

Coalition Partners and Core Policy Preferences:

Examining the role of catch-all and niche parties in coalition government*

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Abstract

This paper looks at how coalitions function by differentiating between different them based on the kinds of parties involved. Niche parties have strong policy positions and are less concerned about gaining seats while catch-all parties aim to gain seats and are often willing to compromise policy positions to do so. I argue that these differences between parties mean that when catch-all parties in government together, each will need to worry about their coalition partner stealing credit for their achievements. However, niche parties are less able to claim credit for the accomplishments of other groups so these concerns are minimized. I test this idea using budget data from the German states from 1991 to 2010. I look at both overall spending and an issue area strongly subject to credit claiming competition between catch-all parties—individual benefit transfers. I find that overall spending increases under coalitions between catch-all parties but coalitions that include one or more niche parties are not likely to spend significantly more than single party governments. On the other hand, spending on individual benefit transfers decreases the most under coalitions that include only catch-all parties. I argue that these results suggest that parties, when in coalition, focus more on policy issues where they will receive credit and are less inclined to undertake spending that will be reasonably subject to competing credit claiming.

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1. Introduction

All governing requires compromise—limited resources and time ensure that some person or group will always be left disappointed. Coalition governments bring with them their own unique compromises that must be made as two or more groups with different priorities and preferences must work together to create and implement policy. Work on coalition governments has typically aimed to understand how and why certain coalitions form and how coalitions differ from single party majority government, but there has been less focus on how different kinds of coalitions will govern.

This paper looks further into how coalitions function by differentiating between parties within coalitions. I argue that coalitions will govern differently depending on the *types* of parties that are in government. For some parties, the primary motivation is winning as many seats as possible; these are often referred to as catch-all parties. On the other hand, so-called niche parties have relatively narrow focuses. While they usually want to get into office, they are most concerned about their ability to get legislation through the parliament on very specific issue areas. I believe that the different goals of niche and catch-all parties will significantly influence the policies and policy compromises that are made. Because niche parties have strong policy positions and are less concerned about gaining seats, their coalition partners will not have to worry about niche parties stealing credit from them. However, when catch-all parties are in coalition with each other, both will have significant concerns about credit being stolen.

This paper tests this idea using budget data from the German states from 1991 to 2010. I look at both overall spending and an issue area strongly subject to credit claiming competition between catch-all parties—individual benefit transfers (IBTs). I find that overall spending

increases under coalitions between catch-all parties but coalitions that include one or more niche parties are not likely to spend significantly more than single party governments. However, IBT spending decreases the most under coalitions that include only catch-all parties. I argue that these results suggest that parties when in coalition focus more on policy issues where they will receive credit and are less inclined to undertake spending that will be reasonably subject to competing credit claiming.

The paper proceeds as follows: in the following section I examine the literature on party type and coalition governments. Next, I present my hypotheses regarding the differences between coalitions comprised entirely of catch-all parties and those that include niche parties as well. I then detail the data from the German states that I use to test these hypotheses before analyzing them and concluding.

2. Literature Review

2.1 Catch-all vs. Niche Parties

In multiparty democracies there are often differences in the ways political parties form and organize themselves and who the parties' core constituents are. "Catch-all" parties, a concept made popular by Kirchheimer (1966), aim to gain support from a large section of the population to gain as many seats in the legislature as possible; competition between catch-all parties is marked by competition for the "floating vote". To capture these undecided or swing voters, catch-all parties aim to minimize the perceived differences between them, resulting in ideological convergence to the center (see also Downs, 1957). Thus, instead of mobilizing voters

on ideology, catch-all parties will mobilize based on policy preferences, personalities, and traditional loyalties (Krouwel, 2003).

It should be noted that catch-all parties need not be purely vote seeking; most, if not all, do take policy stands that tend to lean on one side of the political spectrum or the other. That being said, the range of issues that catch-all parties attempt to include in their political platforms tends to be broader than niche parties and the positions catch-all parties take are likely to be more vague.

