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Coallition Governance

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Abstract: Los gobiernos de coalición pueden, por un lado, dividirse las tareas y funcionar de forma compartimentalizada, donde cada socio decida autónomamente las políticas bajo las jurisdicciones ministeriales que controla. Por el contrario, también pueden optar por el compromiso entre los partidos y decidir colectivamente en cada área sectorial, con independencia del reparto de carteras. En su primer artículo, esta tesis ofrece un marco teórico para entender esta variación, asumiendo que los miembros de un gobierno de coalición tienen que delegar la implementación cualquier política que hayan podido acordar a los ministros, y por lo tanto separadamente a cada uno de los partidos que integran el gabinete. En el artículo se sugiere que un dilema del prisionero ofrece un marco adecuado para entender cuándo va a ser más probable que las coaliciones acaben en un escenario de defección mútua (esto es, un gabinete compartimentalizado) o en un escenario de cooperación mútua (un gabinete de compromiso). Se desarrolla un dilema del prisionero repetido endógenamente con opciones de salida para dar cuenta de las condiciones bajo las cuales es más probable un tipo de gobernanza coalicional u otra. Se concluye que la orientación generalista o especializada de los partidos, la distancia ideológica, las alternativas negociadoras en el sistema de partidos y la valoración del futuro son como factores importantes en el juego.Asimismo, los gobiernos de coalición hacen uso frecuente de mecanismos de control para facilitar la adopción de políticas de compromiso, aunque existen diferencias importantes entre coaliciones. Desde una aproximación coste-beneficio, el segundo artículo de las tesis argumenta que cuando las políticas de compromiso no son claramente preferidas a un resultado de "logroll" donde las políticas estan compartimentalizadas por área, entonces hay pocos incentivos para invertir en el diseño de mecanismos de control. Esto es también así cuando el compromiso se puede alcanzar de manera "self-enforcing", sin necesidad de ningún instrumento adicional. En cambio, cuando los socios de gobierno estan interesados en implementar políticas de compromiso pero a su vez no son capaces de llegar a ese resultado en equilibrio, entonces es más probable que se establezcan mecanismos de control. La evidencia empírica tiende a apoyar las dos hipótesis principales del trabajo: los mecanismos de control son menos necesarios cuando las preferencias de los miembros son suficientemente tangenciales y cuando prevén frecuentes interacciones mutuas. Sin embargo, lo último parece funcionar para la asignación de ministros junior más que para la redacción de acuerdos políticos exhaustivos. Finalmente, el artículo parte de esta diferencia para repensar parcialmente la teoría y ofrecer algunas conjeturas finales sobre los verdaderos efectos causales de los

acuerdos coalicionales.

Por otro lado, al final de la legislatura, todos los gobiernos de coalición tienen que enfrentarse al juicio del electorado, y una de las preguntas que cabe hacerse es si los votantes juzgan todas las coaliciones por igual. Aunque se dice que los votantes tienen más dificultades para asignar responsabilidades políticas cuando hay más de un partido en el gobierno, también es cierto que las coaliciones pueden organizar la toma de decisiones de distintas maneras, pudiendo influir así en cómo el electorado es capaz de identificar las líneas de responsabilidad. El tercer y último artículo de la tesis adapta el modelo de Duch y Stevenson (2008) sobre voto económico en gobiernos multipartido para mostrar hasta qué punto diferentes maneras de decidir en cada jurisdicción política afectan a la señal que los votantes reciben sobre la capacidad de cada socio de la coalición. El trabajo ofrece evidencia empírica que sugiere que aquellas coaliciones en las que és más probable que cada partido decida individualmente las políticas de las carteras que controla son a su vez las que tienden a acabar con unos resultados electorales más heterogéneos, y viceversa.Más allá de contribuciones concretas, la conclusión general de la tesis es que, efectivamente, no todas las coaliciones son iguales y que, en particular, la variación existente entre tipos de gobernanza coalicional (compartimentalizada vs. de compromiso) es un factor muy a tener en cuenta para la investigación politológica de este campo de estudio.

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**COALITION GOVERNANCE:
CAUSES AND CONSEQUENCES**

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Als meus pares

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ABSTRACT

At an extreme, coalition partners can divide tasks and individually decide policy in their ministerial jurisdictions in a compartmentalized way. At the other extreme, parties sharing office can compromise and collectively set policy in each dimension regardless of portfolio allocation. In its first paper, this dissertation provides a theoretical account of this variation, trying to unravel the conditions under which one type of governance is more likely than the other. The second paper tests empirically the implications of these arguments on the way coalition partners keep tabs on each other through the establishment of control mechanisms. Finally, an empirical exercise is offered in the third paper to study the extent to which voters assess each coalition partner differently depending on the type of coalition they face. Variation in the types of coalition governance, we conclude, it is an important factor to take into account in political science research in the field.

Quant temps sent nebot, cosí, nét i fill. La meva més sincera gratitud per tota la meva família: tiets, tietes, cosins, cosines, i àvies. Sense la seva estimació estic segur que no em trobaria on em trobo. I gràcies als meus pares. Les tres paraules de la dedicatòria d'aquesta tesis ni tan sols poden començar a capturar tots els anys de suport incondicional que m'heu brindat i tota l'estima que he sentit en cada un dels vostres gestos i que tot sovint he estat incapaç de demostrar com apreciava. Us dec tantes coses. Us estimo.

Quant temps desitjant que arribés aquest moment per finalment donar-te les gràcies a tu, Maria. Com agrair-te que estiguis al meu costat en tots els moments, els bons, però també els de dificultat. Que em donis l'empenta adequada en cada situació, que tinguis sempre bones paraules, que sempre somriguis, que demostris una vegada i un altra que la dolçor i la bondat són el camí. Aquesta tesis és fruit d'un projecte conjunt. És gràcies a tu. És dels dos. T'estimo.

Quant temps esperant, imaginant, pensant, dubtant, flirtejant, intentant, treballant, preparant, considerant, podent, discutint, fent, sent, i desitjant. Gràcies.

Barcelona, 26 de maig de 2011.

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CHAPTER 1. GENERAL INTRODUCTION

Let me start the story by the day after elections are held. In fact, by the very same electoral night. After all the votes have been counted, parties know what their seat share will be in the legislature. If no party has a sufficient majority to form a government on its own the negotiation between parties begins. A coalition government is one of the likely results of this process. But how do these governments go about deciding policy?

After formation is complete, still no single party has power enough to make the policies it most prefers. In contrast, some interparty agreement on what to do has to be reached. Certain decision-making rules will have to govern the decisions of the government when different parties with different interests share the same cabinet table. Which governance forms guide the decisions of coalition governments? Who dictates which policies in a setting where no single party can decide everything? Can we account for the reasons why certain governance models apply in certain coalitions while other coalitions decide in different ways? What kind of coalitions will need to resort to control mechanisms to ensure interparty compromises are observed by the individual members of the cabinet? Can voters identify these differences between coalitions? Which will be the electoral consequences of the way coalitions make policy decisions?

The dissertation is intended to answer these questions, among others. In this introduction we will first explain why we think these are relevant topics for political science, focusing on its implications in several fields of the social sciences. The second section briefly frames the state of the academic debate and stresses what remains unanswered and the main objective of the dissertation. Finally, the last section presents the structure of the dissertation, posing the precise contributions and research questions each paper seeks to answer, but also emphasizing the common research intention that underlies the whole dissertation.

It bears mentioning here that this will be a brief introduction. It is not the

intention of this introductory part to present an extensive literature review or a detailed explanation of the data, variables, or methods used in the dissertation. Given that this dissertation is structured as a three paper compilation, we will leave the discussion of these issues to each individual paper. This strategy is clearly more consequential to how this dissertation is thought of and also more flexible given the specific intention of each paper. Nonetheless, in this introduction we will stress the overall coherence of the dissertation and the common underlying intention of all three papers.

1.1. Why is it worth a dissertation?

The first reason why it is important to study the causes and consequences of governance forms in coalition governments is because these cabinets happen to form very frequently. The underlying assumption behind a whole bunch of political science studies on how governments make policy is that the government is a unitary actor. But most often it is not. In the great majority of Western European states, coalition governments are at least an occasional occurrence, and often the order of the day (Müller and Strom 2000). It is true that these parliamentary democracies vary a great deal in terms of the frequency of coalition governments. While Spain, Greece, or Britain stand out for their relative uncommonness, coalition cabinets do form much more ordinarily in countries such as the Netherlands, Luxembourg, Germany, Belgium, Finland, France, Italy, Austria, or Denmark, where they are even more common than single party ones. If we did not take into account those situations in which different parties need to interact to produce policy, we would certainly miss an important part of the story for more than half the governments, at least in the geographical scope of this dissertation, Western Europe.

When a coalition reaches office, which we have seen is not seldom the case, the capacity of each governmental party to pursue the policies written in their program or promised in campaign is weakened to an important extent. Undoubtedly, which extent this is will have crucial implications for some of the foundations of democratic theory. The way policies are decided in this type of governments will shape the degree of correspondence between parties' (declared) preferences (on the basis of which they have been voted) and their translation to policy-making when in office. This is necessarily important for democratic theory. According to Thomson (2001: 171), "This stage of the democratic process [the extent to which party election program pledges are congruent with

subsequent government actions] is central to theories of how democracies do and should operate. The mandate theory of democracy attributes particular importance to this 'programme to policy linkage' [...]. Political parties that form governments are said to receive a mandate to translate their proposals into government policies".

But certainly "[...] policies are carried out not just because citizens control the government and this induces its 'political will'. They also depend on the political capacity to transform this will into decisions and outcomes", as Maravall (2003: 5) puts it. Having multiple parties in the government will for sure affect this 'political capacity' but, as Gallagher et al. (1995: 374) acknowledge, "there is something of a gap in terms of our knowledge of fulfillment of pledges in coalition systems of government that are far more typical of modern Europe". The simultaneous fulfillment of the pledges made by the governing parties will be, by definition, less likely in coalition cabinets.[1]

However, the precise way in which these governments translate parties' preferences into policies is far from obvious. It will vitally depend on the prevailing governance form within cabinet. For instance, each partner may be able to fulfill their pledges in the ministerial jurisdictions it controls at the cost of renouncing to the policies under the control of their partners. But instead, coalition governments could also organize decision-making more collectively searching for a mid-way compromise in all policy dimensions. If so, no pledge fulfillment would be complete, but all partners would be closer to it in all jurisdictions, irrespective of the distribution of ministerial posts.

If we were able to identify the circumstances under which certain governance forms are likely to apply in certain coalitions, we would actually be disentangling the conditions that affect the ability of parties in coalition governments to carry out what each one offered to the electorate. Certainly, variation in this capacity will crucially affect the way voters see parties' competence at pursuing their policies (e.g. those promised in campaign). The implications of this research effort for electoral behavior and even for positive theories of democracy are straightforward.

In the next section we intend to frame -and somehow critically assess- the academic debate on coalition governance forms. As said, it is not our intention to provide a long list of literature references on related issues, but only to

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[1]Obviously, that will also be the case for parties in minority governments, who will have to bargain with other parties outside cabinet that will also want to pursue their policy goals from the opposition benches (Reniu and Bergman 2003).

identify the key variation that will underlie the three papers that constitute the dissertation. That is, the variation in how different coalitions decide policy. As said, more detailed and particularistic literature reviews will be offered in the main text of each specific paper.

1.2. The key variation this dissertation looks at

Among the different political science fields, literature on coalition governments has proved very fruitful. Under what conditions coalition governments form, which parties are more likely to coalesce, how are portfolios allocated, are they more or less likely to survive, or how voters assign responsibilities when judging their performance are only some of the endless number of questions political scientists have sought to answer regarding coalition governments. However, not long ago Timmermans (2006: 281) concluded that "[t]he formation and termination of government coalitions across countries have been theorized and analyzed extensively. The key research subject ahead is what happens between".

And in between formation and termination what happens is that coalition governments have to think, propose, discuss, bargain, decide, and finally implement policies. The way coalitions decide policy will be the main focus of this research and it is precisely what we understand by coalition governance in this dissertation.

Coalition governance will be very different depending on whether we assume that government policy is based on the fact that cabinet ministers have discretion in their own departments to act independently from the other partners or, instead, we presume that government policy reflects a process of collective decision-making in every dimension. Indeed, there is room for potential tension between the compromise decisions of the cabinet as a collective body and the individual decisions of its members. In fact, both modes of cabinet governance coexist in real-world parliamentary democracies, as reflected in the dual doctrines of individual and collective ministerial responsibility. But which is the prevalent model?

Generally speaking, this question has been solved by assumption, and variation in coalitions' decision-making models has rarely been considered. Curiously enough, these assumptions about the decision-making rule in multiparty offices have been dramatically different depending on the author (Müller and

Strom 2008).[2]

The so-called portfolio allocation model, for instance, presumes that coalition cabinets are typically based on ministerial discretion. Cabinet ministers under this model are assumed to have great influence over the decision-making process in their areas of jurisdiction. Hence, the party that gets a given portfolio sets its policy (Laver and Shepsle 1990, 1996).[3] According to the Laver-Shepsle approach, only a compartmentalized governance is feasible, where the coalition makes policies not as a product of issue-by-issue compromises, but as a logroll of party ideal points (Thies 2001).

But others contend that coalitions can pursue specific policy programs that differ from the mere collection of party ideal positions in their respective jurisdictions. For instance, the application of the veto player approach in coalition politics implies that the agreement of every partner in government is needed to produce a change of the policy status quo in every single dimension (mainly Tsebelis 1995, 2002). Clearly, the implications of these types of approaches are dramatically different from those of the portfolio allocation model. Whereas in the latter the control over a portfolio gave the party the entire ability to set its most desired policies in the jurisdiction of their ministries, each coalition party needs the consent of the other partner(s) if the former apply.

Hence, in parallel to compartmentalization, one can alternatively assume coalition governments to be based on negotiated programs that reflect the interests of all coalition partners on all issues in some compromise way. And that is regardless of the particular allocation of portfolios. That would be a compromise governance.[4]

These strong differences lead to the suspicion of variation.[5] Couldn't it

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[2]See the debate between Warwick (1999a,b) and Laver and Shepsle (1999a,b) on getting the cabinet decision-making assumptions right.

[3]In a later work, Laver and Shepsle (1998: 34) put it this way: "Health policy is heavily conditioned by the partisan political agenda of the minister of health, defense policy by the political views of the political party of the minister of defense, and so on".

[4]It is worth mentioning here that this dissertation does not aim to pit the portfolio allocation model against the veto player one. We use this difference simply to illustrate that there are different ways in which coalitions' decision-making governance can be thought of: a more compartmentalized one and a more collective/compromise one.

[5]This variation is very much related to what De Winter and Dumont (2006: 183) call the 'positive' view of coalition negotiations -which considers interparty compromises as able to influence the subsequent government's policy agenda- as opposed to the 'sceptics' version -which view interparty compromises as irrelevant if they are not supported by the party that receives the relevant ministerial portfolio-.

be possible that in some multiparty cabinets it was compartmentalization that applied, whereas others tended to compromise instead? It may well be the case that none of the approaches above was 'wrong', but instead that certain conditions were conducive to certain forms of decision-making governance.

This variation is the one that will underlie the whole dissertation. For simplification, we will be basically talking about compartmentalization vs. compromise. But what we really have in mind is some sort of continuum defined in between these two extreme 'ideal types', in which some coalitions will be closer to govern themselves in a compartmentalized way, while others will look more like a compromise cabinet.

1.3. The three papers

The variation in coalition governance forms will adopt different roles depending on the specific paper. In the first one, we will take it as our 'dependent variable', while in the other two it will somehow work as an 'independent variable'.

More concretely, in the paper entitled 'Decision-making in coalition governments: Compromise and compartmentalization nested in a prisoner's dilemma' we will try to endogenize the way coalition governments decide policy. This will be a formal theoretical paper where we will present a game-theory model intended to capture the essence of the mentioned variation. We will claim that a particular coalition governance form is the result of a self-enforcing equilibrium to which partners arrive following their self-interest. We will nest these potential governance forms in a prisoner's dilemma that will be analyzed as if played only in one-shot, but also iteratively. The resulting equilibria will help identifying the characteristics of parties in government that lead to a self-interested coalition compromise as opposed to compartmentalization, and vice versa. We will then put forward some of the hypotheses that derive from the formal analysis and stress the main testable implications.

Under the title 'The use of control mechanisms in coalition governments: Redundant policy agreements and watchdog junior ministers?', the second paper of the dissertation will be basically an empirical exercise where we will analyze the allocation of cross-partisan junior ministers and the writing of comprehensive policy agreements as means through which coalitions try to enforce compromise policies and contain the potential deviations of their members. Specifically, this paper argues that when compromise policies are not any better

than a logrolling outcome where policies are compartmentalized by area (i.e. a collection of parties' ideal points in the jurisdictions each partner controls), then there are few incentives to invest in the design of control mechanisms. This is also the case when compromise policies are already attainable self-enforcingly, without the help of any complementary tool. Conversely, when partners are interested in compromise policies but they are unable to reach that outcome in equilibrium, we argue that control mechanisms are needed. We will then explore empirically to what extent this is confirmed by the data on the actual use of control mechanisms, looking at the effect of partners' preference saliences and the likelihood of mutual interactions.

Finally, the third paper 'Live together, die alone? The disparity of partners' electoral fortunes in different coalition governments' will investigate the following idea. The parties in those coalitions that are likely to compartmentalize policy decisions to each partner individually will be also more likely to differ more in their electoral results. Under compartmentalization, holding everything else constant, any performance differences between policy areas is likely to be seen as the separate responsibility of the partners in charge of the jurisdictions involved, but not in more collective or compromise coalitions. After adapting a formal model on economic voting under multiparty governments, this paper will explore empirically whether or not a greater compartmentalization of coalition partners' interests lead to a higher variance within the coalition in terms of election results.

It is thus clear that what underlies the whole dissertation is the variation in the way coalition governments (are likely to) decide policy. In the first paper we try to identify the conditions under which one or the other governance form is more likely. In the second paper we analyze the consequences of different self-enforcing governance forms on the use of control mechanisms, while in the third paper we explore the electoral consequences of this variation. Beyond the specific findings related to each single paper, the analyses of this dissertation are also important because they consider additional divergences between coalition governments. Most often, multiparty cabinets have been defined in opposition to single party ones, without addressing the potential differences that may exist within the former. If any, some have pointed at ideological polarization as a variable that can distinguish between different coalition governments. That is, there are coalitions that are more polarized than others. But beyond polarization, there is another crucial difference that has seldom been addressed: compartmentalized vs. compromise coalitions. This variable offers an alterna-

tive way to define differences among coalition governments that can potentially have dramatic consequences for how they work and perform. This is one of the main general contributions that this dissertation seeks to provide.

Let us insist that by no means this introduction has intended to provide an extensive discussion of the academic debate in the field. Some literature references that will be crucial in the development of the dissertation have been left out here. Given that this dissertation is based on a three-paper compilation, we leave this task for each one of the papers separately, which are we start to present in the following pages.

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CHAPTER 2. DECISION-MAKING IN COALITION GOV-ERNMENTS

Coalition governments can make decisions in a number of ways, at least theoretically. At an extreme, coalition partners can divide tasks and individually decide policy in their ministerial jurisdictions. At the other extreme, parties sharing office can compromise and collectively set policy in each dimension regardless of portfolio allocation. This paper provides a theoretical account of this variation assuming that parties in coalitions have to delegate any policy agreement to which they arrive to individual ministers (and thus to individual parties) for its implementation. We suggest that a prisoner's dilemma provides an appropriate framework to understand when will coalitions be more likely to end up in a mutual defection scenario (a compartmentalized cabinet) or in a mutual cooperation one (a compromise cabinet). We develop an endogenously iterated prisoner's dilemma with outside options to account for the conditions under which compromise is more or less likely. Parties' broad vs. single-issue orientation, ideological distance, bargaining alternatives in the party system, and valuation of the future emerge as important factors in the game.

2.1. Introduction

Among political science fields, research on coalition governments has been a very productive one. Under what conditions coalition governments form, which parties are more likely to coalesce, how are portfolios allocated, are they more or less likely to survive, or how voters assign responsibilities when judging their performance, are only some of the questions political scientists have sought to answer regarding multiparty governments. Yet notwithstanding all previous works, Timmermans (2006: 281) states that "[t]he formation and termination of government coalitions across countries have been theorized and analyzed extensively. The key research subject ahead is what happens between".

In a similar vein, Huber and McCarty (2001: 346) argue that "[m]odels of bargaining in parliamentary systems typically focus on the government formation process. Their objective is to understand either which parties enter government coalitions (e.g. Austen-Smith and Banks 1988; Baron 1991, 1993) or which parties receive specific portfolios within the government (e.g. Austen-Smith and Banks 1990; Laver and Shepsle 1990, 1996). These models implicitly assume that policy outcomes are determined at the time of government formation and thus there is no need to examine the dynamics of bargaining processes that occur after formation is complete". And the theoretical problem emerges here. Parties may indeed form a coalition government with those partners with whom they share some complementary interests and allocate portfolios in accordance to those interests. Insofar an absolute complementarity exists, no problematic bargaining between parties should take place once in office. However, "[...] while the parties that make up a coalition may have more or less compatible policy preferences, it is hardly ever the case that all of their policy preferences can be realized simultaneously" (Müller and Strom 2008: 166).[1] The once-in-cabinet-game, hence, starts to be a more complicated one.

Laver and Shepsle (1994a: 296-297) argue that the decision-making model of coalition government will be very different depending on whether we assume that government policy is based on the fact that cabinet ministers have discretion in their own departments to act independently from the other partners, or we presume that government policy simply reflects a process of collective decision-making in every dimension instead. There is thus room for potential tension between the collective decisions of the cabinet as a committee and the individual decisions of its members. So, which model is chosen and under what

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[1] If so, parties would essentially resemble each other perfectly.

circumstances?

Generally speaking, this question has been solved by assumption, and variation in how coalition governments make decisions has seldom been considered. Curiously enough, these assumptions about decision-making models in coalitions have been dramatically different depending on the author.[2]

The so-called portfolio allocation model presumes that coalition cabinets are typically based on ministerial discretion since cabinet ministers have considerable influence over the decision-making process in their area of jurisdiction. It can be thus defended that the party which gets a given portfolio sets its policy (Laver and Shepsle 1996). In a later work, Laver and Shepsle (1998) put it this way: "Health policy is heavily conditioned by the partisan political agenda of the minister of health, defense policy by the political views of the political party of the minister of defense, and so on". As Bräuninger and Hallerberg (2003) claim, one of the implications of these models may be that the bargaining game ends once the government is formed and portfolios are allocated. Parties, therefore, bargain over portfolios rather than policies. Although in fact the portfolio allocation approach does not explicitly deny the existence inter-party policy compromises, it indeed implies that once a party is given the control of a ministry it will have autonomy enough to guide the policies under its jurisdiction. We also find a similar line of argumentation in Warwick and Druckman (2006: 638) when they claim that "[f]or many of the larger issues, cabinet ministers are in a position to act as 'gatekeepers', preventing proposals they oppose from being brought to the cabinet and fashioning those that they choose to bring forward to suit their own preferences."

A radically different view is the one posited for instance by the veto player model developed mainly by Tsebelis (1995, 2002). The application of the veto player approach in coalition politics implies that the agreement of every party in the government is needed to produce a change of the policy status quo *in every dimension*. It can be easily seen that the implications of this approach are dramatically different from those of the portfolio allocation model. Whereas in the latter the party, individually, has the ability to set its most desired policies in the jurisdictions of their portfolios, each party needs the consent of the other governmental partners if the veto player approach applies. Hence, it assumes coalition governments to be based on negotiated programs that reflect the interests and negotiation strengths of all coalition partners on all issues.

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[2]See the debate between Warwick (1999a,b) and Laver and Shepsle (1999a,b) on getting the cabinet decision-making assumptions right.

In a somewhat similar line, other approaches insist more on compromise between partners on all dimensions and in a cooperative fashion. If there is a policy combination that would make all partners in a coalition government better off, that point will be chosen. In such a scenario, multiparty governments' policy-making would be based on programs agreed to reflect the interests of all coalition partners on all issues.

It is true, though, that none of these approaches aims at *explaining* the prevailing decision model within cabinet. Certainly, they make a good effort to justify why theirs should be the case, but their main objective is to analyze the effects of the inter-party bargaining model they support on other dependent variables. In sum, the decisions in a multiparty government are said to be made in 'this or that' way, mostly by assumption. But the question is: Is variation possible? While in some multiparty cabinets 'this' could apply, in others 'that' might prevail. It may well be the case that none of the approaches above was 'wrong', but instead that certain conditions were conducive to certain forms of decision-making. As far as we know, this possibility is not considered in such models.

Variation is actually taken into account in Bräuninger and Hallerberg (2003). Using Hallerberg and Von Hagen's (1999) categorization of fiscal governance forms, they identify fiefdom, commitment, and delegation as different decision-making models that have important consequences on fiscal policy. Roughly put, fiefdom would be characterized by the ability of each minister to control her spending area, delegation by the key role of the finance minister in negotiating the budget, while commitment by an agreement of all government members. Yet their approach is still largely descriptive. Forms of fiscal governance will almost certainly be endogenous to something else in the first place. They are not simply there, exogenously. Similarly, the different collaborating authors in Laver and Shepsle (1994b) try to identify which are the cabinet decision-making models that prevail in different countries. However, the *raison d'être* of this compilation of case studies is again essentially descriptive, trying to find out which rule prevails out there.

Yet we still do not know *why* do certain forms of governance or decision-making models among those available for coalition governments do actually prevail at a given place and time. This is exactly what we have to account for. What is missing is the *explanation* of the decision-making rule/form. What leads some multiparty governments to decide in a certain way and different decision-making models to apply in other coalition cabinets? I start with the

suspicion that certain conditions will make a ministerial (compartmentalized) cabinet more likely whereas collective decision-making (compromise) will arise in other scenarios. That is, a suspicion of variation. Let us quote here Müller and Strom (2008: 180) for a rather precise account of what the question ahead is:

> As we have seen, the analytical literature on parliamentary institutions contains one prominent theory (Laver and Shepsle) that stresses the decentralization of cabinet authority and one (Tsebelis) that emphasizes its centralization. Since neither of these models is entirely plausible for all cabinet coalitions, we need to identify the conditions under which each is most likely to be realistic.

2.2. General Approach: The Logic of Delegation

One way to address the explanation of variation in the modes of coalition decision-making is to think of them as *ex ante choices*. That is, in a government formation process a party A may agree to take charge of jurisdiction X and set policy X to its ideal point in exchange of letting partner B to deal with jurisdiction Y's issues and set its most preferred policy there, and vice versa. In Thies' (2001: 583) words, that "requires that parties construct the coalitional contract *not* as a set of *issue-by-issue compromises*, [...] but as a *logroll of party ideal points across issues*. In this model, parties divide up ministerial portfolios and then expect each minister to implement his party's ideal policy in the jurisdiction he controls".[3] But on the contrary, both parties could as well decide to make the content of their agreement in terms of X and Y policies to be independent from portfolio allocation. In sum, they could agree on a compartmentalized policy-making style or on a compromise one already in the formation stage. Yet one may consider another option. Instead of allowing for variation in the decision-making model at the time of setting up the agreement, we can let this variation appear only once the cabinet has been formed.

