Partisan Competition for Government


Prospectus Draft
October 2013
1. Motivation and General Research Puzzle

The current theoretical understanding of multi-party coalition-formation, policy-making, and governance tends to confine attention to characteristics of the current incumbent or negotiated government. This narrowly confined attention neglects the role of the broader parliamentary bargaining context defined here as the number of parties represented in parliament, their ideological positions relative to each other, and their strength in seat and vote shares. This parliamentary bargaining context determines whether parties might be constrained to one particular coalition in which they would hold governing office or have numerous different potential coalitions to choose from. Parties that can enter multiple other coalition governments have numerous outside options. Whether these outside options are viable depends on how likely these other governments are actually to form.

The availability of viable outside options directly influences parties’ bargaining power and thereby their behavior before, during, and after elections and in office. Greater bargaining leverage will result in parties being able to extract many policy concessions. Thus, which policies are passed depends on the entire parliamentary bargaining context, not only the composition of the incumbent government. Elections thereby not only determine the parliamentary setup and which governments can form, but also the bargaining power of each parliamentary party and therefore and thereby ultimately policies. Similarly, government policies reflect the actors’ bargaining power and strategic considerations to maximize votes and re-election chances, not only their previously established ideological positions. Thus, we need to re-conceptualize party strategies based on partisan interactions in the parliamentary bargaining context, and parties’ viable outside options are the key analytical tool to achieve such a re-conceptualization.
The broad question I seek to answer in my dissertation is “How does the parliamentary bargaining context influence parties’ electoral, governmental, and policy-making behavior?”

More specifically, in different chapters of my dissertation, I will apply this general theoretical framework and answer related questions, such as “Why do some parties receive more and more valuable portfolios than others?” Existing theories of portfolio allocation across government parties posit either that government parties receive a share of ministries that is proportional to their contribution to the government’s parliamentary majority (Gamson 1961) or that the Prime Minister’s party receives a disproportionately large share of ministries (Baron/Ferejohn 1989). Empirically, however, portfolio allocation deviates from these two proposed relationships. I argue that parties having great bargaining leverage because they can easily walk away from coalition negotiations without sacrificing entering office are more likely to be over-compensated with more ministries and more attractive ones than parties that are restricted to the one government currently being negotiated.

Another question that will be addressed in one dissertation chapter is “Why do some governments spend more than others?” Research in this area posits that spending increases in the number of government parties (Bawn/Rosenbluth 2006). Moreover, it has been argued that spending tends to be lower if government is composed of right-wing parties (Hibbs 1987) and if the Finance Minister is strong institutionally (Hallerberg/von Hagen 1997). Arguments focused on government spending assume that all actors involved in the decision-making process are equally able to extract additional spending and that they are equally able to pursue their partisan and/or institutional incentives. I argue that not all government actors are equally powerful and that parties can only act according to their partisan and/or institutional incentives if they have great bargaining leverage. Thus, I expect spending to be lower if the Finance Ministry is strong.
institutionally and if the party holding the Finance Ministry has great outside options-bargaining power. Similarly, I expect government spending to be higher if the government is dominated by left-wing parties having many viable outside options.

Finally, I also seek to answer the following question: “Why do some governments spend more on certain budget items than others?” In addition to the overall level of government spending, research has focused on spending on certain budget items, such as welfare spending (Hicks/Swank 1992). The distribution of bargaining power directly affects how well parties can implement their most preferred policies, therefore, I expect the overall budget composition to reflect the distribution of bargaining power across government parties with the budget reflecting strong parties’ spending preferences more so than weak ones’.

2. Theoretical Context

Government Formation

Research on government formation addresses which party is likely to receive how many ministries, however, it is not yet definitively determined how many ministries a government party is likely to receive. Government parties tend to receive a share of ministries that is proportional to what they contribute to the government’s majority (Gamson 1961). Insofar as any party may be over-compensated with ministries, some argue that the formateur party would receive a disproportionate share of portfolios (Baron/Ferejohn 1989). Challenging these existing notions of portfolio allocation, Ono finds that the Prime Minister’s party receives fewer ministries than expected by either strand of the literature (Ono 2010). He argues that, under certain circumstances, concerns of government survival and policy-making lead prime
ministerial parties to accept fewer portfolios than one would expect based on either Gamson or Baron and Ferejohn (Ono 2010).

