Bayoumi (1996)). The main caveat of this approach is that fiscal conservatism is not captured from a measurable social or political variable, but only on the ground of the researcher's intuition, supposed to follow a "general agreed feeling".

Bohn and Inman (1996) have gone a step further in their effort to tackle fiscal preferences using the CBS/New York Times opinion poll that indicates the percentage of voters that themselves identify as conservatives (for the period 1976-1988). The problem is that the notion of "fiscal conservatism" does not necessarily correlate with political conservatism, and only this latter notion is usually captured by polls. Some authors, like Koven (1999) or Dunn and Woodard (1991) seem to establish a strong essential linkage between both notions.

Rueben (1995) shows that, in the near field of constraints in expenditures growth, if preferences are taken into account (measured here by the presence of referendum) empirical results change dramatically. A positive correlation appears between constraints and expenditure control, when the initial model without preferences did not show such a relationship.

Dafflon and Pujol (2001) build up an index of Swiss cantonal fiscal conservatism based on voters behavior concerning Swiss federal referenda with fiscal content, that is, 75 different voting from 1979 to 1998. They found statistically significant relationship between preferences and indebtedness: the more a canton adopts a fiscal conservative profile, the lesser the extent of cantonal debt, *ceteris paribus.* Pujol and Weber (2003) state the robustness of the influence of fiscal preferences on deficits by showing that the measure of voters behavior proposed by Dafflon and Pujol depends basically on strictly non economic variables, like cultural appurtenance (measured by cantonal language), religion and political affiliation.

Another alternative way of research that we further investigate in this paper is not to focus on voters' preferences, but directly on those of politicians.

Two main theoretical schemes have been contemplated till now. The first one relies on the fiscal profile auto-identified by the protagonists of the fiscal policy decisions regarding the acceptability of public deficits. It is clear that the pertinence of this kind of measure is strongly dependent on the capability of the questionnaire to reveal the notion of fiscal conservatism of each person interviewed. Schwab-Christe (1996) has produced an interesting index of fiscal conservatism of local government in Switzerland but, unfortunately, it contemplates only measures about fiscal adjustment. Imbeau (1999) proposes a measure of fiscal preferences based on hypothetical decisions to be taken in the fiscal policy framework acceptable by each interviewed, that announces promising results. But by now, this option remains at an stage of agenda research.

We suggest, according to our knowledge, an original approach to handle with fiscal preferences, based on the analysis of rhetorical discourse advanced by policy makers of a given collectivity in the context of the budgetary negotiation and reflected in official and public documents. The main idea is to identify all range of arguments used in order to justify or to refuse the adoption of new deficits and then analyze if they are to be classified as fiscal conservative or fiscal non-conservative. Thereafter all this information is translated into synthetic numerical values of "fiscal conservatism"[2]. A first empirical application using this methodology was done by Pujol (1998) for the Swiss cantons of Fribourg and Geneva, for the period 1970-1997. The idea pursued there was to select only the arguments given by the politicians representing parties in power in the Government and the majority supporting it in the Parliament. The political engagement was used as a proxy for the fiscal conservatism of the collectivity, as these political actors are the responsible for the fiscal policy driven in the canton.

Political commitment for fiscal discipline is much more weaker in Geneva that in Fribourg. In fact, this difference corresponds also to the respective situation of their cantonal finances. Granger causality analysis shows that the fiscal stringent discourse in Fribourg tends to influence the level of the deficit. The reversal situation is found in Geneva: the political discourse seems to accommodate to the evolution of the cantonal finances.

We propose an empirical extension of this methodology by applying it to the main world economy, the US, for a long time period, comprised between 1920 and 2002.

[2] We are using in this paper the notion of "fiscal conservatism" in a pure positive meaning. We do not enter in normative analysis concerning the pertinence of this fiscal policy choice compared to any competing policy option.

Next two sections are devoted to briefly present the matrix of analysis of the budgetary discourse. Section 4 shows the empirical application of the methodology to the US Presidents case, with an interpretation of the results.

2. Building up a Matrix of Analysis of Political Commitment for Fiscal Discipline

We just sketch in this section the core elements needed to justify how to provide a tool to analyze and decode the budgetary discourse in a measure of political commitment for fiscal discipline.

The objective searched is to find a method enabling us to translate all political interventions related to debt and deficits in terms of fiscal conservative and fiscal non-conservative attitudes. Two main sources of political statements can be identified. The first one refers to the normative or theoretical arguments, that are the consequence of prescriptions according the different economic approaches on fiscal policy and on the rival theories about public debt. We assume thus the interaction between economic ideas and policies and, in particular, that existing economic ideas opens the door to the acceptance of multiple and sometime opposed fiscal practices[3]. The second set of political arguments are of positive or practical nature, in that sense that this kind of political interventions is based on concrete budgetary practices that tends to justify (fiscal non conservative) or to attack (fiscal conservative) the presence of actual deficits.

The key element, specially regarding the normative arguments, is to determine what has to be considered as a pro-fiscal discipline statement inside the political debate on budgetary issues. The choice made here is that a fiscal conservative attitude corresponds to the pursue of a "golden rule" fiscal policy or other more restrictive practices concerning the use of public debt. The "golden rule" on public finance asks for a full covering of the annual current public expenditures by fiscal receipts and other related resources, public debt excluded. Under this fiscal policy rule, public debt is admitted only to finance public capital expenditures.

This fiscal policy rule was proposed by many Classical and Neoclassical authors. Other more severe practices can be proposed, as the strict golden rule (the amortization of the due share of past public investments is considered as current expenditure to be financed by taxes), or even a

[3] "Because policy and ideas are intertwined, in discussing the main macroeconomic currents we refer also to economic events of the time. We show how theories influence policies, and how the results of policies influence views about theory.
Any student should wonder about a field in which opinions and policy prescriptions change so often. And you should worry, too, about the differences in views among macroeconomists at any given time. For instance, what should you conclude about budget deficits when one group of economists claims deficits have no real effects and another group blames deficits for high real interest rates ad the large trade deficit?" (Dornbusch and Fisher 1990, p. 674).

balanced budget for all kind of expenditures. All these practices are also considered as fiscal conservative.

Then, a fiscal non-conservative practice is that which justifies the debt finance of a share of current public expenditures, like for instance the keynesian approach.

The golden rule of public finance provides a clear and reasonable criterion of fiscal conservatism. Nevertheless, as it can be expected, only a marginal share of the political interventions in the frame of the budget debate will directly advocate for one or other of the theoretical fiscal policy approaches. Politicians usually descend to more concrete arguments for or against deficits, based on these theories or on theories of public debt.

The boundary we have chosen is very useful in order to categorize each one of the more concrete arguments, as the golden rule is directly linked to the classical theory of public debt. The theoretical justification to reserve deficits only to finance capital expenditures is the consideration that public debt imposes a burden to the future, when public debt has to be paid with an increase of taxes. Based on this assertion, allocative and distributive considerations imply that the right means to finance current outlays are taxes while capital expenditures can be financed by debt. This is the classical theory of public debt, and it drives to the golden rule principle. Thus, all the specific arguments based on the classical theory on debt can also be considered as conservative interventions. Logically, all the specific arguments that attack the classical foundations on fiscal policy and the theory of debt can be considered as fiscal non-conservative interventions.

A Matrix of Normative arguments (see table 1) has thus been elaborated, containing the pertinent specific arguments that have been identified, classifying each one of them as fiscal conservative or fiscal non-conservative following the criteria mentioned above.

Particular arguments have been regrouped in family arguments. Even if the affiliation of one specific argument can be discussed, their appurtenance to a fiscal conservative view or to a non conservative one appears to be clear enough for almost all the cases. This later fact is the most important for the utility of the methodology proposed. The following family of arguments have been proposed:

A. Equity issues

B. Efficiency on the allocation of resources (desired level of public expenditure)

C. Risks related with excessive deficits and debt

D. Debt and economic cycles

E. Other

- Clearness of the rule
- Equivalence between debt and taxes
- Tax smoothing
- Imperfection of capital markets

[Table 1 about here]

As we announced at the beginning of this section, the political arguments for or against deficits have two quite different roots. The first one, based on normative considerations, has been yet presented. Now, the arguments based in positive or purely practical consideration have also to be taken into account. This kind of political interventions can be adopted under a wide range of forms. They respond all to the politician's aim to render actual or future deficits more or less acceptable. Independently if this attitude is fully conscious or not, the fact is that this kind of public intervention reinforces the commitment for fiscal discipline when it gives a severe regard against deficits, and it weakens it when the opposite arrives. Some of those interventions reflect in fact the presence of strategic behavior, and have been identified by a number of authors working in the field of public choice and political economy of deficits, like Alesina and Perotti (1995) or Persson and Tabellini (1998).

Table 2 presents the groups of arguments we have retained, classifying each one as fiscal conservative or fiscal non-conservative.

[Table 2 about here]

As for the precedent point, we think that the summary description given in the table is clear enough and does not need any further comment on it.

It can be considered that at this point, all the essentials to provide the tool to analyze the political discourse in order to determine the commitment for fiscal discipline are given. They are simply formed by the addition of the Matrix of normative arguments and the Matrix of positive arguments.

3. The Index of Political Commitment for Fiscal Discipline

How to use the matrix in a practical manner in order to tackle the politicians' commitment for fiscal discipline? The proposal is to go directly to political discourse, trying to decode all political statements in terms of fiscal conservative / non-conservative basis. The issue is thus "simply" to read all the pertinent budgetary documents to first identify all public interventions concerning deficits and debt. Then, compare the content of the political declaration with the catalogue of normative and positive arguments identified following the theoretical path. If the political statement fits one of the theoretical elements of the matrix, a reference to the document is inserted in the correspondent cell of the matrix.

We propose two complementary indexes of attitude towards fiscal discipline. The first one is open, and it is simply calculated as the difference between the number of statements favorable to fiscal discipline less the number of declarations opposed to fiscal discipline. A positive value reflects a political position tending to support fiscal discipline. The highest the positive value it takes, the higher the insistence of the politician in defending this view, which suggest a stronger commitment towards fiscal discipline. Values near to zero indicate either that the politician has a shared view on this topic, or that she is not interested in fiscal discipline problems or that she consider that it is not politically rewarding to publicly manifest her present political position.

The second index is a closed index ranging between value +10, when all statements are favorable to fiscal discipline, and –10, when all declarations are against fiscal discipline. A zero value indicates an equal number of declarations for and against fiscal discipline. It is elaborated with the expression: $(Cons_t - Noncons_t) / (Cons_t + Noncons_t)*10$. Being $Cons_t$ the total number of fiscal conservative interventions and $Noncons_t$ the total number of fiscal non-conservative interventions. This second measure does not manifest directly the intensity in the defense of the political position, but it provides a clearer view of the direction given to the political debates, independently if they are numerous or not.

We have already applied this methodology to the Swiss regional case (the Geneva and Fribourg Cantons) and the Spanish case (central layer, for the period 1996-1999). Our aim is to expand the analysis to a longer time period, using the case of the United States, as the fiscal policy of this country has historically behave as reference for other countries during this century, and because of the accessibility of all the other relevant time series variables. Also, the history of US public finances are quite well known, an it can be put in contrast with the results we reach addressing directly to the public discourse of the main protagonists of this public policy.

As already mentioned, the methodology proposed is based on the discourse analysis. We have used in this case the official transcriptions of the Presidential public interventions before the Congress as recorded in the *Congressional Record*. For every single year covered in the analysis we have scrutinized direct references to debt, deficits and fiscal policy contained in the annual *State of the Union message*, as well as the *Presidential Federal Budget Message*. We have not taken into account the annual *Economic Report of the President*, as this series is more recent (it starts after the II World War), and does not cover all the period under analysis.

4. US Presidents Political Attitude Towards Deficits, 1920-2002

4.1 Statements Identified

2329 presidential statements have matched with the normative and positive arguments of the Matrix of analysis. A first methodological conclusion seems clearly to emerge: the Matrix of analysis of the political discourse succeeds in capturing an important amount of budgetary arguments in the American case, as it happened in the Swiss and the Spanish cases. We show in the Figure 1 the distribution of relevant statements per year. Annual results are grouped by terms in the Figure 2.

Figure 1.