Parties forming a coalition government may be interested and willing to arrive at an agreement reflecting compromise between them in all policy dimensions. But do the agreed policies need to be the same as the finally implemented ones? The answer will depend on to what extent this agreement is either self-enforcing (i.e. when mutual cooperation to observe the agreement is in the best interest of partners) or externally enforceable.

Coalitions, as well as every other government, have to resort to delega-

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[3]Italics in the original.

tion to particular agents. The amount of information, resources, and, broadly speaking, 'work' that cabinets have to deal with is so huge that it is virtually impossible to get rid of task division and delegation. Individual parties within specific ministries serve as agents for the cabinet, having to take charge of the issues under their own policy jurisdiction. But along with the cost-saving benefits that delegation to individual parties provides, risks of agency losses do also emerge. We know this quite well from economics but also from political science (e.g. Kiewiet and McCubbins 1991; Lupia and McCubbins 1994a,b; Epstein and O'Halloran 1999; Huber and Shipan 2002; or Strom et al. 2006). Questions arise such as: To what extent will agents fulfill the assigned tasks in the exact terms established by the principal? And why should they do so? There is indeed potential room for agents to take advantage of their situation and behave more accordingly to their own preferences and at the expense of the principal's.

In the matter at hand, the principal would be the cabinet as a whole, whilst the agents would be, *de facto*, individual parties within concrete ministries.[4] Certainly, this principal is not a unitary one with a clear preference on every single issue. On the contrary, it is a collective principal.[5] Its members -parties in the coalition- have to reach an agreement in the first place and establish a contract -compromise policy agreement- with each agent -each coalition party individually through its ministries (which are entrusted to implement the policies embodied in the contract)-. Yet as in all other principal-agent relationships, there is the risk of agency loss. Agents may fail to act in the principal's best interest. Individual parties could theoretically deviate from the terms of the contract and act in their own interest in each ministry. In Martin and Vanberg's (2005: 94) words, "[c]oalition government typically involves delegation that provides considerable discretion to ministers in drafting legislation". And this is so regardless of the previous inter-party agreement. The agency losses may come from the 'amount of deviation' toward their own ideal point that each

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[4]In democracies almost every political relation could be thought of in terms of principals and agents. In parliamentary democracies, voters delegate to representatives in the Parliament through elections. Parliamentary representatives delegate to a government that at the same time choose ministers as agents. And even ministers have to delegate to bureaucrats at some point. Besides, intraparty delegation plagues all previous relationships (for an application to coalition bargaining see Maor (1995) or Giannetti and Benoit (2009)). In this work we will only concentrate on the relation between the multiparty government and its individual members, notwithstanding that other delegation issues should be taken into consideration to account for the big picture. That is, in our study we keep all the other relations constant.

[5]See Lyne and Tierney (2003) for the difference between a collective and a multiple principal.

individual party succeeds to get passed in the jurisdictions they control.[6]

So when will parties refrain from deviating and stick to a compromise policy agenda? Will it be in their own interest to do so? Will coalition partners be able to preempt such defecting behavior? Under what conditions? The nice thing about these questions is that answering them is actually identifying why do coalitions' decision-making models vary, which is the more general question. In other words, the conditions that make individual parties' deviations likely are also the conditions making more probable the scenario where each party sets the policy it most prefers in the jurisdictions it controls (labeled as compartmentalization, fiefdom, departmentalism, ministerial or portfolio allocation model of cabinet decision-making, depending on the author). The opposite is true for a more collective compromise style of policy-making.

Hence, parties in the formation stage *may not be choosing* a compartmentalized style of deciding the policies of the cabinet. On the contrary, we opt for considering the compartmentalized model of decision-making in a coalition as one that parties *may not be able to avoid* given certain conditions. This scenario will occur when partisan deviations from the contract policies are in the best interest of partners, whereas a more compromise-friendly policy-making style will emerge otherwise. It is thus through a delegation logic that we can account for variation in the model of decision-making of a coalition cabinet, even if parties had arrived to a compromise policy agreement in the first place. Then, the research question is *under which conditions it is more likely that individual parties' deviations from the compromise policies do actually occur*? Or, alternatively, *under which conditions it is more likely that individual parties' actually follow compromise policies*? That is making endogenous the actual decision-making form with which a coalition cabinet effectively ends up. We thus depart from a choice approach and opt for an outcome-based one. Both a compartmentalized and a compromise cabinet would be no more (no less) than the outcome of individual parties' self-interested decisions in equilibrium, and not a collective choice.

2.3. Model

Let us start with the situation characterized spatially in figure 2.1. Two parties, A and B, form a government, allocate portfolios X and Y, and arrive

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[6]*Ministerial shirking* has been one of the terms used to describe this behavior.

Figure 2.1: Portfolio Lattice
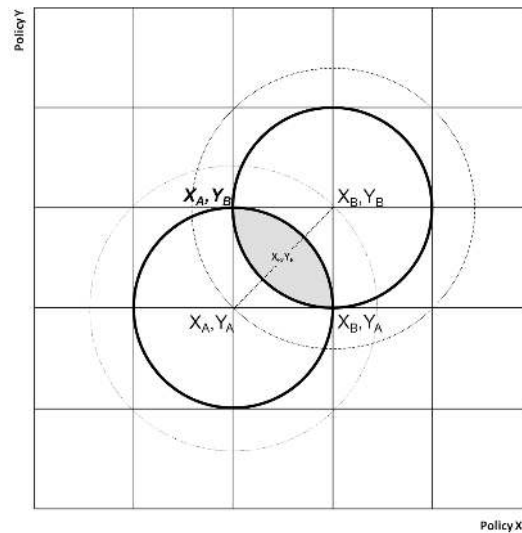
at a compromise on these two policy dimensions. The situation is such that the final allocation of portfolios gives A the jurisdiction X and B the jurisdiction Y. But once this is done, which will be the implemented policy package?

To make things simple, two are the possible outcomes. Either parties will implement compromise policies, where party A would propose policy X_κ and B would put Y_κ forward (in the shaded area), or they will both deviate and opt for their own ideal policy in the jurisdictions each one controls (point X_A, Y_B in the lattice). According to Laver and Shepsle (1990: 874), the latter is the only credible policy package, since "it depends only on giving ministers the power to do what they expressly want to do. Any proposal promising that a minister with wideranging power over the relevant policy jurisdiction will act against expressed preferences is less credible". In other words, given the considerable *de facto* power over policy outputs of the (party of the) minister, "it is very difficult to implement policy in the face of active opposition from the relevant minister or even to develop a detailed policy alternative".

That said, there is also another important point to raise beyond credibility. There are strong opportunity costs associated with such a division-of-labor cab-

inet (Thies 2001). Indeed, there exist a number of other policy combinations that, if implemented, would make both parties happier at the same time. These are the points included in the shaded area in figure 2.1. To put it differently, the point X_A, Y_B is not efficient. The problem is that, although both parties would prefer a compromise in both issues such as X_κ, Y_κ to be implemented, this is not stable. Once party A gains control of jurisdiction X, it will be tempted to shift policy away from X_κ and leftward to the vertical line that goes through X_A points. Likewise, when given ministry Y, party B will be attracted by the possibility of pushing policy upward to the horizontal line Y_B and away from Y_κ. Hence, the only incentive-compatible implementation of policies given the logic of delegation is X_A, Y_B (Thies 2001: 584), in bold and italics in figure 2.1.

2.3.1. The one-shot game

But is the latter a theoretically informed equilibrium? If so, is then any scenario in which both partners cooperate and implement compromise policies just hopeless? Can't thus cooperation between partners emerge in the absence of any additional commitment/control mechanism? To answer these questions, it makes sense to present the problem as a game in which both partners, once portfolios have been allocated in the way explained above, have two available actions: either a) cooperate and implement a compromise policy in their own jurisdiction (action C), or b) defect and shift the controlled policy toward its own ideal point (action D).[7] The mutual cooperation scenario (C,C) would produce the policy package X_κ, Y_κ, whereas a cabinet under mutual defection (D,D) would implement X_A, Y_B. Alternatively, if A cooperates and B does not, X_κ, Y_B will be the outcome, while the cabinet policy will be X_A, Y_κ if the opposite is true.

Now let us assume that apart from their ideal points, both parties have an intensity of preference for each issue and that the disutility they get from the distance between the finally implemented policy and its own ideal point is quadratic in the distance. For now, the utility function for each party would be the following:

$$U_A = -\alpha_A(X_A - X^*)^2 - (1 - \alpha_A)(Y_A - Y^*)^2$$

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[7]Although behind the theoretical framework there is a delegation logic, this is not a principal-agent model, but a simultaneous game between the the two parties that form the coalition government.

Table 2.1: Payoff Matrix

		Party B	
		C	**D**
Party A	**C**	$-\alpha_A (X_A - X_\kappa)^2 - (1 - \alpha_A)(Y_A - Y_\kappa)^2,$ $-\alpha_B (X_B - X_\kappa)^2 - (1 - \alpha_B)(Y_B - Y_\kappa)^2$	$-\alpha_A (X_A - X_\kappa)^2 - (1 - \alpha_A)(Y_A - Y_B)^2,$ $-\alpha_B (X_B - X_\kappa)^2$
	D	$-(1 - \alpha_A)(Y_A - Y_\kappa)^2,$ $-\alpha_B (X_B - X_A)^2 - (1 - \alpha_B)(Y_B - Y_\kappa)^2$	$-(1 - \alpha_A)(Y_A - Y_B)^2,$ $-\alpha_B (X_B - X_A)^2$

$$U_B = -\alpha_B(X_B - X^*)^2 - (1 - \alpha_B)(Y_B - Y^*)^2$$

Concretely, let $\alpha_A \in (0, 1)$ and $\alpha_B \in (0, 1)$ represent the salience given to issue X by party A and party B respectively. To avoid over-parametrization, let the weight attributed to issue Y be the flip side of how the party weighs issue X, so that $(1 - \alpha_A)$ stands for party A's salience for issue Y and $(1 - \alpha_B)$ for the weight attributed by party B to dimension Y. Let X^* and Y^* account for the finally implemented policies.[8] Given these utility functions, the (one-shot) game sketched above would result in the payoff matrix presented in table 2.1.[9]

Clearly, D is the dominant strategy for both players. That is, regardless of what the other partner does, for party A,

$$-(1 - \alpha_A)(Y_A - Y_\kappa)^2 > -\alpha_A (X_A - X_\kappa)^2 - (1 - \alpha_A)(Y_A - Y_\kappa)^2 \text{ and}$$
$$-(1 - \alpha_A)(Y_A - Y_B)^2 > -\alpha_A (X_A - X_\kappa)^2 - (1 - \alpha_A)(Y_A - Y_B)^2,$$

while for party B,

$$-\alpha_B (X_B - X_\kappa)^2 > -\alpha_B (X_B - X_\kappa)^2 - (1 - \alpha_B)(Y_B - Y_\kappa)^2 \text{ and}$$
$$-\alpha_B (X_B - X_A)^2 > -\alpha_B (X_B - X_A)^2 - (1 - \alpha_B)(Y_B - Y_\kappa)^2. \text{ Then,}$$

there exists a unique Nash equilibrium (NE) which is (D,D).

For the sake of clarity of exposition, let us henceforth abbreviate the payoffs of the game as summarized in table 2.2. Where r stands for the reward for mutual cooperation, p for the punishment for mutual defection, t for the temptation of deviating when the other player cooperates, and s for the sucker's payoff. The subscripts represent each party.

The game looks like a standard Prisoner's Dilemma (PD), leading to a sit-

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[8]We acknowledge that this characterization of the saliences does embed the game into a two-dimensional space. This has been done for the sake of not increasing the number of parameters needlessly, especially taking into account that the game is a two-party one. However, the fundamental conclusions of the game would not be altered if we allowed for a more general specification of the αs that would potentially fit in an n-dimensional scenario, where there would be an α_A^X and an α_B^X for each party's intensity of preference for issue X, and α_A^Y and α_B^Y for issue Y.

[9]The upper and lower lines of each cell correspond to party A's and B's payoffs, respectively.

uation in which D is the dominant strategy for both players no matter what the other chooses. However, in the standard PD the NE (D,D) is besides suboptimal. That is, both players would like better to find themselves in the (C,C) cell. Is this true for the game presented here? We know by construction that $t > [r, p] > s$ for both players. But is it also the case that $r > p$?

For party A that will be the case as long as:

$$-\alpha_A \left(X_A - X_\kappa\right)^2 - \left(1 - \alpha_A\right)\left(Y_A - Y_\kappa\right)^2 > -\left(1 - \alpha_A\right)\left(Y_A - Y_B\right)^2$$

That gives the following critical parameters (depending on if one wants to consider salience or policy divergence for interpretative purposes):

$$\alpha_A < \frac{\left(Y_A - Y_B\right)^2 - \left(Y_A - Y_\kappa\right)^2}{\left(X_A - X_\kappa\right)^2 + \left(Y_A - Y_B\right)^2 - \left(Y_A - Y_\kappa\right)^2} =: \overline{\alpha_A}$$

Or alternatively,

$$\left(Y_A - Y_B\right) > \sqrt{\frac{\alpha_A \left(X_A - X_\kappa\right)^2 - \left(1 - \alpha_A\right)\left(Y_A - Y_\kappa\right)^2}{\left(1 - \alpha_A\right)}} =: \overline{\left(Y_A - Y_B\right)}$$

Symmetrically, for party B, $r_B > p_B$ if:

$$-\alpha_B \left(X_B - X_\kappa\right)^2 - \left(1 - \alpha_B\right)\left(Y_B - Y_\kappa\right)^2 > -\alpha_B \left(X_B - X_A\right)^2$$

And again that is the case provided that:[10]

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[10] Admittedly, in order to reach these critical values we need to fix the compromise points X_κ and Y_κ. In fact, the compromise area (shaded part in figure 2.1) would change its shape endogenously to parties' preference saliences. If we thought of the points X_κ and Y_κ as moving with this area, then (C,C) would always be preferable to (D,D). For the sake of simplicity, this paper fixes the policy package X_κ, Y_κ in the middle point of figure 2.1. Then, under certain saliences of parties' preferences it is indeed the case that the mutual defection scenario is already optimal. Nonetheless, this theoretical license does not crucially drive the comparative statics derived from this model. Under the more general scenario of non-fixed X_κ and Y_κ, the higher the α_A and the lower the α_B, the less parties would lose in a mutual defection scenario with respect to a mutual cooperation one. Hence, one can still argue that the narrower the policy profiles of coalition members (i.e. the less broadly-oriented), the less desirous of a compromise and the more satisfied with a compartmentalized cabinet they would be. This simplification, thus, does not really cause the implications of the

Table 2.2: Abbreviated Payoff Matrix

		Party B	
		C	*D*
Party	*C*	r_A, r_B	s_A, t_B
A	*D*	s_B, t_A	p_A, p_B

$$\alpha_B > \frac{(Y_B - Y_C)^2}{(Y_B - Y_C)^2 + (X_A - X_B)^2 - (X_B - X_\kappa)^2} =: \overline{\alpha_B}$$

Or alternatively,

$$(X_A - X_B) > \sqrt{\frac{\alpha_B (X_B - X_\kappa)^2 - (1 - \alpha_B)(Y_B - Y_\kappa)^2}{\alpha_B}} =: \overline{(X_A - X_B)}$$

If both $\alpha_A < \overline{\alpha_A}$ and $\alpha_B > \overline{\alpha_B}$ (or $(Y_A - Y_B) > \overline{(Y_A - Y_B)}$ and $(X_A - X_B) > \overline{(X_A - X_B)}$), then (D,D) is not efficient. Interestingly enough, these critical values imply that the more parties weigh the other partner's jurisdictions, the more they will like the reward for cooperation as opposed to the punishment for defection. In other words, the more the parties are broadly-oriented in terms of preferred policies (i.e. the less single-issue they are), the more they would benefit from a cabinet implementing compromise policies. Similarly, the more distant the parties' ideal policy points are, the more they will like the latter, since they will strongly fear a deviation by the partner in its jurisdiction.[11] Hence, coalition partners would like to reach mutual compromise rather than fall into a fully compartmentalized cabinet if they are sufficiently general-purpose and sufficiently distant ideologically. However, although under these circumstances both players would prefer joint cooperation and receive the related reward, the structure of the game makes mutual cooperation impossible. To see if things

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game to change.

[11]It is true, though, that as distance between partners increases, each party's ideal point will most likely be farther from the compromise point (if that was the result of a convex combination of parties' preferences). Thus each party would gain more by deviating in its own jurisdiction simultaneously to losing more from a deviation of the partner. However, the quadratic disutilities from policy distances make the latter to be larger than the former when parties care enough about the jurisdictions they do not control.

change, next we consider the same game but repeated in time.

2.3.2. The (endogenously) repeated game with outside options

So in the previous one-shot game we have seen that mutual defection was the unique NE and that under certain conditions related to parties' issue saliences -or ideal policy divergence between partners- one or both parties would like better to find themselves in a compromise cabinet rather than in a fully compartmentalized one. So here comes the problem: Is it possible to induce self-interested mutual cooperation when D is the dominant strategy for both players? In other words, is the implementation of a policy package in the shaded area in figure 2.1 really a hopeless chimera for a coalition government formed by A and B?[12]

One of the things that may sound too artificial about the previous game is the fact of being one-shot. The interactions of parties in coalitions are better characterized by considering a (potentially) repeated game. Partners in a multiparty government are engaged in continuous interactions during the cabinet's life. Parties have to make hundreds of policy decisions at the cabinet table and meet at least weekly to do so for a long period of time. What if we then move beyond the one-shot PD and allow for an iterated one (IPD)? Will the prospect of potential interactions be able to favor a compromise equilibrium?

It is true that any given government (and any given legislature more generally) has a maximum time in office delimited by the constitutional inter-election period (CIEP) at the end of which elections are scheduled. The game played in a certain legislature would then finish with probability 1 at some point in time. But if taken as such, a finite repetition would not change the picture drawn in the one-shot game since all the strategies taken by parties would unravel backwards from that last shot. That would make mutual defection the unavoidable equilibrium again. However, we know that behaviorally the influence of a far away last shot is seldom as important (just like in the well-known centipede game), and that players do play a finitely repeated game with many potential interactions

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[12]Note that if the critical conditions above that make $r > p$ are not met, then the search of mutual cooperation (given the current structure of the game) will not make any sense in the first place, since one player at least will be better off by playing D always without having any incentive whatsoever to try to reach the (C,C) cell. So we restrict ourselves to the case where $\alpha_A < \overline{\alpha_A}$ and $\alpha_B > \overline{\alpha_B}$ from now on, which is the substantively interesting situation. However, in appendix A we confirm this by showing that under no circumstance is cooperation likely to emerge when parties are sufficiently single-issue oriented and/or close ideologically.

more as if it was an infinite one. Let us thus model the legislature less strictly and think of it as if it had no scheduled end. That may not sound very realistic, but will certainly help identify conditions under which compromise between coalition partners could actually emerge.[13]

For the sake of simplicity, let us also assume that parties can and will punish each other in the face of a defection by defecting themselves in reaction. Concretely, players cooperate in the first round, and then continue cooperating unless there has been a defection in the previous round, in which case they defect eternally. That is, parties are assumed to use a grim trigger strategy.[14] Hence, given a grimm trigger, is mutual cooperation a sustainable equilibrium across time?

In order to be more faithful to real-world situations, let us also assume that the game is an *endogenously* repeated one where, at each point in time after playing the previous game, the players have to decide whether to continue the interaction and play the game again or take the outside option. In coalition governments, parties can and do constantly evaluate whether to continue with the cabinet meetings and keep deciding policy, or leave the government and bring it down. This possibility has to be taken into account and that is what the endogenously IPD gets at. We assume that a player taking the outside option will make the government terminate and a new formation should follow. Let the payoff associated with taking the outside option be characterized by the parameter v.

v represents the reservation or walkaway value of each player. That is, which would be each party's situation if not in the current government. In our case, we consider that v stands for the viability of alternatives that a party has outside office, either in terms of forming alternative cabinets or in terms of receiving policy payoffs due to its stronger or weaker bargaining power in the

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[13]One could alternatively think of this as an indefinitely repeated game that is just *potentially* infinite, where multiple future legislatures would be possible. In such a game, at each point in time there would be an exogenously determined probability that the interaction between the two parties cannot be repeated. For instance, that would happen if after new elections the same cabinet renewal is not possible at all (they might have lost some critical seats in parliament). The only crucial thing to avoid that the game completely unravels backward from the last shot is in fact that there is no *sure* last shot. That is, at no point in time the exogenous probability that the interaction is not repeated in the next period is 1. That way of re-thinking the game may well sound more realistic, but in any case we stick to the infinite legislature specification since it gains in simplicity without changing the fundamentals of what the model aims at.

[14]In appendix B we show that the main implications of the game do also hold if another, very usual, trigger strategy is assumed (tit-for-tat).

legislature. It thus captures the degree of pivotalness or bargaining power of the party. Put simply again, v represents what the party would get out of office should the current government end at some point. v is a continuous future payoff.

As a result of the grim trigger strategy being played, the iterated game has two phases that are useful to distinguish for analytical purposes:

Cooperation phase: Each players starts cooperating and continues to do so as long as the other player does not defect. During this phase, both players constantly evaluate whether or not to choose defect. The defection would subsequently lead to the punishment phase or government termination depending on how attractive is the outside option in the punishment phase.

Punishment phase: If there has been a defection on any previous play, then each player defects and continues to do so if the outside option does not make it better off. That is, players choose their exit strategy (to leave or not to leave) at any moment in this phase.

We finally assume that both players want to maximize the discounted sum of their payoff stream -with a common discount factor $\delta \in (0, 1)$-.[15] Lastly, the game is one of perfect information, and the equilibrium concept used is subgame perfect equilibrium (SPE).[16] It bears noting that the structure of the IPD here is largely inspired by Fujiwara-Greve and Yasuda's (2009) recent work.

Recall that we want to investigate how likely it is to find a coalition cabinet that implements compromise policies. This likelihood will be captured in this game by the lower-bound discount factors δ that can sustain mutual cooperation under different circumstances. The higher the required δ the more difficult is compromise to emerge. In terms of ranges, a higher lower-bound discount factor implies a narrower range of cooperation-allowing δs, which makes self-enforcing compromise less likely. On the other hand, wider ranges (i.e. lower δs) will be associated with those situations in which compromise is more likely, even without devising any other commitment mechanism. If δ does not reach

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[15]For example, if (at least) one of the players takes the outside option at the end of the T-th period, each player's total payoff is $\sum_{t=1}^{T} \delta^{t-1} u\left(a\left(t\right)\right) + \delta^{T}\left(\frac{v_i}{1-\delta}\right)$, where $\left(a\left(t\right)\right)$ is the action profile in the t-th period of the IPD.

[16]All along the game, we assume that parties can perfectly monitor their partners' actions. Both cooperation and defection are observable by cabinet partners. Also, they cannot block their actions, but only use a grim punishment strategy from the next movement on or simply leave the cabinet.

the required critical value, the equilibrium will be one of mutual defection (a compartmentalized cabinet) or government termination. We explore the conditions leading to both below.

Next we explore different scenarios of partners' outside values v, keeping the values inside the payoff matrix of the PD constant (rewards for cooperation r and punishments for defection p). Thus, we first analyze the scenario in which the outside alternatives for both parties are dim (low vs). We then concentrate on the intermediate case in which at least one party has a fair outside value (mid vs). Finally, we consider the situation in which at least one player (or both) has a very appealing outside option (high vs).

Dim outside options for both parties (Low vs)

In this situation, the v for both partners is low. In other words, it is the case that $r_A > p_A > v_A$ and $r_B > p_B > v_B$.

If that is so, then in the *punishment phase*, both players' optimal exit strategy would be *not* to take the outside option and play (D,D) eternally. This is because for players to be interested in terminating the game in that phase, it should be the case that $\dfrac{v_i}{1-\delta} > \dfrac{p_i}{1-\delta}$. Since $p_i > v_i$ for both players, this condition can never be met.

Anticipating that, in the *cooperation phase* (which comes before by construction), eternal mutual cooperation will be sustained if and only if it is more valuable than the eternal mutual defection. This will be the case if the expected reward for future observance of the compromise is bigger than the current temptation payoff for deviating when the other has not, plus the expected payoff for a future cabinet working under compartmentalization. Formally, $\dfrac{r_A}{1-\delta} > t_A + \delta \dfrac{p_A}{1-\delta}$ and $\dfrac{r_B}{1-\delta} > t_B + \delta \dfrac{p_B}{1-\delta}$. Solving for δ,

$$\delta > \max\left\{ \frac{t_A - r_A}{t_A - p_A}, \frac{t_B - r_B}{t_B - p_B} \right\} =: \delta^L$$

So for a compromise equilibrium to be possible, it must be the case that δ is higher than the highest of the two values in brackets. The critical value that sets the compromise threshold for the situation in which both parties have low outside values is δ^{Lv}.

Fair outside options for at least one player (Mid vs)

In this intermediate situation, v is placed in between r and p for at least one player. That is, $r_A > v_A > p_A$ and/or $r_B > v_B > p_B$.

Again, the optimal exit strategy for both players in the *punishment phase* is to take the outside option at the first opportunity if its expected value is higher than the future reward from a continued mutual defection cabinet. This will be the case iff $\dfrac{v_i}{1-\delta} > \dfrac{p_i}{1-\delta}$. Since now $v_i > p_i$ for one or both players, then the optimal exit strategy for at least one player during the *punishment phase* is to take the outside option at the first opportunity and the government is brought down. Given that, a compromise cabinet is sustained through time in the *cooperation phase* if the reward for continued compromise in the future is higher than current temptation payoff plus the future outside value. Put more formally, for a compromise equilibrium to be possible, $\dfrac{r_A}{1-\delta} > t_A + \delta\dfrac{v_A}{1-\delta}$ and $\dfrac{r_B}{1-\delta} > t_B + \delta\dfrac{v_B}{1-\delta}$, which solving for δ,

$$\delta > \max\left\{\frac{t_A - r_A}{t_A - v_A}, \frac{t_B - r_B}{t_B - v_B}\right\} =: \delta^M$$

Evidently, this mid vs' critical δ^M is higher than the previous δ^{Lv} (since now $v_A > p_A$ and/or $v_B > p_B$), implying that policy compromises between both partners will be less likely in equilibrium.

Appealing outside options for at least one player (High vs)

Now v is bigger than r and p for at least one party. Then, in this scenario either $v_A > r_A > p_A$ or $v_B > r_B > p_B$ or both.

The exit strategy to take the outside option at the first opportunity will be optimal for both players in the *punishment phase* if $\dfrac{v_i}{1-\delta} > \dfrac{p_i}{1-\delta}$, which, again, it is always the case given that $v_i > p_i$. In such a situation, one party at least prefers to take the outside option during the *punishment phase* since it is better off leaving office than continuing in a compartmentalized cabinet where each party dictates its own ideal policy in its jurisdictions.

