

Presidential term limits and fiscal policy in African countries[†]

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Abstract

This paper assesses the effect of the attempt by an incumbent to amend the section of the constitution related to the presidential term limits on fiscal policy. Specifically, we test the hypothesis that the process of modifying the constitution to run for a third term leads the incumbent to increase government spending as a tool for political patronage. Using a sample of 30 African countries over the period 1990–2010, our findings indicate an increase in government spending during the term in which the constitution was amended. In addition, we find evidence of the exacerbation of the political budget cycle during periods of expansion. However, this effect is not robust to alternative estimation strategies, including matching techniques. From the policy perspective, this study suggests that it is worth watching out not only for elections but also for constitutional changes that are a catalyst of fiscal indiscipline and can further weaken institutions that are positively correlated with countercyclical fiscal policies.

Key words: presidential term limits, constitutional change, fiscal policy

JEL classification: E62, H50, O10

1. Introduction

Since the turn of the millennium, more than one-third of African leaders¹ have amended or tried to amend the constitution to secure a third term. While campaigns to repeal term limits are seen as a threat to democracy and political stability, little is known about their potential economic consequences, especially in terms of fiscal discipline.

1 The list of countries is provided in the appendix.

The presidential two-term limit is a common feature of the constitutions adopted by many African countries during the democratisation wave of the early 1990s. Of the 48 new constitutions, 33 included a provision on presidential term limits, compared with only 6 before 1990 (Posner and Young, 2007; Vencovsky, 2007; Zamfir, 2016).² Term limits were adopted to ensure the periodic turnover of power and to prevent the political instability and violence that are often associated with lifelong presidencies (Posner and Young, 2007; Dulani, 2011). In spite of constitutional term limits, one has witnessed over the last decade several attempts by African leaders to modify the provision of the constitution pertaining to the presidential term limit. During the decade 1990–2010, no fewer than 20 African leaders attempted to amend the constitution to run for a third term (Posner and Young, 2007; Dulani, 2011, 2015). One of the pioneering third-term presidents is Sam Nujoma of Namibia, who, in the middle of his second term in March 1997 and with the support of the SWAPO³ Elders Council, resolved to amend the term limit provision. In October 1998, with the governing SWAPO majority, the constitution was amended, opening the way for Sam Nujoma to run for a third term in the 1999 elections (Dulani, 2011). Such a move has been followed by many African countries, including Senegal, Cameroon, Chad, Gabon, Burkina Faso, Zambia and Uganda. In most of these countries, whether successful or not, the attempt to modify the constitution to extend the president's rule was accompanied by political unrest, violence and the suppression of political expressions as well as civil liberties. An illustrative example⁴ is the mass protests and violence that followed the announcement by President Pierre Nkurunziza (Burundi) that he would run for an additional term in April 2015. Similar cases of political unrest have been witnessed in Senegal, Niger and Burkina Faso during recent years. However, while these amendments of constitutions increase the risk of political instability and state failure, their potential economic consequences have rarely been addressed.

In this paper we investigate the link between the attempt to change the constitution to remove presidential term limits and government spending in African countries. We test the hypothesis that the process of modifying the constitution to run for a third term leads the incumbent to use government spending as a tool for political patronage. This unnecessary increase in public spending can be a catalyst for fiscal indiscipline and threaten the country's fiscal sustainability. Our paper fits into the political budget cycle literature, according to which incumbents increase public spending before elections to increase their chance of being re-elected (Schuknecht, 1994; Persson and Tabellini, 2004; Brender and Drazen, 2005; Vergne, 2009; Drazen and Eslava, 2010; Ebeke and Ölçer, 2013; Klein and Sakurai, 2015). However, this abundant literature does not take into account one of the contemporary phenomena in Africa, namely the changing of the section of the constitution related to the presidential term limit. This study's originality is that it is, to our knowledge, the first analysis to assess the effect of the manipulation of constitutional rules on fiscal policy.

Specifically, the existing literature mainly focuses on elections, and does not address the potential effects of constitutional change on fiscal policy. Constitutional amendment often requires bargaining between the initiator of the constitutional proposal and the actors with

2 The constitutions of Côte d'Ivoire, Equatorial Guinea, Gambia, Guinea-Bissau, Mauritania and Zimbabwe do not contain a two-term limit on the presidency.

3 The South West People's Organisation was the ruling party in Namibia.

4 See Vencovsky (2007) and Zamfir (2016) for a clear description of these specific cases.

veto power over it (Kudelia, 2013). The initiator of the constitutional amendment (the incumbent in this case) should gain the support of the actors (members of the parliament) who have veto power. Therefore, the former will use government spending to gain the support of those who possess the veto power but are against the constitutional amendment. This could translate into excessive government spending and a fiscal deficit.

Second, while the literature provides an insight concerning leaders' behaviour ahead of elections, it does not give any information on whether this behaviour is shaped by the business cycle or not. For instance, it is plausible that the propensity of a leader to use fiscal policy as a tool for political patronage is higher during periods of expansion. In contrast, the political budget cycle could be less pronounced during recessions.

The contribution of this paper is threefold. First, we exploit recently released data from the Comparative Constitutions Project (CCP) to identify, in a sample of African countries, constitutional events that are related to the amendment of the section of the constitution limiting the presidential term. Second, using a variety of econometric approaches, including instrumental variable and matching techniques, the paper investigates the effect of constitutional change on the growth of government spending in a sample of 30 Sub-Saharan African countries over the period 1990–2010. Specifically, to address the endogeneity concern, we implement an instrumental variable approach while using the age of the president as an exogenous source of constitutional change. The age of the president is a reasonable instrument, because it can theoretically explain constitutional amendment (Posner and Young, 2007) and is less likely to have a direct effect on government spending. Furthermore, we check the robustness of the results using the matching technique and the combination of matching with an instrumental variables approach. Finally, we test the hypothesis that the political budget cycle is more likely to be pronounced during periods of expansion.

Our results are consistent with the previous literature on the political budget cycle in developing countries. Overall, our results document that countries in which the incumbent has tried to modify the section of the constitution related to the presidential term limit have witnessed an increase in government consumption spending relative to their counterparts. This finding is qualitatively robust to various alternative techniques, including entropy matching and the combination of matching with instrumental variable. We also find that the increase in government spending resulting from the attempt to change the constitution is larger during periods of expansion. These results are interesting because they provide a new channel through which the lack of democracy (political turnover) may shape fiscal indiscipline in developing countries.

In the next section of the paper, we review the existing literature on the political budget cycle. Section 3 presents the empirical framework, while Section 4 discusses the result. In Section 5, we provide both theoretical and empirical illustration to explain our results. Section 6 concludes the paper.