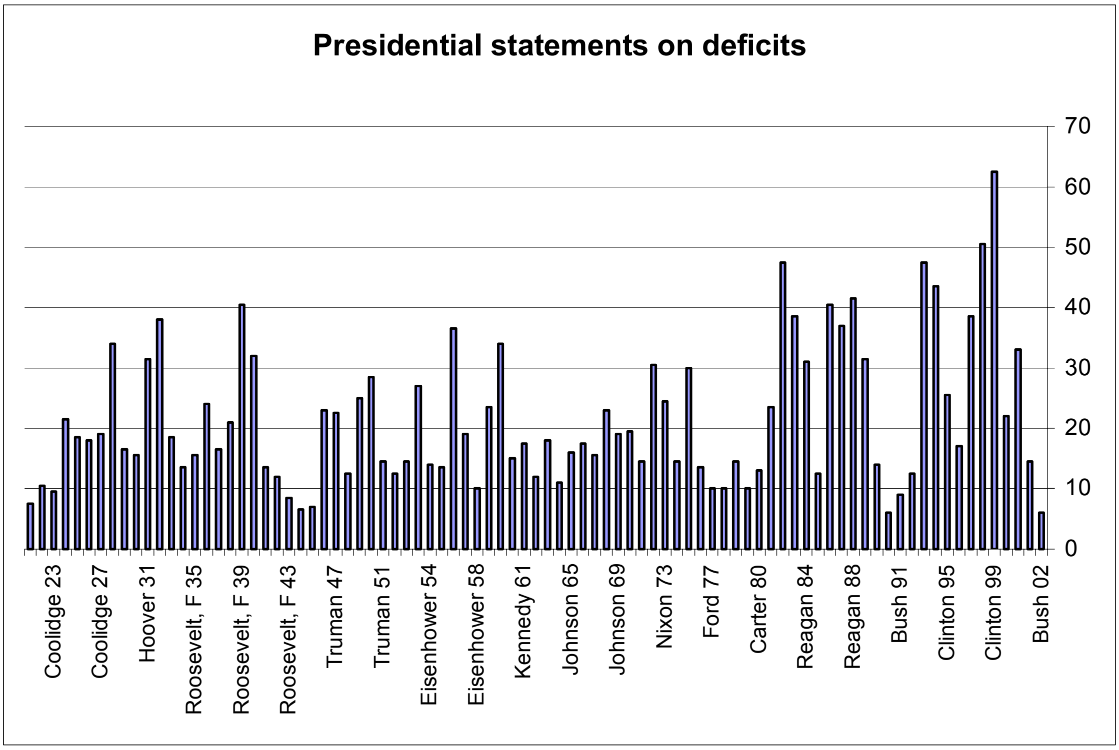


Figure 2

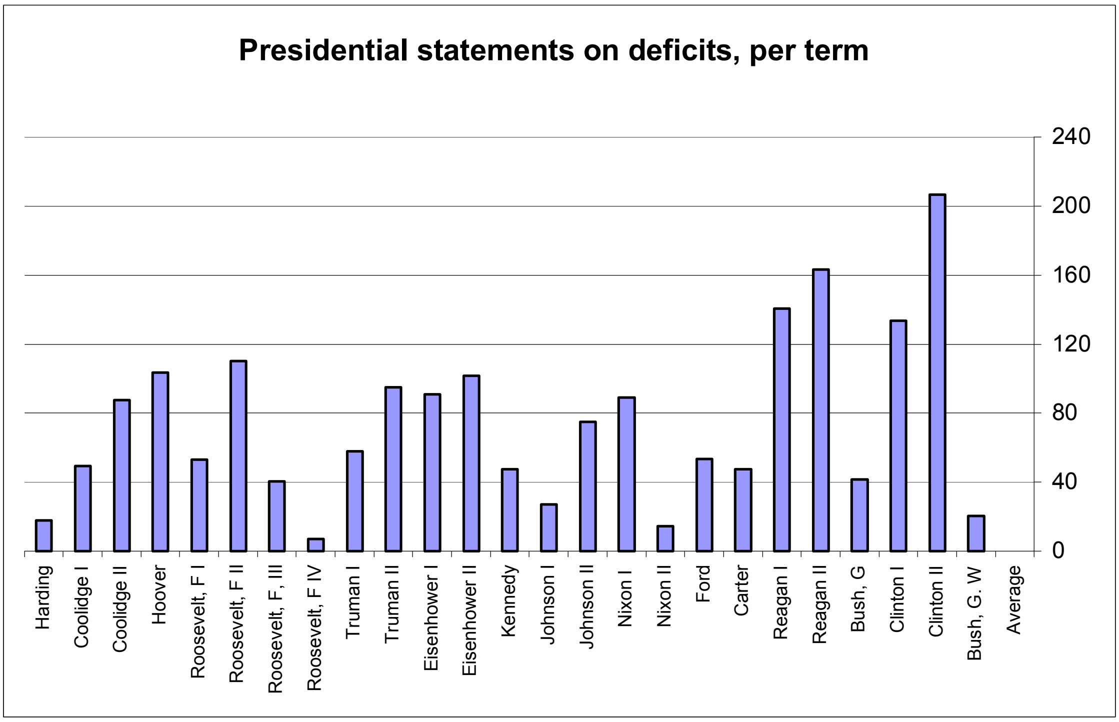
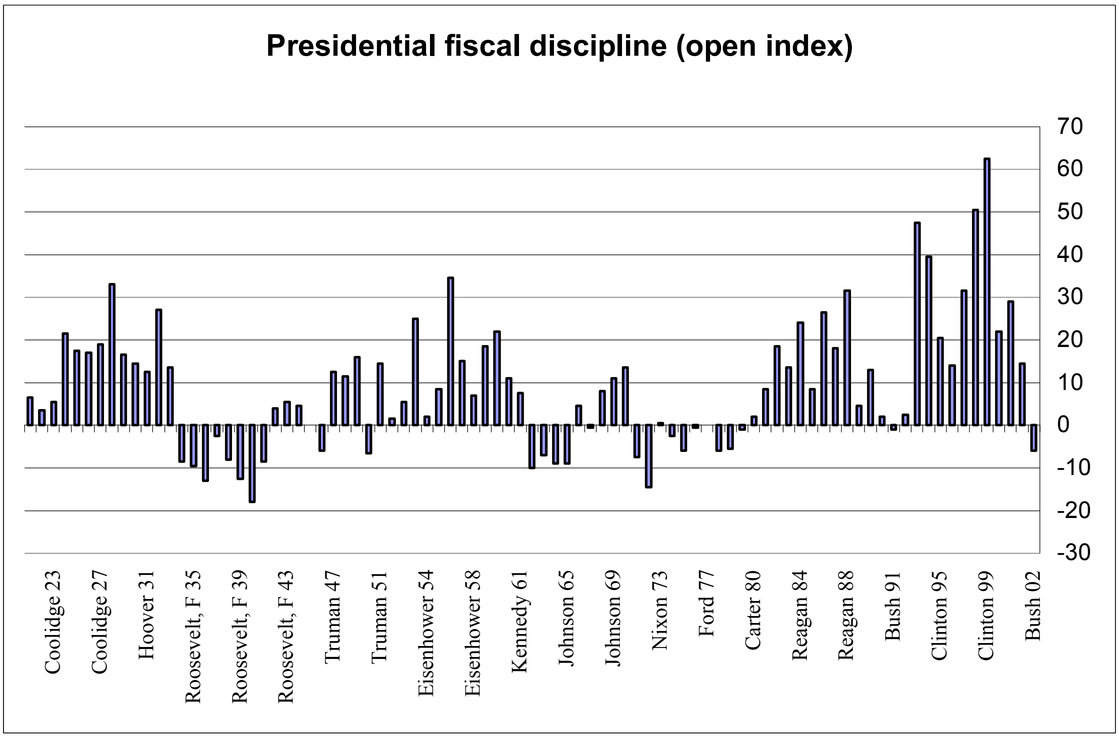


Figure 1 and 2 show a high level of variability concerning the presence of statements related to fiscal discipline in the State of the Union Address and the Presidential Federal Budget Message. Concerning the weight that each President give to this issue in their main political speeches (figure 2), it does not appear a clear variable to relate with the intensity of the discourse on deficits. The time series can be separated into two. The fist sub series goes from 1920 to 1980. There is not a clear time trend in general, as we observe some time oscillations between 1920 and the beginning of the 1980s, with peaks with Hoover (late 1920), the second term of Roosevelt (second half of 1930), Eisenhower presidency (the 1950s) and first Nixon's term (late 1960). The second part of the time series shows a dramatic increase of the intensity of the debates, affecting all the presidency of Ronald Reagan and Bill Clinton. The opposite occurs with the presidency of George Bush Sr., and the first two years of his son's presidency suggests a similar path. All these results suggest a certain relationship between the intensity of the discourse on fiscal discipline and economic cycle. Thus periods of economic crisis or slow path of economic growth are linked to higher levels of declarations concerning deficits like the Great Depression (Hoover and Roosevelt I and II), the decade of the 50 (Truman II and Eisenhower I and II), with a slow rate of GDP growth, and the economic crisis of the beginning of the 80s (Reagan I) and 90s (Clinton I). A significant exception to this behavior is Jimmy Carter Presidency, under which US and other industrialized economies suffered one of the worst economic shocks, but this seems not to have an impact on his public finance discourse. Moving now back to Figure 1, we can appreciate the evolution of the intensity of the discourse on deficit issues for each President. We can investigate the impact of economic cycles on discourse as well as to what extent this kind of discourse is sensible to electoral discourse. According to our results it appears a certain relation between political discourse and political cycle. We count for each presidential term with three observations concerning the evolution of the intensity of the discourse. The increase of the presence of declarations concerning fiscal discipline tends to be concentrated in the discourses marking the beginning of the second year, with an upward trend in 12 out of 21 cases. The discourses of the third year where the importance of fiscal discipline issues increase related to the precedent year correspond to 9 cases out of 22 recorded. In the last year, which in the US system is fully integrated in the elections campaign, only in 6 cases out of 17, the intensity of the discourse increases and, among them, only in one case it is produced in a significant manner, at the end of George Bush mandate. These results suggest that promises and programs concerning deficit control tend to be concentrated at the beginning of the term, to progressively experience a reduction of public exposure, specially in election years. This lack of political interest of making promises for the US President finishing their mandate during the electoral year can have two different sources: because other issues are considered more important or more appealing for voters than issues related with fiscal discipline (fiscal discipline could be not voting rewarding, even if theoretically approuved by a vast majority of Americans) or, alternatively, because poor public finance outcome does not deserve a strong defense and political promotion, and political fight is oriented to other more successful issues.

4.2 US Fiscal Policy as Viewed by its Presidents

The core result of this paper is shown in figure 3, where we present the open index of political commitment towards deficits for the period 1920-2002. Figure 4 shows the parallel result on the basis of the bounded index for values between –10 and +10.

Figure 3



The data set shows a profile that even if it can surprise at first sight, it is nevertheless quite coherent with the history of the American fiscal policy. This graph is in fact a concentrated snapshot of the political choices on budgetary issues these last 80 years. We can appreciate that, as commonly viewed, there was an undisputed attachment to the principles of fiscal discipline as we have defined them at the beginning of the time period considered (this fact appears clearer in figure 4). The figure shows also that Hoover's attitude remained basically attached to the Classical principles when he faced the first stage of the Great Depression. The picture changes dramatically with Franklin Roosevelt policies, which can certainly be considered as revolutionary in the fiscal sphere, as compared with the precedent references. He is the first President to publicly justify ad advocate debt finance. Modern public finance episodes can easily be retraced in the graphic: the movement to higher levels of fiscal discipline with Eisenhower, the first utilization of Keynesian precepts in a period of economic growth under Kennedy and Johnson. Nixon's Presidency is quite interesting, because he is a Republican, and his record presents a clear and almost unique breakpoint inside a legislature, when he announces in 1971 his Administration adhesion to the principles of the full-employment budgeting. The Reagan records are also relevant, as they show the junction of huge and increasing deficits with a political discourse which basically defends the principles of fiscal discipline. The series ends with the Democrat President Bill Clinton, who maintains a high profile of attachment to the principles of fiscal discipline, never seen since the 1920s, in accordance with his deficit reduction policy.

Figure 4.

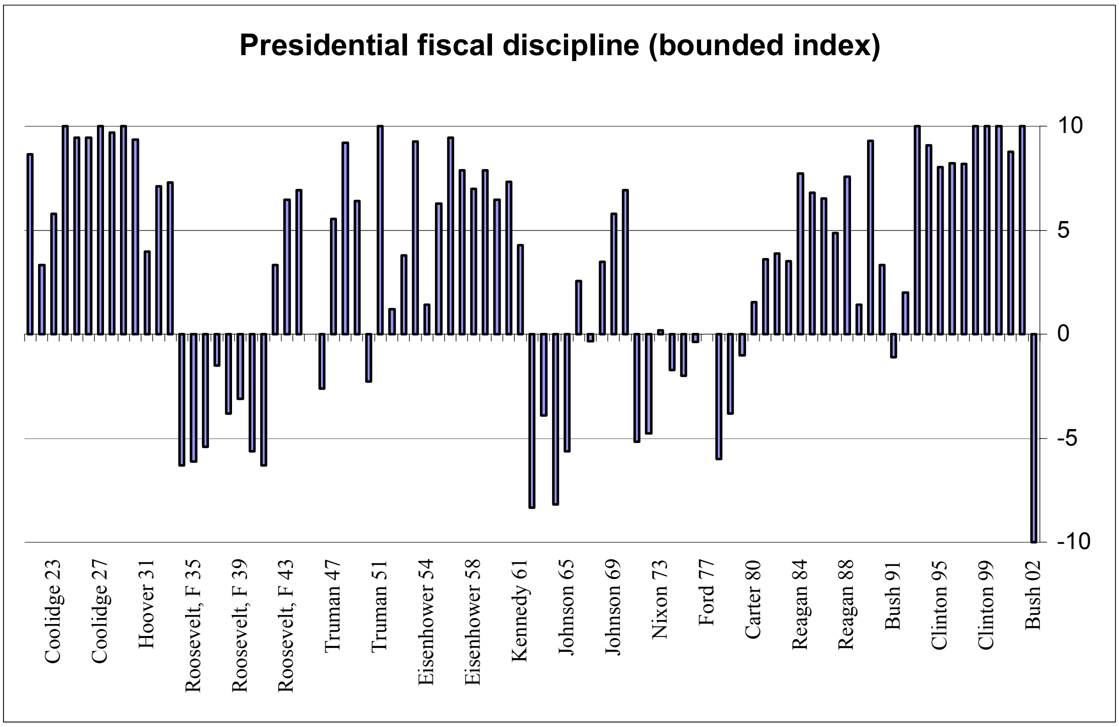


Figure 5 and 6 show the same results as in figure 3 and 4, aggregated by presidential terms.

