Administration, vol. 72, no. 3 (2024), pp. 31–50
doi: 10.2478/admin-2024-0016

‘Shall I compare thee?’ Evaluating Finance Ministers

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Abstract

Over the past century, the methods used to evaluate Finance Ministers have evolved from the close scrutiny of individual biographies to the statistical analysis of aggregated data. This paper explores this evolution within the framework of economic theory and applies the results in an Irish context. It concludes that while statistical methods can provide some support for certain hypotheses, they are not yet advanced enough to entirely replace the traditional political economy approach.

Keywords: Finance Ministers, Ireland, statistical analysis, methods of evaluation.

Introduction

On 17 December 2022, Michael McGrath was appointed as Irish Minister for Finance. One hundred years earlier to the day, the First Executive Council, under W. T. Cosgrave, mooted a committee to advise the burgeoning Free State on financial matters (Fanning, 1978). Two economists were to be approached: George O’Brien and Charles

F. Bastable.[1] In *Public Finance*, the premier textbook on the subject, Bastable had laid out his vision for fiscal rectitude saying, '[t]he financier, so far differing from the business manager, should not aim at a surplus, but neither should he allow a deficit' (Bastable, 1903, p. 611). Some twenty years later, O'Brien endorsed the notion of budgetary balance as 'the first and great maxim of public finances' (O'Brien, 1925, pp. 177–8). This doctrine was further codified by Hilton Young's *The System of National Finance* (Young, 1936 [1915]), a book that new entrants to the Department of Finance were required to read (Fanning, 1978).

The relative importance that government attached to budgetary balance would wax and wane over the century between 1922 and 2022, both in response to economic circumstances and to developments in theoretical and empirical economics. Brought to prominence by the Great Depression, which began in 1929 and lasted throughout the 1930s, Keynesian economics sought to make budgetary *imbalance* an instrument of wider fiscal policy in the active management of national output (Keynes, 1936), and it proved successful for a period of some thirty years. In turn, however, the stagflation of the 1970s and the global financial crisis of the early twenty-first century brought the 'old-time fiscal religion' (Buchanan & Wagner, 1977, p. 10) back to centre stage.

The precise nature of fiscal balance – as policy instrument or policy target – was hotly debated in response to the post-crisis implementation of austerity (Blyth, 2015). This discussion brought the issue of economic ideology, and the socialisation of the profession, to the fore. A widespread criticism of mainstream economics was the narrow nature of the neoclassical paradigm, in particular the focus on 'balancing the books' rather than seeing fiscal policy as being subservient to wider economic policy. Nobel Laureate Paul Krugman for example, lamented the loss of Keynesian learnings at the hands of the 'Austerians' (Krugman, 2009).

The public, the media, and academic economists have adjusted their evaluations of the Minister for Finance based on these changing priorities. Still, the primary target of budgetary policy has remained fiscal balance; as Ciaran Casey notes:

[1] The committee itself never met, but both men were included in the Fiscal Inquiry Committee of June 1923 to advise on government policy related to trade (Fanning, 1978).

> [t]he role of the Minister for Finance was often rather thankless... His power was almost entirely contingent on a supportive Taoiseach – a rare asset. All too often, the minister was caught between the warnings of civil servants and the demands of his colleagues… he had enormous influence over other departments but surprisingly little over the key performance metric of his own: the Exchequer balance. (Casey, 2022, p. 22)

The most recent peer-reviewed research on ministerial evaluation adopts Victor Frankenstein's approach whereby various biographical characteristics are combined statistically to create the perfect functionary. This represents a further evolution of the proto-quantitative method of Jean Blondel (1991), which had introduced some rudimentary descriptive statistics to the analysis, and which was extended and popularised by the *Financial Times* ranking of European ministers between 2006 and 2014 (see *Financial Times*, 2006). The newer academic research benefits from larger datasets and more complex statistical methods but struggles when quantifying more subtle, but nonetheless essential, characteristics; the informal relationships between Finance Ministers and their colleagues for example, or the strategic abilities of Finance Ministers to get their way in negotiations (see for example Casey (2022) and Considine and Reidy (2008)).