2. Literature review

While the literature on constitutional changes and their effect on fiscal policy is very scarce, this relationship can be analysed through the lens of the political business cycle literature. Indeed, as emphasised in that literature, the incumbent politician can use voter-friendly spending to improve the chances that the constitution will be modified to allow him/her to run for a third mandate.

2.1 Theoretical argument

The first theoretical models of the political business cycle (PBC) literature are from authors such as Nordhaus (1975) and Hibbs (1977), who introduce political factors into the analysis of economic fluctuations. The central argument of these models is that policymakers manipulate government expenditures to be re-elected. Therefore, it is likely that an increase in pre-election public expenditures will be observed. The political calendars faced by leaders shape their decisions and thus cause cyclical fluctuations. Nordhaus (1975) was one of the first to propose a theoretical model in which incumbent politicians make a pre-electoral manipulation of economic policy instruments. More specifically, immediately preceding an election, the government stimulates the economy via an expansionary policy in order to maximise the voter satisfaction and increase the probability of getting re-elected. Subsequently, Rogoff and Sibert (1988) propose a theoretical model to explain political business cycles. In their models, voters are rational but face asymmetrical information about the skills of elected politicians. In this configuration, politicians will manipulate economic policy variables, such as taxes and public spending, to signal their skills to voters. Following the same line, Rogoff (1990) develops a model in which the incumbent manipulates the composition of the total public expenditure before the elections, by increasing the more visible expenses (wages, subsidies) as a means of demonstrating his or her competence before the elections. For Shi and Svensson (2006), some implications of these models are not supported by the empirical evidence. Thus, they propose a new approach to the political business cycle. This approach assumes that neither the voter nor the politician can observe the latter's competence contemporaneously and the policymaker exerts a hidden effort (for example more borrowing) which is only observable with a delay as a substitute for competence. The political business cycle arises as a consequence of this hidden effort which leads to a budget deficit prior to an election. Finally, Eslava (2011) proposes a synthesis of the political-economic cycle models using three main hypotheses. First, policymakers are assumed to be opportunistic, as they are mainly interested in the maximisation of votes for them and their parties instead of the maximisation of social welfare. Second, voters are assumed to value public spending either because of the direct effect of some government programmes or because of their expansionary effect. Finally, voters are assumed to be characterised by 'fiscal illusion' in the sense that they underestimate the cost of current spending in terms of future tax increases. Within this framework, the political business cycle is a consequence of the opportunist behaviour of incumbent politicians who regardless of their ideology use expansionary fiscal policy before elections to please the voters and maximise their chances to get re-elected.

2.2 Empirical evidence

The political business cycle is examined empirically in several studies published over the last two decades. Schuknecht (1994) analyses fiscal policy around elections in 35 developing countries using panel data for the period 1970–92. He finds that governments try to increase the probability of being re-elected with the help of expansionary public spending, leading to a fiscal deficit before elections. Likewise, Shi and Svensson (2006) consider a large panel of democracies and non-democracies to analyse the relation between elections and fiscal policies. They find that, on average, in election years the government fiscal deficit increases by about 1% of GDP. In addition, they find that political budget cycles are larger

and more robust in developing countries. In contrast, [Persson and Tabellini \(2004\)](#) find no evidence of a pre-electoral increase in government expenditures in a large sample of developed and developing economies. This casts doubt on the robustness of the previous findings and sparked a new wave of literature that tries to reconcile these two contradictory views.

In this line, [Brender and Drazen \(2005\)](#) analyse the political budget cycle using a large sample of countries while distinguishing between new and established democracies. They find a political budget cycle in a large cross-section of countries but show that this result is driven by the experience of new democracies, in which the level of fiscal illusion is likely to be high. In the same vein, [Vergne \(2009\)](#) looks beyond the dynamics of the overall spending to study how the prospect of elections affects the composition of government spending. Using a sample of 42 developing countries over the period 1975–2001, his findings point to a shift in public spending towards current expenditures (wages, subsidies) and away from capital expenditures during election years. Similarly, [Drazen and Eslava \(2010\)](#) show that, while voters penalise the incumbent party for running large deficits before elections, they are responsive to some targeted spending, including road construction, transfers to retirees and payments for temporary worker contracts. More recently, [Ebeke and Ölçer \(2013\)](#) find that during election years, government consumption increases significantly, leading to a larger fiscal deficit. In addition, they show that government consumption increases come at the cost of cuts to government investment after elections. Focusing on 44 African countries, [Block \(2002\)](#) shows that during election years, fiscal deficit and government consumption spending increase as a share of GDP.

In recent years, the analysis has shifted to the level of municipalities. In this line, [Aidt *et al.* \(2011\)](#) shows that leaders who manipulate fiscal policy opportunistically obtain a larger win-margin and behave more opportunistically when their win-margin is small. Similarly, [Veiga and Veiga \(2007\)](#) evaluating the rational models of the business cycle on Portuguese municipalities highlight the opportunistic behaviour of local governments. In pre-election periods, they increase total expenditures and modify their composition, favouring elements that are very visible to the electorate. Finally, [Sakurai and Menezes-Filho \(2011\)](#) test opportunistic and partisan behaviours over the period 1989–2005 in a sample of 2,500 Brazilian municipalities. Their results show an increase in total and current expenditures and a decrease in local municipal investments, tax revenues and budget surplus during the election years.

While the above-mentioned studies emphasise the behaviour of fiscal policy around election time, a different strand of the literature focuses instead on the effect of binding term limits. In this line, [Besley and Case \(1995\)](#), analysing the behaviour of US governors from 1950 to 1986, find evidence that taxes, spending and other policy instruments respond to a binding term limit if a democrat is in office. In a more recent study, using data on 106 Italian municipalities, [Nogare and Hessami \(2014\)](#) find that term limits do not always matter. Finally, [Klein and Sakurai \(2015\)](#), using data on 3,393 Brazilian municipalities over the period 2001–2008, find a significant difference in fiscal behaviour between first-term and last-term mayors in Brazil.

Overall the recent literature on the political economy of fiscal policy suggests that government expenditures are likely to increase during electoral periods. However, the use of fiscal policy for electoral purposes seems to be more pronounced and robust in developing countries, where the budget process is not transparent and voters cannot effectively monitor the fiscal choices of policymakers. In addition, the response of fiscal policy to term limits is

controversial and depends on the incumbent's political party and the region. Finally, politics seems to matter more than economic outcomes.