Figure 5

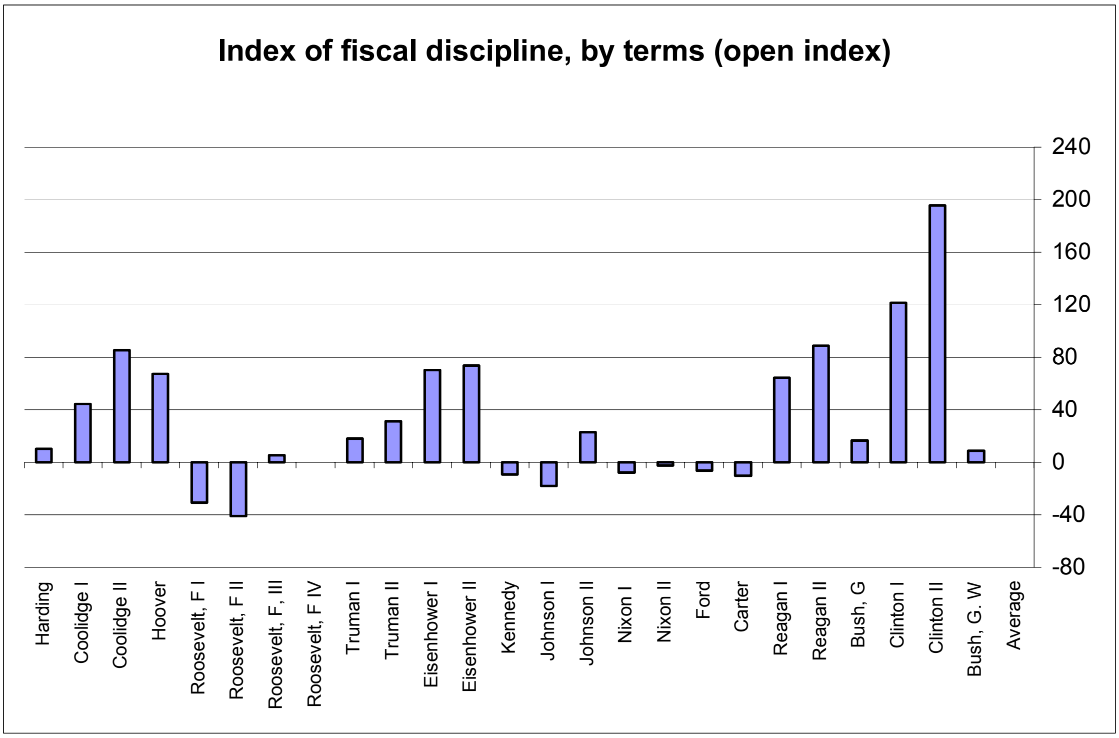
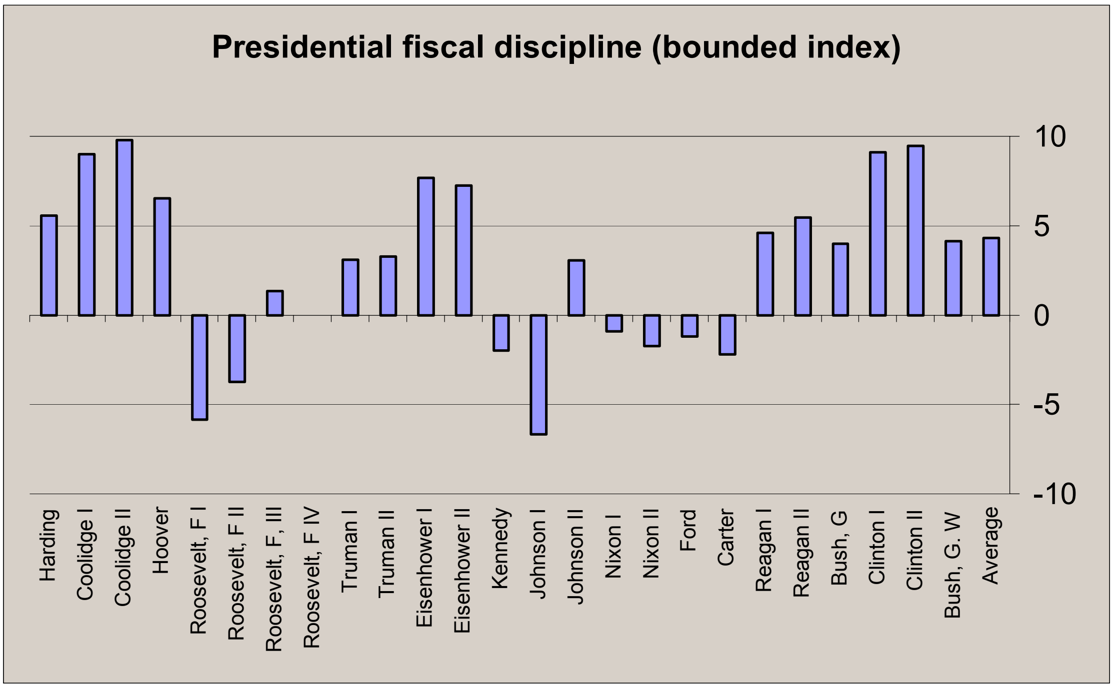


Figure 6



To our view, the main outcome of these figures is precisely that the resulting picture corresponds basically to what a person having a basic knowledge of American fiscal policy recent history should have predicted. This is not a shortcoming of this methodology based on discourse analysis, but, in the opposite, it seems to us that this shows the ability of the methodology to capture the sense and substance of what is behind the political discourse and, secondly, that political discourse seems to be quite internally coherent, as we do not arrive to aberrant results.

We can complement these numerical results by pointing out some salient statements made by each President in which they take a clear position concerning the role of deficits and debt. We have sorted them out amongst those 2339 statements forming our database. Some of them correspond to milestones of US fiscal policy choices during the last 80 years. In some cases we will confront what Presidents said with the perception received by scholars. In particular, we will bring some citations from Chambers and Leonard (1971) textbook, a these authors judged US President fiscal policy using also some of their public statements, even if not in a systematic way.

The first three citations refer to three Presidents pertaining to the pre-Great Depression era. All of them reflect a clear attachment to the Classical principles of public finance. The index shown in the figure 6 is higher than +5 for Harding presidency, and almost +10 for Coolidge in each one of his terms. This result correspond with the analysis shared by many economists. "Prior to 1930, there as a consensus that governments should not run a deficit" (Stiglitz, 1988, p. 677). "Forty years ago, the chapter in an economic textbook dealing with public finance read just as it had in

Adam Smith's time. From 1776 to 1929 there was little discernible progress" (Samuelson, 1976, p. 355).

> Sound policy demands that government expenditures be reduced to the lowest amount which will permit the various services to operate efficiently and that government receipts from taxes and salvage be maintained sufficiently high to provide for current requirements, including interest and sinking fund charges on the public debt, and at the same part retire the floating debt.
>
> Wilson Woodrow, 7 Dec 1920, p. 32

> And will tend to correct the growing menace of public borrowing, which if left unchecked may soon treated the stability of our institutions.
>
> Harding, Warren G, 8 Dec 1922, p. 215

> In times of peace we must meet governmental expenditures out of governmental revenues. We should not take by taxation more than our requirements. But also we should not take less than our requirements.
>
> Coolidge, Calvin, 6 Dec 1926, p. 76

The same outlook of clear identification with principles of balanced budget appears under Hoover's presidency. The striking difference is that this statement is made at the end of 1932, three years after the beginning of the Great Depression.

> Embraced in this problem is the unquestioned balancing of he federal budget. That is the first necessity of national stability and is the foundation of further recovery. It must be balanced in an absolutely safe and sure manner if full confidence is to be inspired.
>
> Hoover, Herbert, 6 Dec 1932, p 52

A completely different picture appears with F. Roosevelt new fiscal proposals

> This excess of expenditures over revenues amounting to over $9 billion during two fiscal years has been rendered necessary to bring the country to sound condition after the unexampled crisis which we encountered last spring. It is a large amount, but immeasurable benefits justify the cost.
>
> Roosevelt, Frankin D., 4 Jan 1934, p. 90

> If the recession were to not feed on itself and become another depression, the buying power of the people, which constitutes the market for products of industry and agriculture, had to be maintained. To this end, in the spring of 1938, I recommended a further use of government credit and the Congress acted on my recommendation [...] The soundness of this realistic approach to a fiscal policy related to economic need was again strikingly demonstrated.
>
> Roosevelt, Frankin D., 4 Jan 1940, p. 47

Even if a true acceptance and application of keynesian principles by Franklin D. Roosevelt has been much discussed by economists, what is nevertheless clear in his attitude and public statements is the abandonment of the prior-to-Great-Depression-axiom of a yearly balanced budget. This new era for fiscal policy will remain as an open option for the following US Presidents, and it will be used as guiding principle in different extent according each Presidential choices. Harry Truman, who conducted the post-war finances, adopted a mixed view on the role of deficits and, as our index shows it gave a positive value for each one of his terms. We show two contradictory statements on deficit finance.

> The best method of keeping down the burden of the debt is to maintain prosperity. A single year of depression can lay more burden on the people than many years of gradual debt reduction can relieve.
>
> Truman, Harry, 10 Jan 1947, p. 239
>
> My recommendations on taxes and appropriations have had as their objectives the meeting of all our responsibilities for the security and welfare of our people and for a growing economy with a stable currency and a balanced budget.
>
> Truman, Harry, 9 Jan 1953, p. 310

The value of our index concerning Harry Truman position fits quite well Chambers and Leonard (1971, p. 267) assessment (the statements mentioned in the following citation are not the same used in our paper): "The second statement clearly defines the fiscal policy function of the budget. But the first statement is just as clearly as odds with this function. It is straightforward statement of the balanced budget.
It is important to note that when these statements were made in 1950 the economy was in the middle of a recession with unemployment rates above 5%. A fiscal stimulus was needed, and this the economy did not get. Thus, the President Truman's actions in 1950 were inconsistent with his words of 1949 and with his actions of 1947-1948. It seems that he found it quite easy to argue for budget formulation based on sound fiscal policy when that policy called of a positive surplus. When conditions in the economy were such that expenditures in excess of taxes were needed, he acted according to the balanced budget principle. Our conclusion must be that fiscal policy was not used during this period".

An unambiguous shift to positions favorable to balanced budget is produced under Eisenhower Presidency. Data from figure 4 and 6 shows that during this period the attitude towards deficits reflect a similar level of affection for fiscal discipline to what it was observed before the Great Depression. Eisenhower's statements concerning his position about this point are out of doubt:

> I believe this policy of fiscal integrity has contributed significantly to the soundness of out nation's economic growth and that it will continue to do so during the coming fiscal year.

Eisenhower, Dwight, 16 Jan 1957, p. 604

> Sound fiscal policies and balanced budgets will sustain sound economic growth [...]. If we deliberately run the government by credit cards, improvidently spending today at the expense of tomorrow, we will break faith with the American people and their children.
>
> Eisenhower, Dwight, 16 Jan 1961, p. 735

Chhambers and Leonard (1971, p. 268) views on Eisenhower fiscal policy choices are coincident with ours: "To President Eisenhower, budget balancing was a moral question, and most members of Congress agreed with him. He was well aware of the two functions of the budget of providing public goods and services and implementing a more just distribution of income, but he failed entirely to understand the requirement of fiscal policy"

As stated by many authors, J.F. Kennedy is probably the first one to introduce a clear proactive fiscal stimulus with a keynesian intention. This was not apparently his intention when arriving at the Oval Office, as the first statement we reproduce reflect mixed feelings concerning deficits. This statement is in tuning with his first year of mandate statements, as his index of fiscal discipline attains a +4,29 value.

> Federal revenues and expenditures should, apart from any threat to national security, be in balance over the years of the business cycle-running a deficit in years of recession when revenues decline and the economy needs the stimulus of additional expenditures-and running a surplus in years of prosperity, thus curbing inflation, reducing the public debt, and freeing funds for private investment.
>
> Kennedy, John F., 24 March 1961, p. 4770

His position regarding deficits drops to negative territory from the following year on (which reflects a refusal of balanced budget principles), producing a negative global value for his unachieved term (see in figure 5 and 6). The notorious change of attitude is well recorded in the following statement.

> The choice is between chronic deficits arising out of a slow rate of economic growth, and temporary deficits stemming from a tax program designed to promote fuller use of our resources and more rapid economic growth [...]. Unless we release the tax brake which is holding back our economy, it is likely to continue to operate below its potential, federal receipts are likely to remain disappointing low, and budget deficits are likely to persist.
>
> Kennedy, John F., 17 Jan 1963, p. 507

Again, Chambers and Leonard (1971, p. 270) are really near to what our empirical results produce: "President Kennedy started his term in office with the fiscal philosophy of his predecessor. Even though the economy was in its third recession since 1954, President Kennedy told his Chairman of the Council of Economic Advisers, Walter Heller, that the antirecession battle would have to be fought within the bounds of a balanced budget. This constraint is equivalent to saying that no antirecession battle would be fought by using fiscal policy [...]. President Kennedy was learning fast. In June of 1962, he gave his famous "Mythology vs. Economic Knowledge" speech at Yale University and broke away from the balanced budget tradition ... for the first time in history, an American President committed himself publicly to the notion that fiscal responsibility means adjusting the federal budget though fiscal policy to current economic conditions. This act was all the more courageous because the economic conditions of that time required deliberate promotion of deficits". See also, for instance, Cohen (1997).