Beyond the question why some parties are over- and some are under-compensated with portfolios, it also remains undetermined which party will receive which ministry in a coalition. The party family to which each coalition party belongs can give important cues as to which portfolio it is likely to obtain since parties belonging to the same party family share a certain ideology and are likely to value the same set of portfolios more than others. Social Democratic parties, for instance, are more likely to receive the Ministry of Labor and of Social Affairs, ceteris paribus, while Green parties are expected to receive the Ministry of Environment more often (Back et al. 2011). However, the same ministry can be linked to more than one party family: Social Democratic, Christian Democratic, and Conservative parties, for instance, are all associated with the Ministry of Social Affairs (Back et al. 2011). Thus, ministerial allocation depends on which parties in fact enter form a coalition together. Even if portfolios that are usually associated with one or more party family are dropped from the universe of portfolios to be allocated, a considerable number of portfolios remain for which there are no prior expectations as to which coalition partner will receive them.

In addition, the ranking in attractiveness of portfolios likely does not travel across cases: While the Prime Ministership, Finance, Foreign Affairs, and Interior are consistently ranked highest, the value of many portfolios not only varies across parties but also across countries (Laver/Hunt 1992). Since coalition negotiations are not public, there is little information about how parties agree on a certain allocation of portfolios. Laver and Shepsle (1996), assuming that the party holding a particular ministry does not have to compromise in this particular policy area, argue that cabinets composed of parties that are at the median on the ideological dimensions
associated with each ministry to be allocated are “often an equilibrium in the government formation process” (Laver/Shepsle 1996, 69). That is, parties located at the median of a particular ideological dimension are more likely to receive the ministry associated with this dimension.

Expect for Laver and Shepsle (1996), all these arguments – oftentimes implicitly – conceptualize strength solely in terms of size, mostly in seat shares. Laver and Shepsle (1996) define “merely strong” and “very strong” parties based on their ideological position relative to other parliamentary parties (Laver/Shepsle 1996, 70; emphasis in the original). A party is defined as “strong if it participates in every cabinet preferred by a majority to a single-party government of this particular party in which it receives all portfolios” (Laver/Shepsle 1996, 69-70; emphasis in the original). Further, a party is very strong if no other cabinet is preferred to a single-party government of this one party (Laver/Shepsle 1996, 70). Very strong parties are always located at the median of the ideological dimensions associated with ministries, so such a party can form a single-party government even if it does not control a majority of seats in parliament. In contrast, a party is merely strong if it can veto every cabinet that is majority preferred to its single-party government because it participates in all of these cabinets (Laver/Shepsle 1996, 70). Parties are more likely to be strong if they are centrally located in the policy space – especially so if they are the median on each dimension, and if “a strong party exists, it is a member of every equilibrium cabinet” (Laver/Shepsle 1996, 71-73). Thus, in this model, parties’ strength is determined primarily by the centrality of their respective policy positions and to a lesser extent by their size.

---

1 Parties controlling more parliamentary seats are expected to receive more ministries (Gamson 1961), or the formateur party – usually the largest parliamentary party – is expected to receive a disproportionate share of ministries (Baron/Ferejohn 1989).
Policy-making

Current research on policy-making in multi-party governments focuses on the current government only and takes the set of government parties as set and not (potentially) subject to change. In addition, government actors are often assumed to be equally powerful and equally able to influence policies. Tsebelis (2002), for instance, focuses on the incumbent government and argues that all government members can veto policies and policy changes and that all vetoes are equally credible.

Regarding government spending, authors have argued that governments are subject to the common pool resource problem. Weingast and colleagues (1981) argue that the size of policies increases in the number of actors needed to pass the policy. Applying this “Law of 1/n” to parliamentary systems (Weingast et al. 1981, 654), coalition governments are expected to spend more than single-party governments because they – by definition – comprise more actors that can make their support of policies contingent on spending for their constituents (Bawn/Rosenbluth 2006). While recent research has found that coalition governments do not spend more than single-party governments “under restrictive budgetary rules” (Martin/Vanberg 2012, 9), again these argument take all actors as given and as equally powerful. All government members are assumed to be equally able to extract government spending for their respective constituents – irrespective of their size in parliamentary seats or ideological position.