Given this weakness, it is worth contrasting the newer approach, which attempts to statistically decompose the office of minister into its essential component parts, with the older biographical style which sought to bring narrative coherence to the thoughts and actions of specific individuals. Although the former is thought to provide reproducible, objective, and comparable conclusions, the latter can also facilitate comparisons of ministers, if in a different, more nuanced, way. Books such as *The Chancellors* (Jenkins, 1998), *The Chancellors: A History of the Chancellors of the Exchequer 1945–90* (Dell, 1996), and *The Chancellors' Tales: Managing the British Economy* (Davies, 2006) for example, devote entire chapters to each office-holder and then skilfully, albeit subjectively, draw comparisons between them.

The purpose of our paper is to explain the evolution of approaches to ministerial evaluation and to illustrate the most recent statistical method in an Irish context. Broadly speaking, the slow turn away from biographical narrative toward statistical analysis has proceeded chronologically through the century between Bastable and McGrath. Therefore, the structure of the paper will be chronological.

Biographical narrative

In the first half of the twentieth century, when the annual budget was a larger event both in economic and political terms, the budget speech allowed the minister to present his explanation of the fiscal outcome. Leading economists also published such analyses. For instance, Bastable contributed an annual review to the *Economic Journal* in the first decade of the twentieth century and George O'Brien did something similar in *Studies* for the third. These pieces however, evaluated the budget itself as distinct from the minister who delivered it.

John Maynard Keynes stepped closer to attributing budgetary outcomes to biography when he said that Neville Chamberlin was 'true to the Gladstonian ideal of the Chancellor of the Exchequer as a faithful accountant' (Winslow, 2005, p. 19). He went on to publish contemporaneous evaluations of previous Chancellors in *Essays in Biography* (Keynes, 1933). These case studies are packed with detail and rhetorical argument about the relationship between specific biographical characteristics and fiscal outcomes. The preface declares that they '… are based on direct acquaintance. Most of them were composed under the immediate impression of the characters described. They are offered to the reader… as being of this nature – not written coolly, long afterwards, in the perspective of history' (Keynes, 1933, p. vii).

Writing three decades after having been Chancellor of the Exchequer himself, the historian Roy Jenkins said Keynes's biographical sketches were 'always penetrating and sometimes accurate' (Jenkins, 1998, p. 226). Keynes and Jenkins had the advantage of being present in the Treasury – Jenkins as Chancellor, Keynes as senior official and adviser. This was an undoubted advantage as Casey highlights when he says, it is 'very difficult to disentangle the Minister from his officials, unless one was actually in the Department at a very senior level. The relationship was generally opaque, and often misinterpreted by journalists' (Casey, 2022, p. 9).

The Chancellors (1998), by Roy Jenkins, and *The Chancellors: A History of the Chancellors of the Exchequer 1945–90* (1996), by Edmund Dell, examine each office-holder as an individual. Contrasts and comparisons are drawn with previous appointees, but the emphasis is on the author's perspective of the individual. Howard Davies takes a slightly different approach in *The Chancellors' Tales: Managing the British Economy* (2006). He brings together the views of five Chancellors in the form of a series of lectures written by the men themselves. As editor, he attempts to extract the essence of what is involved in the job.[2] His emphasis is on the position rather than the personalities and on commonalities rather than differences. While an overall ranking of the Chancellors is not explicit in any of these offerings, the reader can do so using their own criteria, and of course those criteria will change based on their social, political, and economic milieu. Common to all, from Keynes to Davies, was the reliance on experience, proximity, and skill to produce a bespoke, coherent narrative.

During the middle third of the last century, there were three changes in economics that led to the development of the current framework for evaluating Finance Ministers. The first was the arrival of Keynesian economics. The second was the modelling of individuals as *Homo Economicus*. The third was the move towards applied empirical economics. It is worth briefly outlining each of these changes.

