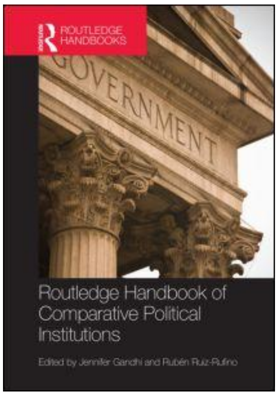

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COALITION FORMATION AND POLICYMAKING IN PARLIAMENTARY DEMOCRACIES

Lanny W. Martin and Georg Vanberg

Introduction

The majority of the world's advanced industrial democracies are parliamentary systems, and in most of those, coalition government is the norm. Thus, it is not surprising that understanding how coalition governments come about, and how they operate, has been a primary focus of comparative scholars. Until recently, most studies in this area focused primarily on the formation and dissolution of multiparty governments, rather than on the behavior of coalition partners between those events. Moreover, they adopted what was, in essence, an "institutions-free" approach to explaining coalition bargaining. Following the advent of "new institutionalism" in the 1980s, researchers began to consider the role of institutions in coalition politics more seriously, particularly with respect to coalition formation. Soon thereafter, scholars turned their attention to the policymaking process between the birth and death of coalitions. In these accounts, institutional structures at the executive and parliamentary levels play a central role. In this chapter, we survey key findings regarding the impact of institutions on coalition politics, focusing on government formation and the subsequent policymaking process.

Institutions and coalition formation

In one sense, institutions have always been at the heart of coalition research. After all, were it not for the constitutional rule that governments must maintain the confidence of a legislative majority, along with proportional electoral rules that virtually ensure that no single party controls a majority of seats, there would be no need for coalitions. However, most early accounts of coalition formation placed little explicit emphasis on the role of institutions. Relying primarily on the tools of cooperative game theory and spatial modeling, these studies produced "institutions-free" hypotheses about the impact of size, ideology, and incumbency on coalition formation. For example, the seminal contributions of Gamson (1961) and Riker (1962) focus only on the desire of political parties to acquire the benefits of office. Their well-known prediction is that only coalitions of minimal winning size—i.e. majority coalitions containing no unnecessary parties—should form, since these governments allow coalition partners to maximize office benefits.[1]

As Laver and Schofield (1990) note, the inability of pure office-seeking theories to explain a large number of governments that form—i.e. minority governments and surplus majority governments—led coalition scholars to incorporate policy considerations into their explanations. Axelrod (1970) and De Swaan (1973), for example, argue that coalitions are more likely to form if they consist of parties that are ideologically compatible. Laver and Schofield (1990) predict that governments are likely to include the median party (since its position is majority-preferred to all others in a unidimensional policy space), while minority governments are more likely if the opposition is ideologically divided.

Although incorporating policy considerations improved the predictive accuracy of coalition theories, their success rate, as Franklin and Mackie (1983) pointed out, was still modest. They argued that previous work failed to account for past experience: While parties may prefer small, ideologically compact coalitions, they also prefer partners with whom they have worked successfully in the past. This led to the prediction that an incumbent coalition should be advantaged in future negotiations (see also Warwick 1996). Expanding on this work, Martin and Stevenson (2010) argue that the advantage conferred on the incumbent coalition is conditional on how the government terminated and its electoral performance, an argument for which they find strong empirical evidence.

All these theories, which highlight the size, ideology, and incumbency status of prospective coalitions, did not explicitly consider how political institutions might impact coalition bargaining. With the emergence of the "new institutionalism," this began to change. As Martin and Stevenson (2001) point out, these new-institutionalist theories of coalition formation can be classified into two groups: (1) those that focus on institutions that directly affect the formation process, and (2) those that focus on institutions governing policymaking after formation (which may affect formation because prospective coalition partners anticipate the effects of these institutions).

Within the first group, scholars emphasized three features of the coalition bargaining process. One is the presence of a formal *investiture requirement*, which obliges a coalition to survive a majority vote in the legislature before taking office. Strøm (1990) suggests that minority governments are more likely in the absence of an investiture requirement. The argument is that minority governments are forced to rely on the support of parties in the opposition to govern. One strategy they can use to overcome this challenge is to build ad hoc legislative coalitions on an issue-by-issue basis. To pass an investiture vote, however, a government must gain opposition support on its *entire* policy package (typically enshrined in a coalition agreement or government program), which may be difficult to do. Although the argument is plausible, it is not immediately clear why a minority government could not simply "water down" its program or avoid discussion of controversial issues altogether if doing so is critical to securing opposition support. Empirically, the impact of the investiture rule is also not clear. While Martin and Stevenson (2001) find that the need for an investiture vote decreases the probability of minority government, analysis of an expanded dataset finds no such effect (Martin and Stevenson 2010). In short, the importance of the investiture requirement for coalition formation is not settled theoretically or empirically.