In the *cooperation phase*, thus, mutual compromise will be in the best interest of both parties, again, provided that $\dfrac{r_A}{1-\delta} > t_A + \delta\dfrac{v_A}{1-\delta}$ and $\dfrac{r_B}{1-\delta} >$

$t_B + \delta \dfrac{v_B}{1 - \delta}$. Hence, the δ that will make compromise to be in equilibrium would be: $\delta > \max \left\{ \dfrac{t_A - r_A}{t_A - v_A}, \dfrac{t_B - r_B}{t_B - v_B} \right\} =: \delta^H$. Although this critical δ is the same as δ^{MvLo}, now the walkaway alternative for at least one party is more attractive than the reward for mutual compromise ($v_i > r_i$) and thus δ should be higher than 1. Since that cannot be the case, future inter-party compromise is not sustainable when one of the outside values is high enough (leading to government termination in such a scenario).

2.3.3. Summary

So which are the conclusions that can be derived from the previous section? Let us first offer a summary of the parameters that make mutual cooperation possible. Each cell of table 2.3 provides the range of discount factors δ that allow this compromise equilibrium. This is in line with the paper's intention to suggest hypotheses about the circumstances that make self-enforcing compromise more or less difficult. Narrower ranges account for those conditions that make mutual cooperation harder to arise, whereas wider ranges reflect situations in which mutual cooperation is easier or more likely. We also offer the complementary equilibrium (either compartmentalization or government termination) in each cell (that is, if δ falls below the compromise-allowing range). Recall that $\delta^L < \delta^M$.[17] In table 2.3 we see that when parties' saliences for the policies in the jurisdiction controlled by the partner are sufficiently strong -or, differently put, when the distance between the ideal policies for each party is sufficiently high-, the likelihood of the emergence of self-enforcing compromise depends mainly on the value of partners' outside options and on the discount factor. More concretely:

- When none of the two parties has viable alternatives in the party system (e.g. they are not pivotal), mutual cooperation is relatively easy to emerge, since the only requirement is for δ to be higher than δ^L. In case $\delta < \delta^L$ then a compartmentalized cabinet is in equilibrium.

- When the outside options are somewhat valuable for any of the partners, the required δ threshold to allow cooperation is now higher (δ^M), mak-

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[17]Note that the conditions summarized here are under the previous condition that $\alpha_A < \overline{\alpha_A}$ and $\alpha_B > \overline{\alpha_B}$ or equivalently that $(Y_A - Y_B) > \overline{(Y_A - Y_B)}$ and $(X_A - X_B) > \overline{(X_A - X_B)}$

Table 2.3: Conditions for Sustainable Mutual Cooperation (Summary) (i)

Dim Outside Options	*Compromise if $\delta \in \left[\delta^L, 1\right]$*
$r_A > p_A > v_A \ \& \ r_B > p_B > v_B$	*Compartmentalization if $\delta \in \left[0, \delta^L\right]$*
Fair Outside Options	*Compromise if $\delta \in \left[\delta^M, 1\right]$*
$r_A > v_A > p_A \ or \ r_B > v_B > p_B$	*Government Termination if $\delta \in \left[0, \delta^M\right]$*
Appealing Outside Options	*No Compromise Possible*
$v_A > r_A > p_A \ or \ v_B > r_B > p_B$	*Government Termination*

ing compromise less likely (the compromise-allowing range of δs is narrower). By contrast, if $\delta < \delta^M$ the government would not be sustained at all, neither under compromise nor under compartmentalization.

- When any of the two parties has valuable outside alternatives, then there is no δ at all that makes compromise possible. That is, the cooperation-allowing range of δs is null. In such a scenario, we should expect the current government to terminate (or not to exist in the first place).

Figure 2.2 will help clarifying the influence of the substantively important parameters in this model. Note that the vertical axis is reversed for the purpose of easier interpretation. It captures the likelihood of mutual compromise (i.e. $1 - \delta$: the lower the δ the more likely is compromise to be sustained). On the other hand, the horizontal axis stands for the attractiveness of the outside option for the players (Low vs, Mid vs, High vs). As the reader can see, the solid grey area represents the situation in which compromise is possible, the dotted area captures the scenario where a compartmentalized cabinet is more likely, whereas the crosshatch area stands for the combination of vs and δs that make the sustainability of government not possible in any of its governance forms. One can easily see that when the outside options of partners are appealing enough (high vs), the area that allows compromise is non-existent, while in coalitions formed by members with dim office prospects outside the current cabinet (low vs), the area is biggest and thus it is when compromise is easiest. In between, for fair outside options (mid vs), the size of the compromise-allowing

Figure 2.2: Likelihood of Self-enforcing Compromise
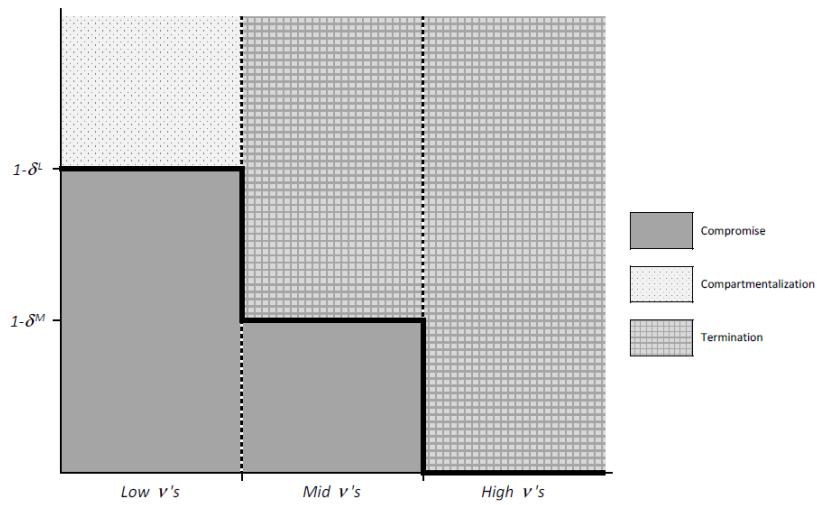
area stands somewhere in the middle of the latter two.

2.4. Interpretation and Hypotheses

Our intention behind the model in the previous section was to offer a solid theoretical ground to account for variation in the way coalition governments end up deciding policy. Based on other contributions we have argued that although compromise in all policy dimensions may be desirable for all partners in cabinet, that may not be a stable equilibrium. Given the considerable amount of autonomy that parties have in their own ministries, they will face every incentive to deviate away from a compromise point in their jurisdictions, pushing policy toward their own ideal point. That will be the case both if they expect their partners to naively offer compromise policies in their areas, or if deviations are foreseen. The only stable scenario is thus the fully compartmentalized one, where every party does what it wants in the jurisdictions it controls. However, we have claimed that if one goes beyond the one-shot scenario and allows potential infinite repetitions, there will be conditions under which compromise

decision-making may arise as a stable self-enforcing equilibrium.

We have concluded that the likelihood of a compromise policy-making in a coalition government depends firstly on the preferences of parties in office. If parties care sufficiently about the policies that are not under their own control relative to the ones they do control, the emergence of compromise is more likely. This is the case simply because, otherwise, partners would not be interested in achieving compromise in the first place, not only because it would be unstable but also because it would not be particularly desirable. That is, if partners do care a lot about their own jurisdictions and not so much about the others' ones, then a compartmentalized cabinet would be more likely since there will be no conditions under which the promise of future interactions will make compromise more appealing (see appendix A for a more formal justification). So the first hypothesis that can be derived from the theory presented here is the following (all the hypotheses posed here are implicitly stated under the *ceteris paribus* condition):

Hypothesis 1: The broader the policy interests of coalition parties (i.e. the less single-issue oriented), the more likely the emergence of self-enforcing compromise policy-making.

Something similar can be said about the divergence of policy preferences between the parties in cabinet. When partners in a coalition are sufficiently close ideologically, they will not care much about their partners' deviations away from compromise, not even in a repeated scenario (see appendix A). However, when the polarization within cabinet is large enough, then parties will fear compartmentalization since partners' deviations to their own ideal points would be too costly to take. The connected hypothesis is number 2:[18]

Hypothesis 2: The more the ideological divergence within a coalition government, the more likely the emergence of self-enforcing compromise between partners.

Additionally, there are other variables that interact with these two effects on the likelihood of compromise. When parties would be potentially interested in compromise rather than in compartmentalization (if sufficiently broadly-

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[18]Note, though, that this hypothesis does only emerge as a consequence of quadratic ideological losses being considered.

oriented and/or ideologically distant), one has to take into account how valuable are the outside options for partners in office to understand whether or not a party will agree to compromise in all dimensions. In a parliamentary system with multiple parties, the attractiveness of the outside option is reflected in the party's bargaining power. Both in terms of potential alternative coalitions that would allow enjoying the spoils of office again and, if it fails to do so, in terms of the potential policy payoffs it may obtain being in the opposition. The model implies that as this outside alternative becomes more attractive, a compromise decision-making model is less probable. The related hypothesis would be the following (note it has an interactive nature since it is subject to the previous two):

Hypothesis 3: The more appealing the outside alternatives for cabinet members (i.e. the more their bargaining power), the less likely is the emergence of self-enforcing compromise, but only if cabinet members are sufficiently broadly-oriented in terms of policy interests and/or sufficiently distant ideologically.

It has to be said that while hypotheses 1 and 2 refer to the likelihood of a compromise decision-making relative to compartmentalization, this is not the case for hypothesis 3. The latter relate to the likelihod of compromise emergence relative to government termination. Likewise, that also happens for the influence of the weight parties put into the future. In table 2.3 we saw that the equilibria leading to compromise depend on which range the δ falls into. Generally speaking, the more partners value future, the more likely is a compromise-like cabinet. That operates again under the conditions of parties' broad orientation and ideological distance. Hence, the fourth hypothesis would be:

Hypothesis 4: The more parties in coalition governments value the future, the more likely is the emergence of compromise, but only if cabinet members are sufficiently broadly-oriented in terms of policies and/or sufficiently distant ideologically.

Obviously, the next question is what do we have in mind really when talking about parties' discount factors. Are we referring to parties' valuation of future interactions with the current partners? Is it the case that those parties that see their current executive position as a unique opportunity in their life have more

incentives to "take the money and run" and thus have lower discount factors?[19]

Or does the discount factor perhaps vary during the cabinet's life depending on how close mandated elections are (the closer, the more partners would discount future)? If so, parties would tend to defect more as elections approach. That of course would not be consistent to the infinite legislature modeled here, but may be valuable as a real-world intuition. In any case, relating empirical variables to the theoretical parameters and scenarios of this section remains a challenge ahead. We turn to this point in the next concluding section.

2.5. Testable Implications and Concluding Remarks

We started this paper with the ambition of providing a theoretical account for how coalition governments decide policy. We argued that, broadly speaking, one could think of two possible decision-making models. One would be a fully compartmentalized cabinet where each party would set its own ideal policies in the controlled jurisdictions without sticking its nose into partners' areas. On the other hand, irrespective of the portfolio allocation, parties could opt for producing compromise policies, reflecting some sort of convex combination of parties' preferences in all dimensions. Instead of assuming away this problem, we have tried to nest these two potential decision-making models into a prisoner's dilemma.

In a one-shot scenario, the equilibrium is always compartmentalization, where both parties at the same time have the incentive to defect from a compromise and opt for their own ideal policies in their ministries. However, if an infinite number of repetitions is allowed in the legislature, then there are conditions under which self-enforcing compromise is possible. We have identified the type of policy interests (broad vs. single-issue), ideological divergence, bargaining power, and valuation of the future as important variables making compromise more or less likely. But are the emerging hypotheses directly testable at all? If not, are there any further implications that can be tested empirically?

We first have to admit that our dependent variable is very difficult to *observe*. The decision-making model used by a given government is far from being easily observable. However, one of the things that may be interesting would be to turn our eyes to the governance mechanisms that coalition cabinets may design in the formation stage anticipating the within-cabinet game

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[19]In such a case, the discount factor would highly correlate with parties' outside alternatives.

modeled in this paper. As mentioned, we have identified the conditions under which self-enforcing compromise policies may emerge in a coalition government. The flip side of this is that certain parameters of the crucial variables make this self-enforcement equilibria impossible, leading to a compartmentalized cabinet (or termination otherwise). But if some partners would like better to be in a compromise scenario although they are not able to reach such policies and inevitably fall into mutual defection, wouldn't they be interested in devising alternative mechanisms to make commitment to compromise possible? Clearly they should be interested in doing so. So the question is, will they install such a mechanism when the circumstances make a self-enforcing compromise unlikely?

Empirically, one could analyze what type of commitment and oversight mechanisms do coalition governments envisage to arrive at compromise policies and whether or not they match with the within-cabinet equilibria studied in this paper. Junior ministers and the content of written coalition agreements seem to offer two promising paths in this direction. Questions such as under which conditions should we expect a greater insistence on detailed policy commitments in the agreements made public by coalitions or the allocation of cross-partisan junior ministers are certainly worthwhile for future research. We will address them in the second paper of this dissertation. For this paper, though, we content ourselves with having provided a theoretical account for a problem that has been assumed away in previous studies.

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Appendix A

In this appendix we show which are the consequences of considering that the payoff for a defection-defection equilibrium is greater than the cooperation-cooperation one for both players. In other words, the question we try to answer in this appendix is whether a compromise coalition cabinet is possible when the payoff of a compartmentalized scenario (D,D) is high enough. We review the same three scenarios in section 2.3 regarding different values of parties' outside alternatives. Note, though, that now $p_i > r_i$.

Dim outside options for both parties (Low vs)

This scenario corresponds to the situation in which $p_A > r_A > v_A$ and $p_B > r_B > v_B$. With such ordering of the payoffs, the optimal exit strategy for both players in the *punishment phase* is to take the outside option iff $\dfrac{v_i}{1-\delta} > \dfrac{p_i}{1-\delta}$, which will never be the case since $v_i < p_i$.

So given that parties will always prefer to defect repeatedly in the punishment phase rather than take the outside option, mutual compromise would be sustained in the *cooperation phase* if the payoff for mutual repeated cooperation is greater than that of mutual defection, that is iff $\delta > \max\left\{\dfrac{t_A - r_A}{t_A - p_A}, \dfrac{t_B - r_B}{t_B - p_B}\right\}$. That again will never be the case since $t_A - r_A > t_A - p_A$ and $t_B - r_B > t_B - p_B$ and δ can never be higher than 1. So a compartmentalization is in equilibrium here.

Fair outside options for at least one player (Mid vs)

Now for at least one party v_i is intermediate while for the other is at most the same. Thus, $p_A > v_A > r_A$ and/or $p_B > v_B > r_B$. Given that $v_i < p_i$, this situation is the same as the previous one: in the *punishment phase* the outside option is never preferred to (D,D) and in the *cooperation phase*, eternal (C,C) can never "beat" eternal (D,D) under no circumstances. Therefore, a compartmentalized cabinet is the only possible equilibrium here.

Appealing outside options for at least one player (High vs)

Given that now $v_A > p_A > r_A$ or $v_B > p_B > r_B$ or both, it is indeed the case that $\dfrac{v_i}{1-\delta} > \dfrac{p_i}{1-\delta}$ in the *punishment phase* for at least one player. Hence, a compromise cabinet would be sustained through time in the *cooperation phase* if the reward for continued compromise in the future is higher than the current temptation payoff plus the future outside value. Then, in the *cooperation phase*, for a compromise equilibrium to be possible $\delta > \max\left\{\dfrac{t_A - r_A}{t_A - v_A}, \dfrac{t_B - r_B}{t_B - v_B}\right\}$. Given that $r_i < v_i$, this δ cannot exist, and thus a compromise cabinet is not in equilibrium.

As already anticipated in the main text of the paper, when coalition partners are sufficiently single-issue oriented or when they are sufficiently close ideologically, then self-enforcing compromise will never emerge no matter what the parameters v or δ look like. Parties will either always work in a fully compartmentalized cabinet (most often), or take the outside option and bring the government down (under high vs). Since the main purpose of the paper is to identify the conditions under which coalitions can implement compromise policy combinations in equilibrium (shaded area in figure 2.1), this appendix has been intended to prove formally that there is no such possibility if parties' issue saliences are poorly balanced and or they are too close ideologically.

Appendix B

In appendix B we follow what we stated in footnote 14. We assume here that in the infinite game parties play a tit-for-tat trigger strategy. As a result, aside from the cooperation one, the second phase of the iterated game is no longer a punishment phase (eternal mutual defection) but an *imitation phase*: if there has been a defection in the previous play, then each player copies what the other player has done in the previous play. That can lead to an eternal mutual defection ((D,D),(D,D),(D,D),(D,D),(...)) if both players have the defected for the first time at the same move, or rather to an alternation pattern in which one of the players defects first and then an infinite sequence ((D,C),(C,D),(D,C),(C,D),(...)) inevitably emerges. The former is *de facto* exactly the same as what happened with the grim trigger strategy already studied. Hence we will here concentrate on the imitation phase with the alternation pat-

tern. Just like before, at the beginning of every move in the imitation phase, each player evaluates whether to continue playing (in case the outside option does not make it better off) or choose the exit strategy and leave government instead.

We again assume that both players want to maximize the discounted sum of the payoff stream -with a common discount factor $\delta \in (0, 1)$- and that the game is one of perfect information. Likewise, the likelihood of a compromise cabinet will be captured by the lower-bound discount factors δ that can sustain mutual cooperation under different circumstances. The higher the required δ, the more difficult. If δ does not reach the critical value, the equilibrium would be one of mutual defection (compartmentalized cabinet) or government termination.

We explore the different scenarios of partners' outside values v. Again, we first analyze the scenario in which the outside alternatives for both parties are dim (low vs). We then concentrate on the intermediate case in which at least one party has a fair outside value (mid vs). Finally, we consider the situation in which at least one player (or both) has an appealing outside option (high vs). To explore such scenarios, it is now also necessary to take each party's t value into account. Unlike before, parties will consider both how attractive is the walkaway alternative and also the temptation payoff of the alternation pattern in their evaluation of what to do in the imitation phase.

Dim outside options for both parties (Low vs)

Here, $r_A > s_A > v_A$ and $r_B > s_B > v_B$. Then, in the *imitation phase*, both players' optimal exit strategy would be *not* to take the outside option and play (D,D) eternally because the associated payoff $\dfrac{v_i}{1-\delta}$ is never bigger than the payoff of the eternal alternation sequence of continuing the game $\dfrac{t_i}{1-\delta^2} + \delta \dfrac{s_i}{1-\delta^2}$ (by definition there cannot exist a $t_i < (1+\delta)v_i - \delta s_i$).

As a result, in the *cooperation phase*, the eternal mutual cooperation will be sustained if and only if it is more valuable than the eternal alternation. This will be the case if the expected reward for future observance of the compromise is bigger than the current temptation payoff for deviating when the other has not, plus the average sum payoff for a future cabinet working under alternation. Formally, $\dfrac{r_A}{1-\delta} > t_A + \delta \dfrac{s_A}{1-\delta^2} + \delta^2 \dfrac{s_A}{1-\delta^2}$ and $\dfrac{r_B}{1-\delta} > t_B + \delta \dfrac{s_B}{1-\delta^2} +$

$\delta^2 \dfrac{t_B}{1-\delta^2}$. That is when $\delta > \max\left\{ \dfrac{t_A - r_A}{r_A - s_A}, \dfrac{t_B - r_B}{r_B - s_B} \right\} =: \delta^{Lv'}$.

Fair outside options for at least one player (Mid vs)

In this intermediate situation, $r_A > v_A > s_A$ and/or $r_B > v_B > s_B$. Again, the optimal exit strategy for both players in the *punishment phase* is to take the outside option at the first opportunity if $\dfrac{v_i}{1-\delta} > \dfrac{t_i}{1-\delta^2} + \delta \dfrac{s_i}{1-\delta^2}$. This will be the case as long as $t_i < (1+\delta)v_i - \delta s_i$. Since now $v_i > s_i$, two possible scenarios regarding payoffs t emerge.

- *When the temptation payoff is too attractive (High ts):*
  When $t_A > (1+\delta)v_A - \delta s_A$ and $t_B > (1+\delta)v_B - \delta s_B$, the optimal exit strategy for A and B in the *imitation phase* is *not* to take the outside option (just like in the previous scenario).
  Subsequently, in the *cooperation phase*, mutual cooperation will be sustained in time iff $\delta > \max\left\{ \dfrac{t_A - r_A}{r_A - s_A}, \dfrac{t_B - r_B}{r_B - s_B} \right\} =: \delta^{MvHt'}$. This $\delta^{MvHt'}$ (where the superscript means Mid vs and High ts) is the same as $\delta^{Lv'}$ since it refers to the same situation in the imitation phase as before (where both prefer an alternation cabinet rather than leave the game). The difference is that whereas before the equilibrium would be sustained under any value of t ($> r$, obviously), now this SPE emerges only under higher values of t.

- *When the temptation payoff is low enough for at least one party (Low ts):*
  This is the situation in which $t_A < (1+\delta)v_A - \delta s_A$ or $t_B < (1+\delta)v_B - \delta s_B$, implying that the optimal exit strategy for at least one player during the *imitation phase* is to take the outside option at the first opportunity. Given that, a compromise cabinet is sustained through time in the *cooperation phase* if the reward for continued compromise in the future is higher than the current temptation payoff plus the future outside value. Put more formally, for a compromise equilibrium to be possible, $\dfrac{r_A}{1-\delta} > t_A + \delta \dfrac{v_A}{1-\delta}$ and $\dfrac{r_B}{1-\delta} > t_B + \delta \dfrac{v_B}{1-\delta}$, which solving for δ, $\delta > \max\left\{ \dfrac{t_A - r_A}{t_A - v_A}, \dfrac{t_B - r_B}{t_B - v_B} \right\} =: \delta^{MvLt'}$
  Whether or not this Mid vs-Low ts critical $\delta^{MvLo'}$ is higher than the pre-

vious $\delta^{Lv'}$ and $\delta^{MvHt'}$ will depend on the exact value of r_i, v_i, and s_i.

Appealing outside options for at least one player (High vs)

In this scenario, either $v_A > r_A > s_A$ or $v_B > r_B > s_B$ or both. Just like when the exit options were just 'fair', the optimality of the exit strategy at the first opportunity for both players in this *imitation phase* will depend on whether t_i is bigger or smaller than $(1+\delta)v_A - \delta s_A$. And the same two scenarios emerge again.

- *When the temptation payoff is too attractive (High ts):*
  Here, $t_A > (1+\delta)v_A - \delta s_A$ and $t_B > (1+\delta)v_B - \delta s_B$, and both parties would prefer to continue in an alternation decision-making government than to terminate it. That is, none of them wants to take the outside option during the *imitation phase*. As a consequence, for a compromise equilibrium to emerge between the partners it must be the case that during the *cooperation phase* $\delta > \max \left\{ \dfrac{t_A - r_A}{r_A - s_A}, \dfrac{t_B - r_B}{r_B - s_B} \right\} =: \delta^{HvHt'}$.

  This $\delta^{HvHt'}$ (where the superscript stands for High outside values and High temptation payoff) is again the same as $\delta^{MvHt'}$ and $\delta^{Lv'}$. However, note that the distance between v and s for both players is now bigger. Hence, this high ts situation is more unlikely than before. In other words, the possibilities for a mutual compromise are more restricted when the outside options are more appealing. Concretely, they are restricted to those situations in which the temptation payoff t in the main game is really high. That makes compromise less likely in such a scenario.

- *When the temptation payoff is low enough for at least one party (Low ts):*
  When either $t_A < (1+\delta)v_A - \delta s_A$ or $t_B < (1+\delta)v_B - \delta s_B$, one party at least prefers to take the outside option during the *imitation phase* since it is better off leaving office than continuing in an alternation cabinet. In the *cooperation phase*, thus, mutual compromise would be in the best interest of both parties, again, provided that $\delta > \max \left\{ \dfrac{t_A - r_A}{t_A - v_A}, \dfrac{t_B - r_B}{t_B - v_B} \right\} =:$
  $\delta^{HvLt'}$. Although this critical δ is the same as $\delta^{MvLt'}$, now the walkaway alternative for at least one party is more attractive than the reward for mutual compromise ($v_i > r_i$) and thus δ should be higher than 1. Since that cannot be the case, future inter-party compromise is not sustainable

when one of the outside values is sufficiently high and the temptation payoff is low enough (leading to government termination).

Summary

Table 2.4 offers a summary of the parameters that make mutual cooperation sustainable. Each cell provides the range of discount factors δ that allow this compromise equilibrium. Narrower ranges imply that mutual cooperation is more unlikely to emerge. If the δ is such that makes compromise not possible, the complementary equilibrium is either alternation or government termination.

When partners use a tit-for-tat trigger strategy in the infinite game, the likelihood of self-enforcing compromise depends on two parameters: the value of partners' outside options and the size of the temptation payoff, along with the discount factor. Generally speaking, one could say that the more appealing the exit option, the less likely it is compromise to emerge, holding the temptation payoff constant. This is not only because there exist a cell in which no compromise is possible at all (Appealing vs, High ts), but also because the 'width' of the column 'High ts' when the outside options are appealing is larger than when the outside options are just fair. This is because the threshold $t_i < (1+\delta)v_i - \delta s_i$ to categorize a temptation payoff as low enough is higher (i.e. easier to reach) when the outside options are attractive (third row).

Hence, just like under the grim trigger strategy, the attractiveness of the outside alternatives for cabinet members make compromise more difficult if a tit-for-tat is played. Also, the more coalition partners value the future (the less they discount it), the more likely the emergence of compromise. Unlike under the grim trigger, these two hypotheses would be now further qualified by the value of the temptation payoff (additional interactions that would as well differentiate between the likelihood of an alternation cabinet versus termination). But aside from these added complexities, the implications would be very similar to those of hypotheses 3 and 4 in section 2.4. Note, though, that we do not refer here to hypotheses 1 and 2. This is because under a tit-for-tat, the alternative cabinet is not the one we are substantively interested in, but a bizarre 'alternation cabinet' where the combination (D,D) -and thus payoff p- is irrelevant. In any case, following what we claimed in footnote 12, it does not make sense to worry about how to achieve compromise if the equilibrium to which parties arrive playing their dominant strategies in the one shot game (D,D) make both players better-off than the cooperative combination (C,C). That is, when

Table 2.4: Conditions for Sustainable Mutual Cooperation (Summary) (ii)

	Temptation Payoff[*]	
	High	Low
Dim Outside Options	*Compromise if $\delta \in \left[\delta^{Lv'}, 1\right]$*	
$r_A > s_A > v_A$ & $r_B > s_B > v_B$	*Alternation if $\delta \in \left[0, \delta^{Lv'}\right]$*	
Fair Outside Options	*Compromise if* $\delta \in \left[\delta^{MvHt'}, 1\right]$	*Compromise if* $\delta \in \left[\delta^{MvLt'}, 1\right]$
$r_A > v_A > s_A \; or \; r_B > v_B > s_B$	*Alternation if* $\delta \in \left[0, \delta^{MvHt'}\right]$	*Gov. Term. if* $\delta \in \left[0, \delta^{MvLt'}\right]$
Appealing Outside Options	*Compromise if* $\delta \in \left[\delta^{HvHt'}, 1\right]$	*No Compromise Possible*
$v_A > r_A > s_A \; or \; v_B > r_B > s_B$	*Alternation if* $\delta \in \left[0, \delta^{HvHt'}\right]$	*Government Termination*

[*] Recall that the difference between low and high and temptation payoffs is different for the scenarios of *fair* and *appealing*

outside options: the threshold to classify a temptation payoff as low enough, is less demanding for the latter.

partners' policy interests are broad (as opposed to 'niche') and/or their ideological distance is high enough (as stated in hypotheses 1 and 2 in the main text). Therefore, we can contend that the general conclusions we derived in this paper regarding variation in coalitions' decision-making models are not solely an artifact of the grim trigger strategy being played in the iterated game. Instead, the general lines do also hold when a well-known alternative trigger strategy is assumed.