Changes in mid-twentieth century economics

As mentioned in the introduction, Keynes made subsequent evaluations of ministers and their policies more difficult. Keynesians argue that national income should be the primary target of fiscal policy with fiscal balance used as its instrument. This was taken as received wisdom for approximately three decades until, with the stagflation of the 1970s, Keynesian economics lost much of its lustre. James Buchanan, another Nobel laureate, criticised Keynes for the departure from Bastable's fiscal conservatism. The contrast between both thinkers is made in *Democracy in Deficit: The Political Legacy of Lord Keynes* (Buchanan & Wagner, 1977).

When it comes to evaluating fiscal matters, it is difficult to overstate the importance of the difference between fiscal balance as a target and fiscal *imbalance* as an instrument. Misunderstandings over this dual nature probably hinder analysis more than anything else. Researchers and commentators are not always clear on whether they are evaluating ministers based on their choice of target or on its method of

[2] There is no comparable collection on Ireland's Ministers for Finance.

achievement. The evaluation is further complicated by those politicians and economists who point to the extremely unusual circumstances where fiscal retrenchment coincided with an increase in national income – Ray MacSharry's 'expansionary fiscal contraction' as part of Charles Haughey's 1987 Fianna Fáil government being a case in point.

This raises the vexed question of how much can be credited to the minister. It is worth contrasting Ray MacSharry's example with the fiscal adjustments made by the previous government. It is widely accepted that MacSharry's efforts were facilitated by the support provided by Alan Dukes as leader of the opposition. Dukes had been Minister for Finance between 1982 and 1986, and his period in office is not seen as a success, particularly when compared with MacSharry's. In evaluating ministerial success, neither the popular accounts nor, as we shall see, the economic models, allow for the difference in the opening hand that ministers are dealt. Dukes operated in a coalition government with a party of the left that constrained his public finance targets and choice of instrument. MacSharry enjoyed the full support both of his party leader and a quiescent opposition soldiering under the terms of the Tallaght Strategy. Dukes also operated in a more challenging international economic environment than did MacSharry.

A second change in mid-century economics worth noting is the modelling of the individual as *Homo Economicus*. This uber-rational utility maximiser, has permeated all of modern economics and formed the basis of another criticism of Keynes. Milton Friedman (1957) and Franco Modigliani and Richard Brumberg (1954) criticised the Keynesian consumption function and its focus on the current period. They argued that consumer decisions are based on permanent, or lifetime, income rather than current income and that, more broadly, his economics was not based on a formal representation of the calculus involved in individual consumer decisions – the maximisation of a utility function subject to a budget constraint performed instinctively by *Homo Economicus*.

Barro (1974, 1979) extended this criticism to fiscal policy. He argued that a current period reduction in taxes would not have a positive impact on consumption because individuals knew that the government would have to balance its budget over time. He leaned heavily on empirical analysis in support of this hypothesis, an approach which heavily influenced the current method of evaluating Finance Ministers.

As Buchanan and Barro were criticising Keynesians, the discipline of economics was entering 'the age of the applied economist' (Backhouse & Cherrier, 2017, p. 5). Backhouse and Cherrier provide evidence that there was almost a step-change in the amount of applied work being published at this time. The quantitative approach subsequently came to dominate economics, including the work on fiscal balance. After Barro's contributions in the 1970s, there was a large literature in the 1980s and early 1990s concerned with the sustainability of public finances (e.g. Grilli, Masciandaro & Tabellini, 1991).

As a result of the foregoing innovations in economic theory, it became *de rigueur* to support hypotheses with empirical analysis and to assume that they were provable given the underlying rational behaviour of economic agents; the evaluation of ministerial performance was no exception. The nature of this evaluation would evolve given advances in data collection and statistical techniques available over time.

From individual biographical coherence to common biographical characteristics

Jean Blondel (1991) took one of the first statistical steps away from the intimacy of biographical narrative to examine the ministerial function itself, and the biographical characteristics that contribute successfully to its influence in government. His sweep took in fourteen countries over many decades, but he was under no illusions, pointing out that '[s]uch an investigation can be fully undertaken only by means of a systematic scrutiny of the role of Ministers of Finance in the Cabinets to which they belong – a task which is obviously vast' (Blondel, 1991, p. 1).