Another bargaining institution that has been considered is the *continuation rule*, which allows an incumbent government to remain in office after an election without any formal action. The expectation is that such a rule should privilege the incumbent administration over other prospective coalitions.[2] Martin and Stevenson (2010) examine this possibility empirically, and demonstrate that the continuation rule increases the odds that an incumbent government will re-form after an election, assuming that it did not terminate due to conflict. Thus, the continuation rule, unlike the investiture rule, does appear to have a direct effect on government formation.

A third institutional feature believed to affect coalition bargaining concerns the role of the *formateur*—the individual (usually a party leader) charged with leading coalition negotiations.

In seminal work, Baron and Ferejohn (1989) (BF) model government formation as a noncooperative bargaining game in which an exogenously recognized formateur makes take-it-or-leave-it proposals to prospective partners. Because the formateur has monopoly proposal powers, his party should have a marked advantage in bargaining. Specifically, the BF model (as well as its many variants) predicts that the formateur party will get into government and extract a disproportionate share of cabinet ministries (relative to its voting weight).

In recent years, scholars have challenged the underlying premises of models in the BF tradition. For example, Laver *et al.* (2011) argue that the idea of a randomly selected formateur who can make take-it-or-leave-it offers is "a figment of the modeler's imagination" (296). Instead, they argue, government formation is a product of private negotiations by sophisticated politicians. Partly in response, other approaches have relaxed some of the BF assumptions. For example, in the alternating-demands model of Morelli (1999), the formateur party does not enjoy the exclusive right to make cabinet proposals. Rather, it is the "first mover" in a game in which parties sequentially demand a share of ministries. The formateur party is able to guarantee its place in the coalition but is unable to extract a disproportionate number of ministries. Bassi (2013) models a formateur who emerges endogenously prior to formal coalition negotiations. As in the Morelli model, the formateur party does not receive extra cabinet posts and it is able to get into the government, though not because it enjoys a first-mover advantage, but because it is a member of the "proto-coalition" that has agreed to start the bargaining process. The empirical evidence for a formateur advantage is negligible. Given inadequate data on the initial formateur's identity, there has been no systematic analysis of whether the party chosen as the *initial* formateur is more likely to get into government.[3] There has, however, been significant work on whether the (final) formateur is able to extract a "bonus" in terms of cabinet ministries. The overwhelming conclusion is that the formateur party is unable to gain a disproportionate share of cabinet seats.[4]

Scholars have also highlighted two features of the institutions that structure policymaking *after* a government takes office that may have anticipatory effects on coalition bargaining. The first, identified by Strøm (1990), relates to the policy influence of opposition parties. Strøm argues that in legislatures with strong committee systems—which he defines as systems with specialized committees corresponding to government ministries, with non-overlapping memberships, and proportionally distributed committee chairs—minority governments should be more likely. The logic is that, in such systems, parties have fewer incentives to join a government, since they can wield policy influence from the opposition benches. Thus, where strong committees exist, opposition parties are more likely to "tolerate" a minority government, particularly in situations in which being in government might result in electoral losses.

This explanation hinges on the assumption that opposition parties enjoy policy influence that rivals that of parties in the government. However, recent work challenges this assumption. Martin and Vanberg (2011, 2014) demonstrate that opposition parties in some of the strongest committee systems in Western Europe—those of the Netherlands, Germany, and Denmark—are unable to force greater scrutiny of, or change to, government initiatives they most oppose. Nonetheless, there has been some empirical support for the argument that opposition influence affects formation outcomes, though its impact appears sensitive to model specification (see, e.g. Strøm 1990: 83; Mitchell and Nyblade 2008: 225–27).

A second aspect of post-formation policymaking on coalition bargaining—the influence of cabinet ministers—is central to the "portfolio allocation" approach of Laver and Shepsle (1996) (see also Austen-Smith and Banks (1990)). They argue that ministers enjoy informational and agenda-setting advantages that allow them to act as "policy dictators" on issues that fall under their jurisdiction. Given anticipation of the policies that result, Laver and Shepsle argue that "strong parties" (which tend to be larger parties that hold the median position on multiple policy dimensions) should be more likely to get into the cabinet, perhaps even as a minority government. While considerable work casts doubt on the premise that ministers are policy dictators (see the following), there is empirical support for the contention that strong parties are more likely to get into government (Martin and Stevenson 2001), which suggests that parties believe that ministers have influence on policymaking, even if they are not "policy dictators."