In addition to these numerical arguments, partisan arguments posit that left-wing governments (both single-party and coalition governments) tend to spend more than right-wing governments. This difference in spending is largely due to different preferences regarding the level of welfare spending (Hibbs 1987; Franzese 2002). Research has examined both government
debt and welfare spending in particular, however, the budget composition has not yet been analyzed. Left-led increases in welfare spending might well be offset by cuts in other areas, while right-led cuts in welfare spending can be offset by spending increases in other areas such as defense. Analyzing welfare spending only is a valuable starting point but does not inform us about which government party is able to implement its most preferred policies. To draw such conclusions, spending across multiple budget items has to be examined. These partisan arguments assume that government is composed of only left- or right-wing parties or that a clear left/right bloc exists. In case this assumption is relaxed, partisan arguments assume that policies are a compromise between the parties involved in policy-making with parties controlling more parliamentary seats being more powerful and better able to implement their most preferred policies. Thus, governments dominated by or completely composed of left-wing parties are argued to spend more than right-wing (dominated) governments. Again, this line of arguments takes all actors as given and conceptualizes strength only in numerical terms based on parliamentary seats, while in fact the ability to extract spending concessions for certain budget items crucially depends on the particular parliamentary bargaining context.

Finally, Hallerberg and colleagues argue that government spending tends to be lower, the stronger the Finance Minister (Hallerberg/von Hagen 1997; Hallerberg et al. 2007). Here strength is defined institutionally where “incentives that induce decision-makers to take a more comprehensive view of the budget” are installed (Hallerberg et al. 2007, 340). These institutions can solve the coordination problem surrounding government spending (Hallerberg et al. 2007). Such “institutional incentives” (Hallerberg et al. 2007, 340) include delegating significant budgetary powers to the Finance Minister who can monitor and, if need be, punish spending ministers. Hallerberg and colleagues also assume that all parties holding a strong Finance
Ministry are equally able to exercise the authority given to this position. However, again, this ability differs according to the specific parliamentary bargaining context.

Arguments regarding government spending tend to assume that all actors influencing these policy-making processes in government are equally powerful, such that each government actor can influence spending equally. Similarly, Hallerberg and colleagues assume that strong Finance Ministers can always act according to their institutional incentives equally well. If the unequal power of government actors is acknowledged, as is the case for some partisan arguments, their size is used as a weight or the predictor of how many policy concessions they are able to extract.

In contrast to these approaches, I argue that not all actors involved/seeking to be involved in the decision-making process are equally powerful and that this power does not depend merely on their size in votes or parliamentary seats. Instead, I argue that parties’ options for plentiful participation in government determine their bargaining power. This perspective takes into account how many other potential governments parties can enter and how likely these others are to form, which ultimately is determined by the parliamentary bargaining context. Thus, this argument emphasizes the interaction of all parliamentary parties’ size and their ideological position relative to others. I will detail my theoretical argument in the next section.

3. Contribution

3.1 Theoretical Argument

In my dissertation, I seek to establish how the overall parliamentary bargaining context affects parties’ bargaining leverage and thereby their electoral, governmental, and policy-making behavior. I define the parliamentary bargaining context as the number of parties represented in
parliament, their ideological position on the (two) most salient ideological dimensions, and their
strength in seat shares. In parliamentary systems, this context is particularly important since it
determines which coalition governments are feasible and palatable. The parliamentary
bargaining context thereby influences parties’ bargaining power and behavior before entering
and when in government as part of one of these potential governments.