He proceeded simply by counting the presence of a variety of characteristics which seemed pertinent. This approach required the collection of small amounts of information on a large number of politicians. In contrast to a biographer's in-depth knowledge of individual ministers, Blondel was more aligned with the move towards quantitative numerical analysis. Using his judgment, based on the weight of numbers rather than any statistical test, he argued that the influence of a Finance Minister depends on their occupational background, duration in Finance, previous ministerial experience outside of Finance, and the presence of previous Finance Ministers in Cabinet.

It is fair to say that Blondel was more concerned with the characteristics of those who got and held the portfolio. The measurement of performance was at best indirect, in the sense that, retaining the portfolio might be a signal that one is doing relatively well. His key contribution was to identify characteristics that could, at least in part, explain the *influence* of the Finance Minister. The criteria on which to evaluate their *performance* were popularised and extended by a *Financial Times*' ranking exercise beginning in 2006. The *Financial Times*' method displayed little interest in the age, gender, education, or other characteristics of the individuals involved, but was similar in that it took cognisance of quantitative measures.

Evaluating the performance of Finance Ministers

Between 2006 and 2012, the *Financial Times* published a widely read ranking of European Finance Ministers, evaluating them over a range of criteria that captured both Bastable's old-time fiscal religion and Keynesian approaches to demand management, in essence reflecting the neoclassical synthesis. The changes in the evaluation criteria over time probably reflect the normal adjustments contingent to any such exercise along with reactions to supranational events such as the Great Recession of the late 2000s. Table 1 gives a list of the economic variables considered and they are not outlandish when compared to the subsequent academic literature (as will be seen below).

Although the precise method changed somewhat over the years, it would be fair to say that 'competitors' were evaluated across three dimensions – economics, politics, and credibility.[3] The economic dimension was scored by the simple ranking of various economic aggregates – a quantitative approach. This analysis was augmented, however, with surveys of expert opinion – a qualitative approach. The choice of aggregate is itself problematic at this point. For instance, the inaugural ranking in 2006, takes the change in tax as a percentage of gross domestic product (GDP) as one of the indicators chosen, while 2010 uses projected deficit reduction. Changes in such measures could be viewed very differently depending on the ideological perspective of the examiner. One could conceivably score highly here, for example, by eviscerating public expenditure on health and education, a policy whose welfare effects would go unrecorded by the ranking exercise.

[3] Termed 'stability' until 2009.

Table 1: Criteria considered by the *Financial Times* for ministerial evaluation, 2006–12

2006	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*
Public sector balance as % GDP				GDP recovery relative to pre-crisis peak		
% change in public sector balance since 2001		Deficit reduction over five years		Deficit (excluding stimulus)		
% change in tax as a % of GDP		% tax as a % of GDP		Deficit reduction predictions (two year)	Deficit reduction since 2009	Change in debt since 2009
Consumption taxes as % of total taxes		Incidence of tax on labour		Change in unemployment (five year)		
		Tax rate on dividends		Current account deviation from balance		
					GDP growth Debt level	

Abbreviation: GDP = gross domestic product.

The political dimension was more abstruse. A group of seven to eight leading economists or 'commentators' was asked to rank ministerial performance in terms of the swiftness with which problems in the economic landscape were grasped, the quality of solutions put forward, and the efficiency with which they were carried out. Additionally, the impact of the minister on both the European and international stages was considered. The credibility dimension was measured variously as the price of default risk, or the return on sovereign bond yields. (In essence, this represents another kind of 'expert' survey, albeit a very large one, as the bond market is expected to price in all available information.) The overall score was then calculated by weighting the results from each dimension.