In short, one of the most significant developments in coalition research over the last 20 years has been to incorporate the effects of institutional structures into theories of coalition bargaining. This "institutional focus" has been even more important in the study of how coalitions govern *after* they take office.

Coalition governance as a principal-agent problem

After a coalition assumes office, "governance" in the strict sense of the word begins. Existing policies must be administered, and new policy initiatives must be drafted, and shepherded through the legislative process. This process unfolds over time and—crucially—in the shadow of a future election. The prospect that policymakers can be held to account at the ballot box is, of course, fundamental to the theory of democratic governance (Riker 1980; Powell 2000), and all governments that are subject to an electoral sanction can be expected to adjust their policymaking activities to anticipated voter reactions, at least at the margins. However, for coalition governments, expectations of future elections create a special set of tensions that are largely muted or absent under single-party government. These tensions derive from the fact that coalition governments must make policy *jointly* but will be held to account by voters *separately*.

This implies that coalition parties are playing a "mixed-motive" game. On the one hand, voter perceptions that coalition parties are unable to pursue a coherent policy program are likely to be harmful to their electoral fortunes. As a result, some level of cooperation—especially a willingness to look for workable compromise positions—is required to govern effectively. On the other hand, party leaders are aware that compromise can also be costly electorally. Parties target separate (though potentially overlapping) constituencies, characterized by different policy preferences or priorities. In consequence, parties have strong reasons to distinguish themselves from their partners, and to send credible signals to their constituencies that they are effective advocates for their concerns. Being perceived as too ready to endorse policies that depart significantly from the preferences of core constituencies can incur the displeasure of voters who believe that party leaders have "sold out" in order to reap the perks of office (Laver and Schofield 1990: 24). Indeed, Fortunato (2013) has shown that voter perceptions that coalition parties are too much like their partners generally result in a loss of votes at the next election.

Put differently, parties that participate in coalition face incentives to "jockey for position," and to distinguish themselves from their partners. The political process affords them a number of opportunities for doing so. One avenue is legislative debate. As Martin and Vanberg (2008) argue, parties can make use of parliamentary debate on bills to argue that they negotiated a favorable compromise, and to justify the resulting policy to their supporters. Doing so becomes more important the more divisive the bill for the coalition and as elections approach. Drawing on debate data from the Netherlands and Germany, they demonstrate that coalition parties engage in significantly longer debates on divisive bills, and that this tendency increases in the period leading up to elections.

More significant than participation in legislative debate, the drafting and implementation of legislative initiatives also provides opportunities for parties to engage in "position-taking."

Policymaking in modern democracies is highly complex, wide-ranging, and voluminous. As a result, cabinets cannot develop policy "as a group;" it is impossible for ministers to develop policy expertise in all relevant areas, and to take up each initiative in detail during cabinet meetings. Instead, drafting legislative initiatives involves delegation: the development of policies (and their implementation) is devolved to executive ministries (Laver and Shepsle 1994, 1996).

This central role of ministers in drafting legislation raises a potential problem for coalition governments. Ministers may be tempted to take advantage of their privileged position to "shade" proposals towards positions that favor their own party's electoral fortunes. We refer to such behavior as "ministerial drift." Sometimes, ministers may engage in ministerial drift in hopes of actually securing a policy outcome that is more desirable than the coalition compromise. But given significant media attention surrounding the unveiling of a ministerial draft bill, even a minister who expects that proposed bills will be significantly reshaped before they are adopted has incentives to employ draft bills as position-taking tools (Martin and Vanberg 2011: 13).

All of this implies that coalition governance resembles a principal-agent problem. Coalition parties, as principals, are forced to delegate policymaking to individual ministers. Ministers act as agents for multiple principals, and their preferences correspond to those of one principal (their own party), but typically diverge from those of other parties.

Confronting ministerial drift

There are two ways in which coalition governments can respond to this problem. The first is to accept that ministers exercise considerable discretion in drafting and implementing policy. This is the underlying logic of the "portfolio allocation approach" outlined previously. Ministers are treated as policy dictators within the areas under the jurisdiction, and thus, the policy pursued by a coalition will simply be the dimension-by-dimension intersection of the ideal points of the ministers who hold cabinet positions. The policies that coalitions agree to, and the drafting and implementation of those policies, are fully incentive-compatible. In landmark contributions, Austen-Smith and Banks (1990) and Laver and Shepsle (1996) use this approach to develop powerful theories of coalition formation.