Parties have great bargaining leverage if they can enter multiple different potential
governments that could form on the basis of the current parliamentary bargaining context. In
contrast, those that are more constrained to fewer and/or less palatable coalition government
options have less bargaining leverage. At the government formation stage, parties’ bargaining
power depends on how easily and credibly they can walk away from one proposed coalition
without sacrificing their prospects for entering office. Once in government, parties’ bargaining
power depends on the credibility of their exit threat. Again, such threats are credible if the party
can threaten to exit the government without jeopardizing its own remaining in office. Such
parties will remain in government, only in a different partisan composition. That is, parties are
more powerful, the more viable and attractive their outside options are, i.e. the more other
(potential) governments they can enter than the one of which they are currently a member or that
is currently being negotiated. The viability\(^2\) of these alternative governments refers to how likely
it is that these governments will in fact form.

The set of all potential governments that can form based on a certain parliamentary
bargaining context can be ranked according to each government’s level of viability. Of all
potential governments, majority governments are more likely to form than minority governments

\(^2\) In the following, I will use *viability* to refer to both the numerical feasibility and ideological attractiveness of
potential governments. That is, a potential government is more viable, the more numerically feasible and
ideologically attractive it is for a party.
Within majority governments, if a single-party majority government is possible, this government is most likely to enter office. Therefore, single-party majority governments score highest on government viability. Concerning multiparty-governments, coalitions comprising the smallest number of parties to cross the majority threshold and the smallest majority are more likely to form (minimal and minimum winning coalitions). In general, coalition governments comprised of fewer parties are more likely to form than those comprising many members. In addition to purely numerical considerations of whether a coalition crosses the parliamentary majority threshold, the ideological position of potential coalition partners also directly influences the likelihood of this government forming. Potential coalition governments are more likely to form, the more ideologically compact they are and if these coalitions are connected with coalition partners being adjacent to each other on the ideological dimension in question. While minority governments are generally less likely to enter government than majority governments, they are more likely to form, the fewer parties are included in these governments and the more the opposition is divided ideologically. Finally, surplus governments containing more members than needed to cross the majority threshold in parliament are more likely to form if these surplus members turn ideologically unconnected governments into connected ones (Martin/Stevenson 2001). Multiparty outside options are more viable, the more compact and connected they are. The numerical and ideological components have to be considered together since a connected minimal winning coalition is more viable as an outside option than a connected multiparty minority government, for instance, which is still more viable than a non-connected multiparty minority government.

Based on these differences in the likelihood of a certain government forming, not all outside options add to parties’ bargaining power equally. For instance, parties’ whose only outside
options are minority governments have less bargaining power than those whose outside options are connected minimum winning coalitions, even if the sheer number of outside options are the same. The more viable outside options a party has, the greater its bargaining leverage and the more policy concessions it can extract from potential or current coalition partners. Having numerous viable outside options, no single government is irreplaceable to this party, so its chances of entering or remaining in office albeit in a different partisan constellation are high, and it can credibly threaten to exit a (proposed) government. Since the parliamentary bargaining context is common knowledge to all actors in parliament, all parties know how much a party might be constrained to one (proposed) government. Parties having numerous viable outside options can exercise leverage over their coalition partners and extract more (policy/portfolio) concessions, especially if these partners lack (attractive) outside options. Therefore, parties’ willingness to make policy or portfolio concessions decreases in their outside options. The fewer viable outside options a government party has, the less likely it is to remain in government, and the more policy concessions it is willing to make to keep its stronger partner(s) in the current government. In contrast to previous arguments, I posit that the availability of viable outside options rather than size in seat or vote shares determines parties’ bargaining power.

3.2 Empirical Applications

This theoretical framework of parliamentary bargaining will help us understand a number of empirical puzzles: Rather than extracting policy concessions, at the government formation stage, I expect parties having many viable outside options to be able to extract portfolio concessions, receiving more and more attractive portfolios than their coalition partners. Parties’ willingness to
make portfolio concessions is a function of how constrained they are to the one government currently being negotiated. While Gamson’s Law (Gamson 1961) posits that government parties receive a share of ministries that is proportional to their contribution to the government’s parliamentary majority and Baron and Ferejohn (1989) argue that the Prime Minister’s party is over-rewarded, recent research has shown that parties are often over- or under-compensated with ministries in a way that does not confirm these arguments (see Ono 2010, for instance). I argue that parties that can credibly walk away from a proposed coalition without jeopardizing entering office are more likely to receive more ministries than those who are constrained to the one coalition currently being negotiated. Thus, this framework will help us understand why some parties are over-rewarded with ministries, while others are not.