President Johnson followed the path opened by his antecessor, assuming the fiscal stimulus pack and its initial effects on deficits.

> As the tax reduction taxes full effect, its stimulus to private consumption and investment will shrink the $30 billion gap between the nation's actual and potential output ... As economic activity expands, and personal and business incomes increase, federal revenues will also rise. The higher revenues, combined with continuing pressure for economy in federal expenditure programs, should hasten the achievement of a balanced budget in an economy of full prosperity.
>
> Johnson, Lyndon B., 21 Jan 1964, p. 705

Nevertheless, our index shows that the continuation of his mandate put him again into the area of a political attitude supportive of fiscal discipline, starting in 1967 and being much clear during the two following years, as it is shown in figure 4. It produces an overall position favorable to fiscal discipline during his second term (figure 6).

> In late 1965 and early 1966 however, as the economy rapidly approached full capacity operation, inflationary pressures began to develop. On two occasions, I proposed, and the Congress promptly enacted, tax changes aimed at dampening those pressures.
>
> Johnson, Lyndon B., 24 Jan 1967, p. 1350

Contrarily to us, Chambers and Leonard (1971, p. 270) put all President's Johnson fiscal policy option under the umbrella of the new keynesian prescriptions. "The persistent instruction by both president Kennedy and President Johnson about fiscal responsibility convinced an overwhelming proportion of the Congress that budget deficits per se were not to be feared but were to be used to promote full employment. The members of the CEA were ultimately responsible for this conversion, for these men taught the Presidents, the Congress, and the general public the principles of fiscal policy application. Although one can still hear the cry of the balanced budget principle, one hears it less and less today".

As we pointed out before, the change of political attitude towards deficits experienced by Richard Nixon is one of the most remarkable one, similar to Kennedy case, but reinforced in its specificity because Richard Nixon was a Republican. First statements leave no doubt about his opposition to deficits. This view radically changes in his second year of presidency, when he adopts the notion of "full employment balanced budget".

> Now, millions of Americans are forced to go into debt today because the Federal government decided to go into debt yesterday. We must balance our Federal budget so that American families will have a better chance to balance their family budget [...]. And, in spite of the fact that Congress reduced revenues by three billion dollars, I shall recommend a balanced budget for 1971 [...]. But I can assure you that not only to present by to stay within a balanced budget requires some very hard decisions. It means rejecting spending programs which would benefit some of the people when their net effect would result in price increases for all the people.
>
> Nixon, Richard, 22 Jan 1970, p. 739
>
> I will submit an expansionary budget this year-one that will help stimulate the economy and thereby open up new job opportunities for millions of Americans. It will be a full employment budget, a budget to be in balance if the economy were operating at its peak potential. By spending as if we were at full employment, we will help to bring about full employment [...]. I ask the Congress to accept these expansionary policies-to accept the concept of the full employment budget.
>
> Nixon, Richard, 22 Jan 1971, p. 166

The statement that we have selected concerning President Gerald Ford catches the ambiguity of his fiscal policy preferences, reflected in our index by negative values but not far from the neutral value 0.

> I believe that tax relief, not more government spending, is the key to turning the economy around to renewed growth [...]. I regret that my budget and tax proposals will mean bigger deficits temporarily, for I have always been opposed to deficits.
>
> Ford, Gerald, 3 Feb 1975, p. 2020

A similar picture emerges from his successor, the Democrat Jimmy Carter, even if he appears to propose a more active fiscal police to cope with the tumultuous mid-seventies in the economic field.

> Because we sought a sustained expansion in consumer spending and business investment, we have developed a two-year program, which will provide stimulus [...]. Because of the need for an immediate stimulus to consumer purchasing power, we have included an $11 billion tax rebate [...]. The tax rebate and many of the spending programs are temporary, and will end as the economy recovers.

Carter, Jimmy, 1 Feb 1977, p. 3055

> If the economy begins to deteriorate significantly, I will consider tax reductions and temporary spending programs for job creation targeted toward particular sectors of economic stress [...]. We continue to pursue the goals of full employment, price stability, and balanced growth. The fiscal and program policies in this budget are essential, I believe, if we are to move rapidly toward these goals in the 1980's.
>
> Carter, Jimmy, 28 Jan 1980, p. 849

A major change of attitude towards fiscal policy and deficits is produced with the arrival to the presidency of Ronald Reagan. In his speeches, he clearly and constantly attack the use of any kind of proactive fiscal policy, except for his conviction that a permanent decrease of fiscal pressure would produce at the end of the day higher taxes and a complete resorption of deficits. This attitude is translated in our indexes by positive values not seen before since Eisenhower presidency.

> In the months ahead there will be temptations to resort to pump-priming and spending stimulus programs. Such efforts have failed in the past, are not needed now, and must be resisted at every turn. Our program for permanent economic recovery is already in place. Artificial stimulants will undermine that program, not reinforce it.
>
> Reagan, Ronald, 8 Feb 1982, p. 1015

> And perhaps the most important sign of progress has been the change in our view of deficits. You know, a few of us can remember when, not too many years ago, those who created the deficits said they would make us prosperous and not to worry about the debt because "we owe it to ourselves". Well, at last there is agreement that we can't spend ourselves rich.
>
> Reagan, Ronald, 25 Jan 1988, p. 53

"The unifying theme of the Reagan program was that only by reducing the growth of government could the growth of the economy be increased. This was based on a long-standing conviction that the most important cause of our economic problems was the government itself. The general thrust of the Reagan program was to diminish the role of the federal government in the American economy by reducing the growth of spending, reducing tax rates, reducing regulation, and reducing the growth of the money supply" (Koven 1999, p. 72). Much more controversial has been among scholars the compatibility of such a program with an effective elimination of budget deficits. In fact, it was the opposite that eventually occurred. As we mentioned before, Reagan two terms have been the only case in our records where an ever growing deficit was compatible with a public discourse opposed to such a budgetary outcome.

The political positioning of George Bush concerning fiscal discipline is identical to that of his predecessor, Ronald Reagan.

> We won't leave it to our children and grandchildren. Once it is balanced, we will start paying off the national debt.
>
> Bush, George, 31 Jan 1990, p. 181

Bill Clinton's fiscal policy legacy is another clear and striking example that the notion of fiscal discipline is not necessarily linked to political conservatism as, according to our empirical results, Bill Clinton can be considered as one of the champions of fiscal conservatism as resulting from his official speeches. Almost all his interventions are favorable to fiscal discipline, making that the bounded index (figure 6) shows levels of attachment to fiscal discipline principles only similar to those experienced before the Great Depression. This preference for fiscal discipline is reinforced by the insistence in defending publicly those principles. We find in figure 3 and 5 that the number of public statements favorable to fiscal discipline are, by far, the highest for any presidency in our series. Koven (1999, p. 76) shares the same perception. "Clinton argued in support of th compromise that the era of the New Democrats had arrived, that the tax-and-spend image of liberal Democrats was an anachronism, and that the party should embrace the tenets for fiscal conservatism. Smaller government, tax relief, and sharply focused spending priorities became new buzzwords of the Democratic Party". See also Cassata and Rubin (1997).

> We have to cut the deficit because the more we spend paying off the debt, the less tax dollars we have to invest in jobs, in education and in the future of this country. And the more money we take out of the pool of available savings, the harder it is for people in the private sector to borrow money at affordable interest rates for a college loan for their children, for a home mortgage, or to start a new business [...] that is why we have to got to reduce the debt, because it is crowding out other activities that we ought to be engaged.
>
> Clinton, William J., 1993, 17 Feb, p. 677
>
> For the first time in three decades, the budget is balanced. We are now on course for budget surpluses for the next 25 years [...]. Our government is a progressive instrument [...] devoted to fiscal responsibility
>
> Clinton, William J., 1999, 29 Jan, p. 258

Interestingly enough, Bill Clinton was replaced by the Republican George W. Bush, who inherited a budget with a significant surplus. In his first year of presidency he showed a clear attachment to fiscal discipline principles (figure 3 and 4). The aggressive tax reduction plan coupled with a recessive economy produced, it seems, an impact in Bush political attitude towards deficits, as he was obliged to justify the resulting deficits in terms of the old keynesian terminology. The index of political attitude towards deficits entered into negative territory, 20 years after the last negative index cycle.

> To revitalize our economy our budget will run a deficit [...]. A deficit that will be small and short term as long as Congress restrains spending and acts in a fiscally responsible manner.
>
> Bush, George W., 2002, 29 Jan, p. 100

4.3 The Structure of the Political Discourse

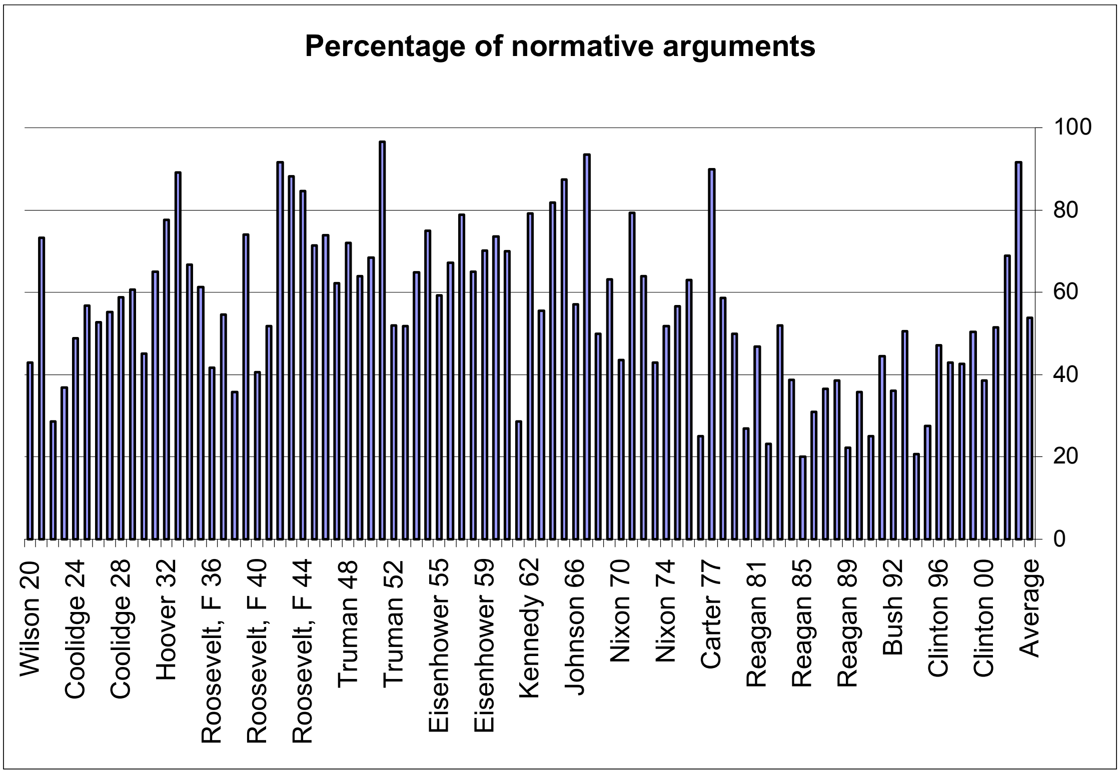
The analysis of the structure of the discourse gives also an important amount of information. The general index shown in the precedent section is built by the addition of different families of normative and positive arguments. It can be thereby disintegrated in its main components. The resulting analysis provides a clear insight of what kind of arguments have been determinant in different parts of the period under analysis or the influence of party ideology. Some results can be put in relation with the intensity of the debate on deficit issues (figures 1 and 2) and with the global index of political attitude towards deficits (figures 3 to 6), enlightening some of the results already achieved in the precedent section.

We show firstly how the general discourse on deficits has been distributed among its two main components: normative and positive arguments.

We see in figure 7 the percentage of yearly statements which refers to normative arguments. Evidently, the difference from the value shown in the graph to the level 100 corresponds to the percentage of statements using positive arguments. We find a relative low percentage of normative arguments from 1920 to 1930. They increase in the early 30s. This suggest the ideological battle around the treatment to give to the deficits resulting from the economic recession. During Hoover Presidency the normative arguments used in the public discourse tend to show the dangers associated to deficits (as we see in figure 3 that the attitude during these years is favorable to balanced budget). The opposite option is preferred with Roosevelt arrival. It is interesting to notice nevertheless that the percentage of statements of normative nature used since mid 30s are significantly lower than precedent and subsequent years. Thus, actual deficits have been basically justified during this period taking advantage of practical positive arguments, more than using theoretical arguments served for instance by the incipient keynesian proposals. This result tends to confirm the view shared by some experts that Roosevelt never implemented an anti-cyclical and active fiscal policy in a systematic way.