At the same time, accepting ministerial autonomy is costly. The policies that emerge from "ministerial autonomy" are typically Pareto-inferior to policies that represent genuine compromises between the positions of the parties (Thies 2001; Martin and Vanberg 2004, 2011). Figure 13.1 provides a simple example, using the familiar two-dimensional illustration of the portfolio allocation approach. Consider two parties, *A* and *B*, characterized by ideal points $x_A y_A$ and $x_B y_B$. Under the portfolio allocation approach, two policy outcomes are consistent with a coalition formed by *A* and *B*. If party *A* receives the portfolio with jurisdiction over Dimension 1, and party *B* the portfolio with jurisdiction over Dimension 2, the policy outcome will be $x_A y_B$. If the parties switch portfolios, policy shifts to $x_B y_A$. As Figure 13.1 illustrates, there are many policies that are preferred by both parties to the latter scenario: All policies inside the intersection of the parties' indifference curve through $x_B y_A$, including the point *X*, are Pareto-superior.

Yet, in agreeing to pursue a genuine compromise—such as at *X*—parties are confronted with the tensions created by the coupling of ministerial discretion with separate electoral accountability. To implement *X*, each party will have to develop policies that deviate from the party's preferred policy on the relevant dimension. Ministerial drift thus poses a potential threat: Ministers may attempt to take advantage of their informational advantage, and their agenda-setting powers to "shade" policy in their favor. In order to pursue genuine compromises, coalition parties must therefore develop mechanisms that constrain the ability of individual ministers (representing their parties) to undermine them. Doing so requires two things:

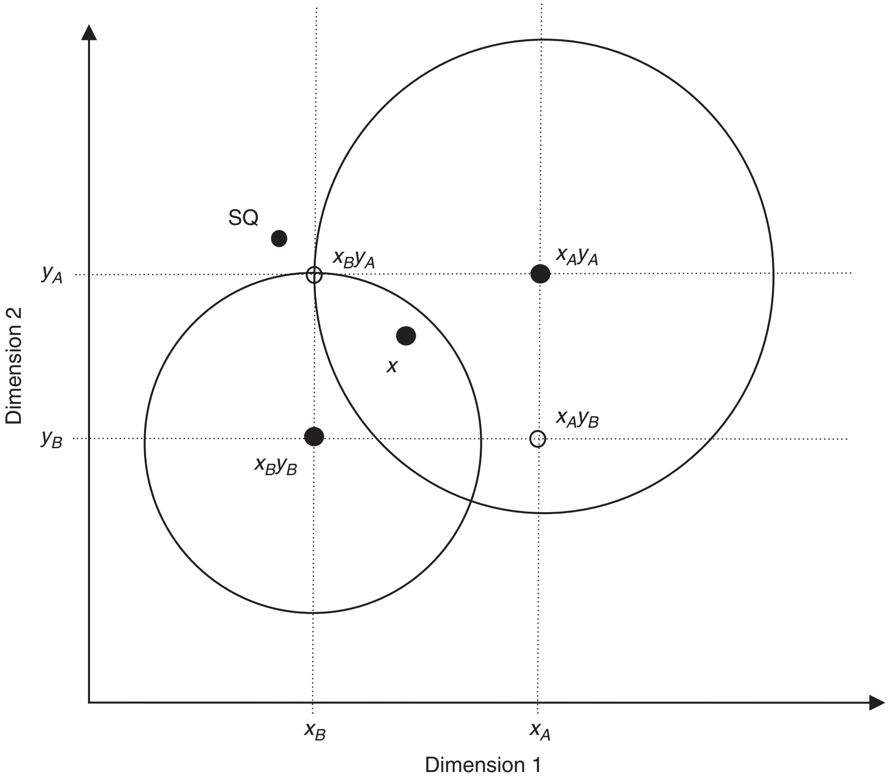

Figure 13.1 Coalition compromise vs. ministerial autonomy

1 Party leaders must be able to counteract the informational advantage of ministers by developing the policy expertise to evaluate draft proposals and to present viable alternatives.
2 Party leaders must have opportunities to push for meaningful change to draft bills to correct ministerial drift.

The institutional framework within which coalition governments are embedded is critical in this context. Coalition governments have come to rely on a number of institutional solutions to containing ministerial drift. Some of these operate at the cabinet level. Others are housed within executive ministries. Finally, the legislative process can play an important role in the monitoring and correcting of ministerial draft bills.

Cabinet-level institutions and junior ministers

Within cabinets, arguably the most important institution that allows monitoring—and potential correction—of draft bills are so-called "cabinet committees," "inner cabinets," or "coalition committees" (Müller and Strøm 2000; Andeweg and Timmermans 2008). Although there are distinctions among them (largely based on their precise membership), all of these bodies are comprised of cabinet ministers and may include senior party leaders in parliament as well as outside the legislature. They are typically established to vet particular policy proposals. However, these institutions—although undoubtedly important—face a significant limitation. Cabinet ministers cannot routinely acquire the policy expertise to evaluate and make policy across the range of issues a government must confront.