Although flourishing, the literature on PBC gives a very limited focus on African countries and does not address the effect of constitutional change on fiscal policy. Likewise, the existing studies on term limits focus mainly on governors and mayors and are conducted in advanced economies, where constitutional change aiming to extend the presidential tenure is not widespread.

3. Estimating the effect of constitutional amendment on fiscal policy in Africa

In this section, we test the hypothesis that incumbents manipulate government expenditures to pass a constitutional amendment that would allow them to remain in power. We first present the construction of our variable, which captures the attempt by an incumbent to amend the section of the constitution related to the presidential term limit. Second, we lay down the econometric specification and discuss the estimation strategy.

3.1 Data on constitutional amendment

Our baseline data come from the Comparative Constitutions Project (Elkins *et al.*, 2014). However, the database is supplemented by a documentary search and an exploitation of the political history of the different countries. In fact, the Comparative Constitutions Project (CCP) database suffers from two main limitations: (i) The CCP database records only constitutional events that are successfully implemented, while our study focuses on attempts, regardless of whether they are successful or not. (ii) In the CCP database, information on constitutional events is available only until 2006. There are several countries, including Angola (2007), Cameroon (2008) and Eritrea (2007) that have attempted and succeeded in changing the constitution after the year 2006. The Comparative Constitutions Project (CCP) records the characteristics of all national constitutions of all independent states from 1789 to 2006. In order to describe constitutional texts, two concepts are used: constitutional system and constitutional event. A constitutional system refers to the period in which a constitution is in force before it is replaced or suspended. A constitutional event is any change to a country's constitution including adoption, amendment, suspension or reinstatement. In this study, we are concerned with the second categorisation as we attempt to measure any constitutional amendment on a country-year basis. Our variable of interest is a dummy that takes value 1 for a specific country during the term in which the modification of the section limiting the presidential term was attempted and 0 otherwise. The choice to focus on attempts rather than successes stems from the fact that any initiative for constitutional change whether it succeeds or not is accompanied by a strategy of the incumbent to secure the support of both MPs and the population. All initiatives are accompanied by an attempt to influence political actors through expansionary fiscal policies. Indeed, we analyse an *ex ante* situation to the extent that once the amendment is adopted, the executive no longer has any immediate interest in seeking the support of voters. The recent experience of constitutional amendment in Africa suggests two ways of alteration of the section related to the presidential term.

The first concerns the time that a presidential term should last. Often the amendment cuts the term from 7 years to 5 years as was the case in Senegal and recently in Rwanda. In

some other cases, the duration of the presidential term is extended from 5 to 7 years as happened in Cameroon.

The second type of amendment concerns the modification of the two-term limit. The two-term limit for presidents was enshrined in most of the constitutions adopted by African states following the wave of democratisation of the early 1990s. However, as presidents come to the end of their mandate, they are trying to secure a third term. This trend has occurred in countries as diverse as Cameroon, Chad, Uganda and recently Burkina Faso, Congo, Burundi and Rwanda. Based on the available data, 40% of the countries included in this study have attempted to modify the section of the constitution related to the presidential term limits.

In some other countries including Ghana, Benin, Cape Verde, Mali, Mozambique and Tanzania, presidents left their office at the end of the constitutionally permitted term. It is worth mentioning that in three countries, namely Nigeria, Malawi and Zambia, the attempt to modify the constitution in order to allow the president an additional term in office was unsuccessful. In Zambia, the quest of president Chiluba to secure a third term faced strong opposition from his own political party as well as from civil society and trade unions. Likewise, the attempt of Malawi's president Bakili Muluzi to run for a third term failed as a parliamentary bill for that effect was defeated. Though these various circumstances may raise the question of the determinants of successful/unsuccessful attempts, this study focuses only on attempts whether successful or not. Therefore, our measure mainly captures any attempt to change the section of the constitution related to the presidential term limits. We indeed consider that the manipulation of the government expenditure instrument is no longer useful once the parliament bill has been passed. We do not assign the value 1 for the specific year in which the modification occurs or was adopted. But rather, our variable takes the value 1 in each year of the term in which the modification occurred. Two main reasons justify this choice. First, the constitutional amendment is a process which does not start during the first mandate but rather at the very beginning of the second mandate and lasts until the modification is adopted. In fact, during the first years of the second term (which is constitutionally the last), the incumbent starts political manoeuvring in order to obtain the support of the political elite as well as that of the majority of voters. The incumbent will therefore use the public expenditure tool to ally those who might be opposed to his/her project. These manoeuvres last until the bill is passed which often happens at the end of the mandate, before the elections. This argument is consistent with the history of constitutional change in Africa (see [Dulani, 2011](#)). Second, some government expenditures are often executed over several years although pertaining to a single project. A thorough identification of the effect of constitutional change requires a comparison of public expenditures between the term during which the constitutional change occurs and the other terms during which the incumbent did not attempt any change. Finally, our approach is similar to the one adopted by [Nogare and Hessami \(2014\)](#) to measure term limits. Based on data availability and the specificity of the constitutional change under scrutiny, we use a sample of 30 Sub-Saharan African countries in this study. In our analysis, we exclude some countries either because there is no available data on some variables or the phenomenon we analyse is not taken into account in their constitutions. In this line, Angola and Namibia are excluded because there is no data on government consumption growth and of debt. In countries like Gambia, Guinea Bissau, Lesotho, Seychelles, Swaziland, Zimbabwe, no article in the constitution addresses the issue of limiting the number of terms of the president.

In five countries (Mauritania, Mauritius, Senegal, Somalia, Equatorial Guinea), no limitation on the number of terms is imposed on the president by the constitution. The case of Senegal is atypical because between 1990 and 2001, there was no explicit limitation on the number of mandates in the constitution. In addition, the modification of the article on term limit occurred in 2001 as a part of an entire revision of the constitution. For these reasons, we decide to exclude these countries from the sample. Kenya is facing a similar situation as between 1990 and 1997, the constitution of Kenya does not specify the number of presidential terms. During our study period, Kenya and Senegal exhibit two different configurations which motivate the exclusion of these countries from our sample. Finally, in Sao Tomé and Príncipe, the constitution authorises two consecutive mandates but offers the possibility of making several non-consecutive mandates.