In a second, closely related step, my proposed framework will add to our understanding of why parties receive certain ministries and why some parties receive more attractive ones, while others do not. While we have some expectations that parties receive ministries that are closely associated with their most prominent ideological stance, as mentioned above, many ministries cannot easily be associated with only one party. Moreover, there is a clear ranking in attractiveness of some ministries, with some ministries being consistently more attractive than others. Again however, these ministries are not easily associated with only one party. Finally, some ministries can rank high or low in attractiveness depending on the particular context, while they cannot be associated with a party family based on ideology alone. My proposed framework leads me to expect that parties that have great bargaining leverage because they can easily and credibly walk away from any proposed coalition are more likely to receive more attractive ministries than those who have little bargaining power because they are constrained to certain governments.
At the government stage, I expect the availability of viable outside options to influence policies. As mentioned before, parties having greater bargaining leverage based on the availability of viable outside options are better able to extract policy concessions than those having little bargaining power. With regard to the overall level of government spending, previous literature posits that spending increases in the number of government parties. Moreover, partisan arguments state that left parties tend to spend more than right parties (see Franzese 2002 for instance), while institutional arguments posit that government spending tends to be lower where the Finance Minister is strong (Hallerberg/von Hagen 1997; Hallerberg et al. 2007). While parties may have these partisan and/or institutional incentives to spend more or less, I argue that they can only act on these incentives if they have great bargaining leverage. Thus, I expect governments to spend more if the partisan center of gravity is to the left of the left-right scale with parties being weighted by their outside options-bargaining power rather than size. In contrast, I expect governments to spend less if the party of the Finance Minister has high levels of outside options-bargaining power. These partisan and institutional arguments also interact with government spending being lowest if strong right-wing parties hold an institutionally strong Ministry of Finance. Examining the budget composition, I expect parties with great bargaining leverage to be better able to pull spending toward their ideal points such that the overall budget composition and spending on certain budget items relative to others reflect strong parties’ spending preferences more closely than weak parties’.

Of course, there is always a cost factor to breaking a government or walking away from government negotiations. Walking away from a (negotiated) government can negatively affect parties’ reputation (see Tavits 2008, for instance). Moreover, there is a reason why a certain government is negotiated over or why a particular government formed after all. I argue that this
cost factor is increasing in the formation likelihood of this particular government: Breaking a connected minimal winning coalition is costlier than breaking a multiparty minority government. In addition, having been in government in this particular partisan constellation and/or having announced a certain coalition as the most preferred one also add to increase the cost of breaking this specific government. Breaking such governments can potentially harm parties’ prospects for future governments, however, less so when parties are in office with their ‘second-best’ choice. This cost term has to be accounted for when analyzing government parties’ viable outside options.

At all stages that I seek to analyze in my dissertation, coalition-formation, policy-making, and governance depends on whether parties are negotiating over or are members of their most-preferred or ‘second-best’ coalition choice. Some parties publicly declare with which other parties they prefer to enter a coalition government, while others do not announce any such preferences. Parties are likely to behave differently based on whether they are in their most-preferred or second-best coalition option. I expect coalition negotiations and policies to take longer to be finalized and passed if parties are negotiating or are in a coalition with parties that they publicly declared not to be their most-preferred coalition partners.

4. Research Design, Data, and Chapter Outline

I will test the implications of my theoretical framework in large-n analyses of portfolio allocation, spending levels, and budget composition. The temporal focus of my study will be the post-World War II period. While the focus of my study will be highly developed democracies, I seek to test the hypotheses generated by my theoretical framework on the set of Central and
Eastern European democracies as well. My argument centers heavily upon parties having a long
time horizon and a small discount factor, so they value future payoffs not significantly less than
current ones. This is a reasonable assumption to make in highly developed consolidated
democracies. However, in not fully consolidated democracies, parties cannot have such long
time horizons since it is unclear if parties will survive the current legislative term. The
uncertainty of not knowing whether this particular party will survive to compete during the next
elections influences parties’ strategies and behavior. The greater this uncertainty is, the greater is
the parties’ discount factor, so the more parties seek to extract policy concessions in the current
legislative term, and the less the possibility of entering other potential governments will affect
their strategies. In the case of Central and Eastern European countries, a potential time trend and
the effect of democratic consolidation could be found with partisan strategies resembling those
of Western European parties more, the more consolidated these countries become.