While it is possible to deal with specific issues in this manner, committees that rely to a significant degree on the participation of cabinet ministers cannot function as routine monitoring mechanisms.

In a seminal article, Thies (2001) identified a key monitoring mechanism *inside* cabinet ministries: so-called "junior ministers" (JMs). Besides cabinet ministers, the political leadership of executive ministries typically involves a junior minister (and sometimes more than one) who serves as "second in command." Often, these are younger, "up and coming" politicians who are being groomed for ministerial positions. In addition to their duties in running a ministry and "learning the ropes," these junior minister also often serve a less advertised function: Coalition parties can strategically assign junior ministers controlled by their own party to "shadow" the work of ministers from other coalition parties. Such watchdog junior ministers develop the relevant policy expertise, are privy to the policy process within the ministry, and have access to detailed technical information regarding draft bills and viable alternatives. As a result, junior ministers can serve as information conduits for parties to "keep tabs on their partners" (Thies 2001).

As Thies demonstrated in surveying appointment patterns in Italy, Germany, and the Netherlands, parties appear to assign junior ministers with this "watchdog function" in mind. Lipsmeyer and Pierce (2011) demonstrate for a larger set of countries that the cross-party appointment of junior ministers increases as coalitions are more divided, and for more salient issues. Martin and Vanberg (2011) investigate how junior minister appointments vary with party size. Because junior ministers are allocated in proportion to party size, parties that contribute more than half of a coalition's seats ("large partners") are at least in principle able to shadow *all* ministries belonging to their coalition partners, while those parties that contribute less than half of the coalition's seats ("small partners") do not have sufficient positions to monitor all ministries controlled by other parties. As a result, small partners must be more strategic in the assignment of their JMs.

Figure 13.2 illustrates this logic. The figure, which is based on a logit model that predicts the appointment of a watchdog junior minister as a function of the ideological division on the issue

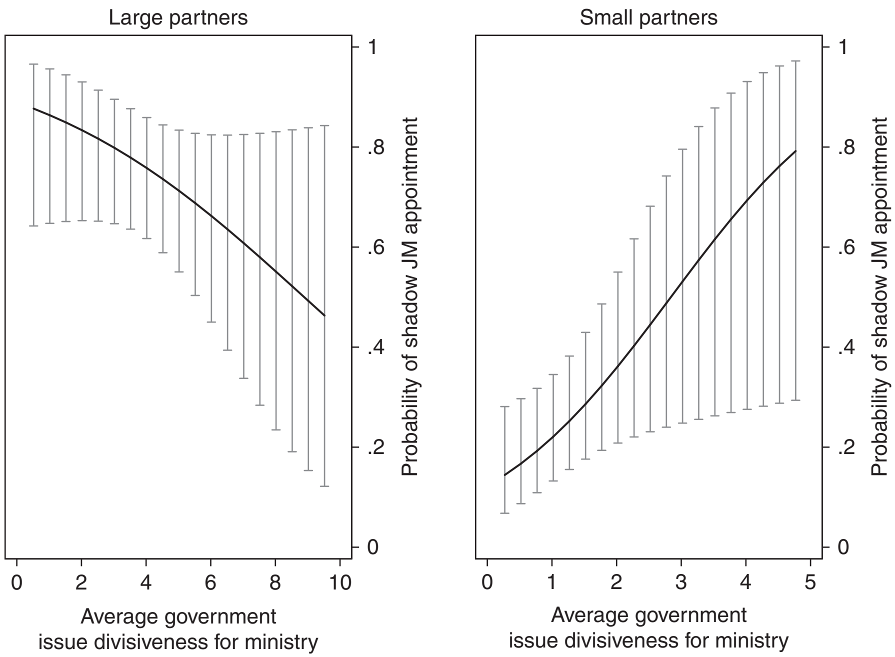

Figure 13.2 Probability of watchdog junior minister appointment as function of party size

dimension under the jurisdiction of the relevant ministry, shows that large parties are highly likely to have a watchdog junior minister in ministries controlled by other parties, and that this probability does not vary significantly with ideological division—a result that is consistent with the fact that large parties are relatively unconstrained in appointing junior ministers. In contrast, small partners—which cannot monitor all hostile ministers—respond to this constraint by assigning their scarce junior ministers primarily to those ministries that deal with issue dimensions that divide them significantly from their partners.[5]

Policing the coalition bargain in the legislative process

Parliament constitutes the quintessential institution of democracy, in large part because it is the institution that most directly represents citizen preferences in the political process. Despite this centrality, scholars of parliamentary systems have traditionally assigned legislatures only secondary importance in the policy process, arguing that major policy decisions are taken at the cabinet level rather than in the parliamentary arena (see, e.g. Laver and Shepsle 1996). To the extent that scholars have argued for the policy relevance of parliaments, they have done so primarily in the context of opposition influence, arguing that strong committee systems can provide opposition parties with influence over government-sponsored legislation (Strøm 1990; Powell 2000; Lijphart 1999).