While catch-all parties have broad bases and ideologies, niche parties take an alternate approach. Meguid (2005) differentiates between niche and other parties based on three factors. First, particularly in Western Europe, niche parties do not accept the traditional class-based orientation of politics in general and of catch-all parties in particular. Second, the issues that niche parties focus on when they form tend to be new, not lining up with political divisions that already exist in the political arena. Finally, they do not attempt to take positions on every issue dimension and are instead often viewed as single-issue parties.

The broad support base associated with catch-all parties means that successful ones have a good chance of forming single party majority governments given the right electoral system. Proportional Representation, the most common electoral system in advanced democracies, rarely produces single party majorities but in these systems, the catch-all party that receives the most seats has a reasonably large chance of becoming the senior partner in a coalition.¹ Conversely,

¹ There are of course many other institutional and demographic factors that will influence a country's tendency towards coalition or single party government (see Lijphart, 1995).

because niche parties have much narrower support, if they desire to be part of government, they can only do so by being a junior partner in a coalition.²

2.2 (Coalition) Governments

Coalitions are the most common way that power sharing between parties occurs in parliamentary systems. Although there is some disagreement over the definition of a coalition government, a commonly accepted one says that it refers to “the sharing of executive political office by different political parties,” with a party belonging to the coalition if it “has at least one designated representative that enjoys voting rights in the country’s [or legislature’s] top executive policy making body” (Müller, Bergman, and Strøm, 2008: 6). I use this general definition to classify government coalitions in this paper, though on a state rather than national level.

The earliest studies of coalition governments focused on classifying their makeup. The two major components examined involve the size of a coalition (see Riker, 1962; Strøm, 1990) and the ideology of its members (Axelrod, 1970; De Swaan, 1973), or the combination of the two. Scholars then began to examine which sorts of coalitions were likely to form (Franklin and Mackie, 1984; Strøm, Budge, and Laver; 1994) and how long they would last (Taylor and Herman, 1971; Warwick, 1979; King et al, 1990).

Despite the extensive work studying how coalitions are formed and terminated, the majority of time in most parliamentary democracies is not spent on these tasks, but governing. Nonetheless, the bulk of the literature does not focus on this essential portion of governance. Those that do look at the process of governing tend to examine how policy agreements are

² There are some niche parties, most notably many Communist parties, that refuse to take part in any government coalition.

enforced given the dangers of delegation, rather than what the policy agreements actually are. Laver and Shepsle (1990) adhere to the idea of ministerial autonomy. They argue that the imbalance of power between each minister and other government members within the policy realm of that minister's portfolio prevents the minister from making credible commitments to implement a policy compromise. Therefore, the only credible policy commitment a party can make during negotiations is to implement their ideal policies for the portfolios they control. Thies (2001) finds that one way that coalitions can enforce policy compromise is to ensure that the senior and junior minister in the most important ministries come from different parties in the coalition.

Even Members of Parliament (MPs) that do not hold policy portfolios can help ensure coalition agreements through parliamentary committees. Martin and Vanberg (2011) find that when parliaments give their committees significant powers, including the ability to amend legislation, they can prevent "ministerial drift" away from coalition agreements and towards party-specific policy.

2.3 Power Sharing and Government Spending

Studies that do look at policy making in coalition governments often focus on overall budget levels. Most have found that coalition governments have different spending patterns than single party majority governments. These can range from increased budget deficits (Roubini and Sachs, 1989; Perotti and Kontopoulos, 1999) to increases in overall spending (Bawn and Rosenbluth, 2006).

Roubini and Sachs (1989) argue that the increased budget deficit comes from the inherent "weakness" of coalitions as opposed to single party majority governments. Others (Perotti and

Kontopoulos, 1999) believe that the increased fractionalization that comes with coalition government creates inefficiencies that will increase spending because it means that each individual group will pay less of the overall cost of any policy they implement. Similarly, more coalition partners mean more veto players in the creation of policy. This increases policy stability which may reduce a government's ability to react and adapt to economic changes. This policy stickiness may mean increased debt levels in the face of economic shocks (Tsebelis, 2002).