The criteria in Table 1 are short term in nature. Part of this reflects the speed and depth of the downturn during the Great Recession, another part reflects the fact that ministerial tenure is relatively short, and any evaluation must capture this. It may well also be the case that stronger action in the short term broadcasts a greater commitment to, and credibility of, policies of fiscal adjustment. A more prosaic consideration may be found in the practicalities of the ranking itself. If long time horizons were considered, the ranking exercise could only be undertaken for politicians that were becoming a distant memory – hardly a reliable way to sell newspapers.

In any event, the Irish ministers had a chequered showing in this system of rankings. Brian Cowen fell from first of twelve in 2006 to seventh of twelve in 2007. It is unlikely he would be rated as highly in retrospect. The number of ministers was expanded to nineteen in 2008. Brian Lenihan was ranked next to last, last, and last for his three years in office; the only one to finish below him was fellow member of the Portugal, Italy, Ireland, Greece and Spain group, Fernando Teixeira Dos Santos of Portugal. Despite being praised for lucidity in his first year, Lenihan's pledge to honour bond holders was said to 'raise hackles across Europe'. But again, such an appraisal is rarely ideologically neutral.

Michael Noonan began 2011 in tenth place earning plaudits for 'determination in trying circumstances'. The following year, despite coming seventh from bottom in the economic dimension, he rose to fifth overall. Brian Lenihan might have grumbled that Noonan was only enforcing the programme that he himself had negotiated with the Troika during very 'trying circumstances' of his own. The Fine Gael veteran was surely helped by a return to the markets and a reduction in nine-year bond yields from 15% to 5%. Any credible method of ministerial evaluation should account for the hand that the minister is dealt during their tenure, but such details might be better left to the biographer.

There is a noteworthy level of inconsistency within the rankings themselves. The Spearman rank correlation is a simple test of association between two variables. Correlations lie between –1 and +1, signifying perfect negative and perfect positive relationships respectively. Values closer to zero suggest no relationship. Figures for the three dimensions are generally very weak and can be seen in Table 2 for a selection of years.[4]

There were occasions of crisis over the period when the dimensions showed at least some accord. In 2009, the correlation between the political and credibility dimensions was 0.82. This implies that ministers whose deficit reduction and so on was going well, were also ranked highly in terms of political clout. Despite this, on balance there

[4] The years 2006 and 2007 are omitted as the three dimensions had not yet taken their familiar shape; however, results are similar.

Table 2: Spearman rank correlations for the *Financial Times*' dimensions, 2008–12

	Economics & political	*Economics & credibility*	*Political & credibility*
2008	–0.37	0.03	0.48
2009	–0.15	–0.21	0.82
2010	0.23	0.47	0.19
2011	0.23	0.43	0.42
2012	0.04	0.20	–0.02

is a very weak relationship between the three dimensions. This unrelatedness is interesting as it suggests that, for example, a high ranking in the economic dimension does not co-occur with a high ranking by expert commentators. Brian Lenihan's case has been mentioned but there are many others.

For example, in 2010, Jacek Rostowski headed the poll on economic performance, with Poland being the only European country to avoid a recession. After rejecting the austerity programme of the European Union (EU), he placed mid-table for politics and near bottom for credibility. The Finnish minister, Jyrki Katainen, fell from first in 2008 to twelfth in 2009 primarily because the Finnish economy is export driven and, as Ireland's did, fared poorly in the early years of the recession. It would be a singular minister indeed who could change the commanding impetus of an economy in a single year.

The *Financial Times* approach identified a range of economic criteria on which a Finance Minister might be evaluated. They combined budgetary targets with the national output targets that might be achieved by fiscal imbalance. There was no discussion of the biographical characteristics of Finance Ministers as there had been in Blondel (1991). Subsequent academic literature sought to combine the two approaches. Criteria like those used by the *Financial Times* to measure performative success were correlated with biographical characteristics. The result is a Frankenstein's monster.