A number of recent contributions argue that parliament is not only an arena in which governments confront the opposition, but that parties in coalition can also take advantage of the legislative process to confront the potential for ministerial drift (Kim and Loewenberg 2005; Martin and Vanberg 2004, 2005, 2011; Carroll and Cox 2012). Specifically, these scholars argue that following the introduction of a legislative proposal by a cabinet minister, partner parties can potentially use the legislative process to *scrutinize* the proposal and, if they believe that the proposal represents unacceptable drift, generate pressure to *amend* the draft bill. Naturally, such use of the legislative process requires that the internal structure of the legislature allows for effective scrutiny, and provides opportunities for meaningful change of bills.

As scholars have long argued, such features are intimately bound up with the nature of the legislative committee system (LaPalombara 1974; Lees and Shaw 1979; Mattson and Strøm 1995). In particular, standing committee systems that a) correspond to cabinet ministries in their jurisdictions; b) that are restricted in their membership; c) have extensive powers to compel documents and testimony (including that of senior civil servants); and d) have powers to rewrite draft bills or introduce amendments, make it more likely that parties can effectively supervise the work of hostile cabinet ministers. In addition to a strong committee system, however, meaningful opportunities for changing ministerial draft bills require the absence of procedural rules that provide ministers with strong agenda-setting powers. Most important among these are so-called *urgency* and *guillotine* procedures that allow ministers to curtail the legislative process or to restrict amendments (Huber 1992). Building on the work of Mattson and Strøm (1995) and Harfst and Schnapp (2003), who collected cross-national data on the nature of legislative committee systems for European democracies, Martin and Vanberg (2011) develop an index of parliamentary strength that captures how well the institutional structure of the legislative process provides parties with meaningful opportunities for *scrutiny* and *change*. Figure 13.3 reproduces this index for 16 European legislatures. The picture that emerges is clearly consistent with conventional scholarly impressions: There is considerable variation in parliamentary strength, with some of the strongest legislatures found in the "consensus" systems of the Netherlands, Austria, and Germany and some of the weakest legislatures confined to the "majoritarian" democracies found in the UK, France, and Ireland.[6]

If coalition parties employ the legislative committee system to shadow their partners, we might expect that just like junior ministers, committee chairs will be filled strategically so that

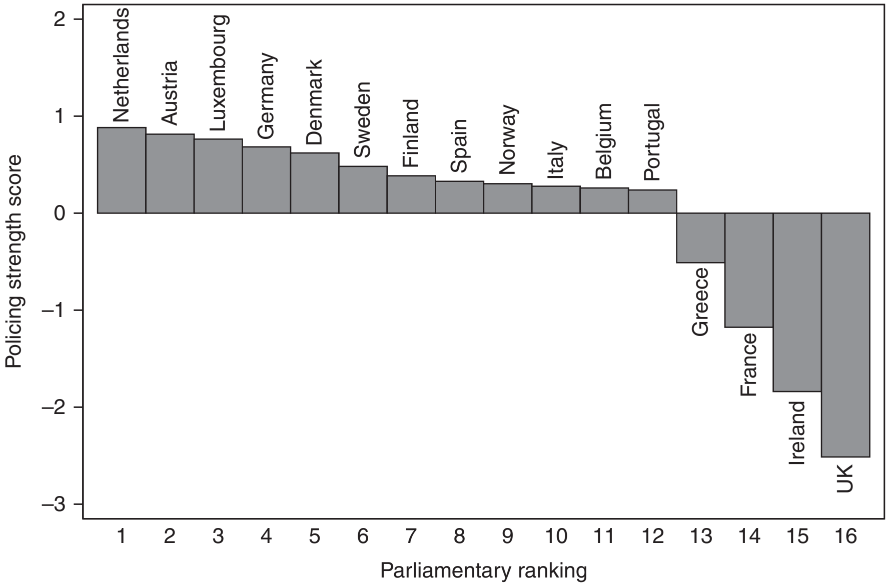

Figure 13.3 Index of policing strength for sixteen European parliaments

hostile ministers are shadowed by committees led by a "shadow chair." Focusing on the distribution of committee chairs in Germany, Kim and Loewenberg (2005) test this expectation, and find strong support for it. Carroll and Cox (2012) extend the analysis to 19 parliamentary systems, and demonstrate that shadow committee chairs are more likely to be appointed for ministries with jurisdiction over issue areas on which the coalition partners are more heavily divided.