We can also observe a long period comprised between the end of WWII and the Oil Crisis where the share of normative arguments is maintained in high levels in average. Figure 3 also tells us that this sub-period has experienced a succession of political attitudes favorable and opposed to towards deficits. The conjunction of both results manifest that the ideological battle concerning the appropriate use of deficit finance has been a matter of this period. By contrast, political debate about deficits since Ronald Reagan Presidency was conducted mainly by practical positive arguments, as the share of normative arguments reach an historical minimum at second Reagan's term and George Bush Presidency. So, the profile favorable to balanced budgets shown by Reagan when at the same time he faced unprecedented deficits was conducted basically through practical arguments like, as we will see after, the proposal of a constitutional amendment to forbid deficits or the attack of Congress lack of willingness to adopt budgetary reforms. The share of normative arguments tend to increase again only in second Clinton's term.

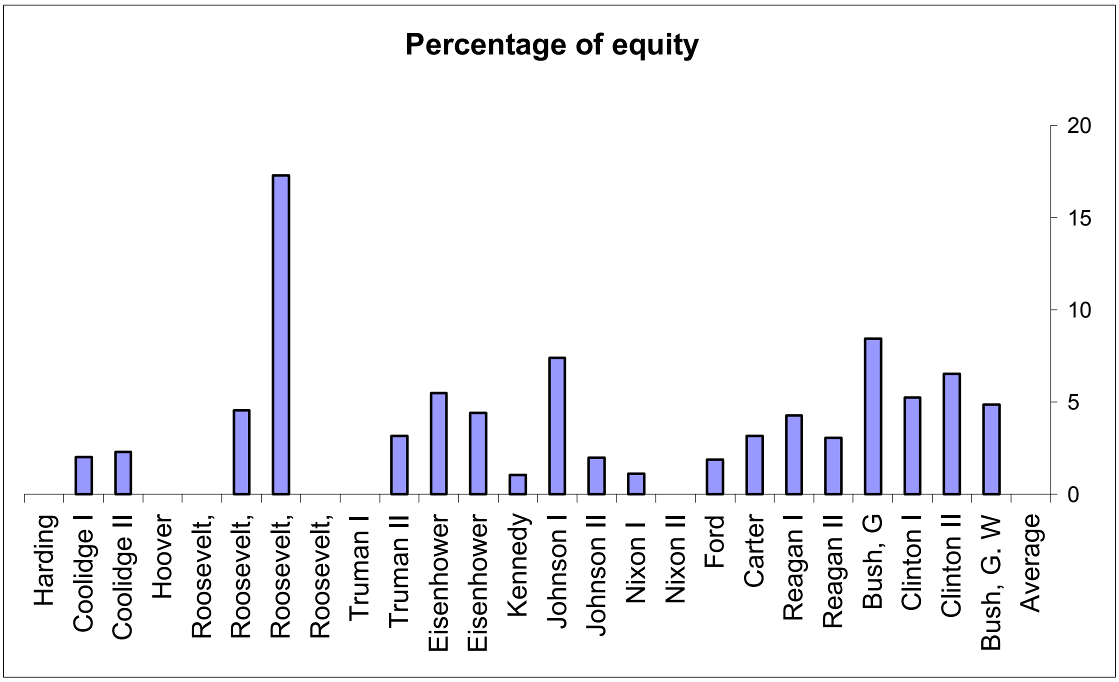
Figure 7



We look more into details concerning the structure of the political discourse on deficits by analyzing the use of each specific family of arguments presented in table 1 and 2. We have regrouped the results by presidential terms, in order to increase the significance of the results.

Figure 8 presents the evolution of the use in public statements of arguments related with equity and the use of debt finance (equity with future generations, fiscal expansion today at the price of increased debt for the future, ...). Related to the average, this kind of arguments has marked specially the third Franklin D. Roosevelt Presidency. It corresponds to the World War sequence. Figure 6 and 7 indicated that Roosevelt global position on deficit was roughly in positive territory (favorable to fiscal discipline positions), in sharp contrast with precedent years. This is precisely due to the fact that Roosevelt always used this argument to justify the need to raise special war taxes, in order to minimize the burden that debt could eventually produce in future generations. Surprisingly enough, we can also observe that before 1930 breakpoint this argument was used in a negligible manner by Presidents, maybe because this kind of argument was considered superfluous and taken for granted. This argument took a certain importance in Eisenhower (favorable to fiscal discipline) and first Johnson term (opposed to discipline) discourses. This arguments becomes again somehow interesting for presidents in a regular basis since Ronald Reagan, counting in average to some 5% of all statements.

Figure 8



The family of arguments related to risks associated with excessive deficits is undoubtedly the main singular argument for many of the Presidents under analysis. We show also in figure 10 which is the sense of use done to this argument as reflected by the resulting index of fiscal discipline under the bounded scale having as extreme values +10 (all arguments favorable to discipline) and -10 (all arguments opposed to fiscal discipline). Figure 10 results tells us that this argument has been systematically used in the political discourse in order to support balanced budget positions, and only marginally to justify the presence of deficits (Roosevelt, Truman, Kennedy, Johnson and George W. Bush), but never to the point of becoming an argument supportive to deficits (negative value). This is not a surprising result: it is hard to publicly minimize the potential costs of present or future deficits. Being this the case, the best solution to apply when a president is publicly defending the presence of deficits is simply to try to avoid this very argument. We find in fact a close inverse relation between figures 6 and 10 series. The higher the level of political attachment to fiscal discipline, the higher the share of this argument in the political discourse; the higher the opposition to fiscal discipline principles, the lower the presence of this argument in the political discourse. The coefficient of correlation between figure 6 and figure 10 series is 0,772.

We can appreciate in figure 9 that this argument was very visible in the discourse structure before 1930, and that it almost disappears during first Roosevelt term. Eisenhower becomes a passionate user of this argument in order to reinforce his fiscal conservative views. The presence of the argument decreases during the 1960, 1970 and 1980 decades. Interestingly, Reagan and George Bush, with fiscal conservative views do not support their position taking advantage of this arguments and it can be easily understood: it is not too much coherent to constantly speak about the risks and dangers of deficits and debt at the same time that huge amounts of deficits are being proposed for approval to the Congress. The situation changes dramatically with Bill Clinton, whose intensity of use of this argument is only similar to those of Eisenhower and pre-Great Depression presidents.

Figure 9

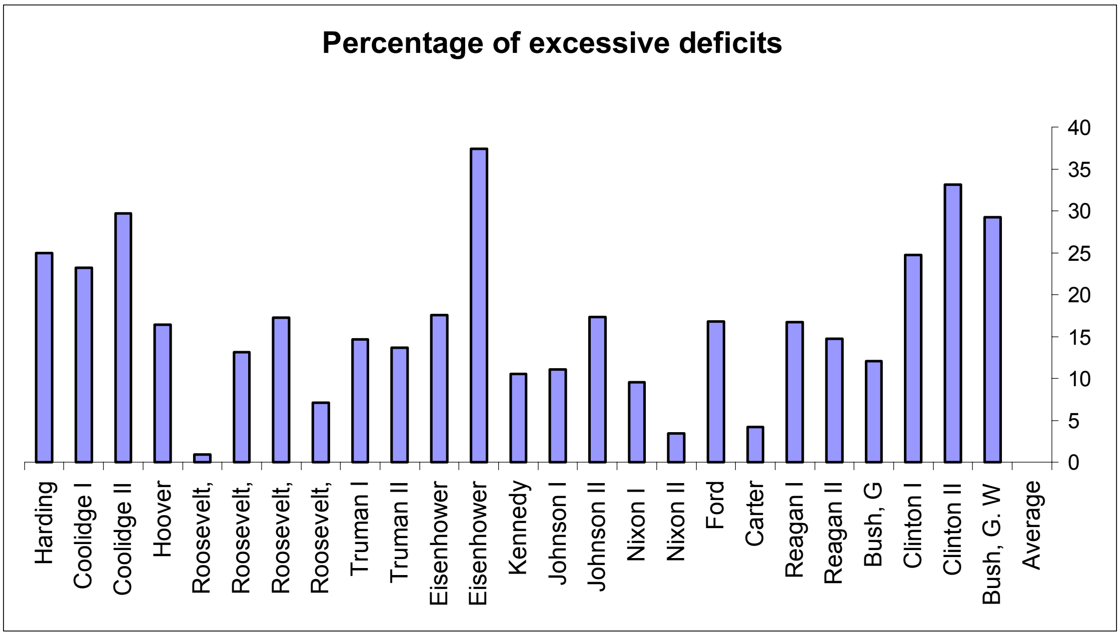


Figure 10

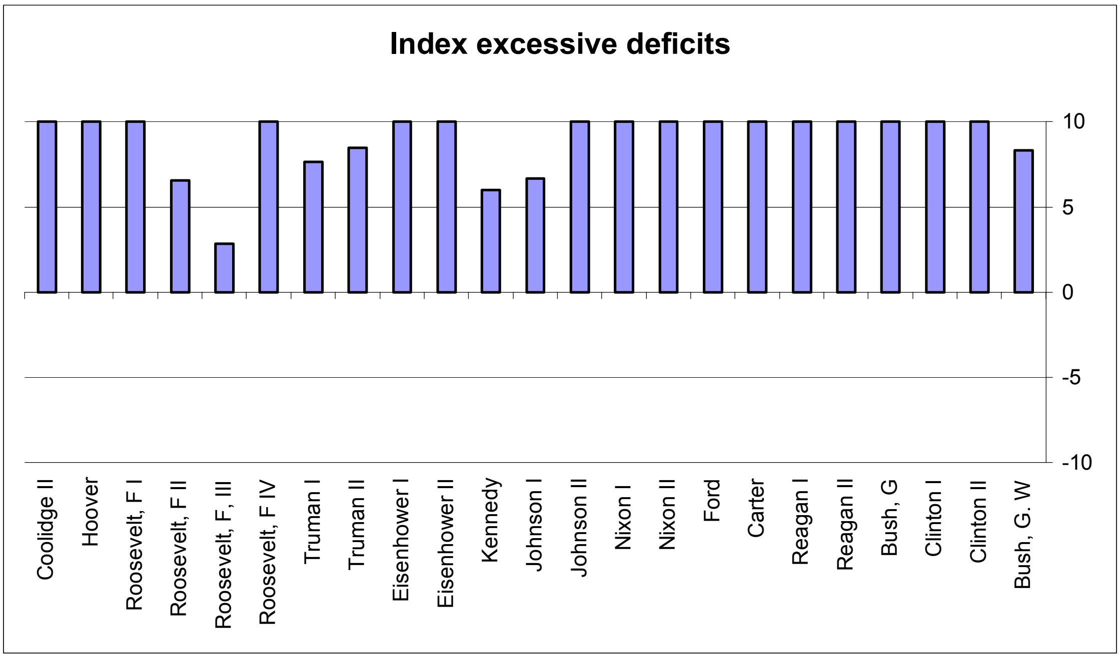


Figure 11 captures the percentage of total statements related with deficits and business cycle (normative family of arguments D in table 1). It can be appreciated by its importance in the structure of the discourse that is has been the defining argument concerning the political attitude towards fiscal discipline for many presidents. As in the precedent case, it is worth to study figure 11 in parallel with results arising from figure 12, which presents the index of fiscal discipline in each presidential term concerning the use of this argument.

The presence of this argument in the political discourse was completely marginal before Hoover presidency. We can appreciate that this argument was the key one in Hoover and first Roosevelt term, as it concentrated more than 40% of their statements. This result, coupled with the opposite signs of the index of this two presidents (figure 12) indicates us the intensity of the ideological fight about the legitimacy of deficit finance. The intensity in the use of this argument decreases in the subsequent Roosevelt terms, presenting even a mixed position about the role of deficits in the economic cycle during his third term, coinciding with the World War period. The cyclical use of deficits becomes a second order argument during the 50s, during Truman and Eisenhower presidencies. We observe in figure 12 that Truman's views on this issue are mixed, even if he is from the Democrat Party. Even more, Eisenhower is the first President since the Great Depression to publicly attack the keynesian principles. This position is in strong contrast with his successor proposals, as we see that all Kennedy statements on this issue were unambiguously favorable to the use of budget as a means to influence the business cycle. A similar path is followed during first Johnson term, as this arguments concentrates 65% of all his statements. As we mentioned in the precedent section, Nixon converted publicly and formally to "full employment balanced budget" principles and, as it can be appreciated, the defense of these principles took a significant part of his political discourse. A similar behavior is found under Ford and Carter presidencies. Another change of political option emerges with Ronald Reagan presidency, as this arguments is completely passed over in his discourse (not even one statement during all his second term). When the argument is used, this is mainly done to attack keynesian foundations or its practical implementation. By contrast, George Bush tends to justify the use of deficits for anticyclical purposes, but this argument occupies a marginal place in his discourse. It is quite interesting to see that a Democrat like Clinton has completely ignored the role of deficit financing on business cycle. This result, maybe facilitated for some years by the favorable economic outlook, tends to confirm nevertheless his strong attachment to fiscal discipline principles, as shown in figure 3 to 7.