Frankenstein's finance monster

We will review four of the papers that we see as representative of the most recent statistical approach in this section. The titles of these papers are descriptive and worth providing at this stage: 'The Perfect

Finance Minister: Whom to Appoint as Finance Minister to Balance the Budget' (Jochimsen & Thomasius, 2014); 'Do the Personal Characteristics of Finance Ministers Affect Changes in Public Debt?' (Moessinger, 2014); 'EU Finance Ministers, Capital Markets and Fiscal Outcomes' (Afonso & Guedes, 2014); and 'Sovereign Ratings and Finance Ministers' Characteristics' (Afonso & Jalles, 2019).

The first three papers examine some measure of fiscal balance, while the fourth uses sovereign ratings. In all of these papers, the various biographical characteristics of Finance Ministers enter as explanatory variables in fixed effects regression models, with economic or political variables added as 'controls'.[5]

All four papers agree in spirit on which biographical characteristics to include, but each differs in their application. The first three include the political ideology of the minister, but Afonso & Jalles (2019) drops this probably because, for the most part, it does not have an effect.[6] All of them include the age of the minister but for different reasons; age also does not appear to have an effect. The first two papers include previous experience as a Cabinet minister, but the Afonso papers leave this out without explanation, again probably because it does not appear to have much of an effect.

Four biographical variables *do* appear to have some direct effect – gender, tenure, education/experience, and prime ministerial 'support' – along with the institutional variable 'delegation' which refers loosely to the degree of budgetary power a minister enjoys. Results can be seen in Table 3.

Jochimsen and Thomasius (2014) found no impact of gender on state deficits but makes the valid point that increases in expenditure for programmes like childcare, implemented by women, may have been 'paid for' by budget cuts elsewhere, thus rendering them invisible to the regression equation. Both Afonso and Guedes (2014), and Afonso and Jalles (2019) find that gender increases the deficit as a percentage of GDP by around two percentage points, reduces ten-year sovereign bond yields by something in the order of three quarters of a percentage point on average, but has no effect on the bond market. Despite not affecting bond prices, it appears that a female Finance Minister increases the average ratings of the three main ratings

[5] The first paper examines Finance Ministers at the subnational level in Germany.
[6] The finding that left-wing ministers do not increase deficits, or have deleterious effects in the bond or ratings markets, is salient given the upcoming Irish election, but the papers do not dwell on this result.

Table 3: Selected results from the academic literature

Authors/Region/ Period	*Fiscal effect*	*Biographical cause*	*Result*
(Jochimsen & Thomasius, 2014) 16 German states, 1960–2009	Real deficit per capita	Affinity (yes/no)	Decreases deficits
		Tenure squared (years squared)	Decreases deficits
		Financial business experience (yes/no)	Decreases deficits
		Non-financial business experience (yes/no)	Increases deficits
		Political experience (yes/no)	Decreases deficits
(Moessinger, 2014) 15 European countries, 1980–2010	Annual change in central government debt-to-GDP ratio	Tenure (years)	Decreases change in ratio
		Cabinet experience (years)	Decreases change in ratio
(Afonso & Guedes, 2014) balance to 27 EU countries, 1980–2012	General government balance to GDP	Gender – female (yes/no)	Increases deficit
		Tenure (years)	Decreases deficit
		Finance/ Accounting degree (yes/no)	Decreases deficit
		Economics degree (yes/no)	Decreases deficit
		Law degree (yes/no)	Decreases deficit
		No formal education (yes/no)	Decreases deficit
	Annual rate of change of stock index	Other social science degree (yes/no)	Increases change in ratio

Table 3: Selected results from the academic literature (Contd.)

Authors/Region/ Period	*Fiscal effect*	*Biographical cause*	*Result*
	Government ten-year bond yield	Gender – female (yes/no)	Decreases bond yields
		Marketing degree (yes/no)	Increases bond yields
(Afonso & Jalles, 2019) 26 EU countries, 1980–2012	Sovereign ratings	Gender – female (yes/no)	Increases ratings
		Tenure (years)	Increases ratings
		Delegation	Increases ratings

Abbreviations: EU = European Union, GDP = gross domestic product.

agencies by between a half and one-and-a-half points on a twenty-one-point scale (depending on various statistical permutations in model specification).