3.2 Econometric model

To explore the relationship between government expenditure and constitutional change, we estimate the following model:

$$\Delta \log(Gov_{i,t}) = \alpha_i + \beta Cons_{i,t} + X'_{i,t} \delta + \mu_{i,t} \quad (1)$$

where β measures the effect of the constitutional change that occurred in country i at time t on the government final consumption growth. $X'_{i,t}$ is a set of exogenous covariates, and $\mu_{i,t}$ captures the effect of all unobserved determinants as well as random influences on the outcome of interest. The choice of government spending as a fiscal policy variable has two main justifications. First, the short run political return of government consumption spending is higher than that of investment spending. As shown by Vergne (2009), election-year public spending shifts towards more visible current expenditure (wages, subsidies), away from capital expenditures. Second, if the increase of government spending is compensated by an increase of taxes once the bill on constitutional amendment is passed or after election, one would not see any detrimental effect on the budget balance (Ebeke and Ölçer, 2013). Therefore, the budget balance is not a good measure of fiscal policy in this case as it is a result of previous policy actions. The basic assumption to identify a causal effect of constitutional change on government expenditure is that conditional on covariates $X'_{i,t}$, $cov(Cons_{i,t}, \mu_{i,t}) = 0$. Under this assumption the OLS estimator is consistent. However, there are some reasons why the orthogonal condition may not hold, including omitted variables, reverse causality or measurement errors.

The omitted variable bias may arise because the government or the incumbent pursues some policies that influence both government spending and constitutional change. For instance, an upcoming election may require a constitutional change to allow the incumbent to run as well as induce an increase of government spending that is used to finance the electoral process. To rule out a possible omitted variable bias, and relying on the existing literature (Rodrik, 1998; Combes and Saadi-Sedik, 2006; Ebeke and Ölçer, 2013), we control for a set of eight potential determinants of fiscal policy. These include GDP growth rate, inflation rate, logarithm of total population, trade openness, external debt, foreign aid, IMF programme and democracy. Democracy is measured by the variable Polity2 from the Polity IV project. This variable ranges between -10 (strongly autocratic) and $+10$ (strongly democratic) and measures the extent to which a country is democratic. This measure is also likely to capture the frequency at which elections take place because the holding

of elections is clearly a universal sign of democracy. In the case under scrutiny, it is worth mentioning that the majority of constitutional amendments took place in the middle of the presidential term or three to four years before the presidential election. The variable IMF programme takes value 1 if the country has agreed a Poverty Reduction and Growth Facility Arrangement with the IMF. Such programme is often associated with a strong commitment for fiscal discipline (Schuknecht, 1994). We then expect a negative effect on government spending. The related data are drawn from Dreher (2006) and have been updated in December 2012. The remaining data are from the World Development Indicator of the World Bank (2012). The study covers the period 1990–2010. The choice of the time period is based on data availability and on the fact that most Sub-Saharan African countries started to implement democratic reforms in 1990. Table 1 provides the descriptive statistics of variables.

Reverse causation might exist if the government spending was initially higher in countries that attempted to modify the section of the constitution related to the limitation of the presidential term. One can also imagine that high government spending, especially in the social sector, increases the well-being of the voters, who in turn call for a constitutional amendment to help the incumbent run for a third term. In that case, the OLS estimate will capture a fiscal behaviour that is not triggered by the prospect of constitutional change. However, it is unlikely that these two arguments apply. Concerning the first argument, Figure 1 presents the distribution of government spending between the two groups of countries in 1990 (the first year of our sampling period).

The figure shows that government spending as a percentage of GDP was higher in countries that did not attempt to make any change to the constitution, though this difference is not significant. Therefore, our estimates are less likely to capture a structural fiscal behaviour that already existed at the very beginning of the period under study. The second argument is invalidated by the fact that, in most of the countries, the attempt to modify the constitution faced stiff opposition from political parties and civil society. This was the case for Zambia in 2001, when the President’s attempt to secure a third term faced strong opposition even in the ruling party.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Government final consumption growth	414	7.592753	38.50107	-71.46359	565.5389
Gross fixed capital formation growth	334	6.821625	16.45167	-61.24897	76.23806
Attempt to change the constitution, dummy	414	0.1183575	0.3234218	0	1
GDP growth	414	4.065254	5.231448	-30.14522	33.62937
Inflation	414	8.17438	8.947765	-11.68611	49.08021
Log (Population)	414	15.84482	1.378022	12.77127	18.88886
Trade%GDP	414	61.21796	35.00032	11.08746	311.3553
Democracy-Polity4 index	414	1.05314	5.282992	-8	10
Log (Foreign aid)	414	19.25197	1.124802	15.57337	23.1184
IMF Poverty reduction and growth facility arrangement, dummy	414	0.1425121	0.3499975	0	1
Total Debt service% GNI	414	3.420342	9.097435	0.0271303	135.3757

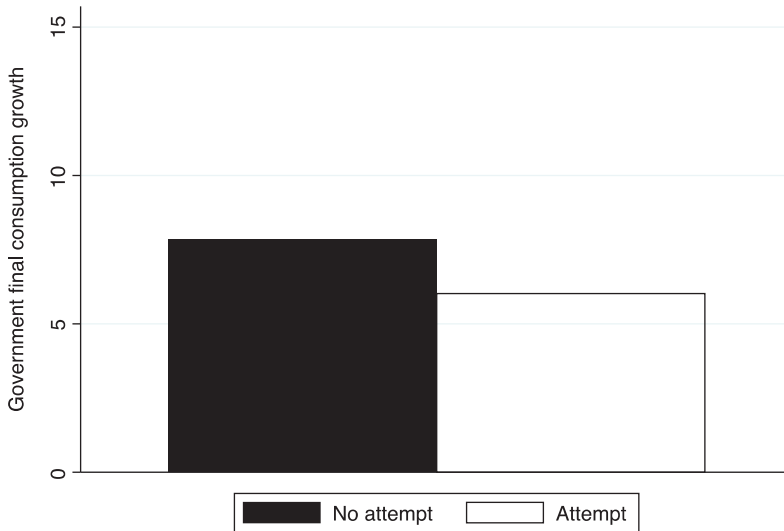


Figure 1: Government Final Consumption in 1990, Attempt Versus no Attempt

A similar example can be quoted for Chad in 2005 and Cameroon in 2008. This opposition is substantiated by a recent study, which shows that, across 34 countries surveyed in round 5 of the Afrobarometer survey, the average support for a presidential term limit is 73% (Dulani, 2015). Finally, direct feedback from government spending to constitutional change is hard to reconcile with the fact that, over the two decades under scrutiny, there was considerable fiscal policy change but few constitutional amendments.

Lastly our identification strategy may not hold if there is a measurement error affecting our variable of interest, leading to an attenuation bias. A measurement bias may arise because, while we are interested in the effect of the modification of the section of the constitution limiting the presidential term, other sections of the constitution are often amended at the same time. Since we cannot totally rule out the concerns about omitted bias, reverse causality and measurement errors, we resort to an instrumental variable approach to address endogeneity issues.