CHAPTER 3. THE USE OF CONTROL MECHANISMS IN COALITION GOVERNMENTS

Coalition governments make frequent use of control mechanisms to facilitate the adoption of compromise policies, yet there is important variation across cabinets. Using a cost-benefit approach, this paper argues that when compromise policies are not preferred to a logrolling outcome where policies are compartmentalized by area, then there are few incentives to invest in the design of control mechanisms. This is also the case when compromise policies are already attainable self-enforcingly, without needing any additional instrument. Conversely, when partners are interested in compromise policies but are unable to reach that outcome in equilibrium, then control mechanisms are likely to be implemented. The empirical evidence tends to support the two main hypotheses of this work: control mechanisms are less necessary when partners' preferences are sufficiently tangential and when they foresee frequent mutual interactions. However, the latter seems to work for the allocation of watchdog junior ministers rather than for the writing of comprehensive policy agreements. This difference invites to rethink theory and some final conjectures on the true causal effects of coalition agreements are provided.

3.1. Introduction

Coalition governments form between parties that share somewhat complementary interests and allocate portfolios accordingly. As long as an absolute complementarity exists, no problematic bargaining between partners should take place once in office. However, this is seldom the case: "[...] while the parties that make up a coalition may have more or less compatible policy preferences, it is hardly ever the case that all of their policy preferences can be realized simultaneously" (Müller and Strom 2008: 166).

In a multiparty office, there is room for potential tension between the compromise decisions of the cabinet as a collective body and the individual decisions of its members.[1] In fact, both modes of cabinet governance coexist in real-world parliamentary democracies, as reflected in the dual doctrines of individual and collective ministerial responsibility. This is why in coalition politics we find a number of institutions that limit the policy discretion of individual parties in the jurisdictions they control and try to enforce compromise policies through mechanisms of various sorts. For example, junior ministers from one party may be placed to serve under ministers from another party, or several compromise clauses may be written in a detailed policy agreement (Müller and Strom 2000). Yet not all coalition governments establish this kind of control mechanisms. There is considerable variation in this regard.

In this paper we contend that the establishment of coalition control mechanisms should be expected when they are potentially useful. This rather intuitive claim derives from a cost-benefit logic. Given that establishing these mechanisms is not for free, we will argue that coalitions will employ them when the expected benefit of their use is high enough. We picture the situation in counterfactual terms and argue that when compromise policies are not any better than a logrolling outcome where policies are compartmentalized by area (i.e. a collection of parties' ideal points in the jurisdictions each partner controls), then there are few incentives to invest in the design of control mechanisms. This is also the case when compromise policies are already attainable self-enforcingly, without needing any additional device. On the contrary, when partners are interested in compromise policies but they are unable to reach that outcome in equilibrium, we argue that control mechanisms are needed. We further claim that partners' interests in control mechanisms and their actual establishment are

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[1]See the debate between Warwick (1999a,b) and Laver and Shepsle (1999a,b) on getting the cabinet decision-making assumptions right.

logically linked.

To advance our findings, we observe that the tangentiality of the saliences of partners' preferences and their expected interactions make compromise policies either less desirable or already obtainable without needing additional instruments. Conversely, certain control mechanisms will be used when partners sufficiently care about each others' jurisdictions and they do not expect future interactions to automatically lead to compromise. We find that this is the case for the allocation of cross-partisan junior ministers, but only in part for the writing of policy comprehensive coalition agreements.

The remainder of the paper is organized as follows. The following section reviews previous contributions made on the use of control mechanisms in coalition governments and calls attention to a gap to be further investigated. Section 3.3 presents the theoretical framework and hypotheses of the paper adopting a cost-benefit approach to understand when and why control mechanisms are more or less necessary or useful. Next, we describe the data and variables used in the empirical analyses, the results of which are offered and discussed in the fifth section. After that, section 3.6 reconsiders some of the theoretical expectations in the light of the empirical evidence and conjectures on the real effect of both coalition agreements and junior ministers. Finally, last section concludes and suggests possible paths for future research.

3.2. Coalition Control Mechanisms: Literature Review and Agenda Ahead

3.2.1. Types of mechanisms

Some authors have drawn on the principal-agent framework to answer the question of how coalitions can make their individual members stick to the coalition compromise goals instead of serving their own party objectives (e.g., Strom 2000, Strom et al. 2003, Martin and Vanberg 2004, Thies 2001). Some of them have analyzed the role of several mechanisms to keep this problem at bay by making individual parties' 'shirking' more difficult and strengthening the centralized authority. Borrowing the contributions made by the delegation literature, these mechanisms have been said to group along the lines of screening, contracts, monitoring, and institutional checks (Kiewiet and McCubbins 1991).

Applied to the specific case of governments, screening is the study of potential candidates for ministerial portfolios. Clearly, the problem is not so much that potential ministers can be incompetent to do their job correctly as it is that

they can be unwilling from the coalition perspective. Given that the pool of candidates is generally limited to high-ranking members of parties, previous intra-party selection and above all promotion mechanisms reduce the risk of potential ministers with insufficient knowledge or skills. However, ministers unwilling to respect the compromise view of the coalition once sat in the office present a much bigger challenge for coalitions. Ministers are generally loyal to party lines and hence they may not respect the coalition agreement in favor of party goals. One way to tackle such a problem is to make a joint selection of cabinet members by coalition partners. But deciding on other parties' appoint-ments is in general quite unusual, and the frequent solution is to let individual partners free to nominate ministerial candidates and fill its portfolios in a logroll basis.

Contract clauses are another mechanism through which parties in coalitions try to diminish the probability that their partners pursue unacceptable policies. Detailed policy commitments written in black and white are seen by some as "holy agreements" (Timmermans and Andeweg 2000) or even "the bible and nothing but the bible" (De Winter et al. 2000: 332-333). Beyond policy issues, this kind of contracts can also contain additional procedural rules to make the observance of the compromise more difficult to escape. Explicit commitment to coalition discipline in legislative behavior or the establishment of an election rule are two examples. In terms of agreed policies, such written 'treaties' are thought to constrain seriously the ability of ministers to escape the inter-party policy compromise (Andeweg and Bakema (1994: 68) for the Dutch case).

Monitoring is another way for cabinet members to deter each other from shirking. In parliamentary democracies legislative review committees have the ability to oversee the cabinet through the scrutiny of their proposals and other executive behavior as well. According to Martin and Vanberg (2004, 2005), committee oversight can reveal ministerial deviations from the coalition course and thus can serve the interests of the coalition at large. Although countries vary with respect to the strength of the parliamentary committee system, having them is not really a choice by the cabinet members but rather sort of an exogenous feature of the institutional setting under which governments operate.

Variation can also exist in the way coalitions manage their conflicts. Mul-tiparty cabinets can install more or less permanent bodies that constitute insti-tutional checks on the behavior of the individual members. One example are coalition committees, with representatives from all coalition parties, including cabinet members, party leaders, and parliamentary leaders in various compo-

sitions. They are created for governing the coalition and resolving conflicts, preferably before they cause damage to the coalition (Müller and Meyer 2010b). They thus constitute an arena where cases of ministerial drift from the coalition policy agreement can be tabled and resolved (Andeweg and Timmermans 2008).

Some coalitions do also allocate additional players that can veto, change, or at least discuss thoroughly ministerial policy proposals. Junior ministers play this role as long as they serve under a minister from a different party. Although formally subordinated to their minister, they constitute an important source of information for their parties that can alleviate the asymmetries that exist between them and the party in charge of the respective portfolio (Thies 2001, Verzichelli 2008).

In this paper we concentrate on two of these mechanisms: the writing of comprehensive policy agreements and the allocation of cross-partisan junior ministers. As argued later, these are the two most studied vehicles that coalitions establish to prevent deviations from individual cabinet members, probably because they are deemed to be the most important ones. The novelty of the present study is, however, the approach to the issue and the intention to offer a thorough theoretical account of their use.

3.2.2. The 'under-what-conditions' question

In summary, previous research on the governance of coalition governments has already acknowledged the potential problems that may arise as a consequence of the division of work through ministries. Through the departments they run, parties in coalitions could potentially shirk and push the controlled policies to their own ideal point. As said, this is why a whole line of research has tried to answer how do coalitions keep these potential problems at bay. But apart from largely descriptive accounts of which mechanisms they can use, previous literature has seldom dealt with the 'under-what-conditions' question. Only recently some authors have tried to develop causal stories behind the use of these mechanisms in coalition governments. So when and why will multi-party cabinets install such controls?

The few efforts to answer this question have almost exclusively focused on the existent relationship between several mechanisms, both exogenous and endogenous to the specific government. For instance, Müller and Meyer (2010a) argue that control mechanisms complement each other and cannot be studied in

isolation. They show that coalition parties that have been able to write policy agreements also tend to establish coalition committees and vice versa. Likewise, an election rule and the use of coalition committees seem to go hand in hand. Finally, strong parliamentary committees seem to make coalitions' reliance on ex ante mechanisms more likely (e.g. coalition discipline) but ex post ones unlikely (e.g. watchdog junior ministers).

Along similar lines, other authors such as Thies (2001) or Kim and Löwenberg (2005), have theorized and found that the strength of institutional ('exogenous') devices like parliamentary committees (i.e. legislative scrutiny of executive proposals) provides an alternative to other control tools such as the allocation of cross-partisan junior ministers.

Note that the only thing we learn thanks to these approaches is that having certain mechanisms make others more or less likely. Yet they keep silent about how the nature of different coalition governments impacts the likelihood of the choice of particular control mechanisms. Put differently, variation across the characteristics of different coalition governments are seldom considered as explanatory variables. It is fair to mention, though, the efforts made in Müller and Strom (2008), Verzichelli (2008), and also to some extent in Müller and Meyer (2010a).

The former present an attempt to identify the conditions under which written coalition agreements exist through an empirical analysis that take several clusters of independent variables, including structural and preferences' characteristics of cabinets, political institutions in the country, bargaining environment, and critical events. However, their study is largely conditioned by the structure of the whole book, which analyses different phenomena related to coalition governments (i.e. cabinet formation duration, type of cabinet formation, conflict management, cabinet termination and survival, or cabinet membership and electoral performance) using exactly the same clusters of independent variables (Strom et al. 2008).[2] Hence, the expectation about the effect of each variable tends to be driven by intuition and not derived from a rigorous theoretical account. Verzichelli (2008) suffers from a similar shortcoming since he studies the allocation of watchdog junior ministers in another chapter of the same book.

Similarly, Müller and Meyer (2010a) do not only study how different control mechanisms complement each other, but also consider a number of what

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[2]Besides, their dependent variable is just the mere existence of a coalition agreement or not, whereas in this paper we concentrate on *policy comprehensive* coalition agreements.

they call environmental factors. They develop some intuitive arguments about how familiarity, parliamentary bargaining complexity and polarization, policy preference divergence, time, and the institutional environment may impact the use of control mechanisms and test them against the data. They find strong familiarity effects (coalitions tend to adopt control mechanisms used in prior multiparty cabinets) and a tendency of coalitions working under a complex bargaining scenario to turn towards policy agreements and coalition discipline. Finally, the empirical results also show that the cabinet's potential time in office affects coalition partners' willingness to work out a regime of mutual control and that the existence of additional veto players (i.e. strong presidents and second chambers) make parties in coalitions rely less on ex ante control mechanisms.

But beyond these few efforts we still know fairly little about which specific coalition governments are more likely to install certain control mechanisms and why.[3] Therefore, this paper clearly poses the 'under-what-conditions' question, derives hypotheses from a cost-benefit theoretical approach, tests them empirically, and finally conjectures inductively a complement to the theory that fits better with the observed findings.

3.3. When and Why Use Them? A Cost-Benefit Approach

So when and why will coalition partners choose to establish a certain toolkit of control mechanisms so as to keep tabs on each other? Clearly, devising such controls is not for free. There are undoubtedly some sort of transaction costs associated, for instance, to the writing of a detailed policy agreement or the allocation of junior ministers in the portfolios controlled by the other partners.[4] As a direct result, *ceteris paribus*, coalitions would like to save themselves the time and effort and prefer not to hammer out such devices. It would obviously be preferable for the government if the deal was enforced without needing additional devices.

Hence, the decision to invest in the design of the mentioned mechanisms

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[3]It has to be said that government-specific variables have indeed been taken into account by some researchers. In fact, Müller and Meyer's (2010a) policy preference divergence refer to the within-cabinet ideological polarization, as well as Müller and Strom (2008) when they mention the cabinet's diversity of preferences and the absence of policy connectedness. However, the empirical evidence obtained is largely inconclusive.

[4]"Setting up coalition governance mechanisms is therefore costly. Specifically it entails transaction costs." (Müller and Strom 2008: 185).

can well be approached from a cost-benefit perspective. To make this kind of decisions, parties must incur several sorts of costs which can in turn vary depending on a number of conditions (Kreps 1990). As Lupia and Strom (2008: 60) state, "those who participate in coalition bargaining must spend time and effort obtaining an agreement that they and their constituents find acceptable. The amount of these expenditures depends on the complexity of the agreement being sought". Extending this logic, Strom and Müller (1999) further advance the argument and explicitly predict that "[c]omplex bargaining situations heighten transaction costs, and high transaction costs lead to the adoption of less comprehensive agreements", or the other way around, they "expect to see more complete agreements, and more elaborate institutions for their enforcement, the lower the relevant transaction costs". So one possible answer of the question entitling this section is that coalitions tend to use control mechanisms when the associated costs are lower. The why is here obvious; higher costs make the design more difficult.

But the cost-benefit approach has another side. The benefit one. Keeping costs constant, the higher the potential benefit of installing a control mechanism, the more profitable it will be. Hence, the rationale goes, the coalition will be more likely to establish these controls the more their expected benefit. Analyzing coalition agreements, Müller and Strom (2008: 160) put it this way: "[w]e also expect that the greater the need for coalition agreements, the more common and elaborate such agreements will be". Yet how do we measure such a potential need or benefit?

The first step is to think in counterfactual terms: What would have happened had the mechanisms been absent? This paper claims that the potential usefulness of coalition control mechanisms varies under different circumstances. Most importantly, we concentrate on the type of preferences of the partners sharing office, and also on how likely are their mutual interactions in subsequent government formations.

3.3.1. The counterfactual

According to Luebbert (1986), the preferences of coalition parties can be either convergent, divergent, or tangential. Convergence and divergence are in fact two sides of the same coin. The difference between the two is pretty obvious, namely, the extent to which partners hold conflicting views over a given issue. The ideal points of cabinet members can be closer (i.e. convergent) or

Figure 3.1: Portfolio Lattices and Types of Preferences

(LEFT: Overlapping Preferences ; RIGHT: Tangential Preferences)
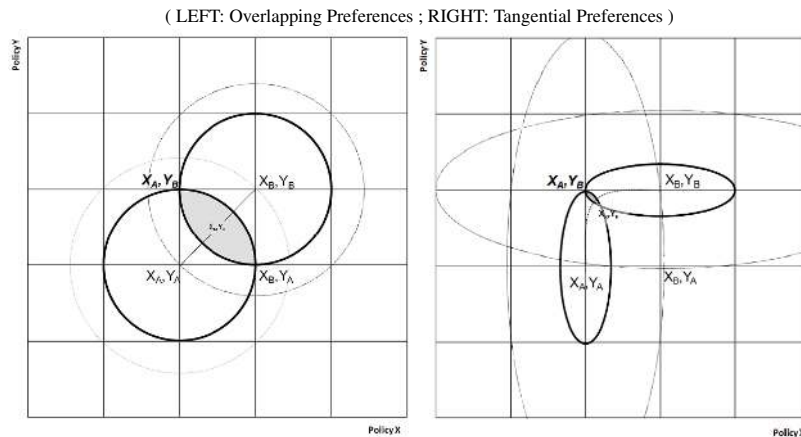
farther apart (i.e. divergent). However, *holding convergence/divergence constant*, tangentiality can in addition characterize the preferences of the members of a coalition government. Unlike the former, tangentiality has nothing to do with *positions* and "is really a matter of the relative *salience* of issues to parties as coalition members". The interests of coalition partners are tangential when "issues are of differing salience to different parties; one party may emphasize cultural issues but be relatively indifferent about economic issues, while a coalition partner may weight the issues in the opposite way" (Andeweg and Timmermans 2008: 276).[5] In this paper we concentrate on this characteristic.

In figure 3.1 we can see a spatial illustration of what we understand by tangentiality. The two-dimensional ideal point of party A is X_A, Y_A, whereas for party B it is X_B, Y_B. In the lattice on the left the two policies X and Y are equally salient both for party A and for party B. This is represented by the perfectly circular indifference curves (solid black lines). In the graph on the right, though, parties do not care equally about both policies. For party A, dimension X is more salient, while party B cares more about dimension Y. As standard, the latter is represented with the solid black ellipses and it is what we refer to when talking about tangential preferences. Conversely, we will label the situation of the saliences in the left graph as overlapped preferences.

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[5]Emphasis added.

Assume now that these two parties, A and B, have formed a coalition government and allocated two portfolios related to two policy jurisdictions, X and Y. The former is allocated to party A and the latter to party B. If we simplify the situation a little, there are basically two policy packages that can be implemented. In one of them, party A will set policy X at its ideal point (X_A), while party B will push policy Y to Y_B. Alternatively, the implemented policies can be X_κ, Y_κ on the contract curve, in the shaded compromise area. In the former, each partner lets the other set the policies it wants in the jurisdiction(s) it controls in exchange for being allowed to do the same in its own jurisdiction(s). This would be a compartmentalized cabinet, where the coalition makes policies not as a product of issue-by-issue compromises, but as a logroll of party ideal points (Thies 2001). Compromise policies, on the other hand, are those in the shaded area. These policy combinations are preferred by partners since all points in the compromise area are closer to both parties' ideal points than is the 'logroll' or 'compartmentalization' point.

In a situation of tangential preferences, 'logrolling' is a simple way to resolve these 'differences in emphasis' (De Winter 2002). In other words, the policy package X_A, Y_B is very close to the best compromise point possible (namely, the distances to each party's ideal points are extremely similar). However, when the situation is one where coalition members' preferences are not tangential, the implementation of policies X_A, Y_B would generate a more serious problem. The opportunity costs associated to such policy package would be higher given that some points in the compromise area would be much preferred by both partners.

Hence, we contend that preference tangentiality makes partners happy enough with the only credible and incentive-compatible policy package (Thies 2001) which "depends only on giving ministers the power to do what they expressly want to do. Any proposal promising that a minister with wideranging power over the relevant policy jurisdiction will act against expressed preferences is less credible" (Laver and Shepsle 1990: 874). That would make control mechanisms essentially useless, since the counterfactual of what would have happened in their absence is good enough. In other words, the potential benefit of these mechanisms is low; spatially, there is little to gain when the parties of a coalition government have tangential preferences (as illustrated in figure 3.1). The establishment of control mechanisms in this situation would not pay off the investment.

Therefore, control mechanisms would be potentially beneficial only when

there exist compromise policy packages X_κ, Y_κ that are clearly better than the 'logroll' point X_A, Y_B. That is, under no tangentiality (high overlap) of their saliences. One could argue that, if clearly better, partners could simply implement those compromise points without having to resort to any specific control mechanism. As argued above, though, only the combination X_A, Y_B is in a self-enforcing equilibrium given the portfolio allocation (Laver and Shepsle 1990, Thies 2001). Although there exist a number of other policy combinations that, if implemented, would make both parties happier at the same time (such as X_κ, Y_κ), once party A gains control of jurisdiction X, it will be tempted to shift policy away from X_κ and leftward to the vertical line that goes through X_A points. Likewise, when given ministry Y, party B will be attracted by the possibility of pushing policy upward to the horizontal line Y_B and away from Y_κ. As a result, it would appear that a regime of mutual control should be worked out to facilitate the adoption of the preferred compromise policies.

However, others have suggested that parties in coalition governments may behave cooperatively and implement compromise policies even without control mechanisms if they anticipate repeat interactions in the future (Müller and Strom 2008). This is well in line with the predictions of the game-theoretic model of the first paper in this dissertation that seeks to account for variation in the way coalition governments decide. That model could be interpreted as a stylized formalization of how parties in coalitions would decide in the absence of any additional control mechanism (that is, in the counterfactual terms mentioned above). In a potentially repeated interactions' scenario, the temporal discount factors δ emerge as important determinants of the likelihood of self-enforcing policy compromises when partners have preferences that are not tangential.[6] Generally speaking, the more parties value future interactions, the more likely the emergence of mutual compromise X_κ, Y_κ. Hence, without needing any additional (control) mechanism, parties would be able to reach the point they prefer self-enforcingly, as long as they found it sufficiently likely to meet their partners again in the future.[7]

Under such circumstances the potential usefulness of coalition control mechanisms would be essentially unexistent as the preferred outcome would be already achieved without having to pay the transaction costs of its establishment. However, if their δ's were low enough, parties would be unable to reach the

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[6]I skip the details of the formalization here.

[7]Beyond the intuitive appeal of this prediction, parties' incentives to preserve their reputation to be credible in future interactions have been already stressed in Chen (2000), Stiglitz (2000), or Aghion et al. (2002), among others.

Figure 3.2: Necessity of Coalition Control Mechanisms (Scenarios' Diagram)
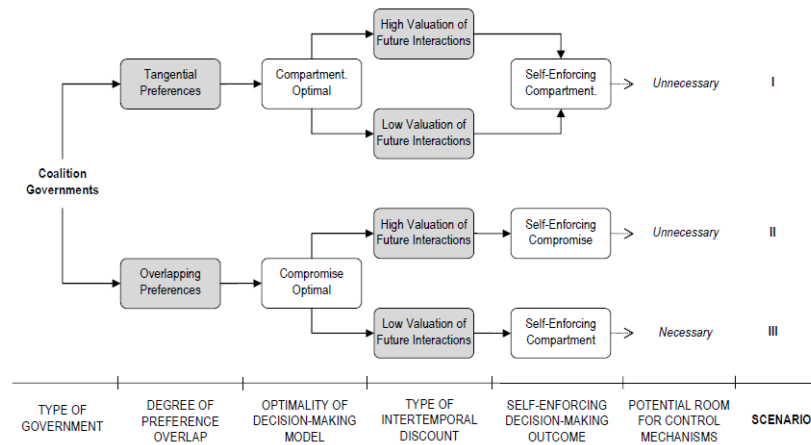
liked compromise outcome in the shaded area of the left graph in figure 3.1. It would be then when further mechanisms outside the self-enforcing solution should be thought of to make it reachable.

3.3.2. When are control mechanisms needed? Main hypotheses

To wrap up, it appears that three different scenarios emerge in terms of the potential usefulness of control mechanisms in coalition governments. They are summarized in the diagram of figure 3.2.[8]

In the first two situations there is no room for control mechanisms but for slightly different reasons. When parties sharing office have tangential prefer- ences (i.e. they care about a concrete group of policy areas and not much about those controlled by their partners), then a fully labor-divided cabinet (i.e. com- partmentalized) is itself optimal as partners like it better than a compromise cabinet. And that is regardless of how they evaluate the likelihood of future interactions. Control mechanisms would therefore be useless as parties already like the 'uncontrolled' outcome. On the other hand, when partners' preferences

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[8]The shaded boxes stand for the government-dependent conditions (or in other words, indepen- dent variables) that configure the different scenarios.

Figure 3.3: Necessity of Coalition Control Mechanisms (Scenarios' Matrix)

overlap (i.e. they care enough about what happens in the jurisdictions controlled by the others in cabinet), the compromise deal is the one they prefer. However, they may still find no need to install control mechanisms if all partners value sufficiently the likelihood of future interactions. If so, a compromise cabinet would be in (a self-enforcing) equilibrium and thus the preferred outcome would be already reached without needing any investment in additional controls.[9]

Yet there is a third scenario in which establishing control mechanisms may be necessary or potentially useful for coalition partners. When compromise is the preferred outcome (i.e. when partners have overlapping preferences), but their low valuation of future interactions makes compromise not to be in equilibrium, then coalition control mechanisms have a working room. It is precisely under the circumstances embodied in situation III (see figure 3.3), when partners in coalition governments may find it worth the effort to keep tabs on each other through a series of control mechanisms. Thinking counterfactually, this is the only scenario in which *if no further mechanisms were established*, the self-enforcing outcome would be one disliked by the partners in office.

So for control mechanisms to be cost-beneficial, they have to be useful. They need to have room for a potential effect and this is when both partners'

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[9]In a similar vein, Müller and Strom (2008: 181-2) state that "[p]arties have incentives to preserve their reputation so as to be credible in future negotiations. Moreover, party leaders will care about their cabinet members remaining faithful to the coalition agreement even when the latter are tempted to exploit their private information at the expense of their coalition partners. Party leaders may keep such behavior in check because they have to keep in mind the big picture and preserve their party's (and their own) reputation".

preferences are overlapping and their valuation of future interactions is low enough. Thus, by approaching the situation in counterfactual terms, we have provided a theoretical account of when are control mechanisms needed in coalition governments and thus offered a reason why they may be interested in them. Therefore, the argument provided in this paper adds up to the few efforts made in scholarly research to answer under which conditions are 'coalition architects' likely to place control mechanisms in the cabinet.

Admittedly, here we do not exactly model the process of the decision to establish the coalition control mechanisms. Strictly speaking, the inter-party agreement to do so would require additional formalization. It is true that one cannot overtly claim that necessity or potential usefulness directly leads to the establishment of the mentioned institutions in sort of an automatic way. However, given the assumption that they are not for free, they have to provide a benefit for the effort to be paid off. Then, the more potentially beneficial, the more likely should be their establishment. Or put differently, the less necessary, the less sense it makes to pay the cost of designing a mechanism, and thus the less the likelihood of doing so. Hence, we can hypothesize that keeping the costs (and everything else) constant, the more the potential benefit of a control mechanism, the more the incentives to install one. So what we do in this paper is no more (no less) than checking to what extent there is an empirical correspondence between the situations in which coalition control mechanisms would be potentially useful or necessary, and their actual use.[10]

Given the the above-mentioned scenarios about the necessity of control mechanisms in coalition governments, the next two hypotheses follow:

Hypothesis 1: The more overlapping the preferences of coalition partners, the more likely the establishment of coalition control mechanisms.

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[10]It is true that other authors have implicitly taken the benefit side of the calculus into account. For instance, some expect the risk of opportunism (which may be higher, the more the number of feasible cabinet alternatives) to make the establishment of control mechanisms more necessary (Müller and Strom 2008). Similarly, the same authors consider that the likelihood of these mechanisms should increase with the diversity of preferences and with the absence of policy connectedness. Explicitly, Müller and Meyer (2010a: 15) say that "[c]oalitions are more likely to employ the control mechanisms outlined here if the potential gains are high. In policy terms, coalitions with divergent policy preferences are more likely to negotiate contracts, veto the coalition partners' ministerial candidates, and employ "watchdog" junior ministers and coalition committees. If, however, the coalition parties largely share policy preferences, applying these controls is probably not worth the effort". However, these hypotheses are mainly derived from intuition with no truly elaborated theoretical explanation on the role that each specific variable should play and why.