Bawn and Rosenbluth (2006) present a model based on the assumption that groups of smaller parties internalize cost less than a single party of comparable size would. This means that coalitions should spend more than a single party majority government; even if the two represent the same overall proportion of the population. They find that increasing the number of parties in government also increases the overall level of spending in a country.

Bicameralism, particularly strong bicameralism, also increases the number of people who need to agree in order to legislate, similar to the situation with coalition governments. As with coalition governments, bicameral systems have been found to have higher overall spending and budget deficits (Heller, 1997). The United States has also shown a tendency to run higher deficits when one party controls the House of Representatives and the other controls the Senate (McCubbins, 1991; Kiewit and McCubbins, 1991).

Heller (2001) argues that divided government will not always lead to increased budget deficits but instead divided governments bring with them a need for parties to distinguish themselves to the voters. Because of the strong party discipline in most parliamentary systems, MPs are less able to rely on the personal vote to gain support, which will mean they have less incentive to engage in pork barrel spending. When this happens, divided government can

actually lead to reduced budget deficits as different political parties are loath to share credit for “nonideological policy”.

2.4 What is Missing?

There seems to be a consensus that coalition governments must govern differently than single party majority governments and therefore produce different outcomes. Additionally, there is a large body of literature differentiating between different kinds of coalitions that may form. There is, however, less research connecting these areas—how do different types of coalitions govern relative to each other? Furthermore, I believe that the literature on types of coalition governments is missing a crucial component by failing to differentiate between the *types* of parties within a coalition rather than the size or ideological position of a government’s political parties. Because niche parties and catch-all parties have different goals and ideologies, they should govern differently when in power. In the rest of the paper, I further expand on this idea and develop specific hypothesis that I subsequently test.

3. Assumptions and Hypotheses

Differences between the way niche and catch-all parties operate and organize should influence how the types of policies that governments make. The most important factors are the issues these parties care the most about and the types of supporters they aim to gather. The relative importance that different kinds of parties give to these goals will change how coalitions govern.

Niche parties tend to prioritize policy goals over having as many supporters as possible. That is not to say they do not value having supporters, but they are generally less willing than catch-all parties to readjust policy proposals in order to gain additional seats in the parliament. Additionally, niche parties have relatively few but also very specific core policy issues. It is usually quite clear what which issues they prioritize the most and they have quite a few ambiguous policy issues—issues where parties take vague stances or no positions at all.

In contrast to niche parties, catch-all parties focus more on gaining supporters and less on specific policy preferences. Catch-all parties will tend to take less specific stances on but address a broader range of issues. They are also typically more willing to alter specific policy preferences to increase their odds of electoral success.

To illustrate this point, consider the following quotes from German party manifestoes. First, from a German niche party—the Greens and their 2009 Election Manifesto:

We can no longer pretend as if all this [the economic crisis] has nothing to do with the way we do business and live. The crisis is an expression of a way of thinking where short-term profit interests have placed above all else. Many societies have lived beyond their means and consumed more than allowed by their own performance. ... They who want to fight climate change again only in good times would be just as irresponsible as those with economic fears limiting themselves to [focusing only on] the next economic upturn. (17-18)

Next, from the CDU/ CSU, two catch-all parties in Germany in their manifesto for the same election:³

The social market economy is the order that the CDU and CSU has enforced in Germany. It is the order that has made our country strong. The social market economy is a framework in which people are free to act. It ensures that fair competition creates jobs, rewards performance, and protects the weak. [Yet] [m]aterial prosperity is not enough— fulfillment and satisfaction are also measured by how much compassion and cohesion there is in our society. ... We act responsibly today and think of our descendants. We want to anchor ourselves internationally now so that we prevent the irresponsibility that brought us into such a difficult economic situation. (4).

Notice that the Green party presents its views through the lens of environmental sustainability. On the other hand, the CDU/CSU has a much broader goals, job creation, rewarding performance, protecting the weak, compassion, cohesion, and responsibility.