Our identification strategy consists of using the age of the president as a source of exogenous variation for constitutional change. Formally our first-stage regression is specified as follows:

$$Cons_{i,t} = \alpha_i + \gamma Age_{i,t} + X'_{i,t}\theta + \varepsilon_{i,t} \quad (2)$$

where $Age_{i,t}$ is the age of the president in power in country i at time t .

The intuition is that the will of an incumbent to modify the section of the constitution related to the presidential term limit is spurred by the fear of losing the privileges to which he/she has been accustomed. The longer a president lasts in power, the greater is the attachment to those privileges. However, in most African countries, the two-term limit on the presidency is (was) mentioned in the constitution. This was the case of at least 30 countries before the recent wave of amendments. Therefore, incumbents had to modify the constitution to continue to benefit from these privileges. The longer tenure of a leader may reflect

his or her attachment to the privileges of power and his or her willingness to modify the constitution to run for a third term. In addition, as shown by [Kudelia \(2013\)](#), the incumbent initiates a constitutional proposal because he/she has a high discount rate due to his/her high age and prioritises immediate reward. However, tenure, as measured by the number of years spent in power, is less likely to be exogenous and could directly affect the change in government spending. Since leaders with longer tenure are more likely to be older in office, the age of the leader is used to instrument for an expected amendment of the constitution. To substantiate our argument, it is worth mentioning that, in a non-negligible number of African countries, before the recent constitutional amendments, there was an upper age limit for presidential candidates. For instance, in 2004 the upper age limit that would have prevented the Kenyan President Kibaki from contesting the 2007 general election was dropped from the constitution. A provision concerning an upper age limit for presidential candidates was also present in Chad, the Republic of Congo and Equatorial Guinea, to name a few. Theoretically, the reasoning underlying our instrumentation strategy follows the literature on institutional defensive reforms, particularly the work by [Acemoglu and Robinson \(2000\)](#), [Lizzeri and Persico \(2004\)](#) and [Besley *et al.* \(2016\)](#). This literature, notably the first two works, holds that the fear of electoral losses and/or the fear of revolution lead the ruling group to carry out political reforms voluntarily while avoiding political transition. Though [Besley *et al.* \(2016\)](#) also build on a defensive institutional framework, they highlight the fact that leaders with strong survival prospects are less likely to implement reforms that constrain the executive authority. They refer to such leaders as resilient, because they hold onto power until they die and they stay in power on average for 4 years longer than other leaders. [Besley *et al.* \(2016\)](#) show theoretically and empirically that, by reducing the prospect of the ruling group losing power, leader resilience reduces the likelihood of the adoption of strong executive constraints. The rationale behind the choice of the instrument is also in line with the ‘personal rule’ paradigm that has been the dominant view in African politics during the last three decades ([Posner and Young, 2007](#)). According to the ‘personal rule’ paradigm, formal institutional limits on executive power play little role compared with leaders’ decision. In other words, rules do not shape leaders’ behaviour, but leaders’ behaviour trumps rules ([Posner and Young, 2007](#)). In this line, [Posner and Young \(2007\)](#) suggest that leaders’ age is more likely to shape the attitude towards the amendment of the constitution. Their reasoning is that younger leaders – who can expect to spend more years benefiting from office as well as more years when they might be out of power and worried about prosecution – will have a stronger urge than older rulers to hang onto power ([Posner and Young, 2007](#)). Though our data do not bear this assumption out, the theoretical argument remains relevant to justify our identification strategy according to which leaders’ age is an exogenous source of variation for constitutional change.⁵

5 As we will show later in the paper, our data support a strong positive relationship between leaders’ age and constitutional amendment. Though this does not support [Posner and Young’s \(2007\)](#) assumption, this is consistent with our data, because in our sample the median age of leaders who attempted to secure a third term is 60 against 59 for those who chose to stand down. In addition, the fact that Paul Biya (Cameroon) and Abdoulaye Wade (Senegal), respectively 81 and 88 years old at the end of their second term, attempted to remove the term limit contradicts the predictions of [Posner and Young \(2007\)](#).

4. Results

4.1 Baseline results

The baseline results are reported in Table 2. In all the estimations, we report Driscoll and Kraay (1998) standard errors, which are robust to a very general form of cross-sectional and temporal dependence. Year-specific effects are also included in the regression to control for the existence of a potential trend in the dependent variable and for macroeconomic shocks or political events that might be correlated with the decisions made by the incumbent.⁶ The table reports both the first-stage and the second-stage results. The first-stage equation reveals that the age of the president significantly and positively affects the likelihood of constitutional change at the 1% level (see Table B2 in appendix for full results). Moreover, the instrument is not weak, as shown by the Kleibergen-Paap rk Wald F statistics, which are above Stock and Yogo's (2005) critical values. The second-stage regression shows that the attempt to change the section of the constitution related to the presidential term limit has a positive causal effect on the growth of government spending.

This result confirms the findings of the political budget cycle literature that the incumbent increases public spending before election to improve the chances of being re-elected (Brender and Drazen, 2005; Drazen and Eslava, 2010; Ebeke and Ölçer, 2013). In the specific context of this paper, this means that the incumbent indeed uses voter-friendly spending to gain the support of the political elite and ensure that the bill concerning the constitutional amendment will be passed. He could for instance raise the wage of civil servants and/or increase the benefits of the members of parliament (Vergne, 2009). While this result is compelling, one may question the exogeneity of the instrument used to infer the causal relation. To test for the exogeneity of the instrument, we resort to the J test of overidentifying restrictions. Since the test needs at least two instruments to be implemented, we use the age of the constitution as the second instrument. The reasoning behind this choice is that the older a constitution is, the greater is the need to modify it to make it consistent with the current context. According to the J test statistic reported in the second column of Table 2, we cannot reject the null hypothesis that the excluded instrument is appropriately independent of the errors. All in all, the results drawn from Table 2 show that in countries in which there was an attempt to change the constitution, the government consumption growth increased by a magnitude ranging between 11 percentage points and 34 percentage points compared to the other countries in the sample. In addition, most of the control variables included in the regression have the expected sign.

4.2 Robustness checks

4.2.1 2SLS with first-step probit

When estimating the equation using two-stage least squares (2SLS) regression analysis, we assume that the functional form of the first-step equation is linear. Since the endogenous variable is binary, we can face an issue of misspecification of the first-stage equation.

While the reasonability of the assumptions made to carry out the standard IV estimation still hold when the endogenous regressor is binary, we impose more structure and precision by allowing the first-stage regression to be non-linear (Cameron and Trivedi, 2009).