Figure 11

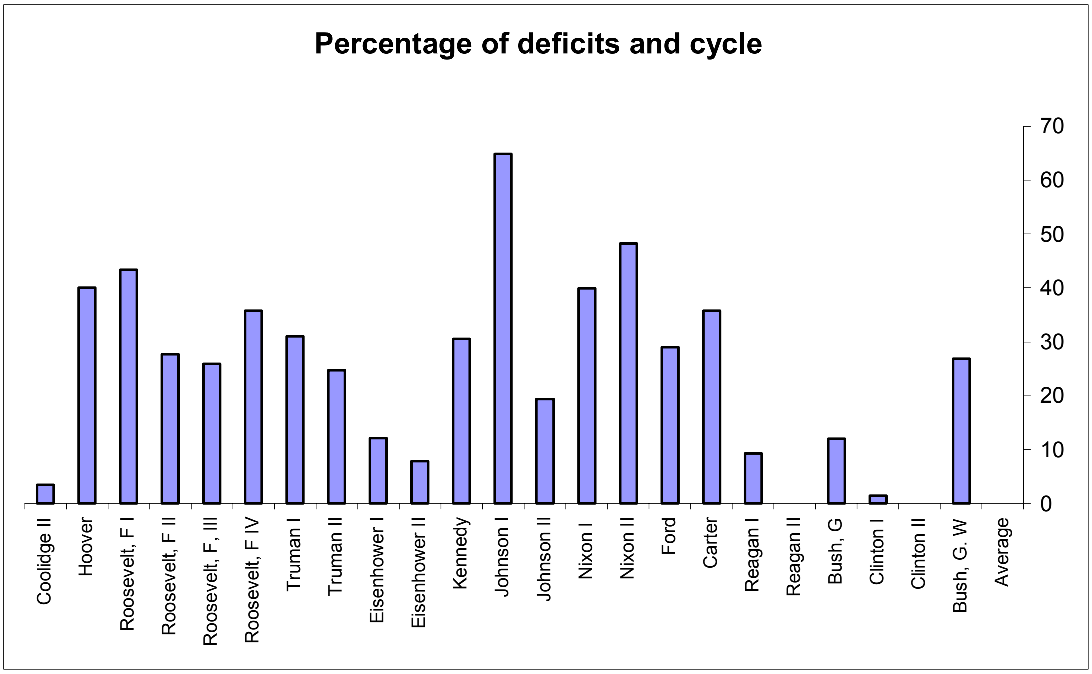
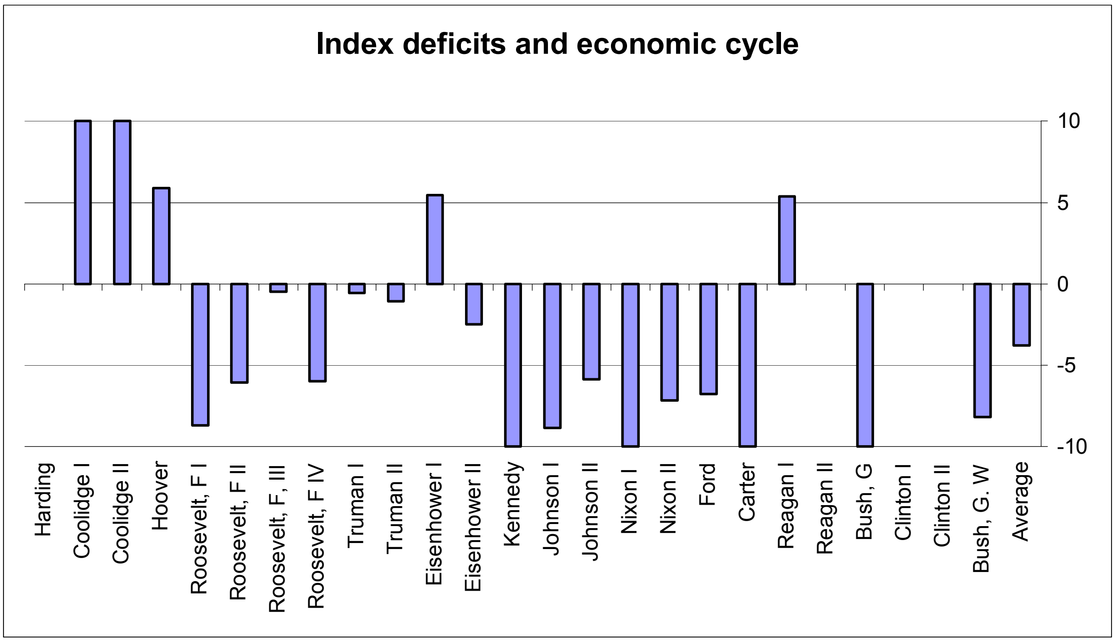


Figure 12



The final major normative argument on deficits is related to the choice between tax and deficits: to raise or not to raise taxes in order to eliminate accidental or structural deficits. Figure 13 shows that this question has been a major debatable issue between the beginning of the period till te end of the 60s. As usual, and as it is presented with political attitude index referring to this argument in figure 14, the Presidents have used this argument in both ways, once supporting, other times attacking by it fiscal conservative principles.

Concentrating the analysis to the first 40 years of the period, as they are more significant, it can be observed that pre-Great Depression statements systematically favored the increase of taxes option against further deficits, when needed. This position changes again radically with first term Roosevelt proposals, even if he does not tend to give much place to this argument in his discourse. A mixed position follows in second and third term (war finance efforts are partly supported by extraordinary taxes). This argument appears to be crucial in Truman's Presidency, as it represents more than a quarter of total arguments. His position is basically favorable to raise taxes in order to reduce deficits and debt. This attitude seems in concordance with a typical post-war implicit public finance contract. Identical position is followed by Eisenhower, who faces also the War of Korea effort. Like with other arguments, we find here a breakpoint with Kennedy Presidency, with a definite change in preferences concerning the relationship between tax and deficits, even if this arguments takes a minor share of his discourse. The same happens during Johnson first term, while another turning point appears in his second mandate, as he defends then tax raises limiting deficits, even if this position is pursued following an anticyclical intention. This argument disappears from Nixon discourse, and is marginal inside Ford and Carter public interventions. Even if it is not a major argument in Reagan and George Bush discourse, it is again interesting to identify the specificity of their discourse. Those are basically the only cases where there is not a tight relationship between the index of fiscal conservatism of this index (figure 14) and the general index of conservatism (figure 6). The coefficient of correlation of both series is 0,625. If we drop from the calculus Reagan and George Bush observations, the coefficient increases to a value of 0,823, which shows that those observations follow clearly an anomalous behavior. This specific profile is due to the adoption by both presidents in their discourses of the supply-side economics principles and Laffer curb fiscal recommendations. Clinton is clearly opposed to these views.

Figure13

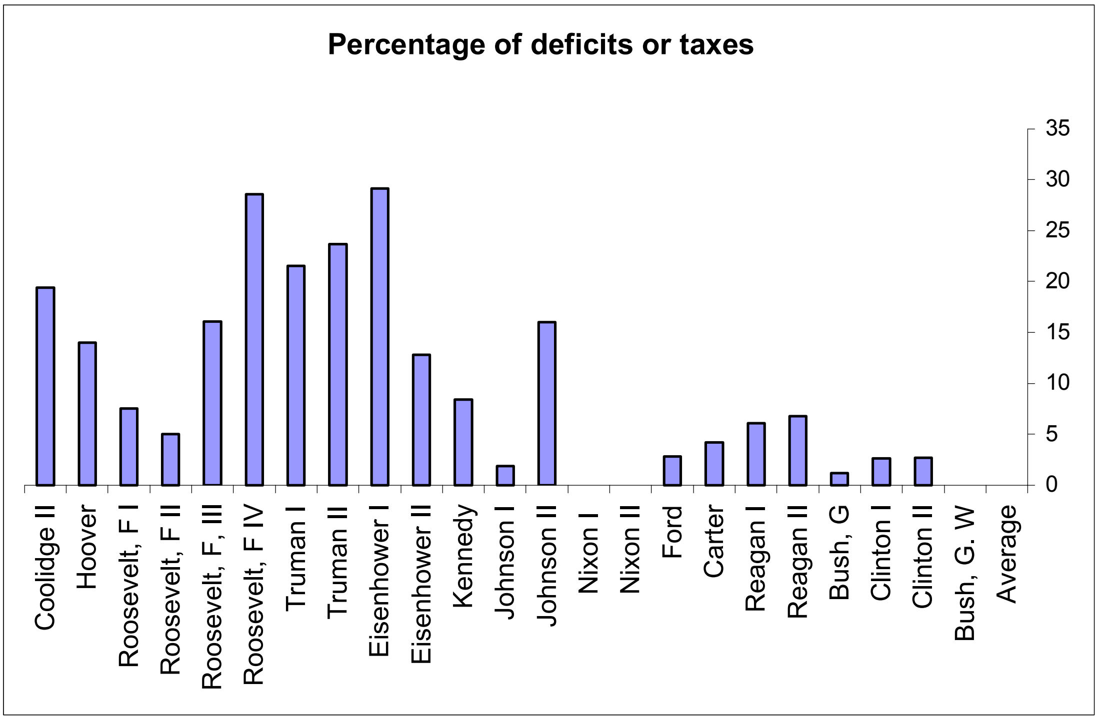
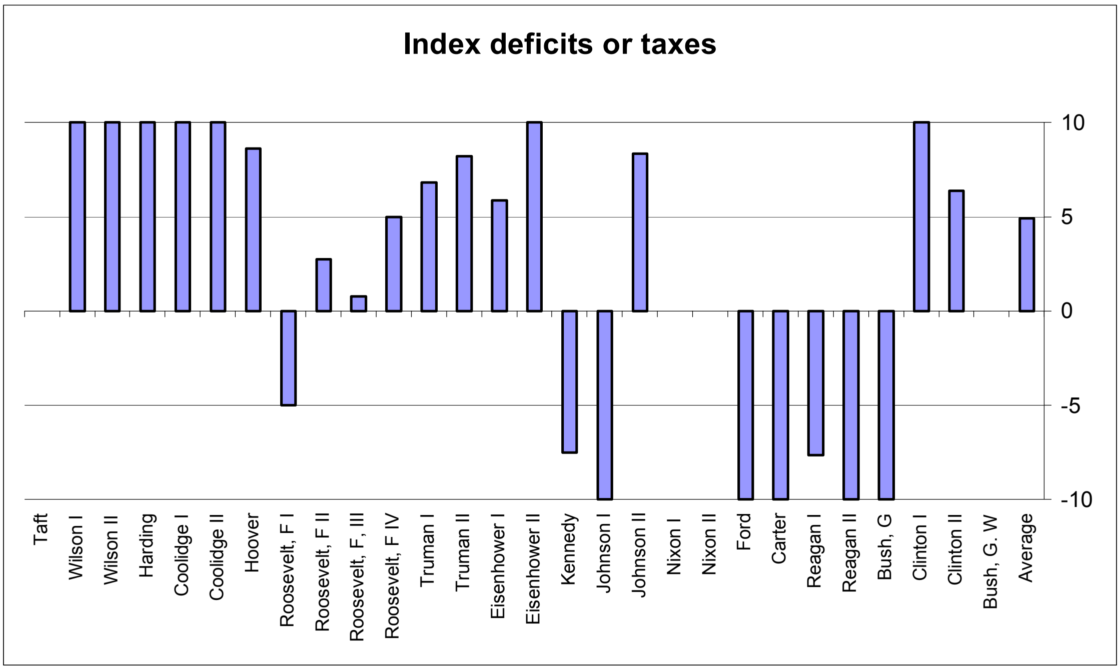


Figure 14

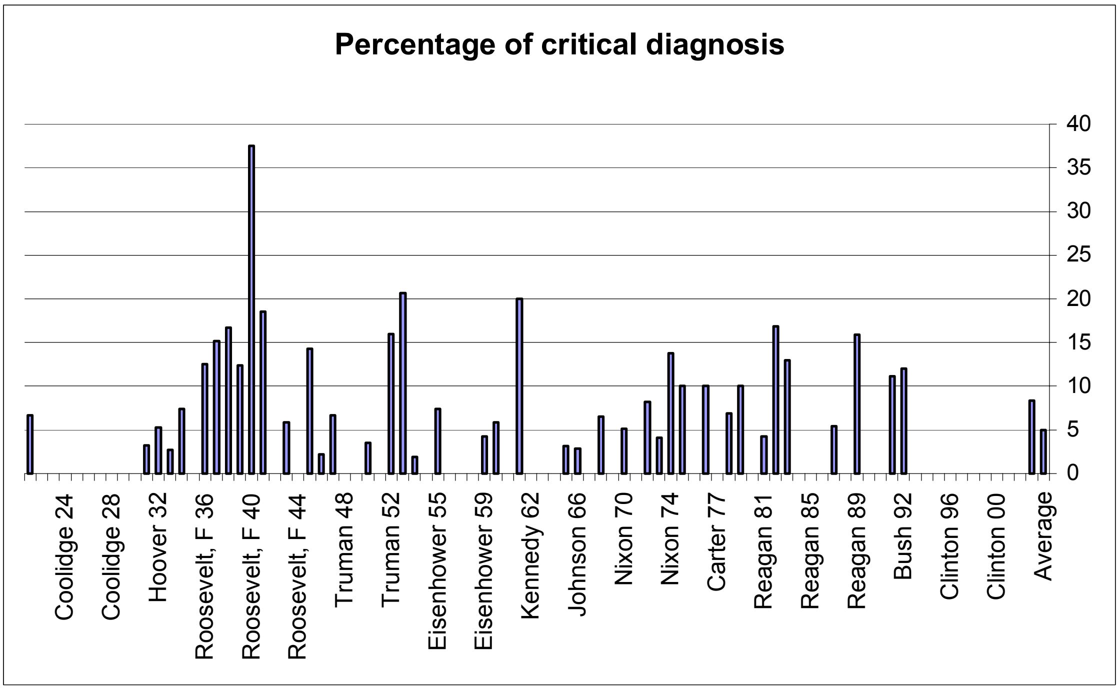


After having presented the main results concerning the use made by Presidents of normative arguments, we move now into the territory of positive arguments. As mentioned in section 2, positive arguments are mainly related with the different stages and elements of the budget process.