The differences in campaign strategies and policy goals between parties will influence how voters reward and punish them. Because niche parties have very specific policy preferences, it should be easier for voters to identify whether or not they have accomplished the goals they have set forth. Conversely, it is harder for voters to identify whether a catch-all party has achieved what it set out to do. There are advantages and disadvantages to both of these approaches, relating to the ability of political parties to claim credit or shift blame for policy outcomes during the next election campaign. By taking very specific policy stances, it is easy to claim credit for positive outcomes in that issue area. For example, if there is a rapid decrease in

³ The CDU and CSU always run on a single platform at a national level. The next section explains this in more detail.

the level of greenhouse gas emissions while the Green party is in government, they will be the ones who can most credibly claim credit for this improvement, even if they are in coalition with another party. Conversely, they are less able to claim credit for improvements outside their core policy issues. For example, if the unemployment drops, the credit will likely go to a different party in the coalition than the Greens.

Catch-all parties, precisely because of their broad yet relatively fluid policy stances can claim credit for a wider range of outcomes. For example, the CDU could claim that they have increased “fulfilment and satisfaction” for anything from longer life expectancy to higher education levels to lower crime rates. However, the fact that voters are not able to pin as many specific policy preferences to different catch-all parties also means that another catch-all party may be able to steal credit from the other if they are both in government. If unemployment drops, for example, is it due to the CDU’s platform to protect business interests or the SPD’s promise to look out for the rights of unions and workers?

For the rest of the paper, I differentiate between the three types of governments seen within the German political system. First, *Single Party Majority* governments, where one party controls a majority of seats in the parliament and governs by itself. Single party majority governments are almost always made up of catch-all parties—this is the case with all of the single party majorities in my data set. Second, there are coalitions that include only catch-all parties, which I refer to as *Grand Coalitions*.⁴ Finally, there are coalitions between one catch-all party and one or more niche parties, which I call *Niche Coalitions*. Because niche parties have to worry less about credit claiming than catch-all parties do, the kinds of policies that coalitions

⁴ I use grand coalition in the German manner here—as a coalition between catch-all parties. Others, such as Lijphart (1974), define grand coalitions as those where “the political leaders of all segments of the plural society jointly govern the country” (500).

enact should differ depending on the types of parties in governments. I therefore develop the following hypotheses which I spend the rest of the paper testing:

Hypothesis 1: Coalition governments spend more than single party majority governments.

This basic hypothesis has been tested numerous times over the years, as illustrated in the review of the literature in the previous section. However, explicitly testing this hypothesis will serve as a good indicator as to whether the cases that I use—the German states—match the most basic cross-national dynamics that have been found. Confirming that the German states follow this same general pattern will allow me to be more secure in using them to draw broader conclusions.

Hypothesis 2: Niche coalitions will spend less than grand coalitions

Because niche parties have very specific core policy issues that they are concerned about, they should be satisfied once these issues are addressed and have relatively few additional policy demands. Additionally, niche parties are unlikely to gain votes based on spending that is not one of their core policy issue, since credit would most likely go to the senior catch-all partner.

The electoral system in Germany should also play a role here. In the mixed member system, MPs can gain seats by either being elected directly to district seats or appointed by the party from their allocated list seats. Catch-all parties are significantly more likely to win district seats than niche parties, meaning that many catch-all MPs have more regionally specific concerns than do niche MPs elected from the party list. Weingast, Shepsle and Johnsen (1981) present a model arguing that economic inefficiencies are created by the combination of general taxation but regionally divided electoral districts. This combination means that politicians are

incentivized to increase spending in the form of regional pork barrel spending. Since niche parties tend not to have these concerns, they should be less subject to these inefficiencies.

Hypothesis 3: Grand coalitions will spend less on policy areas that are the most subject to competing credit claiming.

Because each party's position on these issues is ambiguous, increased spending cannot be reasonably attributed to a single party in a grand coalition. This provides the opportunity for competing credit claiming, which will minimize the effectiveness of such policies in obtaining votes. The risk of credit claiming should be less with coalitions between a catch-all party and one or more niche parties because niche parties have less of an incentive to credit claim on ambiguous issues since the base of their support is not associated with them. Finally, single party majority governments should have little to no difficulties with credit claiming as they are the sole creators of government policy. Therefore, if a single party majority government feels that increasing spending in an ambiguous policy area will increase their support, they will have few disincentives to do so.