6 We should, however, notice that, since the dependent variable is in first difference, we are less likely to face an issue of non-stationarity.

Table 2: Presidential Term Limits and Fiscal Policy, 2SLS Estimates

Dependent variable: Government final consumption growth	(1)	(2)	(3)	(4)
Attempt to change the constitution, dummy	14.88178*** (4.21857)	34.71994*** (10.53434)	11.64252** (5.22677)	26.69043*** (8.95664)
GDP growth,t-1			-0.11378 (0.21244)	-0.11586 (0.22282)
GDP growth	0.63873*** (0.15106)	0.63849*** (0.12975)		
Inflation	-0.00274*** (0.00050)	-0.00288*** (0.00061)	-0.00302*** (0.00059)	-0.00313*** (0.00069)
Log(Population)	-6.57896 (13.62335)	10.41007 (13.39899)	-18.23580 (17.79448)	-0.34248 (23.42303)
Trade%GDP	-0.04622 (0.06064)	-0.06435 (0.05813)	-0.02875 (0.05893)	-0.04210 (0.05706)
Democracy-Polity4 index	0.04012 (0.67515)	0.08366 (0.69501)	0.14402 (0.83450)	0.16583 (0.86568)
Log(Foreign aid)	0.79848 (1.91485)	0.47687 (2.46054)	1.92222 (2.33912)	1.60484 (2.85480)
IMF Poverty reduction and growth facility arrangement, dummy	-5.96369*** (1.20871)	-5.73770*** (1.21184)	-5.72641*** (1.43433)	-5.61188*** (1.45703)
Total Debt service% GNI	0.48453*** (0.11302)	0.47846*** (0.11511)	0.53609*** (0.09800)	0.53251*** (0.10042)
First Step equations	Const dummy	Const dummy	Const dummy	Const dummy
Age of the president	0.01016*** (0.00353)	0.00983*** (0.00321)	0.01254*** (0.00386)	0.01231*** (0.00374)

Continued

Table 2: Continued

Dependent variable: Government final consumption growth	(1)	(2)	(3)	(4)
Age of the constitution		0.00610*** (0.00105)		0.00561*** (0.00104)
Country & time fixed effects	Yes	Yes	Yes	Yes
Number of observations	414	414	385	385
Number of countries	30	30	30	30
F-stat for weak ident.	8.27753	18.83910	10.55954	21.36905
Hansen test		0.4013		0.3342

Note: Robust standard errors are in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. The [Stock and Yogo \(2005\)](#). Critical values at the 5% level are respectively 13.46 & 10.89. Countries, time fixed effect and the intercept have been partialled-out.

Table 3 reports the estimates when the first-stage is a probit-type regression. Looking at the results, in comparison with the estimates obtained with the baseline IV regression, one observes that the coefficient and the standard error have fallen substantially. However, the effect of constitutional change remains positive and significant irrespective of the specification chosen.

4.2.2 Relaxing the linear assumption using matching estimates

In the previous sections, we discussed the results obtained when we assume a linear functional form of the relationship between constitutional change and government spending. In this section, we see how robust the results are when we relax the linearity assumption. We estimate the average treatment effect on the treated of the constitutional change by matching countries that have attempted to change the constitution with countries with similar characteristics that have not made such an attempt. To ensure that the distribution of the covariates in the control group mirrors that in the treated group, we resort to the entropy balancing technique (Hainmueller and Xu, 2013). Entropy balancing is a data pre-processing procedure that allows the reweighting of a data set such that the covariate distribution in the reweighted data satisfies a set of specified moment conditions. In other words,

Table 3: Presidential Term Limits and Fiscal Policy, 2SLS with First Step Probit

Dependent variable: Government final consumption growth	(1)	(2)	(3)	(4)
Attempt to change the constitution, dummy	4.229*** (1.029)	6.974*** (2.120)	3.826*** (0.880)	4.568** (1.861)
GDP growth,t-1		0.374** (0.137)		0.366*** (0.102)
GDP growth	0.804*** (0.174)		0.811*** (0.183)	
Inflation	-0.00325*** (0.000544)	-0.00349*** (0.000678)	-0.00320*** (0.000532)	-0.00339*** (0.000524)
Log(Population)	9.359 (6.822)	7.036 (5.958)	-20.99 (17.46)	-25.98 (16.20)
Trade%GDP	-0.0564 (0.0730)	-0.0214 (0.0651)	-0.0507 (0.0746)	-0.00228 (0.0570)
Democracy-Polity4 index	0.000480 (0.776)	0.375 (1.110)	-0.0551 (0.780)	0.373 (0.898)
Log(Foreign aid)	0.727 (1.505)	1.087 (1.977)	0.457 (1.559)	0.627 (1.813)
IMF Poverty reduction and growth facility arrangement, dummy	-6.476*** (1.649)	-5.648** (2.114)	-6.463*** (1.654)	-5.735*** (1.875)
Total Debt service% GNI	0.478*** (0.133)	0.494*** (0.146)	0.479*** (0.135)	0.467*** (0.123)
Country fixed effects	Yes	Yes	Yes	Yes
Year dummies	No	No	Yes	Yes
Observations	413	399	413	399
Number of groups	29	29	29	29

Note: Robust standard errors are in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 4: Presidential Term Limits and Fiscal Policy, Matching Technique

Dependent variable: Government final consumption growth	Matching	Matching with IV
Attempt to change the constitution, dummy	7.534*** (2.910)	6.794*** (2.245)
Observations	456	456
Number of countries	30	30

Note: Robust T-Statistics are in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

the control group data are reweighted to match the covariate moments in the treatment group (Hainmueller and Xu, 2013). We follow two steps. In the first one, we build a balanced sample between the control group and the treatment group using the reweighting procedure. In the second step, we run a weighted regression using the weights generated by the entropy algorithm. This approach follows that of Chen, Mu and Ravallion (2008), who use weighted least squares (using propensity scores as weights) to assess the effect of the World Bank-financed Southwest China Poverty Reduction Project. Table B1 of the appendix reports the mean of the distribution of covariates between the control and the treated group before and after the reweighting. This table shows that, after the reweighting procedure, there is no statistical difference between the treated and the control group in terms of observed characteristics. We can therefore be confident that, under the conditional independence assumption, the average treatment effect on the treated can be estimated consistently (Rosenbaum and Rubin, 1983). The matching estimates are presented in the first column of Table 4 and confirm our earlier findings. The matching technique does not require any assumption on the functional form but rests on the selection on observable assumption. When the selection into the treatment group is due to both observable and unobservable factors, it is difficult to uncover unbiased estimates of the causal effect. Likewise, the standard instrumental variable approach allows estimating the causal parameters with selection on unobservable factors, but assumes a specific functional form. Combining the two methods allows dealing properly with the endogeneity while using a distribution-free method (Cerulli, 2014). We therefore build upon the work of Cerulli (2014) and combine these two approaches to infer a causal effect of constitutional change on fiscal policy in African countries.⁷ Column (2) of Table 4 shows that the previous findings are robust to the combined use of instrumental variable and matching techniques.