It is mysterious that gender appears to affect the deficit but not the bond market, given that deficits are thought to affect bond yields (Cantor & Packer, 1996). In fact, Afonso and Jalles note that, 'Finance Ministers play an important role in determining public deficits and influencing public debt dynamics. As a result, they shape investors' expectations regarding the pricing of risk over bond issuance as their credibility and policies may affect yields' (2019, p. 8). And again, while gender affects the deficit it does not affect debt. Given that the latter is an accretion of the former over time this seems somewhat questionable.[7]

Time spent in office might benefit a minister in a number of ways. They will certainly gain experience and knowledge of budgetary and political processes, but long tenure may also confer greater leverage or influence over the spending ministers. The squared term (years in office squared) in the Jochimsen paper was added to allow for non-linearity in the relationship. For example, it might be that a new minister increases deficits but that after a while experience gives them the strength to curb spending and the relationship turns negative.[8]

[7] Although it is possible that budget surpluses in some countries at least partially explain this outcome.

[8] The non-squared tenure variable does have a positive sign in the equation but unfortunately is not significant. The square term implies that tenure becomes more important the longer a minister is in office (although there must be some natural limit to this effect).

Changes in the debt-to-GDP ratio seem to be smaller when the minister can stay in office for additional years (Moessinger, 2014). The effect size is something like a quarter of a percentage point reduction in the rate of change for each year. There is some evidence that previous years in Cabinet have a similar but smaller effect, but this effect disappears when checked for robustness. Stock returns are unaffected by tenure, but, in accordance with both Jochimsen and Thomasius (2014) and Moessinger (2014), Afonso and Guedes (2014) find that tenure improves the budget balance by about 0.14 percentage points of GDP for each additional year a minister is in office. An additional year also appears to add 0.20 percentage points to average sovereign ratings (Afonso & Jalles, 2019).

The suite of results dealing with the effects of experience and education is inconclusive and rather confusing. Given that experience as a spending minister does not affect state deficits, it is odd that previous experience as a member of the state, federal, or European parliament does, to the extent of a €60 reduction for each person in the state. Experience in the Treasury, the Ministry of Finance, or in tax administration has no effect (Jochimsen & Thomasius, 2014).

Similarly, Moessinger (2014) finds that political experience in the fiscal realm (finance committees and so on) has no effect on debt-to-GDP at the European level, although time as a spending minister does. The effect is small and not robust. Prior experience in non-financial business increases real state deficits, while financial business experience reduces them (Jochimsen & Thomasius, 2014).

Education is a more difficult onion to peel. It may influence national deficits when measured as a proportion of GDP, where it seems that an economics, law, or finance degree, or (strangely) having no formal education, will improve the budget balance by over two percentage points on average; a marketing degree might also have a small positive effect on government bond yields. More curiously, it seems a social science degree can increase the annual rate of change of national stock indices as long as the degree is not in economics, law, or finance (Afonso & Guedes, 2014). It is an irrelevance for German state deficits, according to Jochimsen and Thomasius (2014), and seems to have almost no effect on changes in debt-to-GDP according to Moessinger (2014) – unless, that is, your prime minister has a degree in law.

Relationships have been widely acknowledged as significant in determining the effectiveness of the Minister for Finance (Davies, 2006; Considine & Reidy, 2008; Casey, 2022). While it is extremely difficult to place a numerical value on informal relationships, and therefore include them in the statistical approach, efforts can be made. Jochimsen and Thomasius (2014) find that, in times of coalition (recall that this study was for subnational ministers), having the Prime Minister and Finance Minister from the same party reduces real deficits. This condition is used as a proxy for ministerial ‘strength’.

Another aspect of the rather penumbral concept of strength is the flavour of fiscal governance in use, whether a delegation or contracts approach. In the former, the Finance Minister has far-reaching powers of autonomy, while in the latter, a contract is negotiated between stakeholders which the minister then enforces (Von Hagen, Hallett & Strauch, 2001). Afonso and Jalles (2019) find that governments utilising a delegation approach have better outcomes. The average sovereign ratings effect is quite significant giving approximately a two- to eight-point increase on a twenty-one-point scale. Moessinger (2014) found that a delegation approach reduces the rate of change of debt-to-GDP by something like two percentage points. There is also some interaction between the delegation variable and other variables which taken together imply that ministerial experience becomes important both in preventing efforts to ‘buy’ an election and when a contracts approach is taken, both of which are germane to the current Irish context.