Hypothesis 2: The more coalition partners value future interactions among them, the less likely the establishment of coalition control mechanisms.

In fact, these two hypotheses emerging from the theoretical approach above are well in the line of Müller and Strom's (2008: 166) intuitions regarding written coalition agreements:

> Not every situation that allows coalitions to form may require a formal coalition agreement. In some cases, the preferences of the parties may be sufficiently well aligned that there is no *need* to negotiate a formal agreement. Alternatively, party leaders may behave cooperatively even without such an agreement if they anticipate either repeat interactions in the same arena or other interactions in different arenas.[11]

Notice also that there is a third hypothesis implicit in figure 3.2's diagram. Regardless of the extent to which partners value future interactions, control mechanisms are unnecessary if their preferences are sufficiently tangential (scenario I). In other words, partners' valuation of future mutual deals should only make a difference when partners have overlapping preferences. In that case, control mechanisms will be potentially useful if parties see their pact as something sporadic and unlikely to be repeated. The implicit interactive hypothesis is then obvious:

Hypothesis 3: The more the preference overlap between coalition partners, the stronger the (negative) effect of partners' valuation of future interactions on the likelihood of establishing coalition control mechanisms.

These hypotheses -and in fact the whole argument- obviously rely on the implicit assumption that control mechanisms do effectively make compromise policies more likely and contain potential deviations of cabinet members. Or at least, it requires parties to think these control mechanisms are effective. We will briefly discuss the implications of that below, in our explanation of the dependent variables and also in section 3.6.

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[11]Emphasis added.

3.4. Data and Variables

In order to test empirically the hypotheses posed above we use information coming from four different datasets which provided the needed data.

On the one hand, we relied on a dataset based on the joint work of numerous country experts offering extensive data on coalition governments of 17 West European countries (Müller and Strom 2000; Strom et al. 2003, 2008). It provides information on 424 cabinets, of which 260 are coalition governments, and covers the period beginning with the first post- II World War (democratic) cabinet until 2000.

The dependent variables of the present study come from this dataset. They are the *Existence of a Comprehensive Policy Agreement* in that coalition government (as coded by country experts), the *Establishment of Cross-Partisan Junior Ministers*, and the *Share of Cross-Partisan Junior Ministers* in that cabinet.

Coalition agreements exhibit a great deal of variation, running all the way from very general informal understandings (gentlemen's agreements) to very detailed formal documents (contract-like written documents) (Müller and Strom 2008). Written agreements can also vary a lot in terms of size, contents, and comprehensiveness. Although some have said that the number of words is an acceptable indicator of agreements' comprehensiveness (Huber et al. 2001), here we concentrate on both contents and comprehensiveness at the same time. These agreements can deal with three different types of issues: policy, procedures, and office allocation, with significant differences across-time and across-countries with regard to the weight given to each one. Since we are substantively interested in the way coalitions try to reach policy compromises beyond a mere collection of parties' ideal points in the respective jurisdictions, we will consider agreements based on a written comprehensive policy programme.

Such documents are generally rather specific 'contracts' that spell out exhaustively and in great detail to what extent participants commit themselves to a broad range of policy initiatives.[12] In fact, one critical choice that a coalition has to make at its outset is about how detailed a policy agreement, if any, should be (Müller and Strom 2008: 174, 182). Hence, this dependent variable takes value '1' when coalition partners fixed their compromises in a written comprehensive policy agreement and '0' otherwise.

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[12]In the terminology of Royed (1996), such an agreement would contain more definite pledges relative to difficult and rhetorical ones. In Luebbert's (1986) terms, explicit compromises would dominate over implicit ones.

It is true that some have argued that these type of coalition agreements, even detailed ones, are little less than window dressing. As acknowledged by Müller and Strom (2008) and Müller and Meyer (2010b), none of these mechanisms is truly enforceable. There is no such thing as a third-party institution that unambiguously sanctions deviations from the contents of this 'contract'. Enforcing such contracts, therefore, may require parties to be interested in observing them in the first place. If so, written coalition agreements would not actually be control mechanisms. On the contrary, parties may only be interested in the formalization of a comprehensive agreement when they can be rather sure that the clauses will be observed when it comes the time to make policies. If that is the case, then our expectations regarding the influence of the main independent variables on the writing of a comprehensive policy agreement would not be those put forward in the hypotheses above. However, we stick by now to the consideration of coalition agreements as 'effective' control mechanisms and leave for section 3.6 a further assessment of this issue.

The other two dependent variables refer to institutions that are thought to keep an eye on the actions undertaken by the other partners in their own ministries: the allocation of watchdogs (junior ministers) in the other partners' jurisdictions, both measured through a dichotomous variable (Establishment) and through the proportion of ministries containing junior ministers (Share). The latter is especially interesting as it can capture a much more nuanced cross-cabinet variation than the 0-1 variable in which a single watchdog junior minister is sufficient to classify a given cabinet as having this type of governance mechanism.[13]

Hence, as dependent variables we are concentrating on two specific control mechanisms, the writing of a comprehensive policy agreement and the establishment of junior ministers. These are clearly the two most studied institutions when scholars have inquired about how coalitions manage the control of their bargains. Therefore, the combination of the two can provide a good overview of the control mechanisms that multiparty governments establish (e.g. Strom and Müller (1999), Müller and Strom (2008), Timmermans (2003, 2006), Timmermans and Andeweg (2000), or Moury (2011) for coalition agreements; and Thies (2001), Manow and Zorn (2004), Verzichelli (2008), or some chapters in Müller and Strom (2000) for junior ministers). In addition, studying these two

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[13]I thank Thomas Meyer and Wolfgang C. Müller, from the Mannheim Centre for European Social Research (MZES, University of Mannheim), for making this share variable available to me, which was not directly obtainable from the public dataset.

institutions can offer further insight on the conditions under which coalitions tend to resort more to one mechanism rather than the other and provide a more comprehensive view of how partners in coalitions keep tabs on each other.

Table 3.1 presents some descriptive statistics of the three dependent variables. For the dichotomous variables -*Cross-Partisan JM (Binary)* and *Compr. Policy Agreement*- we offer the proportion of post WWII coalitions that actually used these control mechanisms and the mean of the continuous variable -*Cross-Partisan JM (Share)*-. The standard deviation of these three variables is also provided. Not surprisingly, a considerable share of the variation in the dependent variables is across countries, although there is still a fair deal of within-country variance. Besides, cross-country variation may be in part explained by the characteristics of the coalition cabinets that tend to form in each country. Therefore, there is potential for our two key independent variables to explain the mentioned variation. In any case, the standard errors reported in our statistical analyses are calculated using a robust (non-clustered) variance estimator, but also clustered by country. As we shall see, the country-clustered standard errors are somewhat higher than the non-clustered ones, although the main conclusions one can derive from the results do not change dramatically.

Three independent (control) variables do also come from the aforementioned database. The *Maximum Possible Cabinet Duration* at the time of formation -before the next scheduled election- may affect the willingness of the partners to invest in the establishment of control mechanisms.[14] For instance, according to Müller and Strom (2008: 192-3), the longer the time horizon of the current coalition, the higher the uncertainty to be faced, and therefore the more restrictive the inter-partners control should be. Similarly, the higher the *Cabinet Preference Range (Polarization)*, the more parties are expected to care and disagree about policy, and thus the more likely they will be interested in centralized mechanisms of policy commitment.[15] Finally, would-be partners present in some cases a joint pre-electoral declaration to signal their readiness to join in a future government with a common agenda. These documents can be easily amended or accompanied by further agreements after electors have casted their votes, possibly decreasing the costs of hammering out post-election

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[14]This variable is originally measured in number of days but it has been transformed in month units here. However, in the transformation process, it has not lost its fine-graininess (i.e. 40 days = 1.33 months).

[15]Although offered in the Strom-Müller-Bergman dataset, the information of this variable originally comes from the Comparative Manifestos Project (Budge et al. 2001) and indicates the maximal distance in terms of left-right positions between the government parties (in manifesto points).

Table 3.1: Descriptive Statistics (Dependent Variables)

Country / (Observ.)	Descr. Stat.	JMs -Binary-	JMs -Share-	Com. Pol. Agr.	Country / (Observ.)	Descr. Stat.	JMs -Binary-	JMs -Share-	Com. Pol. Agr.
Austria	Mean / Prop.	0.92	0.23	0.31	Ireland	Mean / Prop.	0.9	0.24	0
(13)	St. Dev.	0.28	0.14	0.48	(10)	St. Dev.	0.32	0.17	0
Belgium	Mean / Prop.	0.78	0.17	0.56	Italy	Mean / Prop.	1	0.8	0
(27)	St. Dev.	0.42	0.15	0.51	(33)	St. Dev.	0	0.2	0
Denmark	Mean / Prop.	0	0	1	Luxembourg	Mean / Prop.	0	0	1
(16)	St. Dev.	0	0	0	(16)	St. Dev.	0	0	0
Finland	Mean / Prop.	0	0	0.29	Netherlands	Mean / Prop.	0.95	0.44	0.36
(32)	St. Dev.	0	0	0.46	(22)	St. Dev.	0.21	0.23	0.49
France	Mean / Prop.	0.88	0.4	0	Norway	Mean / Prop.	0.38	0.05	0.63
(17)	St. Dev.	0.33	0.31	0	(8)	St. Dev.	0.52	0.06	0.52
Germany	Mean / Prop.	0.52	0.08	0.19	Portugal	Mean / Prop.	1	0.45	1
(21)	St. Dev.	0.51	0.1	0.4	(5)	St. Dev.	0	0.27	0
Greece	Mean / Prop.	0	0	0	Sweden	Mean / Prop.	0.43	0.04	0.57
(2)	St. Dev.	0	0	0	(7)	St. Dev.	0.53	0.04	0.53
Iceland	Mean / Prop.	0	0	0.5	*Total*	*Mean / Prop.*	*0.55*	*0.24*	*0.39*
(19)	St. Dev.	0	0	0.51	*(248)*	*St. Dev.*	*0.5*	*0.31*	*0.49*

control mechanisms. Hence, a dichotomous variable characterizes the existence or absence of a *Preelectoral Agreement*.

To address the general question we seek to answer here, other researchers have focused on the effect of legislative institutions on the way parties in coalitions control each other. Kim and Loewenberg's (2005) account of oversight institutions -German parliamentary committees- as devices for the enforcement of coalition treaties is one good example. Likewise, Martin and Vanberg (2004, 2005) claimed that, in order to enforce the coalition bargain, parties make use of parliamentary institutions to scrutinize the proposals of their partners' ministers to which they have been forced to delegate important agenda-setting powers. Countries vary in this institutional aspect -and sometimes even within a country across time- making legislative review more or less costly. Then, the easier parties find it to control their partners' proposals through amendment procedures in parliament, the less necessary additional control mechanisms outside the legislative should be, and vice versa.

In this regard, we have trusted in two different variables measuring the strength of legislative oversight institutions. First, the presence of *Permanent Committees* as opposed to ad hoc ones. This is a dichotomous variable that takes the value '1' when there exist legislative review committees on a permanent basis, and '0' when they need to be called ad hoc or when this institution simply does not exist. Everything else the same, parliamentary review should be more costly in the latter situation than in the former. This is one of the institutions that Strom et al. (2003) claim to affect the degree of parliamentary accountability of the cabinet. The specific data comes from Bergman et al. (2003). Secondly, we do also incorporate another variable to account for the level of legislative *Committees' Power* in the parliamentary democracies analyzed. It is an additive index that provides scores on their role, authority to rewrite, and timetable control, building on three variables coded by Döring (1995).[16] Clearly, this variable is better than the first one as it offers a much more nuanced variability. However, it has the disadvantage of coming from a 'snapshot' taken in 1989, although we can suspect that this kind of institutions seldom vary across time. Hence, we assigned the one-point-in-time value to the rest of the years for each country (just like Tsebelis (2007) or Müller and Meyer (2010a) do), but simultaneously kept the variable *Permanent Committees* for which we do have across-time information as an additional check in the analyses.

All the above described variables have been said to affect the likelihood of

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[16]See table 3.6 in the appendix for further details.

coalition governments to resort to control mechanisms. They have been incorporated in the empirical tests as controls to try to isolate the effect of this paper's substantive explanatory variables: partners' preference overlap and valuation of future interactions. The process followed to operationalize them is explained in detail next.

3.4.1. Partners' preference overlap

For the first main independent variable, we have to measure how much parties in coalition governments care about different policy dimensions.[17] If the interests of different parties are very intense in the same areas, then their preferences will be overlapping. Put the other way around, when coalition partners care a lot about some policies, but not the same ones as their partners, then their tangentiality in saliency terms is high and the overlap low. That is, they will be hardly interested in what their partners do in their issues while being rather free to do what they want in their own issues without causing much uproar.

Fortunately, this saliency approach to preference tangentiality (holding polarization constant) fits very well to one of the few data sources on parties' preferences varying across time: the Comparative Manifestos Project (CMP) data. This project codified the content of different parties' documents by classifying each quasi-sentence in different categories (for details see Budge et al. (2001)).

These categories are rather narrow. To make sense out of them we established 13 categories with a greater theoretical substance in terms of policy jurisdictions. To do this we followed exactly Bäck et al.'s (2011) attachment of CMP categories to policy jurisdictions (see table 3.7 in the appendix). Each of these new groups contained the sum of scores in the more specific CMP categories, resulting in a party-specific overall score of saliency for each policy jurisdiction. Since we needed a government-specific measure, we computed the cabinet standard deviation of these saliences for each jurisdiction and finally calculated the mean of them to have an overall measure of the degree of preference complementarity in the coalition cabinet. Clearly, taking the saliency approach, the higher the average standard deviation, the more tangential are partners' preferences (holding positions -not saliences- constant). To make the variable run in the direction we were interested in, we simply reversed the scale to have a measure of the cabinet's *Preference Overlap*.

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[17]This is consistent with the αs in the decision game of the first paper in this dissertation.

3.4.2. Partners' valuation of future interactions

The second substantive independent variable captures to what extent parties in coalition governments value the likelihood of mutual interactions. This valuation is no more than an intertemporal calculus that each partner in the coalition makes. In this calculus parties evaluate whether it is likely or not that their current partners need be partners again in subsequent government formations. According to the second hypothesis, the higher this expected likelihood, the more likely is the emergence of self-enforcing compromise, and thus the less needed are coalition control mechanisms.

Obviously, there is no direct way to observe how parties evaluate such a probability and therefore we have to rely on proxies. The strategy followed in this paper is based on the actual composition of cabinets through time. For each member in the coalition we calculated the proportion of cabinets equal to the current cabinet out of the total number of cabinets in which the party participated during the studied period. To make it a cabinet-specific value, we attributed each cabinet the one from the party with the lowest value, what gives the variable *Likelihood of Partners' Interactions (Min. Value)*. This measure is consistent with the theoretical model in the first paper of the dissertation: the cabinet's critical δ should be in fact the one of the party with the lowest value, as compromise would not be observed if the discount factor of one single party did not reach the critical threshold.

The source for the operationalization of the main two independent variables was the 'Parties, Governments and Legislatures Data Set' compiled and made publicly available by Cusack et al. (2007). The advantage of this database as opposed to the CMP original source is that the former is already expanded to contain information on different cabinets and not only legislatures, making the merger with the Strom-Müller-Bergman dataset easier. A couple of descriptive statistics of the variables *Preference Overlap* and *Likelihood of Partners' Interactions (Min. Value)* are summarized, by country, in table 3.2. As we see, both variables vary considerably both between and within countries.

3.5. Empirical Analysis

I use logistic regressions to explain the establishment of cross-partisan junior ministers and the writing of comprehensive policy agreements. To predict the share of 'watchdog' junior ministers in the cabinet we estimate linear re-

Table 3.2: Descriptive Statistics (Main Independent Variables)

Country / (Observations)	Descriptive Statistic	Interest Overlap	Lik. Part. Int. (MV)	Country / (Observations)	Descriptive Statistic	Interest Overlap	Lik. Part. Int. (MV)
Austria	Mean	0.01	0.61	Ireland	Mean	-0.12	0.24
(13)	St. Dev.	0.65	0.23	(10)	St. Dev.	1.77	0.14
Belgium	Mean	0.17	0.22	Italy	Mean	-0.21	0.09
(27)	St. Dev.	0.66	0.12	(33)	St. Dev.	0.7	0.17
Denmark	Mean	-0.04	0.18	Luxembourg	Mean	0.26	0.45
(16)	St. Dev.	0.77	0.1	(16)	St. Dev.	0.88	0.18
Finland	Mean	-1.41	0.08	Netherlands	Mean	0.84	0.16
(32)	St. Dev.	0.93	0.04	(22)	St. Dev.	0.54	0.08
France	Mean	0.43	0.14	Norway	Mean	0.63	0.34
(17)	St. Dev.	0.96	0.15	(8)	St. Dev.	0.25	0.06
Germany	Mean	0.04	0.31	Portugal	Mean	1.66	0.33
(21)	St. Dev.	0.71	0.17	(5)	St. Dev.	0.97	0.14
Greece	Mean	0.41	0.2	Sweden	Mean	0.01	0.18
(2)	St. Dev.	0.79	0.08	(7)	St. Dev.	0.58	0.07
Iceland	Mean	0.09	0.26	*Total*	*Mean*	*0.01*	*0.23*
(19)	St. Dev.	0.59	0.11	*(248)*	*St. Dev.*	*1*	*0.19*

gression models. Results are displayed in tables 3.3, 3.4, and 3.5.

The first thing that stands out from the three tables is the difference that appears to exist between what explains the allocation of cross-partisan junior ministers and the writing of a policy comprehensive coalition agreement. While the theoretical expectations seem to hold for the former, they do only partially for the latter.

In model (2) of both tables 3.3 and 3.4 we see that the more the overlap of preferences between parties in office, the more they tend to trust in junior ministers to monitor what their partners are doing in other jurisdictions. Interpreted in the opposite direction, when parties do not care about the issues that are salient for the partners that share office with them, they have little incentive to worry about allocating junior ministers to serve under ministers with other partisan loyalties. That seems to work both for the dichotomy between allocating or not (table 3.3) and for the continuous share of junior ministers (table 3.4). The coefficients of *Preference Overlap* have the expected positive sign and tend to reach conventional levels of statistical significance. When they do not (specifications with country-clustered standard errors with the dichotomous dependent variable) the statistical confidence is between .8 and .9.

As for the writing of detailed policy commitments in a coalition agreement, the same mechanism appears to hold empirically (see table 3.5). Indeed, coalition cabinets with a high preference overlap between partners are more likely to invest in the writing of a constraining policy agreement with clear clauses on what ministers should do in their jurisdictions. On the contrary, the more their preferences are complementary (namely, the less conflicting), the less need they find in doing so.

The story with partners' valuation of future interactions is quite different, though. For junior ministers, the hypothesis does also find support in the data (tables 3.3 and 3.4). The more likely the repetition of the current government, the less likely the use of this sort of control mechanism. As argued in section 3.3, the rationale is that parties in cabinets expecting to meet frequently are more inclined to pursue compromise policies (which will pay off in the long-term through the formation of subsequent governments) instead of succumbing to the (short-term) temptation of deviating to the individual party's ideal point. That is, partners in 'frequent' cabinets tend to take a more long-sighted view and play compromise more often, leading to the emergence of self-enforcing deals. The fact of being *self*-enforcing is precisely what makes external devices to enforce compromise unnecessary. Note that this is true empirically both for

Table 3.3: Logistic Regression Estimates (Establishment of Cross-Partisan Junior Ministers)

	(1) Robust S.E.	(1) Clust. S.E.	(2) Robust S.E.	(2) Clust. S.E.	(3) Robust S.E.	(3) Clust. S.E.
Max. Poss. Cabinet Duration	0.020 (0.010)**	(0.012)*	0.028 (0.011)***	(0.012)**	0.029 (0.011)***	(0.012)**
Cabinet Pref. Range (Polariz.)	-0.003 (0.006)	(0.008)	0.009 (0.007)	(0.008)	0.010 (0.007)	(0.008)
Preelectoral Agreement	1.255 (0.655)*	(0.891)	0.931 (0.691)	(0.848)	1.103 (0.710)	(0.894)
Permanent Committees	-2.025 (0.422)***	(1.179)*	-2.150 (0.542)***	(1.285)*	-2.109 (0.528)***	(1.232)*
Committees' Power	0.472 (0.156)***	(0.449)	0.526 (0.150)***	(0.387)	0.552 (0.151)***	(0.374)
Preference Overlap			0.852 (0.187)***	(0.286)***	1.227 (0.283)***	(0.400)***
Lik. of Partners' Interact. (MV)			-2.714 (1.024)***	(1.673)	-2.700 (0.890)***	(1.663)
*Lik. Part. Int. (MV) * Pref. Overlap*					-1.705 (0.918)*	(1.007)*
Constant	-2.950 (1.351)**	(3.589)	-3.364 (1.341)**	(3.235)	-3.620 (1.375)***	(3.180)
Observations	244		243		243	
Pseudo-R^2	0.112		0.198		0.208	

*** $p<0.01$, ** $p<0.05$, * $p<0.1$
Standard errors in parentheses

Table 3.4: Linear Regression Estimates (Share of Cross-Partisan Junior Ministers)

	(1) Robust S.E.	(1) Clust. S.E.	(2) Robust S.E.	(2) Clust. S.E.	(3) Robust S.E.	(3) Clust. S.E.
Max. Poss. Cabinet Duration	0.003		0.004		0.004	
	(0.001)**	(0.001)*	(0.001)***	(0.001)**	(0.001)***	(0.001)**
Cabinet Pref. Range (Polariz.)	0.000		0.000		0.000	
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Preelectoral Agreement	0.051		0.048		0.077	
	(0.073)	(0.144)	(0.071)	(0.124)	(0.074)	(0.120)
Permanent Committees	-0.090		-0.116		-0.108	
	(0.042)**	(0.140)	(0.043)***	(0.088)	(0.044)**	(0.083)
Committees' Power	0.020		0.028		0.030	
	(0.014)	(0.042)	(0.014)**	(0.039)	(0.014)**	(0.039)
Preference Overlap			0.057		0.107	
			(0.020)***	(0.029)*	(0.029)***	(0.029)***
Lik. of Partners' Interact. (MV)			-0.545		-0.553	
			(0.143)***	(0.227)**	(0.126)***	(0.245)**
Lik. Part. Int. (MV) * Pref. Overlap					-0.256	
					(0.128)**	(0.137)*
Constant	0.031	0.031	0.040	0.040	0.029	0.029
	(0.118)	(0.325)	(0.118)	(0.302)	(0.119)	(0.298)
Observations	242		241		241	
R^2	0.030		0.145		0.165	

*** $p<0.01$, ** $p<0.05$, * $p<0.1$
Robust standard errors in parentheses

Table 3.5: Logistic Regression Estimates (Existence of a Comprehensive Policy Agreement)

	(1) Robust S.E.	(1) Clust. S.E.	(2) Robust S.E.	(2) Clust. S.E.	(3) Robust S.E.	(3) Clust. S.E.
Max. Poss. Cabinet Duration	0.015 (0.008)*	(0.010)	0.011 (0.008)	(0.010)	0.011 (0.009)	(0.010)
Cabinet Pref. Range (Polariz.)	-0.016 (0.006)***	(0.006)**	-0.006 (0.007)	(0.011)	-0.006 (0.007)	(0.010)
Preelectoral Agreement	-0.151 (0.506)	(0.969)	-0.572 (0.493)	(0.846)	-0.610 (0.503)	(0.844)
Permanent Committees	0.183 (0.354)	(0.641)	0.616 (0.400)	(0.731)	0.608 (0.404)	(0.747)
Committees' Power	0.030 (0.117)	(0.320)	-0.031 (0.126)	(0.351)	-0.034 (0.126)	(0.348)
Preference Overlap			0.423 (0.176)**	(0.220)*	0.353 (0.246)	(0.351)
Lik. of Partners' Interact. (MV)			1.816 (0.791)**	(1.392)	1.818 (0.790)**	(1.416)
*Lik. Part. Int. (MV) * Pref. Overlap*					0.323 (0.966)	(1.090)
Constant	-1.003 (1.041)	(2.732)	-1.349 (1.103)	(2.966)	-1.329 (1.101)	(2.952)
Observations	244		243		243	
Pseudo-R^2	0.030		0.069		0.069	

*** $p<0.01$, ** $p<0.05$, * $p<0.1$
Robust standard errors in parentheses

the 0-1 establishment and for the share of watchdog junior ministers in a given cabinet.

Yet in table 3.5 the effect of the variable *Lik. of Partners' Interact. (MV)* seems to run in the exact opposite direction. Coalitions likely to form repeatedly over time are precisely those prone to write comprehensive agreements with detailed policy clauses. The positive sign and statistical significance of the coefficient estimate for *Lik. of Partners' Interact. (MV)* in model (2) appears to confirm so. This empirical finding would be inconsistent with the expectation derived from the theoretical part. It seems to be the case that precisely those multiparty governments that would observe the compromise anyway are those that generally write their compromises on paper. The question arises, why should they do so if there is no need to? The striking difference between the case of written policy programs and the allocation of cross-partisan junior ministers hints at the existence of divergent causal mechanisms behind them. A tentative explanation is developed in the next section.

The interactive hypothesis works pretty well too, although the empirical support is partial again. The (negative) effect of partners' valuation of future interactions on the likelihood of appointing watchdog junior ministers is strongest when the preference overlap is high. As suggested in the theoretical section, coalition cabinets where parties have tangential preferences are already happy with the self-enforcing decentralized outcome and have little incentive to enforce compromise policies that they do not like better; and that is regardless of how likely it is that they see their faces in other governments. By contrast, partners with overlapping preferences should be much more interested in achieving a compromise outcome. Such a compromise outcome would be already in a self-enforcing equilibrium if the likelihood of repetition was high enough, yet if it wasn't, control mechanisms such as junior ministers would be needed to enforce the compromise. The effect of the government repetition likelihood should thus be stronger under partners with overlapping preferences. Once more, that seems to work empirically for the allocation of cross-partisan junior ministers and not for the establishment of a written policy comprehensive agreement.

The coefficients of the interactions in model (3) of tables 3.3 and 3.4 do already show a statistically significant negative interaction. That is, the effect of government repetition likelihood is 'more negative' the bigger the preference overlap between partners. To ease interpretation we present the results graphically.