4.2.3 Taking into account the business cycle

Fiscal policy is deemed to be countercyclical in developing countries (Frankel *et al.*, 2013). In this section we test the hypothesis according to which the political budget cycle is more pronounced during periods of expansion. In other words, we test whether the likelihood of mobilising government spending to improve the chances of passing the bill related to the amendment of the section of the constitution limiting the presidential term is higher during periods of expansion. For this purpose, the equation is modified as follows:

7 We use the Stata routine IVTREATREG of Cerulli (2014), using the Probit two-step model.

$$\Delta \log(Gov_{i,t}) = \alpha_i + \beta Cons_{i,t} + \gamma Growth_{i,t} + \theta Growth_{i,t} + CV'_{i,t} \delta + \varepsilon_{i,t} \quad (3)$$

where $Growth_{i,t}$ is the GDP growth and $CV'_{i,t}$ is a matrix of control variables that are similar to the ones described in equation (1) but do not include GDP growth. We test the hypothesis that $\beta > 0$ and $\gamma > 0$.

Columns (1) and (2) of Table 5 report the 2SLS fixed-effect estimates. The coefficient of the interaction term has the expected sign and is significant at the 1% level. Based on the estimates, for countries that have attempted to change the constitution, the increase in government spending is especially higher during the expansion period. However, this procyclicality effect is not robust to the use of alternative estimation methods. We find no effect either when using simple matching technique or when combining matching with the instrumental variable. This result suggests that, irrespective of the phase of the business cycle, the incumbent is likely to use voter-friendly spending to remain in power.

4.2.4 Alternative dependent variable: public investment growth

In this section, we test the assumption that by increasing government consumption expenditure in exchange for political support to amend the constitution, the government drives out public investment. Specifically, in place of government consumption, we use government investment as the dependent variable. The findings presented in Table 6 show that the effect of constitutional change on public investment is negative. However, the effect is significant only in one specification out of the four tested, suggesting that the short-run government spending is indeed to gain the political support necessary to secure a constitutional change. With the positive effect of the change in constitution on consumer spending and not investment, it follows that the African presidents who carry out this manipulation have a preference for the short term and not for the long term.

5. Discussion

Our analysis supports the hypothesis that the process of modifying the constitution to run for a third term leads to an unnecessary increase of government consumption spending in Sub-Saharan African countries. We argue that in order to secure the support of the voters (members of the parliament, citizens) and to ensure that constitutional amendments are approved, the incumbent increases government spending through wages, subsidies or benefits of the MPs.

As an illustration, in Cameroon, in March 2008, prior to the amendment of the constitution, the President signed Decree N° 2008/099 increasing the salaries of civil servants by 15%. In the same vein, in September 2007 several benefits of the members of the parliament were increased. Specifically, a CFA 8 million (USD 13,308) non-refundable car loan and a session premium of CFA 1.2 million (USD 1,996) were granted to each member of the parliament in addition to his or her monthly salary.⁸ Likewise, in Chad, between 2004

8 This information is based on two newspaper articles and is available on the websites: <http://www.cameroon-info.net/article/assemblee-nationale-salaires-et-avantages-des-deputes-144708.html> and <http://www.cameroon-info.net/article/augmentation-salariale-pourquoi-au-prix-du-sang-110478.html> The information can also be found in the 2008 and 2009 Government's budget bill.

Table 5: Effect of Presidential Term Limits on Fiscal Policy: Accounting for the Business Cycle

Dependent variable: Government final consumption growth	2SLS fixed effects		Matching	
	(1)	(2)	(3)	(4)
Attempt to change the constitution, dummy	13.14348* (6.88832)	11.04204* (6.69582)	0.120*** (0.0108)	5.447*** (1.570)
Attempt to change the constitution*GDP growth	1.30826*** (0.15954)	1.21666*** (0.22335)	0.000827 (0.00241)	-0.747 (0.668)
GDP growth	-0.12959 (0.22077)	-0.12820 (0.21862)	6.79e-05 (0.00196)	1.129*** (0.210)
Inflation	-0.00313*** (0.00061)	-0.00311*** (0.00059)		
Log(Population)	-16.34413 (14.62013)	-18.85042 (12.26896)		
Trade%GDP	-0.04855 (0.05520)	-0.04539 (0.05392)		
Democracy-Polity4 index	0.13871 (0.83734)	0.13618 (0.83391)		
Log(Foreign aid)	1.65089 (2.29701)	1.71199 (2.19537)		
IMF Poverty reduction and growth facility arrangement, dummy	-6.01208*** (1.43378)	-6.00727*** (1.42944)		
Total Debt service% GNI	0.54593*** (0.09504)	0.54572*** (0.09513)		
Year dummies	Yes	Yes		
Country fixed effect	Yes	Yes		
Observations	384	384	456	456
Number of countries	29	29	30	30
F-stat for weak ident.	9.16753	9.86869		
Hansen test	0.4899			

Note: Robust standard errors are in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0$.

and 2005 which is the year the constitution was amended to allow the president to run for a third term, the number of net hires increased by 204% while it only increased by 19% between 2000 and 2004 (Strauss *et al.*, 2007). These actions may induce an unfruitful increase in government spending and threaten fiscal discipline. Figure 1 presents a mere comparison of the growth of government spending between the term during which constitutional amendment was attempted and the other terms during which such an action did not take place.

Figure 2 clearly shows that over the period 1990–2010, the growth of government consumption spending is larger for countries in which there was an attempt to modify the constitution compared to the other countries of the sample.