The final reckoning

As a point of illustration, and informed by this literature, we can attempt to compare Michael McGrath and his predecessor Paschal Donohoe. Donohoe is by far the senior man having spent 2,012 days in office compared to McGrath’s 557. The literature suggests this may have had a calming effect on debt-to-GDP, and on the deficit. And perhaps it did. The National Treasury Management Agency tells us that debt-to-GDP fell in all but one of the years between 2018 and 2023 (National Treasury Management Agency, 2024).

Donohoe spent his first term, in the thirty-first government, with a Taoiseach from the same party; McGrath, from Fianna Fáil, contended with a Fine Gael leader in his. This augured poorly for the Irish deficit under McGrath’s regime but in fact the Irish Government enjoyed surpluses of over €8 billion in both 2022 and 2023 (Central Statistics Office, 2024). Donohoe had some prior experience in business, whereas Michael McGrath is a chartered accountant. It is unclear as to the ultimate effect of this last biographical difference.

Ireland is reported as being contract oriented at least between 1987 and 1994 (Hallerberg & von Hagen, 1999),[9] and delegate oriented from 1998 to 2010 (Moessinger, 2014). The recent spate of coalition governments will likely change this, as would the cleaving of two functional divisions of the Finance Department in 2012 with the setting up of the Department of Public Expenditure and Reform. As Casey notes, 'without control over the Budget, it would be a fundamentally different department' (Casey, 2022, p. 6). Afonso and Jalles' analysis (2019) suggests that this will have decreased Irish sovereign ratings[10] (it has not); however, Donohoe covered both briefs for much of his tenure as Finance Minister which may have mitigated the effect.

McGrath still laboured under a Fine Gael Taoiseach and the lack of ministerial strength which this implies. Moessinger (2014) notes that tenure becomes more important in these circumstances, again, a knock to McGrath's prospects according to the academic literature. And yet, did these prognostications carry weight when McGrath was given the nod as Ireland's representative on the European Commission, or in the end, is Macmillan's admonition – 'events, dear boy, events' – the final arbiter of ministerial excellence?

Summary and conclusion

Job applicants for an important post with a dominant position in the domestic economy and a range of international linkages, might be expected to undergo rigorous testing for their suitability. The tests could be based on previous research about the personal characteristics most suited for the position – a case of the past providing a guide to future performance. Under these terms, scientific analysis might supplement more traditional hiring practices to help narrow the field. However, this is unlikely to be the case when appointing a Minister for Finance. The field of potential candidates is extremely small, and the Taoiseach is more likely to consider the overall fit (the traditional coherent biographical narrative) rather than explicitly seek out those characteristics thrown up from the recent academic literature.

[9] Casey, covering the period 1959–99, reports that, 'while the Budget is presented as the work of Finance, it is actually the product of decisions made around the Cabinet table' (Casey, 2022, p. 7).

[10] To be fair to the statistical analyses in these papers, which is of a high quality, the predictions assume that all other effects in the model remain constant. This is of course impossible in a non-experimental setting.

If this literature is of little use in selecting a future minister, then does it help with the evaluation of the performance of previous ministers? Possibly. It may supplement the narrative work of Fanning (1978), or Considine and Reidy (2008), or Casey (2022) in providing some statistical support for a range of hypotheses. However, in its current form it is not yet ready to replace the wider political economy approach. Ultimately, the authors find it difficult to draw any conclusions on ministerial performance based on the statistical findings discussed. When Jochimsen and Thomasius ask who is the perfect minister, the answer still comes to us 'through a glass, darkly'.

Acknowledgements

The authors are grateful for the helpful comments received from the paper's anonymous referee.

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