Figure 3.4: Interactive Effect on the Likelihood of Establishing Cross-Partisan Junior Ministers
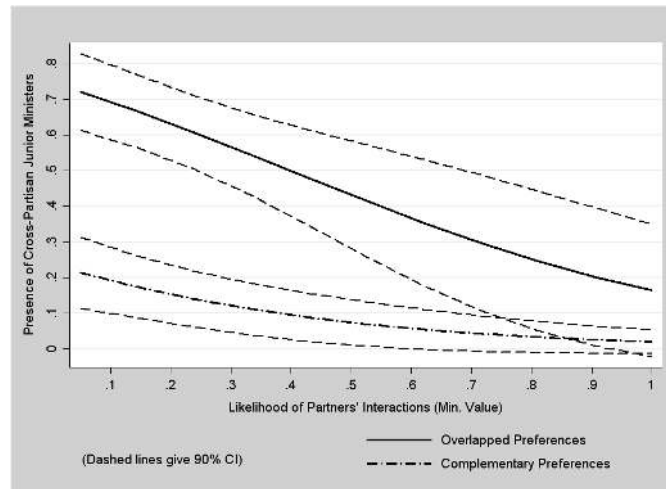
Figure 3.4 shows how do the predicted probabilities of appointing (at least one) cross-partisan junior minister(s) vary depending on how likely it is the repetition of partners' mutual interactions, for cabinets with a high preference overlap and a low one. More concretely, the variable in the horizontal axis is the above-described *Likelihood of Partners' Interactions (Min. Value)*. The predicted probabilities are generated for two groups of cabinets, one with a low preference overlap (value of the first decile of the variable *Preference Overlap*) and the other with a high one (ninth decile).[18] Clearly the slope of the curve of cabinets with a high preference overlap is much steeper than that of cabinets composed of partners with more complementary preferences, suggesting that the effect of the likelihood of government repetition is stronger for the former than for the latter. Another way to put it is that preference overlap only matters when the probability of further mutual interactions is low enough. Instead, if the latter is high, coalitions will not find it necessary to install such control mechanisms irrespective of the type of preferences of cabinet members.

The same conclusion can be derived from figure 3.5, showing the marginal

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[18]Value in the 10th percentile of the ordered distribution of *Preference Overlap* equals -1.648, while the one in the 90th is 0.994.

Figure 3.5: Interactive Effect on the Share of Cross-Partisan Junior Ministers (Marginal Effects)

(Dashed lines give 90% CI)
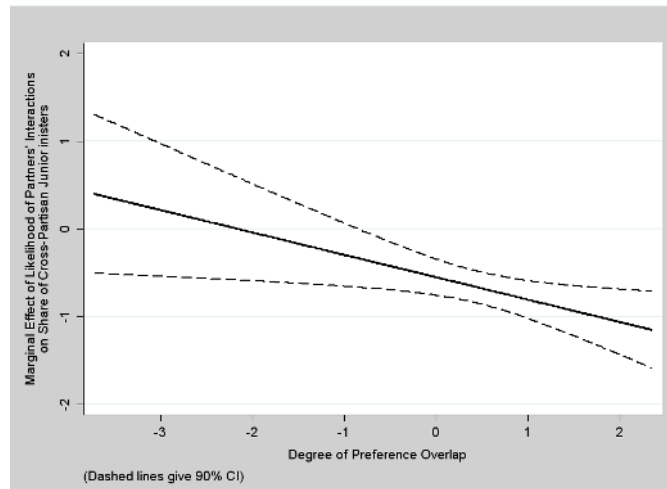
effect of *Likelihood of Partners' Interactions (Min. Value)* on the share of cross-partisan junior ministers in the cabinet as *Preference Overlap* increases.

The negative slope implies that the negative effect of partners' valuation of future interactions gets more acute as partners' preferences overlap.[19]

3.6. The Real Effect of Control Mechanisms: A Conjecture

3.6.1. The problem with enforcement: Redundant agreements?

The empirical evidence offered above invites to rethink theory. The only partial support of the hypotheses hints at the presence of causal mechanisms different than those suggested above. Actually, inductive revision of theories is one of the reasons why we do empirics, isn't it?

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[19]Figure 3.5 was produced using *grinter* Stata command and thus it plots the derivative of the predicted effect of one of the interaction terms on the dependent variable with respect to the other constitutive term of the interaction. Therefore, the y axis is not displayed in the scale of the dependent variable.

From the very start, this study builds from the conviction that coalition agreements do not emerge spontaneously or for random reasons, but from bargaining between parties. They are endogenous to the interplay of parties' calculated self-interests, so to speak. Indeed, we still think this is the case. In a way, also, this paper has further *assumed that both junior ministers and coalition agreements serve the purpose of control mechanisms between partners.* This belief builds on most of (if not all) the literature on coalition governance. (Policy comprehensive) Coalition agreements are written to guide and coordinate the decisions of multiparty cabinets making possible compromise policies that would not be attainable without them.[20] Written coalition agreements are thus thought to prevent the suboptimal policies of a compartmentalized cabinet in which each party did what it wanted in its jurisdictions without getting into the other partners' issues. However, these agreements are the script, not the play, and their effect *per se* should not be taken for granted.[21]

Previous scholarly research has found that most of the policies agreed up front in the coalition 'treaty' are finally implemented (e.g. Müller and Strom 2000; Timmermans 2003, 2006; or Timmermans and Moury 2006), or at least help in containing controversy and conflict by pre-cooking policies (Klingemann et al. 1994; Keman 2002; Timmermans 2003; Moury 2011).[22] Yet to assess the true effect of coalition agreements, the question to be answered is whether this implementation is *thanks to* writing the agreement in black and white or similar policies would have been implemented had the document been absent. For the former to be true, the agreement would have to be enforced somehow. But what makes such agreements enforceable?

Müller and Strom (2008: 164-5) put it this way: "[c]oalition agreements exist, and they are designed to cement deals that might otherwise come unstuck", yet immediately add "[a]s long as the coalition parties faithfully observe the agreement [...]". Some pages later these authors acknowledge that this sort of agreements cannot be enforced by third parties like courts of law or independent judges. Even if one partner detects the other is not being faithful to the deal, it will have no means other than *political* means to make the latter behave. As Timmermans (2006: 272) states, "[t]he principle of *pacta sunt servanda* (agreements must be observed) is noble, but it needs reciprocal control among

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[20]Recall that when the paper refers to compromise policies has in mind the optimal shaded area in the left lattice of figure 3.1.

[21]I borrow the movie terms from Müller and Strom (2008: 159).

[22]Other authors have also emphasized the intra-party function that coalition agreements may serve (Moury 2011).

coalition parties". So it appears that the range of policy initiatives to which will-be partners commit are not really binding since fulfilment and enforcement are endogenous to the coalition parties' self-interest. In other words, coalition agreements may only be observed provided that they are self-enforcing.

The problem is that the very same conditions that make detailed coalition agreements more necessary do also make their self-interested fulfilment by individual parties less likely. If it is in the best interest of parties to respect and enforce the deal (because of reputation, mutual interactions, etc.), then it was in their best interest to adopt compromise policies in the first place, regardless of the written agreement. And that makes coalition agreements lose sense as a control mechanism with a *causal* effect in keeping individual partners on compromise tracks.

So inductively we can propose a first conjecture. Formal coalition agreements are no more (no less) than written documents putting together what the multiparty cabinet *expects* to accomplish during their term in office. Note the subtlety here. According to this conjecture, coalition agreements are not written to overcome difficult situations of uncertainty, mistrust, opportunism, or preference divergence to make possible policies that would not be implemented otherwise. Due to the enforcement problems, coalition agreements can only be redundant in the sense that they write on the stone what would be done regardless.[23] So in the scenarios where the emergence of self-enforcement compromise is likely, parties will anticipate that and write a coalition agreement accordingly. In contrast, when self-enforcement compromise is unworkable parties will anticipate likely non-observance and leave explicit compromises unwritten. Put differently, the story would be that coalition agreements do not have any real effect per se, but simply echo what parties expect to do after formation. This perhaps provocative statement does certainly merit further attention, although empirical inquiries on the causal effects of these documents will be difficult: they entail the (non-observable) counterfactual of what would have been done had the written pages not been there.[24]

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[23]Note that the sort of redundancy we are emphasizing here is different than the one Müller and Strom (2008: 163-4) refer to when assessing the veto player model of cabinet governance. We label coalition agreements as redundant not simply because they ratify the veto power of each cabinet partner, but because they formally state compromises that would be reached self-enforcingly but not necessarily through vetoing.

[24]Yet given that the writing of these agreements seem to be costly, a fair question to be asked here is why would coalition partners write them if they have no independent effect? Indeed, "if coalition agreements could be of no use in constraining cabinet members and their subordinates, there would

"There are thus two strategies in government formation situations of mistrust, uncertainty and policy conflict. One is to make commitments as detailed as possible; the other strategy is to forego clear commitments and keep policy options open" (Timmermans 2006: 268). Our view is that the latter will be the choice when a decentralized coalition governance either makes self-interested parties better-off, or when the chances are that the preferred centralization will not succeed given the conditions. In such a case the allocation of rights within the cabinet will all be residual, that is, each party will have the right to do what it wants in its ministries. In fact, the same Timmermans (2006) argues that the second strategy will be chosen when parties discount future more. One way to understand this discount rate is the expected non-fulfilment of a detailed coalition treaty due to partners' low consideration for future mutual agreements.

This view is quite in line with some of the contributions of contract theory. When the scenario is one plagued with high uncertainty, low monitoring capacity, among others, then there is little incentive to cover the relevant aspects in the contract (Salanié 1997). In coalition politics, when partners have their suspicions about the others' willingness to be faithful to the agreement, then a complete contract is less feasible. An incomplete contract will be chosen in these cases instead, so that controversial issues "will not 'explode in their hands'" (Müller and Strom 2008: 175).

Given this conjecture, it would not be so difficult to understand findings like those pointed out in Timmermans and Moury (2006), who detected that "cabinets with an unusual or even unprecedented party combination, Dehaene I and Kok I, had a relatively brief coalition agreement containing a comparatively small proportion of precise intentions", with very clear examples such as the 1994 PVDA-VVD-D66 coalition in the Netherlands in which "[t]he three parties negotiated a coalition agreement dealing with issues on which the Liberals and Social Democrats were furthest apart, but which did contain less details than could be expected given their new experience in office together".

Alternatively, it may well be the case that those cabinets that did not trust in the observance of an agreement opt for other type of control mechanisms to push policies closer to the optimal compromise point. For instance, they could resort to ex post controls (e.g. junior ministers) while avoid committing to any specific policy agenda. If so, one should expect these two types of coalition

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be no reason to have them" (Müller and Strom 2008: 164). A tentative answer to this difficult point is that everything else the same coalitions write agreements if they expect to observe them because they derive sort of a 'transparency' bonus from it. However, this is surely another conjecture, and much more remains to be asked and answered on this issue.

governance mechanisms to correlate negatively.[25]

3.6.2. The (at least modest) effect of junior ministers

The next obvious question refers to the effect of junior ministers. The empirical analyses have shown that indeed those coalitions that need control mechanisms the most (namely, those that would like compromise policies but are unable to attain them self-interestedly) tend to make use of this institution. But why should policies be different thanks to having partisan watchdogs serving under ministers from different parties to shadow and monitor them from within?

According to Thies (2001: 587), "one way to rein in ministers to oblige them to toe the coalition line is to appoint junior ministers as monitors. With access to the goings-on within a ministry, JMs have the *ability* to reduce the minister's informational advantage vis-à-vis the rest of the cabinet. If JMs are appointed from different parties than their ministers, they also have the *incentive* to reveal that information, at least to their own party leaders".[26] Along the same lines, Verzichelli (2008: 259) states that junior ministers can fulfil the function of keeping tabs on and controlling their partners since "their presence can help reduce information asymmetries between the party in charge of the respective portfolio and the party nominating the junior minister". Other authors have also drawn attention to the function of junior ministers as external checks on their superiors (e.g. Müller and Strom 2000 or Manow and Zorn 2004).

Yet one may wonder about the true significance of junior ministers particularly when a veto of a ministerial proposal could also be issued in the cabinet table by another party's senior minister. Nonetheless, "a veto may make their own proposals vulnerable to being taken 'hostage'. [...] In contrast to full ministers, junior ministers are not constrained by the adversarial effects a conflict may have on their chances of advancing their own departmental initiatives" (Verzichelli 2008: 260). In other words, they may raise partisan issues with the minister and try to settle them without paying the cost a senior minister would have to. But still, junior ministers are formally subordinates to their respective cabinet members. There can be no question that "[b]ecause of the hierarchi-

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[25]In our database, the correlation between *Existence of a Comprehensive Policy Agreement* and *Establishment of Cross-Partisan Junior Ministers* is indeed negative (-0.261, significant at a 99.9% level of confidence).

[26]Emphasis in the original.

cal nature of the formal relationship between ministers and junior ministers, [...] it remains in the discretion of the former to decide whether a settlement is possible at the departmental level" (Müller and Strom 2008: 181). So, do cross-partisan junior ministers really help to push the departmental policies closer to compromise? Let's only assume that junior ministers have the power to revise the proposal of the senior minister before submitting it to the cabinet table. If after a thorough review the former rejects it, then the latter will be able to re-draft the proposal at her will and get it passed at the cabinet.[27] This is certainly a conservative view about the attributions of junior ministers. However, even in this 'at a minimum' scenario, junior ministers can indeed contribute to the objective of policy compromise.

In a backwards induction style of reasoning, we would see that the optimal action of the senior minister at the last move would be to redraft the proposal by pursuing the policy at her party's ideal point since there will be no subsequent intra-departmental obstacle. However, if reached, this policy payoff will be discounted by the time passed until the last move. Knowing this, the junior minister will evaluate the first proposal of the cabinet minister and decide whether to accept or reject it. Since the former is loyal to other partisan interests, he will prefer to delay the adoption of the policy everything else equal. *Ceteris paribus*, if the senior minister proposes a policy at her ideal point then the junior minister will reject it and induce the delay. Because she is long-sighted enough, the senior minister will anticipate the subsequent moves in her first shot and try to make indifferent the junior minister between accepting and rejecting the first proposal. As long as she finds it sufficiently important to avoid delay, she will propose a policy somewhat farther than her ideal point and closer to compromise to an extent equal to the weight that the junior minister gives to the delay. The latter will then accept a first proposal making him indifferent between a policy somewhat closer to compromise and a delayed policy equal to the ideal point of the other partner. If we believe the assumptions above, the junior minister does have an (at least modest) effect on pushing policies closer to compromise.

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[27]For the sake of clarity, female gender and male gender are assumed for the senior and junior ministers respectively.

3.7. Conclusion and Outlook

This paper has dealt with the understudied topic of the conditions under which coalition governments devise control mechanisms to ensure a centralized governance instead of a compartmentalized one. It is said that the former allows the adoption of compromise policies that make partners better-off, while the latter tends to produce suboptimal policies that simply reflect a collection of parties' ideal positions in their respective jurisdictions. The problem, though, is that compromise policies are not always easy to obtain given the strong agenda powers that each party has in their portfolios. Control mechanisms, it has been contended, facilitate the achievement of such optimal policies and thus coalitions will in general be interested in working them out.

It is the case, though, that some do and others do not. This work has argued that we should expect multiparty cabinets to install such mechanisms only under those circumstances that make them potentially necessary and beneficial. These favorable scenarios have been identified as those in which partners both i) have preferences that are not tangential enough and ii) do not value much future interactions between them. If the former condition is not met then control mechanisms are not necessary because parties already like a compartmentalized or 'logroll' policy package, while if the latter is not, then they are unnecessary because compromise policies would be attained regardless.

The emerging three hypotheses (including an interactive one) have then been tested against the data. Full support has been found for the hypothesized effects when the allocation of cross-partisan junior ministers was analyzed. However, the evidence for the writing of policy comprehensive agreements was much more ambiguous. Indeed, partners in coalitions tend to write detailed policy 'contracts' when they have broad policy interests, caring enough about all policy jurisdictions (i.e. the preference overlap amongst cabinet members is high enough) but they also tend to write them when it is likely that they repeat as coalition partners.

The partial empirical support has invited to rethink the theory. The paper has conjectured that more than using coalition agreements as control mechanisms, parties facing a high probability of compromise non-observance may avoid committing to a comprehensive policy agenda and turn to incomplete contracts instead. Since they are not enforceable externally, detailed coalition agreements may only be able to put on paper, redundantly, what would be done regardless. That casts doubts on their causal effect. In addition, parties can allo-

cate watchdog junior ministers which, it has been argued, can help push policies closer to compromise by threatening with delay in the adoption.

Certainly, these conjectures on the causal effects of these instruments merit further attention. This paper has tried to provide both a theoretical and an empirical account of the conditions under which coalition governments use control mechanisms. By trying to address these questions, some have been answered and new ones have been opened. Future research will thus need to be done, and there is every reason to believe that such efforts will help improve our understanding of coalition governance.

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Appendix

Table 3.6: Agenda Power Government vs. Parliament (adapted from Döring 1995)

Committees' Role
Is the committee stage of a bill restricted by a preceding plenary decision?
1   Floor refers the bill to committees
2   Floor decision not strictly binding
3   Floor with a weaker role (committees enabled to play a serious role in the legislative process)
Authority of Committees to Rewrite Government Bills
On which text does the floor decide?
1   House considers original government bill with amendments added
2   If redrafted text is not accepted by the relevant minister, chamber considers the original bill
3   Committees may present substitute texts, which are considered against the original text
4   Committees are free to rewrite government text
Control of the Timetable in Legislative Committees
Who decides on the timetable? Who decides on a possible reallocation of the bill?
1   Bills tabled before the committee automatically constitute the agenda
2   The directing authority of the plenary body with the right of recall
3   The committees themselves set their agenda but right of recall by plenary exists
4   House may not reallocate bills to other committees

Table 3.7: Attachment of MRG Categories to 13 Policy Jurisdictions (Adapted from Bäck et al. (2011))

Foreign Affairs
- per101: Foreign Special Rel.: Pos.
- per102: Foreign Special Rel.: Neg.
- per103: Anti-Imperialism
- per106: Peace
- per107: Internationalism: Pos.
- per108: European Com.: Pos.
- per109: Internationalism: Neg.
- per110: European Com.: Neg.

Defense
- per104: Military: Pos.
- per105: Military: Neg.

Interior/Home Affairs
- per201: Freedom and Human Rights
- per202: Democracy
- per203: Constitutionalism: Pos.
- per204: Constitutionalism: Neg.
- per301: Decentralisation
- per302: Centralisation
- per303: Gov. and Admin. Efficiency
- per304: Political Corruption
- per605: Law and Order
- per607: Multiculturalism: Pos.
- per608: Multiculturalism: Neg.

Justice
- per201: Freedom and Human Rights
- per202: Democracy
- per203: Constitutionalism: Pos.
- per204: Constitutionalism: Neg.
- per303: Gov. and Admin. Efficiency
- per304: Political Corruption
- per605: Law and Order

Finance
- per402: Incentives
- per414: Econ. Orthodoxy

Economy
- per401: Free Enterprise
- per403: Market Regulation
- per404: Economic Planning
- per405: Corporatism
- per406: Protectionism: Pos.
- per407: Protectionism: Neg.
- per408: Economic Goals
- per409: Keynes. Demand Manag.
- per410: Productivity
- per412: Controlled Economy
- per413: Nationalisation
- per415: Marxist Analysis

Labor
- per504: Welfare State Exp.
- per505: Welfare State Limit.
- per701: Labour Groups: Pos.
- per702: Labour Groups: Neg.

Education
- per506: Education Exp.
- per507: Education Limit.

Health
- per504: Welfare State Exp.
- per505: Welfare State Limit.
- per706: Non-econ. Demogr. Groups

Agriculture
- per703: Agriculture and Farmers

Industry
- per401: Free Enterprise
- per402: Incentives
- per403: Market Regulation
- per404: Economic Planning
- per405: Corporatism
- per406: Protectionism: Pos.
- per407: Protectionism: Neg.
- per408: Economic Goals
- per409: Keynes. Demand Manag.

Environment
- per410: Productivity
- per412: Controlled Econ.
- per413: Nationalisation
- per414: Econ. Orthodoxy
- per416: Anti-Growth Econ
- per501: Environ. Protect.

Social Affairs
- per503: Social Justice
- per603: Traditional Moral.: Pos.
- per604: Traditional Moral.: Neg.
- per606: Social Harmony
- per705: Underprivil. Min. Groups
- per706: Non-econ. Demogr. Groups

Public Works
- per502: Culture
- per504: Welfare State Exp.
- per505: Welfare State Limit.

CHAPTER 4. LIVE TOGETHER, DIE ALONE?

This paper argues that not all coalition governments are approached equally by voters at election time. Although it is said that voters find it more difficult to attribute blame and credit for policy-making when there is more than one party in cabinet, it is also true that coalitions can manage decision-making in different ways, shaping how the electorate can see the lines of responsibility. We adapt Duch and Stevenson's (2008) model on economic voting under multiparty governments to show to what extent different ways of deciding in each policy jurisdiction affect the signal voters receive about each coalition partner's competence. We then offer empirical evidence suggesting that those coalitions in which it is likely that each partner decides policy individually in their jurisdictions, will be also more likely to have a higher inter-partners' variance of election results, and vice versa.

4.1. Introduction

Coalition governments are said to present a problem for voters wishing to apply retrospective sanctions against incumbent parties. These types of cabinets entail a process of bargaining and compromising over policies among parties with distinctive electoral stands, which turn into the joint policy program of the government as a whole. That makes it hard for voters to identify which party to hold accountable for policy measures. However, we still know little about whether or not voters respond to such joint policy-making approaching different types of coalitions in different ways. This is the general question this paper seeks to address.

The empirical record in this regard has provided mixed evidence. It is still unclear whether or not rewards and punishments at election time depend less on changes in citizens' welfare when governments are formed by more than one party.[1] Also, the question has been raised as to why the strength of the reward-punishment mechanism varies a great deal across time and space in multi-party systems (Fisher and Hobolt 2010). One possible explanation is that the ability of voters to hold government parties accountable may depend on the specific type of coalition cabinet. Lewis-Beck (1988) has argued that economic voting is strong when governments are less complex, since complex coalitions inhibit voters ability to clearly assign of responsibility for policy performance. When the coalition is dominated by a strong party it is easier for voters to assign credit and blame compared to when it consists of a large number of smaller parties. Similarly, Urquizu (2008) finds ideologically polarized coalitions to be more accountable and attributes this pattern to the role of opposition parties, whose messages will have enhanced credibility *vis-à-vis* voters under these circumstances.

In parallel, Narud (1996) contends that if accountability is strongly related to how clear the incumbent's responsibility is, an implication is that different partners should be held accountable for different policies as long as they maintain their ideological distinctiveness within the governing coalition. She further claims that "we should expect the electoral fate of incumbent parties to vary according to differences in their policy stands, and the extent to which voters relate government policy to the programmatic commitment of certain parties".

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[1] Examples of this line of research include Lewis-Beck (1986, 1988), Bellucci (1991), Nannestad (1991), Paldam (1991), Powell and Whitten (1993), Anderson (1995, 2000), Mershon (1996, 2002), Whitten and Palmer (1999), Powell (2000), Strom et al. (2003), Bengtsson (2004), Narud and Valen (2008), or Urquizu (2008). For a review see Maravall (2010).

That poses the question of how the way decision-making is managed in the coalition affects individual partners electorally (Narud 1996: 483).

The work presented here takes over this question by looking at how uneven are the electoral fortunes of the partners of a coalition government, and whether or not that depends on the compartmentalization or centralization of decision-making in cabinet. That relates to the argument that voters assign responsibility to coalition members differentially, according to the level of authority each party is perceived to have within the government -depending on the size of the party (Anderson 2000) or the proportion of cabinet portfolios it holds (Duch and Stevenson 2008). Yet decision-making authority is not only a matter of each partner's overall amount of power. In every given policy jurisdiction, decisions can be agreed collectively by all partners or made individually by the party in charge of the related policy dimension. And that, in principle, has little to do with the strength of each party in cabinet. This is the independent variable this paper focuses on.

The intuitive idea this paper puts forward is the following. The members of coalitions that are likely to compartmentalize policy decisions to each partner individually will be also more likely to differ more in their electoral results. This should happen because, holding everything else constant, any performance differences between policy areas would be seen as the separate responsibility of the partners in charge of the jurisdictions involved in these types of cabinets, but not in more collective or compromise coalitions. It is worth mentioning that this paper does only look at the effect of coalitions' type of decision-making on within-cabinets' variance in election results, while avoids concentrating on accountability as such. Nonetheless, in the theoretical section we adapt one of the few formal models on economic voting under multiparty governments to show the extent to which different ways of managing decision-making in a coalition cabinet can shape the signal voters receive of each partner's competence and, ultimately, affect the disparity of their electoral fates.

4.2. Voters and Coalition Partners' Electoral Fortunes

Duch and Stevenson (2008) (DS) assess the conditions under which rational voters can extract information about the incumbent competence from previous movements in the economy when considering their choice in election day. In one of the few formal efforts that explore the electoral consequences of shared decision-making in executives, these authors generalize Alesina and

Rosenthal's (1995) model of retrospective economic voting allowing for the possibility that the incumbent government is a coalition among two or more parties.

Just like under a single-party executive, the performance of the economy in the DS model is directly affected by how competent the incumbent coalition government is. They assume that each party in cabinet has its own 'competence shock', which, jointly, will determine the overall competency of the government. Their intention is precisely to study the extent to which the weight of the economy in voters' behavior is shaped by the fact that policy making authority is shared amongst different parties.

The aim of this paper here is not the same, and our approach differs from theirs in several respects. We first move away from focusing on changes in the state of the economy and refer to policy decisions in general. Second, and most important, the general objective of the paper is *not* to determine how the distribution of responsibility within cabinet will condition the relevance of past performance for voters' choice relative to other factors. Rather, we want to analyze the effect of different ways to (co-)decide policy in coalition governments (with more or less compartmentalization) on the extent to which the electoral fortunes of their members differ. Third, to do that we focus only on what DS call the competency signal, whereas we do not fully specify voters' expected utility functions neither evaluate them for different alternative governments in $t + 1$. For our purpose it is enough to consider the former element and address the next question: which is the effect of the way partners share decision-making on the competence that voters perceive from each party in government? Assuming that parties' perceived competences somewhat matter for voters' behavior at the polls, the more divergent these perceptions are for the different partners in cabinet, the more the heterogeneity of their election results. Next we develop this idea formally based on the DS model.

4.2.1. Theory

So we adapt part of the DS model for 'multiple parties with a coalitional executive' (Duch and Stevenson 2008: 218-235).[2] We however make some further assumptions that will appear throughout this section to accommodate it to the specific aim of this paper.

In our adaptation we first treat performance as general policy outcomes

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[2] As far as possible we maintain their notation.

and not simply economic growth, which is what DS do in practice. We also consider different policy dimensions to allow for the possibility that different parties in government are linked to different jurisdictions. Hence, the sum of performances z in each dimension m of the policy space d attributed to government g at time t is:

$$\sum_{m \in d} z_{m,g,t} = \sum_{m \in d} \sum_{i \in g} \{\lambda_{m,i,t} \mu_{m,i,t}\} + \sum_{m \in d} \xi_{m,t} \qquad (4.1)$$

Where $\lambda_{m,i,t} \mu_{m,i,t}$ stands for the 'competency shock' in which μ refers to the competence of each governmental party i in each jurisdiction m and λ is the share of responsibility that each of these parties hold in the mentioned jurisdiction. On the other hand, $\xi_{m,t}$ represents the 'exogenous random shock' caused by the politically uncontrollable aspects that affect the results in each policy area m at time t. It is important to note that the sum $\sum_{m \in d} z_{m,g,t}$ is observed by voters, but not the competency and exogenous random shocks separately.