A potential limitation of our reasoning would be that in Africa, over the period under study, the parliament does not have a real veto power over the executive and therefore, the latter does not need to mobilise the financial resources of the State to have the support of

Table 6: Effect of Presidential Term Limits on Fiscal Policy: Public Investment Growth

Dependent variable: Public investment growth	IV	IV	2SLS First step probit	Matching
Attempt to change the constitution, dummy	-11.07393 (7.43796)	-13.7579*** (4.55084)	-1.473 (1.279)	6.096 (6.338)
GDP growth	0.26092 (0.31065)	0.26228 (0.29977)	0.376 (0.393)	
Inflation	0.00330*** (0.00032)	0.00333*** (0.00027)	0.00295*** (0.000533)	
Log(Population)	-69.3991*** (16.79149)	-73.7966*** (13.87935)	-54.59*** (9.797)	
Trade%GDP	-0.03296 (0.05195)	-0.02286 (0.05560)	-0.0430 (0.0482)	
Democracy-Polity4 index	-0.06326 (0.14946)	-0.04901 (0.15236)	-0.0435 (0.134)	
Log(Foreign aid)	1.81689 (1.16850)	1.85253 (1.31198)	-0.0407 (1.084)	
IMF Poverty reduction and growth facility arrangement, dummy	-3.87889* (2.21671)	-3.88407* (2.22012)	-3.461 (2.810)	
Total Debt service% GNI	-0.35430 (0.22148)	-0.36529* (0.20582)	-0.298 (0.277)	
First Step equations	Const dummy	Const dummy		
Age of the president	0.01297*** (0.00441)	0.01195*** (0.00348)		
Age of the constitution		0.01266*** (0.00195)		
Country & time fixed effects	Yes	Yes	Yes	Yes
Number of observations	334	334	334	334
Number of countries	21	21	21	21
F-stat for weak ident.	8.62984	21.84521		
Hansen test		0.4935		

Note: Robust standard errors are in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

parliament. Though it is true that the African executives are powerful, parliament indeed has a kind of veto power. As an illustration, in the cases where the attempt failed like in Nigeria, Zambia and Malawi, it was the parliament that did not agree to the bill by rejecting it. Another threat to our argumentation is that since a majority of MPs in most of the countries where there was an attempt to amend the constitutions during the period under scrutiny have been members of the same party as the executive, the level of patronage needed to buy their support would not be very high. However, this is not true because in the history of constitutional amendments in Africa, the strongest opposition sometimes came from the ruling party. A perfect illustration is the case of Nigeria where 54.9% of the MPs were members of the ruling party in 2006 when the constitution amendment failed. In addition, as shown by Frey and Schneider (1981), politicians behave opportunistically mainly when their re-election is in danger, that is in the state of popularity deficit.

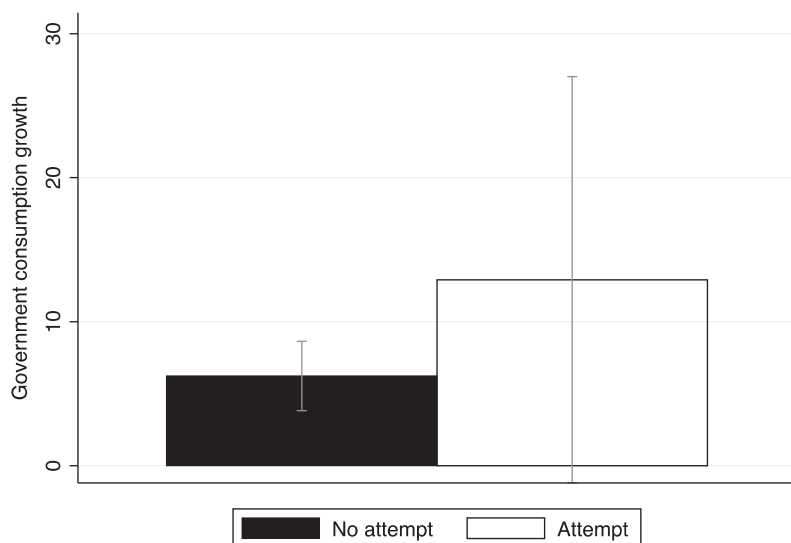


Figure 2: Government Final Consumption Growth, Attempt Versus no Attempt in Africa (1990–2010)

Finally, another argument which is likely to be opposed to our reasoning is that since civil servants have no veto power, increasing their salaries is not relevant for changing term limits. Although civil servants are not MPs who participate in the vote in parliament, they play an important role in the civil society and can mobilise to block the change of the constitution. In African countries where most often the public sector is one of the largest employers, having the approval of civil servants weakens considerably the disputes and strikes that can be organised around the law. In the same line, when the constitutional amendment is carried out through referendum as was the case in Chad in 2005, the support of citizens, including civil servants is very relevant. According to the theory of myopic voting, only the most recent year and the change in the economy (not the level) are very influential in voters' decisions (Achen, 2012). Therefore, increasing the wages of civil servants in the months preceding the vote is relevant to ensure that the amendment will be voted because they still have in mind the recent improvement of their living conditions.

Our results are consistent with this theoretical argumentation, although we cannot statistically discriminate between the strength of citizen support and that of the parliament.

6. Conclusion

In this paper we test the effect on fiscal policy of recent constitutional amendments that sought to extend the president's rule in selected African countries. Though this paper fits into the political budget cycle literature, it departs from the existing studies by focusing on the fiscal impact of a type of constitutional arrangement that, to the best of our knowledge, has not been tested yet. In a sample of 30 African countries, analysed over the period 1990–2010, we find evidence that such constitutional amendments indeed shape fiscal policy.

Specifically, the empirical investigations lead to two main results. First, we find a positive significant effect of constitutional change on the growth of government consumption spending. This result is robust to the use of various econometric techniques, including the instrumental variable approach, the correction of sample selection bias using matching techniques and the combination of matching with instrumental variable approach. Our interpretation of this finding is that, in countries where the incumbent attempted to modify the constitution, he/she used voter-friendly spending to gain the support of the political elite and ensure that the bill concerning the constitutional amendment would be passed. This caused an excessive increase in government spending and acted as a catalyst for fiscal indiscipline. Second, the data provide weak support for the hypothesis that the political budget cycle is more pronounced during periods of expansion. Based on the instrumental variable estimate, the effect of constitutional change on government expenditures is greater during periods of expansion. However, this effect is not robust to the use of alternative estimation techniques. This finding suggests that the incumbent's behaviour is independent of the business cycle and is only motivated by his/her will to remain in power.

Overall, this paper shows that constitutional changes aiming to extend the president's tenure beyond the institutional limit are very likely to increase government spending and therefore threaten fiscal discipline. From the policy perspective, this study suggests that it is worth watching out not only for elections but also for constitutional changes that are a catalyst of fiscal indiscipline and can further weaken institutions that are positively correlated with countercyclical fiscal policies. In addition, the electorally-motivated fiscal interventions are likely to undermine ongoing economic reforms and long-term economic prospects.

Supplementary material

Supplementary material is available at *Journal of African Economies* online.

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