While these contributions clearly demonstrate that committee chairs are assigned in ways that are consistent with the use of legislative committees as monitoring institutions, they do not directly demonstrate the impact of committees on the fate of ministerial draft bills. This is the task at the heart of a study by Martin and Vanberg (2011), which tracks the detailed legislative history of more than 1,300 government bills introduced in five European legislatures over a 20-year-period. Focusing on three legislatures with strong legislative institutions (Denmark, Germany, and the Netherlands) and two with weak legislative institutions (France and Ireland), they are able to show that in strong legislatures, ministerial draft bills are significantly more likely to be scrutinized heavily, the more divided the coalition on the bill at hand. In addition, bills that are divisive for the coalition are amended at significantly higher rates before they are adopted than bills that are not divisive, and these amendments are driven primarily by divisions within the coalition, not by divisions between the coalition and the opposition.[7] In contrast, in the two weak legislatures, they do not find these effects. Where legislative institutions prevent effective scrutiny and make pressuring for changes opposed by ministers difficult, bills are not amended systematically in response to divisions within the coalition (or divisions between government and opposition).

Taken together, these studies significantly revise our understanding of the role of legislatures in parliamentary systems. Parliaments that feature strong committee systems may not primarily be institutions that provide opposition parties with an opportunity to influence government policy; rather, strong parliaments may play a central role in allowing coalition parties to police the coalition bargain. Indeed, consistent with this argument, the rise of coalition government in Ireland and New Zealand quickly led to a strengthening of the legislative committee system

(Martin and Vanberg 2011, 55). Similarly, Martin (2009) finds evidence in a cross-national dataset that parliamentary strength tends to be higher in democracies with greater rates of multiparty governance.

Multiparty governance, government size, and fiscal institutions

The literature reviewed in the previous section focuses on how multiparty governments use institutions to manage the tensions introduced by delegation to cabinet ministers and the threat of ministerial drift for general policymaking. An additional strand of the literature on coalition governance revolves around a more specific—although particularly salient—aspect of policymaking by multiparty governments: budget-making. Perhaps the most prominent conclusion to emerge from this literature is that budget-making by coalition governments represents a "common-pool resource" (CPR) problem. As a result, scholars have argued, coalition government typically leads to significantly higher government outlays than single-party government under similar economic and demographic conditions, and this tendency increases as more parties are added to a coalition (Bawn and Rosenbluth 2006; Braeuninger 2005; Perotti and Kontopoulos 2002; Persson *et al.* 2007; Volkerink and de Haan 2001).[8]

Although there are subtle differences in the details, the general theoretical mechanism underpinning this expectation is similar across studies. Parties have spending priorities, often rooted in the particular concerns of their target constituencies. Suppose parties are held accountable primarily for spending decisions on issues of concern to their voters, but can deflect blame for spending in other areas on their coalition partners. In such an environment, parties face strong incentives to press for increased spending in "their" areas, and few incentives to resist spending in areas favored by their partners. The result is that spending tends to increase as each party demands higher spending, and few incentives to resist these demands exist. In contrast, single-party governments are held to account for all spending decisions, and are therefore more sensitive to the costs of increased spending than coalitions (Bawn and Rosenbluth 2006; Persson *et al.* 2007).

There is considerable empirical evidence in support of this argument. Controlling for factors that affect the size of the public sector, including economic conditions, the demographic make-up of the polity, and the generosity of the welfare state, spending levels increase as the number of parties in government gets larger. Coalition governments spend more than single-party governments (Persson *et al.* 2007), and this tendency increases as more parties are added to a coalition (Bawn and Rosenbluth 2006; Braeuninger 2005; Perotti and Kontopoulos 2002; Volkerink and de Haan 2001).

However, these explanations abstract away from the institutional features of the budget process. Recent work has begun to explore the manner in which the common pool resource problem is shaped by the institutional framework of the budget process. The CPR logic turns on two critical assumptions. First, parties have opportunities to push for higher spending in areas favored by their constituents. Second, parties have few incentives to oppose the spending demands of their partners. As Martin and Vanberg (2013) argue, the extent to which these assumptions accurately characterize budget-making depends on the institutional details of the budget process. At least in principle, fiscal institutions can vary in the degree to which they provide opportunities for individual parties to exert pressure for spending, and in the degree to which they provide incentives for parties to resist spending demands by their partners.