The main singular positive argument is in fact a composite argument. It refers to the last family of positive arguments listed in table 2, about the political diagnosis of present and past budgetary situation. It can be satisfactory ("thanks to our commitment or the right measures taken, our fiscal position is now favorable") or critical ("because of our past or present wrong decisions, we are now in severe fiscal conditions", and most of the times, "because other present or past wrong decisions, we are now in a severe fiscal condition"). This is a kind of melting pot argument, as the list of specific actual "right" or "wrong" decisions can be as long and rich as real life is. That is why we will not even try in this paper to summarize what the main themes were present in the debate during these last 80 years. We just show in the following two figures how important this argument has been in the structure of the presidential discourse.

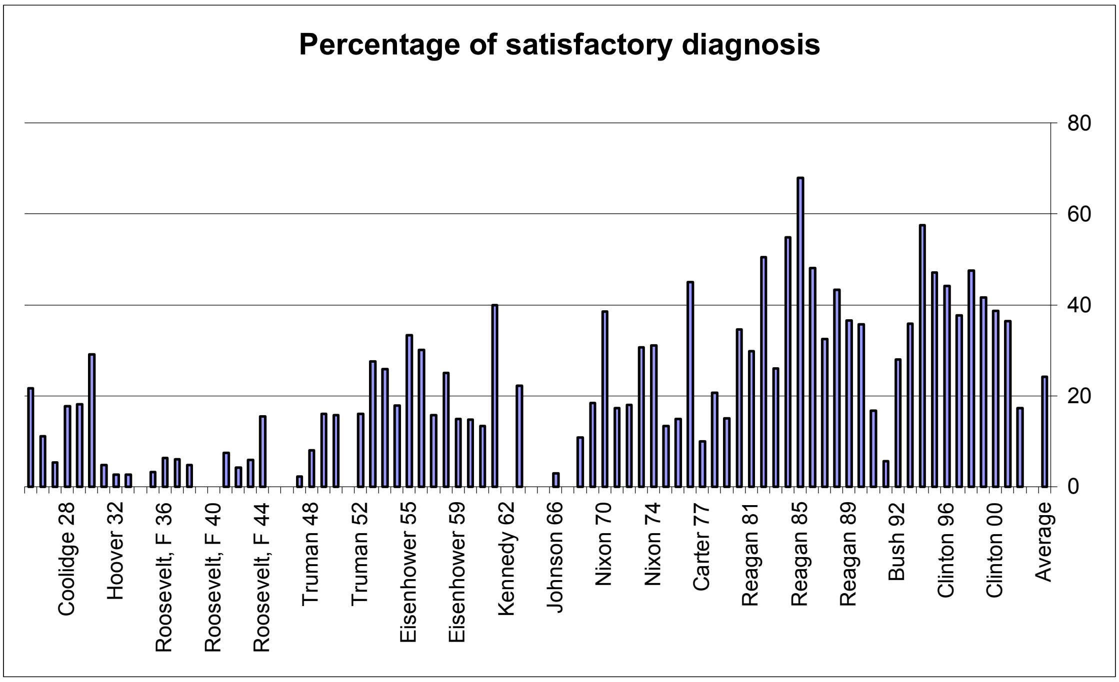
Figure 15 shows the extent of critical diagnosis. It reach a maximum of 37,5% under Roosevelt Presidency. This peak is related with the wrong management of 1937 expansion period which lead to his view to an undue recession the following years. Other relative peaks are attained under last years of Truman Presidency, who reproached the lack of support of Congress run by a Republican majority in passing some tax laws proposals considered essential. Another significant mark is reached by Kennedy in 1961. It corresponds to Kennedy attacks to Eisenhower fiscal policy choices, as a way to reinforce his unprecedented fiscal proposals. Finally, it is interesting to notice that no one critical diagnosis statement has emerged during the 8 years long Clinton Presidency.

Figure 15



Data from figure 16 shows the evolution of the presence of satisfactory diagnosis. It was coherently almost absent during the Great Depression years. A higher level of utilization of this arguments appears with first Eisenhower presidential years. We observe a continuos insistence on this kind of argument under all Reagan Presidency. This rhetorical conviction that budgetary decisions and situation are satisfactory is quite disconcerting, as it is in sharp contrast with the unstoppable increase of public deficits. We find again that Reagan political discourse is special under almost all parameters. We find a certain relation, even if not strong between the percentage of statements referring to satisfactory diagnosis and the actual situation of public finance, measured by the ratio deficit/GDP. The coefficient for the period 1930-2002 is 0,141, but it could be clearly higher if we drop from the series Reagan's observations. The coefficient of correlation reaches then a value of 0,225, which confirms that Reagan discourse choices go against the general trend. President Clinton confers also a great importance to this argument in order to support his budgetary decisions.

Figure 16



Concerning the other individual positive arguments considered in table 2, we will show and shallow comment the figures of those arguments which have had a significant importance in the political discourse at least for some presidents.

We find in figure 17 the use given to the argument related to budget planning and multianual adjustment plans. They appear in the political discourse only in the 1970s, with the introduction of mid-term economic and budgetary forecasts. It was important in second Reagan's term, and crucial during George Bush Presidency. It corresponds to the implementation of different adjustment plans, like OBRA. In spite that the aim of such programs is a progressive deficit reduction, our empirical result shows that they play an ambiguous role, at least at discourse level. The index of fiscal conservatism associated to this argument is -2,72 for Ronald Reagan, and 0 for George Bush. This means that many times the existence of an adjustment plan has acted more as a way to legitimate actual deficits (because they were in line with the plan) than to use the plan as an extra argument to fight against deficits. These results are coherent with other empirical papers which find a weak relationship between multiannual budgeting and fiscal discipline (von Hagen and Harden 1994). In contrast to his predecessors, Clinton's statements using this argument were effectively oriented to support fiscal discipline (an index of +6,36 during Clinton first term).

Figure 17

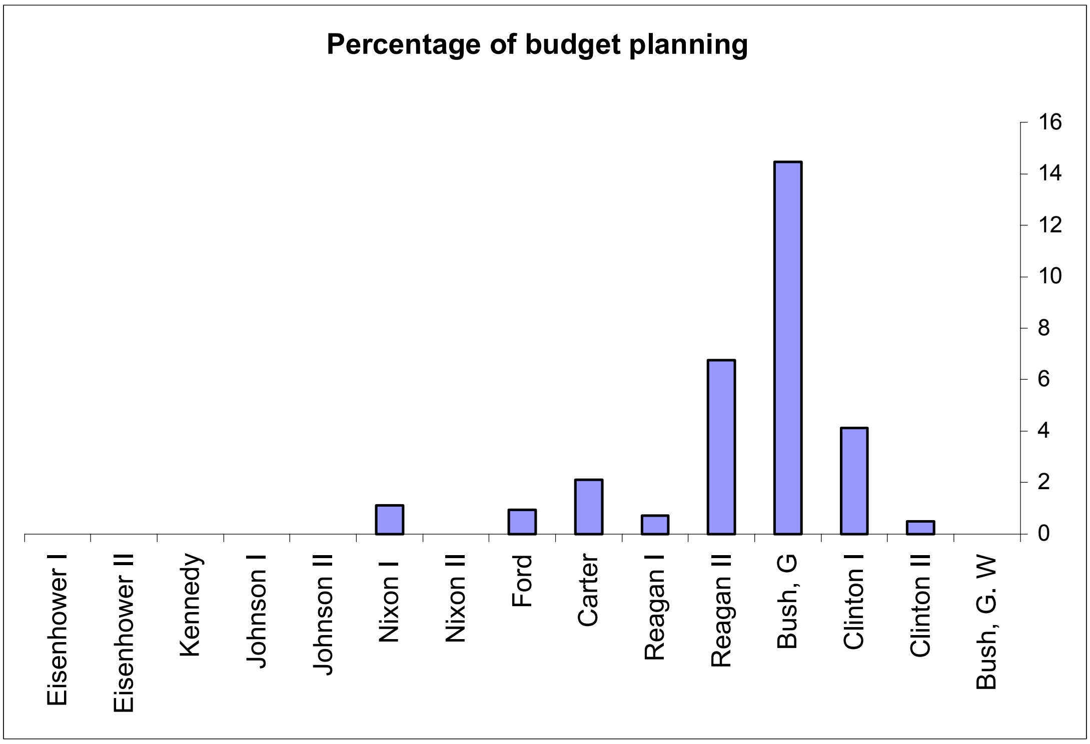
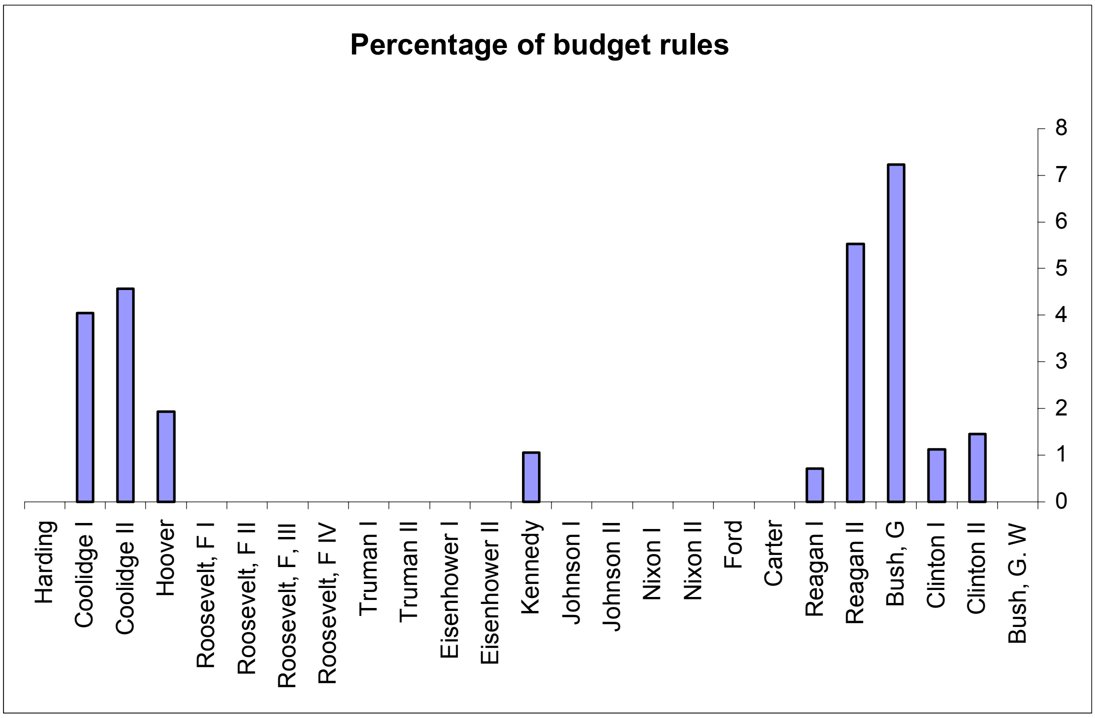


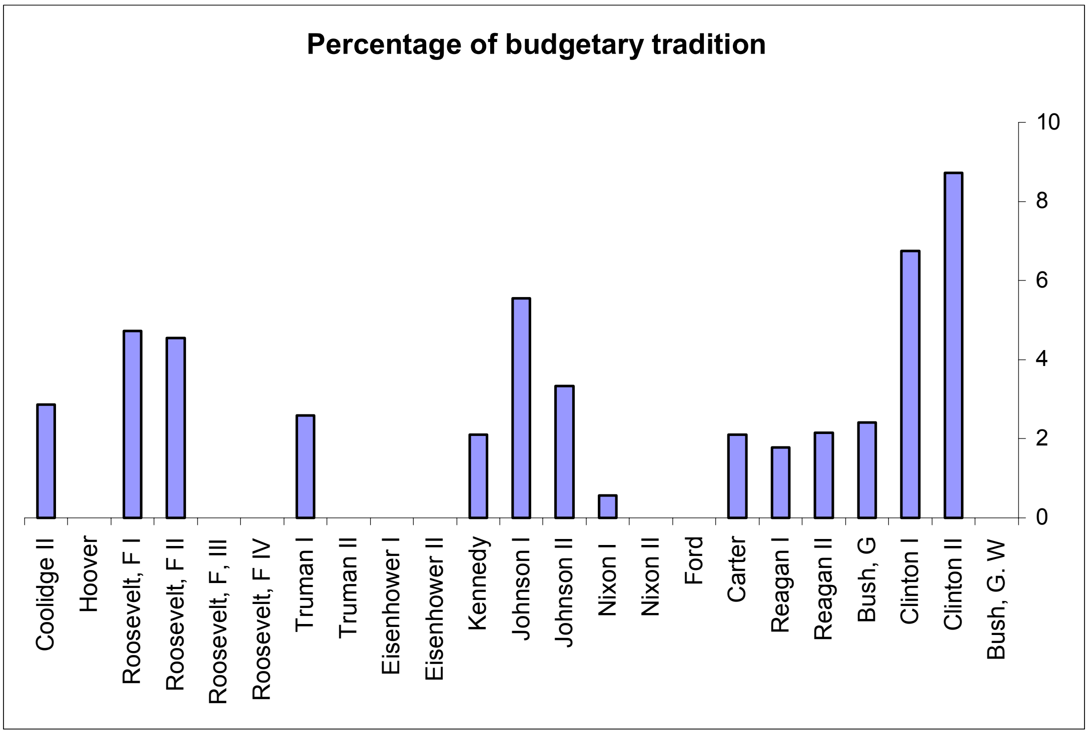
Figure 18 reflects the use of the argument related to the existence or the call for introduction of budgetary rules whose main aim is to control or to impede deficits. This argument was present during 1920s political discourse, and was associated to the repayment of WWI debt financing. No more references to this argument will be made during an interval of almost 50 years, with the sole Kennedy exception. Since Ronald Reagan Presidency, it presents an almost identical profile that the argument analyzed just before, with peaks during Reagan's second term and George Bush. This increase of interest for this argument reflects those Presidents proposals of budgetary process reform based on the introduction of a Constitutional Amendment for a Balanced Budget and the introduction of the Presidential line-item veto.