Now, for the sake of simplicity let us concentrate on one specific case consisting of a two-party coalition in government ($i \in \{A, B\}$) and a two-dimensional policy space ($m \in \{X, Y\}$). Then, for policy dimension X we know that the government performance is:[3]

$$z_{X,g,t} = \lambda_{X,A,t} \mu_{X,A,t} + \lambda_{X,B,t} \mu_{X,B,t} + \xi_{X,t} \qquad (4.2)$$

$$= \sum_{i \in \{A,B\}} \{\lambda_{X,i,t} \mu_{X,i,t}\} + \xi_{X,t}$$

In which voters know which has been the outcome of the government in policy X but they are not able to differentiate among the components that have caused it (i.e. parties' political competence and the non-political exogenous shock).

Let us further assume that portfolios have been allocated in such a way that party A is in charge of policy X and party B controls de jurisdiction of policy Y. Voters are perfectly informed about this distribution of office posts and will take the outcome of each policy area as a cue for the competence of the party in charge of that policy. That is, voters take the information coming from policies in jurisdiction X as a signal for party A's competence, and the same goes for

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[3]All the equations hereafter are analogous for policy dimension Y.

party B with respect to policies Y. However, and that is important, the quality of that parties' competence signal will vary depending on who actually decides and sets the policies in each jurisdiction, which can be fully the party nominally in charge of the area or jointly all the cabinet partners in compromise.

In the introduction we have stated that this paper is interested in assessing voters' electoral reaction to the incumbent coalition, and more concretely in the variability of the electoral results of partners within the cabinet (i.e. differences among coalition members). To do that, the first thing we need to know is which is voters' expectation about each partner's level of competence in the current period, given the observed policy outcomes in the dimension they control. Since voters want competent parties in office, a high expected competence attributed to one party will entail an electoral reward for it, whereas a low one will imply an electoral sanction.

Hence, for policy X we need to know the conditional expectation of $\mu_{X,g,t} = \sum_{i \in \{A,B\}} \{\lambda_{X,i,t} \mu_{X,i,t}\}$ given $z_{X,g,t} = \sum_{i \in \{A,B\}} \{\lambda_{X,i,t} \mu_{X,i,t}\} + \xi_{X,t}$. This is the conditional expectation that the voter has to figure out so as to infer party A's competence and cast the vote accordingly.[4] Following DS' assumptions on the distribution of the variables, then the best inference of $\mu_{X,g,t}$ given $z_{X,g,t}$ is just the conditional expectation:[5]

$$E\left[\mu_{A,t}|z_{X,g,t}\right] = \frac{\sigma^2_{\mu_X} \sum_{i \in \{A,B\}} \lambda^2_{X,i,t}}{\sigma^2_{\mu_X} \sum_{i \in \{A,B\}} \lambda^2_{X,i,t} + \sigma^2_{\xi_X}} z_{X,g,t} \qquad (4.3)$$

And obviously, for party B,

$$E\left[\mu_{B,t}|z_{Y,g,t}\right] = \frac{\sigma^2_{\mu_Y} \sum_{i \in \{A,B\}} \lambda^2_{Y,i,t}}{\sigma^2_{\mu_Y} \sum_{i \in \{A,B\}} \lambda^2_{Y,i,t} + \sigma^2_{\xi_Y}} z_{Y,g,t} \qquad (4.4)$$

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[4]In practice that is to say that voters' $E\left[\mu_{X,g,t}|z_{X,g,t}\right] = E\left[\mu_{A,t}|z_{X,g,t}\right]$. The latter is how we will denote the conditional expectation of interest hereafter.

[5]These authors assume $\mu_{X,g,t}$ to be the weighted sum of normally distributed random variables with mean zero and variance $\sigma^2_{\mu_t}$ and $z_{X,g,t}$ to be the unweighted sum of two normally distributed random variables (again with zero means and variances $\sigma^2_{\mu_{g,t}}$ and σ^2_ξ, respectively). Therefore, $\mu_{X,g,t} \sim N\left(0, \sigma^2_{\mu_{g,t}}\right)$ and $z_{X,g,t} \sim N\left(0, \sigma^2_{\mu_{g,t}} + \sigma^2_\xi\right)$

So the evaluation of the competence of each party in government depends on the actual result $z_{g,t}$ in the respective policy dimension, and also on what DS label the *responsibility augmented competency signal* ($\frac{\sigma_\mu^2 \sum\limits_{i \in \{A,B\}} \lambda_{i,t}^2}{\sigma_\mu^2 \sum\limits_{i \in \{A,B\}} \lambda_{i,t}^2 + \sigma_\xi^2}$).

This consists of i) the variance of the non-political shock to the final performance in each policy σ_ξ^2, in the denominator; and both in the numerator and denominator ii) the variance σ_μ^2 associated to each policy, and iii) how decision-making is split in each policy jurisdiction $\lambda_{i,t}^2$ among party A and B.

Note that the quality of the signal of parties' competence should be understood in terms of how directly voters can infer the competence of the party in charge of the policy from the results of that policy. That is, to what extent $E[\mu_{A,t}|z_{X,g,t}]$ approaches $z_{X,g,t}$. In other words, the closer the *responsibility augmented competency signal* is to one, the more the expectation of party's competence mirrors what has happened with the policy it controls.

An important caveat is in order here. Since we will only focus on the decision-making lambdas (λs), it is necessary to say that we will hold the variance in the exogenous shocks ($\sigma_{\xi_m}^2$) constant across dimensions (X and Y here). Although it is true that the influence of exogenous factors is likely to be stronger in certain policy jurisdictions (e.g. in areas such as finance or other economic affairs as opposed to other more regulatory ones), let us invoke the *ceteris paribus* condition here. In any case, the hypothesis and subsequent findings presented in this paper should be read taking that into account.

But more interestingly, note that the distribution of decision-making authorities ($\lambda_{A,t}$ and $\lambda_{B,t}$) within each policy area does affect voters' expectations over the competence of each party. Holding the variances constant, the quality of the signal varies with different λs in each policy area. For instance, if we set the variances of the political and non-political shocks to one and let the share of decision-making authority of party B to vary for policy X ($\lambda_{X,B,t} \in (0, .5)$) and for policy Y ($\lambda_{Y,B,t} \in (.5, 1)$),[6] then we can graph the response of the *responsibility augmented competency signal* in both policies as a function of $\lambda_{B,t}$ in each dimension (shown in figure 4.1).

Unlike DS, we have assumed here that voters evaluate the party in charge

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[6]Note that the lower and higher bounds of $\lambda_{B,t}$ are different for each policy dimension. The implicit assumption entailed is that in those jurisdictions the party controls through its ministries the minimum degree of responsibility of the party in charge in a two-party coalition is .5, which is the maximum share in those jurisdictions controlled by the partner.

Figure 4.1: Competency Signal and Distribution of Responsibility
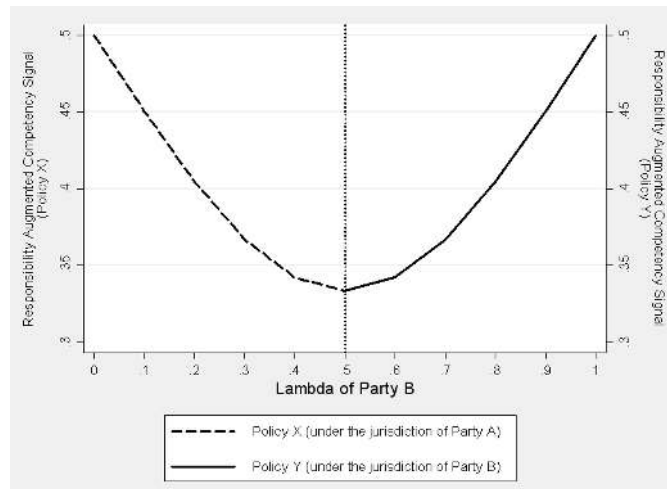
of each policy using information from that policy alone and cast their vote accordingly. As a consequence, different ways to decide in each jurisdiction either facilitate or make difficult the discrimination between incumbent parties in vote choice. We see that as decisions are made more collectively between the two parties in office, voters are led to attribute more weight to exogenous factors in the observed performance and in turn that decreases the importance of policy on vote choice.

But more than the extent to which voters' choices are linked to policy results, this paper is interested in the extent to which the electoral results of coalition partners will be more or less (dis)similar.[7] That is, whether the sanction/reward of the electorate toward the incumbent coalition will tend to be homogenous across parties or heterogenous instead. And that is certainly a relevant question. Although it is true that partners' electoral losses are not the same thing as their political survival in office, some authors have shown that (at least prime ministers') parties in coalitions leave office with a lower average loss of votes than in single-party governments (Maravall 2010). That indicates that parties' electoral fates are at least equally important in both types of gov-

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[7]Hereafter, when we mention electoral results we will be actually referring to electoral gains or losses with respect to last election results.

ernments. So the questions we aim to answer are: Does the management of decision-making in each policy area affect how uneven are the electoral results of coalition partners?

4.2.2. Main Hypothesis

If we accept the premise of this paper that voters' party choice in the next election will be affected by the competence each party has demonstrated in the current government, and that the information voters can extract about this competence comes from the results in the policy areas each party runs, then,

$$\sigma^2_{w,t+1} \propto \sigma^2_{E[\mu_{i,t}|z_{g,t}]} \tag{4.5}$$

This means we are assuming that the heterogeneity or variance of the coalition's election results w in $t+1$ will be *proportional to* ($\propto$) the variance in the competence μ voters attribute to each governmental party i once they have seen the outcome z in their jurisdictions.[8] As said, these expected competences do in turn depend on how partners manage decision-making in each policy dimension ($\lambda_{A,t}$ and $\lambda_{B,t}$). Next we show graphically the effect of the latter on the variance of electoral results, which is the dependent variable of interest in this paper. They are simulations of the variance in partners' expected competences under different values of i) performances in each dimension and ii) the distribution of responsibilities in decision-making, holding the variances σ^2_μ and σ^2_ξ constant to one.[9] That will help present the intuitions behind our argument more clearly.

The surfaces presented in the two graphs in figure 4.2 show how the variance of coalition partners' electoral results[10] vary as the results of the respective policy dimensions differ. The more this difference, the higher the heterogeneity of electoral results obtained by the parties that have shared office. But aside from this rather obvious conclusion, we are more interested in comparing the two graphs. The comparison illustrates the effect of the main independent variable of this work: the distribution of decision-making authority in each dimension. We can imagine two extreme scenarios in this respect. In the first one

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[8]What we contend here is something rather conservative. We only claim that at the very least, and keeping everything else constant, different (attributed) competences of the parties in government should result in different electoral results of these parties.

[9]The calculations are based on equations 3 and 4.

[10]Assuming direct proportionality in 4.5.

Figure 4.2: Variance of Electoral Results by Type of Decision-Making (3D)

(LEFT: Given $\lambda_{X,A} = .5$ and $\lambda_{Y,B} = .5$; RIGHT: Given $\lambda_{X,A} = 1$ and $\lambda_{Y,B} = 1$)
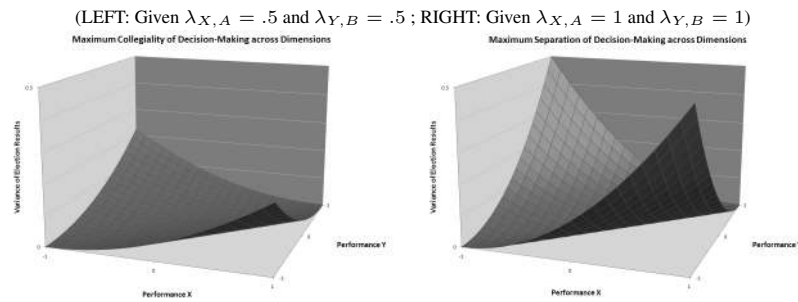
every policy is co-decided by the two parties, regardless of the specific allocation of ministerial posts ($\lambda_{X,A} = .5$; $\lambda_{X,B} = .5$ and $\lambda_{Y,A} = .5$; $\lambda_{Y,B} = .5$). In the other scenario, presented in the graph on the right, each party decides alone the policies under the jurisdiction it controls without getting into the other partner's business (formally, $\lambda_{X,A} = 1$; $\lambda_{X,B} = 0$ and $\lambda_{Y,A} = 0$; $\lambda_{Y,B} = 1$). Note that under the latter scenario the variance in electoral results is always higher for every given combination of performances. This is why the surface plot in the left graph is much flatter and the maximum value at the vertical axis in the right graph is significantly higher than in the left one (more than double). So, everything else the same, the between-partners variance of election results should be significantly higher in a cabinet where decisions are taken in a compartmentalized manner in every jurisdiction rather than in a more collegial cabinet.

A more standard two-dimensional graph conveys the same idea. Figure 4.3 holds performance constant and illustrates the idea that the more each decides alone in their policy areas (i.e. as we move right along the horizontal axis), the higher the variance of electoral results among parties. On the contrary, when policies are decided collegially in every policy area, coalition partners are more likely to receive a similar reaction from voters.

It is true that the suggested causal relationship is conditional on how different are the performances of each partner in the coalition. The higher the level of performance differential, the stronger the hypothesized effect. Nonetheless, given the complexity of the concept of performance differential and the difficulty of empirical observation, we restrict our attention to the variable decision-

Figure 4.3: Variance of Electoral Results and Type of Decision-Making (2D)
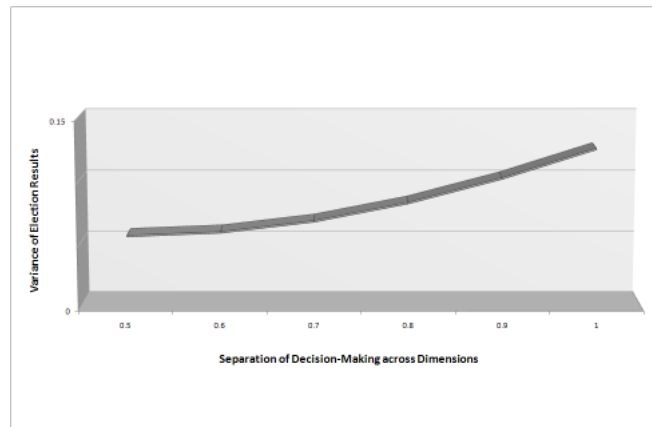
making authority in the coalition. Holding the mentioned conditional effect constant, *on average*, the way policies are decided in cabinet (with more or less compartmentalization) affects the within-cabinet variance of partners' election results. Thus the main hypothesis to be tested empirically is the following:

 Hypothesis: The more decision-making is compartmentalized in cabinet, the higher the inter-partners' variance of election results.

4.3. Data and Variables

The data used in the empirical analyses comes from Cusack et al.'s (2007) 'Parties, Governments and Legislatures Data Set'.[11] This database has the advantage of compiling information from sources such as the Comparative Manifesto Project (CMP: Budge et al. 2001; Klingemann et al. 2006), as well as offering additional data at the governmental level about formation, termination, type, membership, among others, which are absent in CMP data. The time scope of the analyses is 1944-2005 and geographically they cover governments

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[11]Publicly available at www.wzb.eu/bal/usi/leute/cusack/d_sets.en.htm#data .

of 15 West European countries.[12]

The paper first presents the analyses at an aggregate level. That is, observations are first cabinets and not individual parties. In these analyses, which directly test the hypothesis posed above, the dependent variable is simply the variance of electoral results of the parties that have formed the previous coalition cabinet.[13] Obviously, the more the variance, the more heterogenous the electoral fortunes of cabinet members, while the less the variance, the more homogenous. It is clear that the disparity of partners' election results can be due to several different reasons, including the loyalty of particular constituencies, among others. We here do not seek to explain the variation in our dependent variable in its full extent. We simply want to test wether it systematically varies according to the degree of interest compartmentalization in cabinet (our key independent variable), holding the rest constant.

In accordance to the theoretical section above, the main independent variable should be a measure of the way how the coalition government handles decision-making. That is, to what extent policy-making is decided collegially in each dimension of the policy space, which may vary a great deal across coalition cabinets. This potential variation has actually been addressed by other scholars and labeled as different 'models of decision making' (Laver and Shepsle 1994), 'models of cabinet authority' (Müller and Strom 2008), or 'forms of (fiscal) governance' (Hallerberg and von Hagen 1999; Hallerberg 2004; and Bräuninger and Hallerberg 2006). Different theories have emphasized very different aspects of cabinet authority: some stressing its decentralization, while others its centralization. To simplify, we could say that the prime example of the former is Laver and Shepsle's (1990, 1996) so-called portfolio allocation model which presumes that coalition cabinets are typically based on ministerial discretion, with parties having a considerable influence over the decision-making process in their areas of jurisdiction.[14] At the other extreme, the veto player model (developed mainly by Tsebelis 1995, 2002) implies that the agreement and consent of every partner in government is needed to produce a change of

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[12]Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, and Sweden.

[13]By electoral results we mean the variation that the vote shares of each party has undergone from election at time t to election at time $t + 1$.

[14]More concretely, Laver and Shepsle (1996) defend that the party which gets a given portfolio sets its policy, something that is stated even more clearly in a later work of these authors: "Health policy is heavily conditioned by the partisan political agenda of the minister of health, defense policy by the political views of the political party of the minister of defense, and so on" (Laver and Shepsle 1998: 34).

the policy status quo *in every dimension*.

Our whole approach builds on the consideration that variation in the way decisions are made in multiparty cabinets is indeed possible and that it actually matters for things like the electoral fortunes of their members. But of course the main problem is one of measurement. Can we identify which coalitions decide 'this' or 'that' way? Apart from some rather static codings provided by Hallerberg and colleagues (which besides concentrate exclusively on the fiscal aspect of policy-making), there is no empirical information available on the types of coalition governments in this regard. This is in part because it is extremely difficult to *observe* the actual decisional process occurred within a cabinet. Yet an alternative strategy can be to identify the conditions leading to one type of decision-making or the other in equilibrium. In the first paper of this dissertation I provided a theoretical model to unravel such conditions and, in the second one, I showed empirically that these variables actually affected coalition cabinets' behavior when deciding the type of governance arrangements to devise.

One of these variables was the policy interests of partners in office, more specifically if they were overlapping or tangential from a saliency approach point of view. Under the former, partners care sufficiently about the policies that are not under their own control relative to the ones they do control, and that makes the emergence of compromise more likely. That is, the degree of decision-making centralization in all dimensions is likely to be high. Under tangential preferences, instead, parties care only about 'their' policies and less about their partners' ones. There, partners agree on a compartmentalized cabinet where each party sets the policies it wants in those jurisdictions it controls without getting into the other partners' businesses.[15]

What we have to measure is hence how much parties in coalition governments care about different policy dimensions. More concretely, we want a variable measuring the interest partners have in a compartmentalized cabinet. This is what Luebbert (1986) called preference tangentiality, namely when issues are of differing salience to different partners -e.g. one party may emphasize cultural

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[15]In the first paper of this dissertation, I showed that this is the case simply because partners would not have any interest in achieving compromise if they are happy enough with a cabinet where every partner does what it wants in its jurisdictions. That is, if partners do care much about their own jurisdictions but not so much about the others' ones, then a 'log-roll cabinet' will be more likely. And the other way around, the more the parties are broadly-oriented in terms of preferred policies (i.e. the less single-issue they are), the more they would benefit from a cabinet implementing compromise policies, and thus the more interest they should have in sharing decision-making in all dimensions, regardless of portfolio allocation.

issues but be relatively indifferent about economic issues, while the coalition partner may weigh the issues in the opposite way (Andeweg and Timmermans 2008: 276)-. Note that tangentiality has nothing to do with preference divergence or convergence (using again Luebbert's (1986) terms). While the latter two refer to point preferences (i.e. positions), the former concerns the relative salience of issues to coalition members. That is, we hold constant how close or far apart are their ideal points in each dimension and simply look at how much they care for each one.[16] The CMP data provides the kind of information necessary to compute that partners' relative salience by dimension since it codifies the content of parties' manifestoes by classifying each quasi-sentence in different issue categories.[17]

To make sense out of the very narrow CMP categories, we established 13 new categories with greater theoretical substance in terms of policy jurisdictions, following exactly the procedure in Bäck et al. (2011). Each of these new groups contained the sum of scores in the more specific CMP categories, resulting in a party-specific overall score of saliency for each policy jurisdiction.[18] Since we needed a government-specific measure, we computed the cabinet standard deviation of these saliences for each jurisdiction and finally averaged them all to have an overall measure of the degree of interest compartmentalization in the coalition cabinet. Clearly, the higher the average standard deviation, the more tangential are partners' preferences and the more likely is a compartmentalized cabinet where each partner decides in their policy areas independently from each other. We labeled this variable *Compartmentalization*.[19]

The rest of independent variables in the analyses at the party level are the controls *Ideological Polarization* (the standard deviation of governmental parties' right-left scores),[20] *Ideological Complexion* (Woldendorp et al.'s (2000) 'Ideological Complexion of Government'),[21] and *Number of Parties* (simply

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[16]This is why we control for traditional ideological polarization in cabinet in our statistical analyses.

[17]For details see Budge et al. (2001).

[18]To do that we calculated on the 'share of salience' (relative to the overall salience) that the party gave to each specific dimension. A very similar approach is taken by Miller and Meyer (2010) in order to measure the nicheness of a party.

[19]Other authors have recently proved that there is in fact an empirical correspondence between the emphasis parties put in the different dimensions of their manifestoes and the actual responsibilities they assume in a coalition cabinet through the allocation of portfolios. See the case illustration below.

[20]As reported in the CMP data.

[21](1) Right-Wing Dominance: share of seats in government and their supporting parties in parlia-

the number of parties participating in the government). Ideological polarization has been one of the main variables with which coalitions are characterized. Different arguments have been offered claiming that more polarized coalitions either make the attribution of responsibilities more difficult or easier (see for instance Urquizu 2008). Also, the partisanship of the coalition crucially affects the type of policy decisions that are taken during the term in office. This, in turn, may shape the election results of their members and thus it is reasonable to include the ideological complexion of the coalition as a control (e.g. Narud and Valen 2008). Finally, we also introduce the number of parties as a further control just like other studies on coalitions' electoral performance do (e.g. Fisher and Hobolt 2010). These variables are included in the analyses to try to isolate the effect of the main independent variable of interest and avoid finding a mere spurious empirical relationship.

We take two additional exploratory steps and check the extent to which the main average effect holds across coalitions that are different in two respects. First, we test whether or not the effect of decision-making compartmentalization on the variance of electoral results is different depending on how conflictive has been the end of the coalition. Presumably, the nature of the coalition's termination will shape the way voters assess their partners at the polls and perhaps affect the robustness of the hypothesized effect. More concretely, we have built the dummy variable *Tumultuous Coalition* that takes the value one when the coalition immediately preceding the call for elections terminated due to 'dissension within government' or 'lack of parliamentary support', and zero otherwise.[22] These two reasons have been collapsed into one single category since they normally refer to general situations in which the coalition has suffered an interelectoral political crisis.

Second, we have divided the coalition governments for which we had data between minority and majority cabinets. This is because voters' perception of how the coalition has managed decision-making (the main independent variable

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ment larger than 66.6%; (2) Right-Center Complexion: share of seats of right and center parties in government and their supporting parties in parliament between 33.3 and 66.6% each; (3) Balanced Situation: share center larger than 50% in government and in Parliament; or if left and right form a government together not dominated by either side; (4) Left-Center Complexion: share of seats of left and center parties in government and their supporting parties in parliament between 33.3 and 66.6% each; and (5) Left-Wing Dominance: share of seats in government and their supporting parties in parliament larger than 66.6%.

[22]The other reasons for termination are 'regular elections', 'resignation of PM (voluntary)', 'resignation of PM (ill health)', 'intervention of the head of state', and 'broadening coalition'. See Woldendorp et al.'s (2000) Reason for Termination (RfT).

in our analyses) might be blurred or further complicated when the consent of parties in opposition is also needed (namely, in minority coalitions). Both the variables *Tumultuous Coalition* and *Minority Coalition* are used to calculate interactions with the main independent variable *Compartmentalization* in order to check whether the effect of the latter is significantly different in the former types of coalitions. The statistical analyses of these interactions have robustness and exploratory purposes only.

Finally, and although the empirical implications of our argument do only refer to the cabinet level and are silent about which specific party should suffer more (less) the electoral consequences of the (type of) coalition, we explore the effect of the main independent variable at the party level as well. If it is true that the degree of compartmentalization within the coalition affects the variance of cabinet's electoral results, by definition it will be the case that some of the partners win more (or lose less) votes than others. But are these differences anyhow systematic, being certain parties more (less) affected?

To examine that, we run some multilevel regressions with parties as the observations, where the dependent variable is the electoral result of each coalition partner (namely the first-difference in party's vote share: the increase or decrease of the electoral size of the party from t to $t + 1$). The characterization of each party will be according to their role in cabinet. More concretely, we have produced the dummy variable *Prime Minister Party* as this is the partner that has concentrated the most attention in studies on coalitions' electoral fates (e.g. Maravall 2010; Urquizu 2008). The task is to identify whether or not the effect of *Compartmentalization* on the variance of electoral results within the coalition is due to a systematic tendency of certain parties to gain or lose votes as a consequence of shared responsibility in decision-making. This is why we will interact the party role with the main independent variable. To avoid triple interactions we will test for the influence of *(Participation in a) Tumultuous Coalition* and *Minority Coalition* by splitting the sample. Apart from the cabinet-level controls that will be included again, we will also control for parties' size through the lagged vote share of the party in the previous elections.

4.4. Empirical Analyses

The first results we provide come from the analyses at the cabinet level. Given the bounded nature of the dependent variable (the variance of electoral results in cabinet can never be lower than zero), we estimated tobit regressions

via maximum likelihood. To provide further robustness checks and control for the possibility that there is systematic cross-country heterogeneity in electoral dynamics, we have estimated country-clustered standard errors in one specification and country fixed effects in another one, both in tables 4.1 and 4.2.

Table 4.1 shows that there is a positive relationship between the degree of interest compartmentalization in the coalition and the cabinet's variance in election results. That is, the narrower and more tangential are the preferences of coalition partners, the more their electoral fortunes differ. Indeed, coalitions with partners that specialize in narrow non-overlapped dimensions seem to lead to a greater electoral disparity between partners. In other words, the more partners care about each others' jurisdictions, the more homogenous are the variations in their vote shares. Interestingly, this effect emerges not only in the bivariate regressions but also after incorporating the set of control variables. Similarly, the influence of *Compartmentalization* is also robust to the estimation of country fixed effects.