The data needed to calculate each party’s outside options—bargaining power are all
parliamentary parties’ seat shares in parliament and ideological position on at least the overall
left-right scale. While the data on seat shares are readily available, there are several possibilities
to arrive at parties’ ideological positions: CMP data, expert survey data, or even voters’
placements of parties on a left-right scale. So far, I have been using CMP data (Budge et al.
2001; Klingemann et al. 2006), however, cross-validating my results using different measures is
important for this variable.

Based on these data, the set of possible governments according to different coalition theories
can be generated. Replicating Martin and Stevenson’s (2001) work on government formation, I

---

3 Focusing on the overall left-right scale is a reasonable first step to take. Ultimately, I seek to account for the
overall left-right scale and at least one additional salient ideological dimension. I realize that this additional
dimension will differ across countries.
run conditional logit models of the actual coalition government that formed on a number of explanatory variables, such as the minority status, the ideological composition, and the number of parties of the potential government, for instance. With this, I arrive at predicted probabilities of potential governments actually forming. To calculate each party’s outside options-bargaining power, I sum the formation probabilities of governments containing this particular party and divide this by the sum of all potential governments (I exclude the government that actually formed from both the numerator and denominator). I already calculated this outside-options bargaining power measure for 14 developed democracies (Austria, Belgium, Canada, Denmark, (West) Germany, Iceland, Ireland, Israel, Italy, Luxembourg, the Netherlands, Norway, Sweden, United Kingdom) for the time period of 1945 to roughly the mid-1980s. I am currently working on extending these data temporally and to include more countries (Finland, Spain, Greece, Portugal, New Zealand, Australia). I seek to establish a complete data set containing each parliamentary party’s outside options-bargaining power for the post-World War II period. In addition to these data, I will also calculate the outside options-bargaining power for Central and Eastern European countries after 1990. I expect to have the complete data set for developed democracies by the end of this calendar year.

I obtain data on ministerial allocation across government parties from Woldendorp and colleagues (Woldendorp et al. 2000). Former students have been/are currently working to create a data set of which party held which ministry. The data are readily available from Woldendorp and colleagues for the time period of 1945 to the late 1990s. I will extend these data to include the most current governments as well. These data are available for a wide range of countries; the current data collection focuses on highly developed democracies, but the sample will be
extended to include Central and Eastern European countries as well. I expect this data collection for the developed democracies to be completed by the end of this calendar year as well.

Data on the level and composition of government spending can be obtained from various sources such as the OECD, the IMF, the EU, or national sources, for instance. These sources differ with respect to the time period and country sample covered. Concerning the budget composition, different levels of the budget breakdown are available as well. So far, I have been using Armingeon and colleagues’ (2011) data on overall government expenditures which are based on OECD data to test why some countries spend more than others. However, since OECD data are only available from roughly 1960 onwards, it is likely that I will use other sources as well to extend the data to 1945.

To test my expectations regarding the length of government negotiations, data on the length of coalition negotiations can be obtained from The European Representative Democracy Data Archive for the subset of European countries – Western as well as Central and Eastern European countries (Andersson/Ersson 2012). To test how long it takes for bills to pass depending on the partisan constellation in office, data on how long it takes for bills to pass have to be gathered. While replication data for Martin and Vanberg (2004) are available for Germany and the Netherlands, for the other countries in my sample, these data still have to be obtained.

For all of these analyses, I intend to employ large-n statistical analyses of different samples: Since the core focus of this dissertation is the sample of highly developed democracies, analyses of these will make up the core of my empirical tests. However, since I also would like to test my theoretical framework on Central and Eastern European democracies since 1990, I will employ
separate tests including only those as my sample and analyses including all – highly developed and consolidated and Central and Eastern European – countries.