Analyzing spending patterns in 15 European democracies over roughly forty years, Martin and Vanberg (2013) are able to show that the institutional features of the budget process condition the CPR logic. In "permissive" institutional environments that provide opportunities for parties to push for spending and create few incentives to resist spending demands by other parties, an increase in the number of government parties leads to significant increases in spending. In contrast, in more restrictive budgetary environments, which limit the ability of individual parties to push for spending, and generate incentives for parties to resist spending demands by their partners, the CPR logic breaks down: Adding an additional party to a coalition does not result in increased spending, and the spending patterns of coalition governments are indistinguishable from those of single-party governments.

Like the literature on general policymaking by coalition governments, this finding once again highlights the importance of being sensitive to the institutional framework within which coalition governance is embedded. Just as certain institutions—including cabinet committees, junior ministers, and strong legislative institutions—can mitigate the dangers of ministerial drift, so certain fiscal institutions can effectively counterbalance the underlying CPR logic of budget-making by coalition governments.

Conclusion

From its largely "institutions-free" beginnings in the 1960s, coalition theory has developed into a voluminous literature. One of the most significant recent developments in this area, ushered in by the emergence of the "new institutionalism," has been sustained attention on how political institutions—the rules that frame government formation, as well as those that govern the policymaking process—shape multiparty governance. As this chapter has made clear, scholars have made great strides in understanding how institutions affect the types of governments that emerge, and the policy choices that these governments are likely to make.

While considerable progress has been made in exploring how institutions shape coalition governance, our survey readily suggests a number of avenues for future work. In closing, we briefly highlight two of these—one theoretical, the other empirical. Theoretically, the study of how institutions structure how multiparty governments manage conflict and make policy is still in its infancy. More detailed work on the variety of institutional mechanisms that are available to coalition parties, both inside legislatures but also outside of parliaments, is warranted. We know little about the relative efficacy of these institutions, and about the extent to which parties use these institutions as substitutes or complements in confronting the challenges of multiparty governance. We are also only beginning to explore how the institutional framework within which coalitions govern shapes the policy outcomes that emerge. To the extent that we care about democratic governance in part because it is thought to enhance the responsiveness of public policy to citizen preferences, a more direct focus on policy outcomes and their relationship to citizen preferences is critical. Doing so poses not only theoretical puzzles, but also an empirical challenge in developing more direct measures that allow scholars to assess the correspondence of citizen preferences and policy outcomes across space and time.

Notes

1 Given that there exist multiple minimal winning coalitions, Riker (1962) assumes that a coalition is more valuable to its members the smaller its total weight, which leads to the prediction of the minimum-size minimal winning coalition. Gamson (1961), who assumes that the share of ministries received by each party is proportionate to its seat contribution, also makes the minimum-size prediction.

2 It should also reduce the length of the coalition bargaining process, which several studies have found to be the case (Diermeier and van Roozendaal 1998; Martin and Vanberg 2003; Golder 2010).

3 Carroll and Cox (2007) state that they "found direct evidence concerning which party was the formateur for only a portion of the cases" (307). Although this missing data problem might appear easy to solve,

Laver *et al.* (2011, 290) note that *Keesing's Contemporary Archives* (the primary source used to code formateur status) "almost never contains statements of the form '…after the September election in X, the *formateur* was Y'."

4 Warwick and Druckman (2006) show that formateur parties are actually *under*-compensated relative to their seat share. See also Laver *et al.* (2011).

5 The model underlying the figure is based on data for the 164 cabinet ministries over the period from roughly 1983–2001 in France, Germany, Ireland, and the Netherlands. For details of the estimation technique, see Martin and Vanberg (2011), especially section 4.4 (pages 88–93).

6 For specifics regarding the derivation of this index, see Martin and Vanberg (2011: 49). The values of the index are: Netherlands (0.88), Austria (0.81), Luxembourg (0.76), Germany (0.68), Denmark (0.62), Sweden (0.48), Finland (0.39), Spain (0.33), Norway (0.30), Italy (0.28), Belgium (0.26), Portugal (0.24), Greece (-0.51), France (-1.18), Ireland (-1.84), and UK (-2.51).

7 They also consider the potential interactive effects of different monitoring institutions, and demonstrate that when a watchdog junior minister is present in a ministry, the amount of parliamentary scrutiny falls dramatically, although the bill will be amended at the same rate as in the absence of a watchdog junior minister. They interpret this finding as evidence that junior ministers can serve as a substitute for information gathering, but are not able to pressure effectively for change prior to bill introduction.

8 In addition to the literature on government spending, there is considerable literature on government deficits and debt that explores the extent to which both are shaped by fiscal institutions. The distinction between coalition and single-party governments is examined in this literature, but primarily with respect to the institutional rules that are appropriate to each type of government. The *size* of coalitions, and the *interactive* effects of coalition size and fiscal institutions, which are at the heart of the argument here, do not figure into this literature (see, e.g. Hallerberg *et al.* 2009).

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