Figure 18



Next argument, represented in figure 19, refers to the call to budgetary tradition, to past budgetary records in order to fight or, conversely, to justify, present deficits. It has played a certain role in Roosevelt discourse, always as a means to minimize the extent of problems related to deficits (an index of -10). It was also used by Kennedy and Johnson, also in the same approach opposed to fiscal discipline. The same occurred with Carter, Reagan and George Bush use of this argument. Again by contrast, Clinton made reference to this argument in order to maintain the stimulus to fight against deficits.

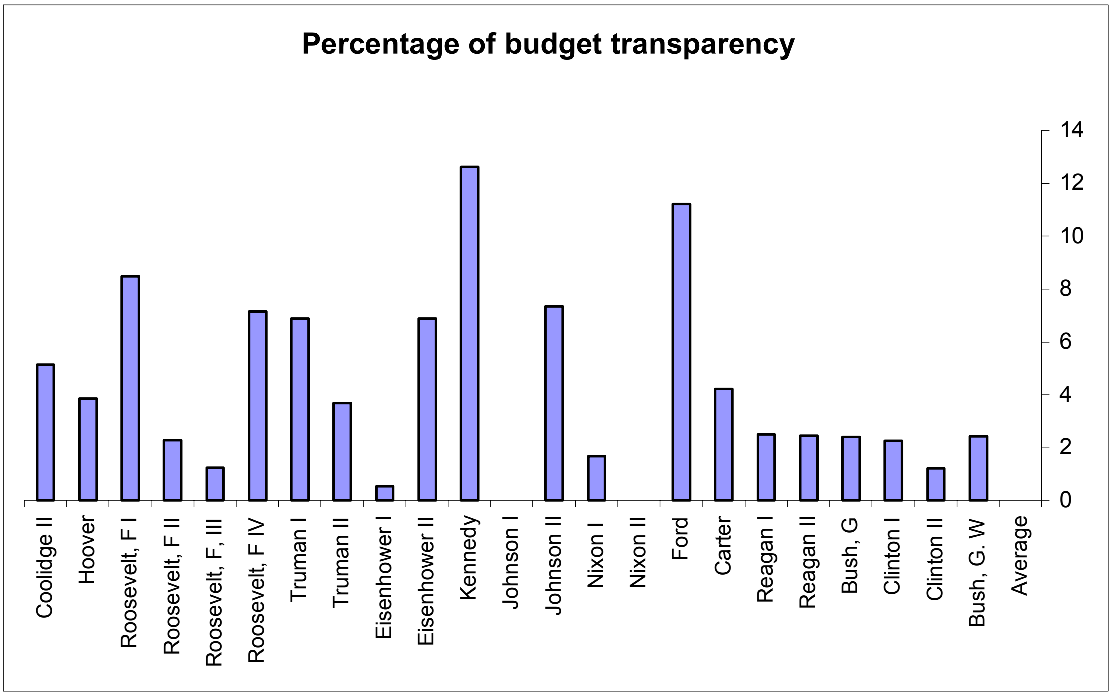
Figure 19



Next argument, about budgetary transparency, refers to how Presidents present budgetary outcomes, trying to show a dark vision of the situation in order to reinforce the need of a fiscal adjustment using the less favorable accounting measure of deficits and debt (pro fiscal discipline approach) or, at the opposite, using an accounting presentation tending to diminish the extent o actual deficits (statement against fiscal discipline). This argument can also be ruled as a critique to political rival's practices (the Congress or past Presidents).

Roosevelt fluctuated during his presidency concerning he intensity of use of this argument as well as for the direction given to the argument in fiscal discipline terms. Eisenhower, during his second term in which he extensively used this argument, tended to propose a more favorable vision of budgetary outcomes than actually were (negative value of the index). Kennedy, which also referred many times to this argument, did it in an ambiguous way concerning its effects on fiscal discipline. The same happened with Johnson. Ford used systematically this argument in order to minimize the extent of deficits. This argument has played a minor since then.

Figure 20



5. Conclusions

We have shown in this paper an important amount of information concerning fiscal policy and preferences from US Presidents since 1920. The lecture and quick interpretation of these results are in strong concordance with views to any person familiar with US recent fiscal policy history. The apparent lack of "empirical surprises" in relation with expected results is not a disappointing outcome but is, to our view the main strength and contributions of this paper. We arrive to this findings which are coherent with the literature in a rather heterodox and strange approach: by analyzing what the main actors of this policy publicly said when they were at office; by using a "read on my leaps" approach. If the coherence of the results proposed in this paper is convincing enough, this should lead to two parallel corollaries: first, that public political discourse is doted of a clear internal coherence; second, that the methodology of discourse analysis proposed is able to catch the basic lines of political commitment towards fiscal discipline as publicly manifested by policymakers.

This to our view an exciting outcome, as this research produces measurable values concerning the position of each President related to fiscal discipline and not only merely vague opinions or feelings on what their position was on this issue. The measurability of the results attains even the level of individual family of arguments related to the use of deficits, which clearly reinforces the possibility of understanding the ideological, economic and political determinants of political attitude toward fiscal discipline. We think that the present paper provides a quite astonishing clear picture of what have been the political attitudes on fiscal discipline during the last crucial 80 years of US budgetary history, and opens the way to further developments based on these results.

As for the nature of the political commitment towards fiscal discipline, it clearly appears that it can not be reduced as a simple deterministic product of economic conditions or President's party affiliation. The long time series under study show us a too many numerous departure exceptions to this simply relationship (presidents from the same party with different fiscal discipline attitudes; presidents who dramatically change the tenure of their discourse one year form another; presidents who differently react to economic slowdowns and recessions, etc). We are thus prone to consider that political discourse determinants are much more sophisticated. Being this the case, research strategies where the measure of political commitment or manifested preferences are finally substituted by other proxy variables like party affiliation could then suppose a significant loss of explanatory power or even a drop of pertinence. Even if the measure of political commitment represents a demanding task, our results suggest that the scientific benefits are probably higher.

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ANNEX

Table 1 : Matrix of Normative Arguments

Argument	Fiscal conservative use	Fiscal non conservative use

A. Equity	A1. Excessive indebtedness penalizes future generations	A4. Public debt can be used if it is considered that future generations will be richer
	A2. Current expenditures should be financed by taxes	A4. Debt burden is not relevant if we consider the society as a whole (we owe the debt to ourselves)
	A3. Public investments may be financed with public debt, as future generations will enjoy the benefits	A6. The notion of public investment should be extended to a number of current expenditures
		A7. Marginalist analysis makes the case for accepting deficits for current expenditures
		A8. Social expenditures should not be sacrificed because of a fiscal adjustment
B. Efficiency	B1. Taxes are the best way to identify the fair price for public services	B6. Balanced budget creates the false image that public services are well managed
	B2. The best way to avoid excessive current expenditures growth is to finance them by taxes	B7. Empirical evidence shows that public intervention is not excessive, even when financed by deficits
	B3. Budged balance is the main means to counteract politicians' trend to overspend	B8. Rational expectations eliminate all kind of fiscal illusion
	B4. Balanced budget is needed because the Government should behave as private households	B9. If deficit-financing is confined to investments, it favors extravagant brick expenditures
	B5. Public investments may be financed with loans, in order to avoid a sub-optimal expenditure	B10. The analogy between government and households activities is fallacious
C. Risks of excessive deficits	C1. Public debt crowds out private investments	C8. The globalization of capital markets limits the crowding out effect
	C2. Debt service entails government freedom of action	C9. When public debt is hold by national residents, the service of the debt does not create a financial burden
	C3. Excessive indebtedness may generate fiscal crisis and future fiscal adjustments	C10. Functional finances show that the level of "excessive deficits" cannot be reached
	C4. Excessive deficits limit economic growth	C11. There is an overestimation of public debt burden, as public assets are not taken into account
	C5. Excessive indebtedness destabilize the economic framework	C12. Public debt is an easy way to finance public expenditures
	C6. Debt cannot be financed by inflation in the long term	C13 Public debt can be financed by inflation
	C7. The burden produced by public investments financed by deficits is affordable	C14. An annual balanced budget may endanger the economic growth for less developed regions in a country
D. Deficits and business cycle	D3. Severe theoretical shortcoming show that a discretionary fiscal policy does not work	D1. Deficit financing is necessary to apply counter-cyclical fiscal policies
	D4. It is almost impossible to apply a discretional fiscal policy in a coherent way	D2. If there are iddle resouces, deficit financing can become a net wealth for society
	D5. Politicians use keynesian prescriptions in order to get an easy financing in bad times	
	D6. Keynesian fiscal principles are not useful for a small open country	
	D7. Only a strict fiscal rule ensures the credibility of the fiscal policy	
E. Other arguments **Equivalence between taxes and deficits**		E1. Debt burden is supported by the present generation because of rational expectations
	E3. The hypothesis of the theorem of equivalence are unrealistic	E2. Deficits and tax produce the very same economic effects
Tax smoothing	E4. It is better to have an annual balanced budget than tax stability	E5. It is better to ensure tax stability than an annual balanced budget
Clearness of the rule	E6. Annual balanced budget is a clear rule which does not admit interpretations	E7. The effort to maintain a balanced budget produces perverse strategic behavior
		E8. The principle of a structural balanced budget is clearer principle
Capital market imperfections		E9. Public debt enables poor households to pay less than if they should ask for a loan to pay their taxes
		E10. Public debt contributes to the development of capital markets

Table 2 : Matrix of Positive Arguments

Argument	Fiscal conservative statement	Fiscal non conservative statement
F. Budget project	F1. The efforts undertaken to ensure a balanced budget are mentioned	F2. A deficit is justified explaining that serious sacrifices have been made in order to attain the budget project figures
G. Budgetary modifications	G1. Measures are proposed on order to avoid differences with budgeted numbers, or deviations are criticized	G2. A justification is given to budget modifications resulting in a deficit increase
H. Financial planning	H1. A fiscal adjustment is undertaken and justified in order to respect an established financial plan	H2. A deficit is accepted with the remark that it is smaller to what was established in the financial plan
I. Budgetary forecast	I1. The necessity to establish prudent forecasting is advocated	I4. Optimist foretasting helps to justify actual deficits as "unexpected deficits"
	I2. The statement reflect that part of the good budgetary results come from exceptional non recurrent events	I5. Actual deficit is considered acceptable because it is lower than it was established in the budget
	I3. The excessive optimist concerning future budgetary perspectives is denounced	
J. Budgetary transparency	J1. Practices that tend to show a false good budgetary situation are denounced	J3. Gimmicks resulting in an apparent better fiscal performance are used or justified
	J2. Budgetary practices showing a higher deficit than real figures are used or justified	
K. Uncontrolled expenditures	K1. Balanced budget is considered as an own responsibility even acknowledging external restrictions	K2. The deficit is justified as a result of entitlement programs upon which there is small capacity to intervene
		K3 The deficit is justified arguing that it is the fruit of financial relations with other collectivities
L. Budgetary rules	L1. Budgetary practices that are not coherent with existing budget rules are denounced	L4. A deficit is justified mentioning that it respects budgetary rules
	L2. Budgetary practices that may provoke a future non respect of established budget rules are denounced	L5. A budgetary rule is interpreted as a right to create deficits
	L3. A fiscal adjustment is justified as needed to comply with budgetary rules	
M. Budgetary tradition	M1. Fight against deficit is supported remembering that the government maintained fiscal conservative records in the past	M3. Danger of deficits is minimized by arguing that they are smaller than those reached in the past
	M2. A fiscal adjustment is defended because present deficit is worse than precedent deficits	
N. Comparison with other governments	N1. Fiscal discipline is advocated in order to remain a government less indebted than others	N4. Deficit problems are relativized arguing that other governments are in a worse fiscal position
	N2. A fiscal adjustment is supported in order to avoid becoming the "worst student in the classroom"	
	N3. A deficit is rejected arguing that this option is not acceptable when other government are undertaking fiscal adjustments	N5. A deficit is justified arguing that the fiscal position is worse than elsewhere because of specific extraordinary burdens
O. Diagnosis of the fiscal situation	O1. The causes of present fiscal performance are explained	O3. The deficit is explained and justified by giving the charge to others past decisions or behavior
	O2. Strategic behavior that can potentially undermine budget balance is denounced	O4. Present deficit is considered as a result of other agents present behavior and responsibility
		O5. Practices producing past or present deficits are justified