The individual chapters of my dissertation will follow the government-formation and policy-making stages as outlined above. The first chapter will provide an introduction, while the second chapter will introduce my theoretical framework of parties’ outside options-bargaining power. In the third chapter, I will apply the theoretical framework to the first stage of the legislative cycle and analyze why some government parties are over-compensated with ministries and why some parties receive more attractive ministries than others. Having established why some government parties receive more ministries than one would expect and why they receive more valuable ones, in the fourth and fifth chapter, I will examine if and how parties’ bargaining power translates into policies: In the fourth chapter, I will examine how the bargaining power of the Finance Minister and the governmental partisan center of gravity affect the overall level of government spending. The fifth chapter will address the budget composition: Having certain ministries, are parties with greater outside options-bargaining power better able to pull policies toward their ideal point such that the budget composition reflects their spending preferences? The final chapter concludes.

5. **Conclusion, Further Implications, and Future Research**

I argue that parties’ bargaining leverage crucially depends on the current parliamentary bargaining context, defined as the number of parties represented in parliament, their ideological position relative to each other, and their strength in seat and vote shares. This parliamentary bargaining power determines the viability of different potential governments and thereby ultimately policies. Parties that can enter many other viable governments than the negotiated or
incumbent one are not constrained to this one government to be in office. The more viable outside options parties have, the more portfolio and policy concessions they can extract. Thus, I expect parties with great outside-options bargaining leverage to receive more and more attractive portfolios and policies to reflect their preferences more closely. Regarding government spending, I expect spending to be lower if the party of the Finance Minister has many viable outside options and can act on institutional incentives to keep spending at low levels. Similarly, I expect spending to be lower if the governmental center of gravity is to the right of the ideological space. Finally, I expect the budget composition to reflect strong parties’ spending preferences more closely than weak parties’.

In future research, I seek to explore additional factors influencing parties’ bargaining power as well as additional implications of my theoretical framework. While I argue that parties bargaining leverage crucially depends on the parliamentary bargaining context and their viable outside options, other factors potentially affect their bargaining power as well: Parties’ internal organization can add to their bargaining power. More inclusively organized parties in which party members have great influence are likely to be better able to extract policy concessions. These parties can threaten to make their support for policies/government coalitions contingent on their members’ support. The logic can be similar to two-level games of international negotiations (Putnam 1988).

In addition to parties’ characteristics, institutions also influence parties’ bargaining power. Thus, while bargaining power varies across parties within and across countries, to make valid comparisons across countries, the institutional setup has to be taken into account. Institutions such as a constructive vote of no-confidence make exit threats harder to make and less credible. In bicameral systems, the strength of government parties and potential different majority
constellations in the second chamber can add to government parties’ bargaining leverage in the first chamber. If a government party can credibly threaten to delay or overturn a policy compromise in the upper chamber, this adds to its bargaining leverage in government, making it better able to extract policy concessions in government.

In addition to the empirical applications of my theoretical framework that I seek to explore in my dissertation, this re-conceptualization of parties’ bargaining leverage has more implications. By affecting policies passed that then provide voters with a track record, the parliamentary bargaining context and the availability of viable outside options are also likely to influence parties’ campaign strategies. Parties that have no or very few viable outside options and thus are unlikely to enter office and those who are pivotal for all potential governments will behave differently from those that have a realistic chance of entering government in some partisan constellation but not in others. Those parties that have some chance of entering government have to strike a delicate balance between their core voters and persuading swing voters – both when passing policies and when mobilizing voters to turn out and vote in favor of them. At the same time, for these parties, elections are not only a competition for votes, but also for coalitions, so they also have to strike a similarly delicate balance of maximizing votes relative to their competitors, while not hurting their most preferred coalition partners electorally. Thus, I expect those parties at the outer ends of the distribution of viable outside options (none and all) to engage in more aggressive campaigning behavior than those in the middle.

Moreover, the distribution of bargaining leverage across government partners is likely to have implications for cabinet duration and the likelihood that the partisan constellation of government changes without early elections being called. Taking seriously that parties have a long time horizon and that future elections and that the potential of entering different government
coalitions factor into their decision-making process and influence policy also has implications for the study of endogenous election timing and for coalition formation more broadly. It is likely that expectations about future policy-making figure more prominently during the government formation process than argued so far.
References