Rather, the effect of ideological polarization within cabinet is not robust to the introduction of country dummies. In column two we see that the higher the ideological heterogeneity of coalition partners in the classical terms of polarization, the less their electoral fortunes differ. However, that effect does not survive the fixed effects' specification. Finally, the variance of coalitions' electoral results is also lower in right-wing governments (*Ideological Complexion*), while the number of parties in office does not appear to exert any further effect. So our hypothesized effect seems to find support in the real-world evidence. Next, in table 4.2 we delve into this and explore whether or not it is systematically different depending on the concrete coalition we look at. More specifically, we estimate the interactions *Compartment * Tum. Coal* and *Compartment. * Min. Coal*. The main conclusion that can be derived from this exploratory analysis is that the effect of compartmentalization on the disparity of coalition partners' election results is stronger in coalitions ended in turbulent circumstances, whereas it is weaker when the coalition does not command a majority in Parliament. It might be the case that in tumultuous coalitions the performance differential between partners was higher (which would be consistent to the model above), but it is also true that conflictive coalition termination could be due to many other reasons including strategic walkaways of certain partners, and other idiosyncratic motives. So we can do little more than verify that the main effect put forward in this paper is indeed stronger in conflictive coalitions without offering a sound explanation, something that lies beyond the scope of

Table 4.1: Tobit Regression Analyses; No interactions (DV: Variance of Electoral Results; Cabinet Level)

	Clust. S.E. (by country)		Country Fixed Eff.	
Compartmentalization	0.02224***	0.03312***	0.06372**	0.05712**
	(0.00834)	(0.00950)	(0.02446)	(0.02579)
Ideological Polarization		-0.00004***		0.00001
		(0.00001)		(0.00003)
Ideological Complexion		-0.00053***		-0.00043*
		(0.00009)		(0.00025)
Number of Parties		0.00010		0.00033
		(0.00011)		(0.00030)
Constant	0.00114***	0.00228***	-0.00281	-0.00251
	(0.00035)	(0.00050)	(0.00173)	(0.00197)
Observations	124	124	124	124
Log-pseudo-likelihood	510.375	512.921	560.959	563.234

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

this study. As for minority coalitions, it could well be that decision-making compartmentalization in cabinet was less visible when policy-making requires the support of parties in opposition. At any rate, these interactive effects vanish when a fixed effects' specification is chosen. This is hardly surprising as a good deal of the variation between minority and majority coalitions and tumultuous and regular ones occurs between countries, making the fixed effects absorb the independent influence of these two variables.

Finally, table 4.3 provides the analyses at the party level for exploratory purposes. Given that we have seen the expected effect of coalitions' compartmentalization to perform rather well in the data, we now want to know if the resulting variance in election results is due to the electoral performance of concrete parties. That is, whether or not certain types of parties systematically receive more electoral sanctions/rewards as a result of the degree of compartmentalization in cabinet. More concretely, we intend to test if the latter effect on the variation in vote shares is particularly strong for the parties that hold the premiership. The maximum likelihood estimates displayed in table 4.3 come from fitting different multilevel models with country fixed effects. The two levels are i) the party level (variables *PM Party* and lagged *Vote Share*) and ii) the cabinet level (rest of variables). The dependent variable is parties' vote share first differences, that is, how their electoral results have varied from the last election to the current one.

Interestingly, the interaction *Compartment. * PM Party* does only reach conventional levels of statistical confidence in one of the subsamples. While the influence of compartmentalization does not seem to vary systematically across parties' roles in regular coalitions (those terminated as described in footnote 22), the coefficient estimate for *Prime Minister Party* suggests that the party leading the cabinet benefits electorally from a highly centralized and collegial cabinet (i.e. zero compartmentalization) if the coalition has terminated in turmoil. However, as compartmentalization increases, the other partners start being rewarded at the polls more than the PM party, causing, as we saw above, a higher variance in the electoral results of the coalition.

Although the last analysis was not intended to contrast any specific expectation, it bears mentioning that the emerging empirical pattern is perhaps counterintuitive. One would tend to think that a turbulent end may imply an electoral sanction to the PM party specially when the decision-making process in the coalition has been centralized. In other words, one might expect that, in tumultuous coalitions, compartmentalization would dilute the responsibility

Table 4.2: Tobit Regression Analyses; With interactions (DV: Variance of Electoral Results; Cabinet Level)

	Clust. S.E. (by country)		Country Fixed Eff.	
Compartmentalization	-0.00083	0.05454***	0.07062**	0.03862
	(0.01056)	(0.01027)	(0.02981)	(0.02752)
Tumultuous Coalition	-0.00680***		0.00145	
	(0.00057)		(0.00239)	
*Compartment. * Tum. Coal.*	0.15540***		-0.02884	
	(0.01185)		(0.05203)	
Minority Coalition		0.00453***		-0.00449
		(0.00095)		(0.00295)
*Compartment. * Min. Coal.*		-0.12754***		0.06986
		(0.02344)		(0.06411)
Ideological Polarization	-0.00004***	-0.00005***	0.00002	0.00001
	(0.00001)	(0.00001)	(0.00003)	(0.00002)
Ideological Complexion	-0.00057***	-0.00054***	-0.00044	-0.00050**
	(0.00010)	(0.00008)	(0.00027)	(0.00024)
Number of Parties	0.00036***	0.00010	0.00034	0.00026
	(0.00013)	(0.00011)	(0.00031)	(0.00030)
Constant	0.00304***	0.00173***	-0.00317	-0.00041
	(0.00048)	(0.00054)	(0.00208)	(0.00222)
Observations	115	124	115	124
Log-pseudo-likelihood	474.290	515.068	522.041	565.108

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 4.3: Multilevel Regr. Anal.; With cross-level interact. (Variation of Elect. Results; Party Level)

	Reg. and Tum. Coal.		Regular Coalitions		Tumultuous Coalitions	
	All Coal.	Without Min. Coal.	All Coal.	Without Min. Coal.	All Coal.	Without Min. Coal.
Vote Share (Lagged)	-0.03685***	-0.04245***	-0.05522***	-0.06651***	-0.02006**	-0.02236**
	(0.00773)	(0.00903)	(0.01189)	(0.01398)	(0.00992)	(0.01129)
Prime Minister Party	0.00488	0.00729	-0.00289	0.00032	0.02725**	0.02925**
	(0.00762)	(0.00854)	(0.01081)	(0.01234)	(0.01121)	(0.01201)
Compartmentalization	0.01170	0.03773	0.05134	0.09343	0.04271	0.06704
	(0.09823)	(0.11234)	(0.15022)	(0.17547)	(0.14349)	(0.15653)
Compartment. * PM Party	-0.14668	-0.22105	0.14532	0.09811	-0.70897***	-0.80204***
	(0.16932)	(0.19111)	(0.24224)	(0.28132)	(0.24411)	(0.26126)
Ideological Polarization	0.00006	0.00007	0.00010	0.00009	0.00003	0.00003
	(0.00009)	(0.00010)	(0.00013)	(0.00014)	(0.00012)	(0.00014)
Ideological Complexion	-0.00011	0.00014	-0.00001	0.00058	-0.00016	0.00002
	(0.00086)	(0.00109)	(0.00131)	(0.00166)	(0.00134)	(0.00157)
Number of Parties	-0.00035	-0.00034	-0.00049	-0.00025	-0.00038	-0.00071
	(0.00086)	(0.00103)	(0.00142)	(0.00170)	(0.00111)	(0.00137)
Constant	0.00755	0.00628	0.00796	0.00369	0.00320	0.00338
	(0.00707)	(0.00888)	(0.01079)	(0.01596)	(0.00965)	(0.01056)
Observations	1740	1415	820	654	848	719
Number of Cabinets	291	244	147	123	133	114
Log-pseudo-likelihood	3536.125	2812.397	1607.379	1254.070	1825.554	1520.237

Fixed effects. Country dummies not shown

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

attributed to the PM party among all partners in office, whose visibility would be greater under these circumstances.

What we find, though, is the exact opposite trend. We can only speculate here and conjecture that voters may see matters such as coalitions' premature endings or the management of conflicts within cabinet also as 'sectorial' issues that must be handled by the head of government mainly. If so, compartmentalization would make this responsibility even more clearly attributable to the Prime Minister alone, while centralization/compromise would blur the blame of the PM party as regards the conflictive termination of the government. That may explain why the electoral sanction to this party in coalitions ended in problematic circumstances is particulary strong in compartmentalized cabinets. That, though, is beyond the scope of this paper and is just mere speculation.

4.5. A Case Illustration: The German Red-Green Coalition Cabinet (1998-2002)

Our empirical findings suggest that for voters it is a less demanding task to differentiate among coalition parties at the polls when each partner place policy emphasis on clearly different issues in a tangential fashion. This, we contend, happens because when issues are of different salience to partners, 'differences in emphasis' are transformed into a positive sum policy game by 'log-rolling' (De Winter 2002: 201). In such a scenario, coalition decision-making occurs in a compartmentalized cabinet where each partner is likely to implement party policy within its jurisdictions, which coincide with their more salient policy interests.

For illustrative purposes, Germany makes a case in point. According to Hofferbert and Klingemann (1990) and Klingemann et al. (1994), every partner in German coalition cabinets is usually able to exert great influence in certain policy areas through the control of their most salient domains. In the database we use in this paper, one of the highest values of our main independent variable (i.e. *Compartmentalization*) in Germany applies to the 1998-2002 red-green coalition government.[23] If one thinks about it, it makes perfect intuitive

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[23]Although the concrete value is below the overall mean when taking all country observations, recall that the statistical analyses above do, for the most part, include country fixed effects. It is then within-country variance what we are effectively looking at. Hence, what we are saying is that the German Red-Green coalition is one of the German coalitions with the highest degree of compartmentalization and this is why it is a reasonable example to describe.

sense. The coalition formed in 1998 between the Socialdemocratic Party (SPD) and the Green Party (Bündnis 90/Die Grüne; hereafter Greens) under Chancellor Gerhard Schröder (SPD) can roughly be characterized as a pact between a general-oriented party (SPD) and a single-issue one (Greens) with a narrower range of policy priorities (Lees 1999). The Greens were clearly attached to ecologist, antimilitarist, and pacifist origins and placed particular emphasis in these issues in the 1998 campaign without being as insistent in other dimensions (Bräuninger and Debus 2005). The SPD did of course care about these issues, but its policy interests were much broader, without particular obsession with the areas the Greens cared so much about.

Hence, the preferences within the coalition cabinet were clearly tangential and, according to our argument, a compartmentalized decision-making cabinet should have followed. A hint in this regard is given to us by the way the coalition allocated portfolios. The Greens, whose weight in the coalition was around 18% in seat share terms, obtained the Foreign Affairs portfolio and the Ministry of Environment, Nature Conservation, and Nuclear Security -both very related to their most salient interests-, as well as the portfolio of health (all in all, 19% of the cabinet posts). This pattern is very much in line with other contributions on the qualitative aspect of portfolio allocation, which find that that party programmatic priorities determine which portfolios parties aim for and most often obtain in coalition governments, both if parties' interests are characterized through static party family codings (Budge and Keman 1990) or more dynamic information drawn from electoral manifestoes (Bäck et al. 2011; or Miller and Meyer 2011). That, along with the strong German principle of ministerial autonomy, led to a compartmentalization where partners' policy profiles and actual influence on policy-making was more clearly distinguishable.

Among other factors, that distinctiveness yielded a considerable within-cabinet (inter-partners) variance of electoral results. When the 2002 elections where held, the electoral fortunes of the current coalition partners turned out to be mixed. The PM party (SPD) lost roughly 1.7 million votes (2.4% loss), whereas conversely the junior coalition member (Greens) did actually gain around 800 thousand votes (1.9% increase). This is well in line Narud's (1996: 485) claims, who argues that coalition partners' election results are vitally conditioned by the "ideological distinctiveness of the parties involved and how much their electorates expect them to maintain a separate identity in the policy space".

Obviously, this is little more than impressionistic evidence. We make no claim about the generalizability of this particular example. We simply offer it

for purely illustrative and clarification purposes. Since our measurement of the compartmentalization variable was based on the emphasis parties put on distinct policy dimensions rather than on actual decision-making or policy implementation, this German example helps explaining the logic behind the measure by looking at its correspondence with i) the actual distribution of executive responsibilities in the different policy domains (namely, portfolios) as well as with ii) the mixed electoral fortunes that coalition partners had to face eventually.

4.6. Concluding Remarks

To sum up, as we expected in the theoretical section, we can conclude that different coalitions have different electoral fortunes. Although coalition governments' accountability might be lower than that of single-party ones, the fact that coalition partners do not seem to be judged equally at the polls hints at the possibility that voters are able to attribute separate responsibilities to separate coalition parties. Interestingly, coalitions that are likely to allocate the different decision-making authorities to each partner separately rather than behave in a more collegial manner are those in which the electoral fortunes of their members differ the most.

Nonetheless, we have to raise a cautionary flag to accurately interpret the evidence provided in this paper. The causal relationship between coalitions' compartmentalization and election results is approximated empirically through an independent variable measuring the compartmentalization of partners' interests rather than of their actual decision-making. We thus acknowledge that our argument is actually that i) coalition partners that have narrow and non-overlapped policy preferences (tangential in the terms of Luebbert (1986)) are ii) more likely to compartmentalize decision-making to each specific member rather than centralize it and then iii) that causes a higher heterogeneity in their electoral results as voters will have find it easier to assign blame and credit. Although not observed here, the first step in this causality chain -from i) to ii)- is worked out formally in the first paper of this dissertation. Further, the German red-green coalition case has been provided to help illustrate this point.

All in all, this study has intended to make a contribution in at least three important respects. First, the dependent variable of this work offers an alternative to address the issue of incumbents' accountability when the cabinet is formed by more than one party. Whereas it is true that the concept of accountability requires linking performance to election results, it is also the case that such things

as governmental performance or changes in citizens' welfare are rather vague and extremely difficult to capture empirically. The conventional approach has been to look at the relationship between variations in the country's economy and the electoral fates of the incumbent (i.e. the economic voting literature). Nonetheless, without needing to concentrate on the economy alone, the alternative this paper proposes is to concentrate on the variance of electoral results within the coalition cabinet. We have argued that compartmentalization makes easier the assignment of responsibilities to coalition partners, and that, keeping the rest constant, should be reflected in how different are the electoral results of cabinet's members. Hence, instead of taking the link between the economy and the overall electoral gains/losses of the government as the dependent variable, we simply claim that *ceteris paribus* a higher variance of partners' electoral fortunes suggests a clearer assignment of responsibilities as long as it responds to the way partners themselves compartmentalize or centralize decision-making within cabinet. That can be seen as a contribution to the scholarly literature on coalition governments' accountability.

Second, this paper has provided an additional way to characterize coalition governments ideologically, alternative to polarization. Taking over Luebbert's (1986) categorization of coalition partners' interests, we have provided a quantitative and continuous measure to account for tangentiality as opposed to overlap in cabinets' preferences. That is, based on CMP data, we have built an index to measure to what extent issues are of differing salience to different partners instead of caring about the same dimensions. The latter has been argued to provide partners with stronger incentives to share decision-making responsibility in every policy jurisdiction. But beyond our concrete application, this is an interesting measure to be taken into account for many other purposes when characterizing the preferences of coalition governments.

Third and last, the paper has offered a theoretical contribution by seeing decision-making responsibilities in coalition governments as not only related to how many cabinet seats or which ministerial posts they hold. We claim that another important dimension to bear in mind is the way coalitions have to make decisions in each policy jurisdiction: more collegially or in a more decentralized/compartmentalized manner. In the former, policies' decision-making is shared among all partners, whereas in the latter each partner is responsible for the jurisdictions they control alone. It is then intuitively plausible that this potential variation between coalition cabinets will affect how voters evaluate coalition partners at the polls. That, this paper argues, provides one possible

answer to why different coalitions are approached differently by voters when it is election time.

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CHAPTER 5. GENERAL CONCLUSIONS

The main purpose of this dissertation has been to provide a theoretical and empirical contribution to the debate about the causes and consequences of coalition governance. Governments that include multiple parties in cabinet have been said to decide in various very different ways. At one extreme, one could think of a model where each coalition partner decides its own policies in the ministerial jurisdictions it controls. The policies of such a cabinet would reflect a collection of parties' ideal points since each partner would decide autonomously in its portfolios. At the other extreme, by contrast, coalition cabinets can be seen as arenas where policy authority is centralized. Here, policies would be decided and implemented collectively, reflecting some kind of convex combination of parties' preferences in all dimensions (regardless of who has obtained which portfolio). We have labeled these two extremes as compartmentalization and compromise, respectively.

These two (certainly ideal) types of coalitions' decision-making models have generated a long debated controversy in political science. While some assumed coalition governments to work in a compartmentalized way, others emphasized compromise as the main feature of these cabinets. Most often, though, the debate has been assumed away, without addressing the possibility that variation may exist across coalitions. As anticipated in the introduction, this has been precisely the aim of this dissertation: to transcend these assumptions and assess both the causes and consequences of this variation in coalitions' governance.

During the dissertation, this question has been tackled from three different sides and, accordingly, through three different papers. The first thing we believed was needed was to provide a rigorous theoretical account of this variation. Under which conditions should we expect one model or the other to be more likely in the first place? This is what we did in the first paper, which has presented a formal model where cooperative and defective equilibria represent

a compromise and a compartmentalized cabinet, respectively. The combination of parameters that led to one or the other has been useful to identify the circumstances under which each one should be expected and to propose a series of testable implications that would be worth contrasting against the data.

Second, we have embarked on the empirical enterprise. While the way coalition governments decide is something extremely difficult to observe, an indirect test of the predictions of the theoretical model has been done through the analysis of the control mechanisms that coalition partners envisage at the stage of government formation. Anticipating whether a compartmentalized or a compromise cabinet would be in a self-enforcing equilibrium if no further external devices were included, partners judge to what extent the inclusion of control mechanisms is cost-beneficial. That is, when partners would prefer a compromise cabinet but foresee a compartmentalized one, then control mechanisms such as policy comprehensive coalition agreements and cross-partisan junior ministers are expected. This second paper can either be read as an indirect test of the theoretical variation in the first paper or rather as an empirical investigation of one of the consequences of this variation.

The study of the electoral effects of different types of coalition governments has been undertaken in the third paper. Varying forms of coalition governance are likely to have important consequences in several respects, including elections. This is in fact one of the reasons why it is important to study the question this dissertation addresses. In this third paper we have argued that the variance in coalition partners' election results responds, among other more idiosyncratic reasons, to how compartmentalized are the interests of coalition partners and thus to which is their (likely) way to go about deciding policy. The paper has shown that there is indeed an empirical correspondence between the type of coalition cabinet and the difference in the election results of their members.

These three papers constitute the main body of the dissertation. Despite its three-paper compilation structure, it has been thought of as a common research project, where variation in the type of coalition governance lies at the heart of the whole thesis. Before closing up with a general reflection on what has been learned in the end and what still has to be, next we very briefly summarize what we think are the main contributions of each paper.

5.1. A theoretical model we did not have

Instead of assuming away the problem of variation in coalition governments' decision-making, the paper has offered a theoretical model to understand it. To our knowledge, such a model applied to coalition politics had not been worked out formally to date. For sure, we are not claiming that it is 'The' model to understand how coalition governments decide in general, but one that addresses a variation that has seldom been taken into account. We have claimed that coalition governments may not be able to choose the type of governance model they prefer (compartmentalization vs. compromise), but that they actually end up in certain decision-making outcomes self-enforcingly once they have allocated portfolios. That is, the difference between our outcome-based approach compared to a choice-based one is that in the former coalition governance is the result of individual parties' self-interested decisions in equilibrium, and not collective choice. We think this is *per se* a relevant contribution in the field.

The resulting formal model nests the two potential decision-making models into a prisoner's dilemma. We have shown how, in a one-shot scenario, the equilibrium is always compartmentalization, where both parties simultaneously face the incentive to defect from a compromise and push policy toward their own ideal point in their ministerial jurisdictions. However, modeling the legislature as a (potentially) infinitely repeated playing ground, we have identified conditions under which self-enforcing compromise is possible. Partners' type of policy preferences (broad vs. niche), ideological divergence, bargaining power, and valuation future repetition have emerged as important determinants of the likelihood of compromise.

In this paper we have finally acknowledged that the empirical test of its propositions is indeed challenging. The hypothetical empirical dependent variable would have to capture the way decisions are made in a coalition. This is obviously hard to observe. Nonetheless, several alternative possibilities have been pointed out. Previous studies have shown that coalition cabinets make use of certain mechanisms to facilitate partners' mutual control and the implementation of compromise policies. If the parties in a coalition are able to get at their preferred equilibrium self-enforcingly, then no control mechanisms seem necessary. However, when the self-enforcing outcome does not coincide with their preferred cabinet, parties may want to resort to these types of mechanisms. We have claimed that checking this intuition empirically would be an interesting al-

ternative to test the implications of the formal model. We believe this proposal is a contribution in itself and is in fact the one we take up in the second paper.

5.2. An alternative account of coalition control mechanisms

The second paper of the dissertation has offered an empirical contribution to understand under which conditions coalition governments install control mechanisms to facilitate the adoption of compromise policies. We have contended that control mechanisms will be necessary when the self-enforcing equilibrium does not coincide with partners' preferred outcome. That is, when coalitions would end up in a mutual defection scenario though they would better like mutual compromise. This is when, it has been argued, control mechanisms will be more necessary and thus their presence more likely.

Consistent to the theoretical model in the first paper of the dissertation, we have found empirically that coalitions tend to work out these control mechanisms when the alignment of partners' preferences is characterized by overlap instead of tangentiality and when their repetition as partners is more likely. However, while the allocation of junior ministers conform to this pattern, the writing of detailed policy agreements does only partially. It seems to be the case that the most sporadic coalitions are precisely those that try to avoid (or are unable to) writing comprehensive policy 'contracts'.

Hence, one of the implications and contributions of this paper is that the role of coalition agreements for partners' mutual control might be worth reconsidering. Parties lacking trust in their cabinet partners' willingness to stick to compromise may avoid committing to a comprehensive policy agenda and, instead, opt for more incomplete contracts. Given the problematic external enforcement, detailed agreements may only be a (redundant) reflection of what would be done regardless. This perhaps provocative conjecture contributes to the debate on the field by inviting to rethink which is the true role of coalition agreements, something that certainly deserves further investigation.

More generally, the second paper of the dissertation has also offered a contribution by trying to identify the conditions under which control mechanisms are more likely in these multiparty governments. While most studies have typically addressed this question descriptively, this paper has tried to offer an analytical account and empirical test of the variation that exists across coalition governments in this regard.

5.3. A different view on coalitions' electoral performance

The third paper of the dissertation has looked at another side of the story: the voters. When a coalition government forms, multiple parties have to share the cabinet table and adopt different polices, and they can do that following different decision-making models -this is, as recurrently emphasized, the leit-motif of this dissertation-. But in any case all of them will have to face voters' judgement in election time, regardless of how they have handled the adoption of decisions.

This paper has claimed that those coalitions that are likely to distribute the different policy-making authorities to each partner separately (rather than more collegially) are also more likely to end up with a greater disparity in partners' election results. This in itself provides an alternative view of coalitions' electoral performance, by looking at cabinet-level variance of their election results rather than at their overall gains or losses.

We have shown that there is indeed an empirical correspondence between the alignment of parties' policy profiles in the coalition and their election results. It has been argued that partners' preference tangentiality makes it easier for voters to identify who is responsible for which policy, leading, *ceteris paribus*, to a higher election results' variance. This can be read as a contribution to the academic debate on coalition governments' accountability.

In line with the general purpose of the dissertation, the third paper has emphasized that the handling of decision-making responsibilities in coalitions do not simply respond to the size of each partner or the number of portfolios they hold. In parallel, there is the issue of who effectively decides in each jurisdiction. Are decisions collectively made or does each partner decides alone in the policy areas it formally controls? This paper has argued that this variation is likely to have important consequences for the electoral fortunes of each party in the coalition. That may in part explain why not all coalitions are approached equally by voters. Therefore, with this paper we hope to have proved that the variation this dissertation looks at is not only important theoretically but also relevant in terms of its electoral consequences.

5.4. What we have learned (and what we still have to)

Overall we have learned that it is necessary to think about variation in the way coalition governments make policy. From the theoretical point of view, we

have shown that it is possible for both a compartmentalized and a compromise cabinet to be in a self-enforcing equilibrium. The prevalence of one or the other will depend on a number of conditions. It is hence theoretically valuable to account for this variation without needing to assume that coalition cabinets work one way or the other.

Along the dissertation we have also learned that this variation is relevant for several reasons. Aside from the contribution to the theoretical debate, we have argued that these decision-making equilibria have consequences both for how coalition partners decide to keep tabs on each other and for their eventual electoral fortunes.

We have used empirics to test the hypotheses put forward in the second and third papers, but also to offer a couple of measurements of two important features of coalition governments. First, we have provided an additional way to characterize governments ideologically, alternative to the well-known polarization. Partners can be more or less close ideologically, but they can also differ in another respect: their relative salience for different issues. That is, issues can be of different salience to the different partners or rather they can care equally intensely about the same issues. This degree of preference tangentiality (or its flip side, overlap) has been measured with information coming from parties' platforms, and a cabinet-level variable has been produced in the two empirical papers.

The second characteristic of coalition governments that has been measured empirically refer to how regular or sporadic is the formation of a given coalition. In the literature on the field there are plenty of arguments that stress the importance of inter-parties' trust, incentives to build reputation, valuation of future interactions, etc. We have offered an empirical measure to approximate these sorts of questions by looking at how likely is for each coalition member to find the same partners in other governments.

We have shown that these two variables seem to matter for the explanation of control mechanisms in coalitions, while preference tangentiality appears to shape the electoral fortunes of their members as well. But beyond our concrete applications, these variables can be taken into account for many other purposes. They are likely to have great explanatory power to understand other phenomena related to coalition governments, such as portfolio allocation, the adoption of concrete policies, the nature and timing of termination, etc. These are just some of the possibilities that could be taken up in future research on the field.

Further studies will also need to address the questions this dissertation

leaves open. In the first place, the definition of compromise policies will need to be endogenized. This dissertation intends to account for the likelihood of mutual cooperation versus mutual defection between the parties sharing office, without making these cooperative (compromise) policies endogenous. We have left this task for other future works.

Secondly, other studies should also look at the effect of the independent variables in the second paper on control mechanisms different than junior ministers and coalition agreements. Also, the latter's nature as a *control* device might require reconsideration in light of the evidence presented. Policy comprehensive coalition agreements could be interpreted as complete contracts to which partners might not want to commit if they anticipate problematic observance. Under these circumstances, coalitions may use incomplete contracts or no contract at all, precisely to avoid writing black and white compromises whose fulfillment is not self-enforcing.

Also, the validity of the two empirical measures mentioned above will need to be assessed in greater detail. Likewise, it would be interesting to check how they relate to other more traditional variables used to characterize the nature of coalition governments such as, for instance, ideological polarization.

Finally, the dependent variable of the third paper -the variance of partners' election results- deserves to be applied in other studies. To what extent the electoral fortunes of coalition partners are homogenous or more mixed is a rather important question that merits further attention. Similarly, the study of coalition governments' accountability could henceforth look at the effect of the way coalition partners handle decision-making and at the extent to which the narrowness of partners' policy profiles influence how voters are able to assign responsibilities for policy-making in a multiparty context where it is difficult to do so.

More generally, the key variation this dissertation has looked at is likely to have consequences for other phenomena related to coalition governments. At the very least, with this dissertation we have tried to place coalition governance types at the center of the academic debate in the field, by addressing their potential variation. We will conclude with the well-worn ending that future research is needed. Indeed, we think variation in coalition governance forms opens appealing avenues to do so.