4. Description of Data

4.1 Germany

Germany is a federal country comprised of 16 states (singular "*Land*", plural "*Länder*").⁵ There are some policy areas, such as foreign affairs, currency, trade, and defense which are subject to the sole discretion of the federal government. Others policies may be created

⁵ In this paper, I call all of the *Länder* "states" despite Berlin and Hamburg being considered city-states (*Stadtstaaten*).

by both the states and the federal government. The most important of these relates to the constitutional requirement that dictates equivalency of living conditions across all states. Social welfare spending falls under this shared competence, though the states have significant autonomy (Mathias, 2005). All powers not given to the federal government remain the purview of the states (Gunlicks, 2003). As with the lower house of the national government, the state parliaments are elected using a mixed member proportional ballot system.⁶

The German states are the ideal cases for this project for several reasons. First, there is substantial variation in the governments that form within and across states. Single party majority governments are not uncommon and the two main catch-all parties (CDU/CSU and SPD) have formed coalitions with nearly every one of the smaller niche parties in the German party system as well as with each other. This allows me to examine not only what the effects of coalition government itself are, but also examine the different types of parties within coalitions. Additionally, restricting my analysis to a single country allows me to minimize some of the problems associated with cross-country studies. Because spending patterns and requirements vary considerably across countries, using budgets as a basis for comparison can be problematic.⁷ Although the budget process will naturally differ between states within Germany those differences should be considerably fewer and smaller than what we would expect from different countries. This is particularly true because of the equivalent living standards condition required by the federal constitution; budget disparities between states resulting in a lack of public services are subsidized by the government (Gunlicks, 2005).

⁶ In MMP, voters cast two votes: one for an individual, and one for a party. Individuals who win a plurality of votes are awarded a seat in the parliament; the remaining seats are allocated to parties so that the final makeup of the parliament will match the proportion of votes each received in the party vote tier. Parties then award these seats to the individuals that they choose.

⁷ Many cross national-studies have used several statistical techniques to attempt to deal with this problem. Nonetheless, the extent to which we can make broad comparisons across countries is still unclear.

With the exception of Bavaria, the two main parties at both a state and national level are the *Christlich Demokratische Union* (Christian Democratic Union—CDU) on the right, and the *Sozialdemokratische Partei Deutschlands* (Social Democratic Party of Germany—SPD) on the left. These two parties are widely considered to be catch-all parties (Roberts, 2009) and either the SPD or CDU has held a plurality of seats in every state and national government since reunification. In Bavaria, the CDU is replaced by the *Christlich-Soziale Union* (Christian Social Union—CSU). At a national level, the CDU and CSU always pair with each other and are typically treated as a single party. As with most other states, in Bavaria the SPD is the main party opposing the CSU.

There are three niche parties that are frequent participants in coalition governments. Although each has paired with both the CDU/CSU or the SPD, they do tend to have their preferred coalition partners. First is the *Freie Demokratische Partei* (Free Democratic Party—FDP), which is a liberal party advocating limited government intervention in economic and social spheres (Conradt and Lagenbacher, 2013). At the state level, the FDP most commonly forms coalitions with the CDU. Next, there is the *Bündnis 90/Die Grünen* (Alliance '90/ Greens), which focuses primarily on environmental and anti-nuclear policies. For the past decade, the Greens have been expanding their policy agenda to include stances on issues outside their traditional purview. Nonetheless, these are usually viewed through the lens of environmental sustainability and peace (Conradt and Lagenbacher, 2013). The Greens most often form coalitions with the SPD. Finally, there is the *Partei des Demokratischen Sozialismus/ Die Linkspartei* (Party of Democratic Socialism/ The Left Party), which I refer to as the PDS. The PDS formed out of the Socialist Unity Party, the only permitted political party in Eastern Germany prior to reunification. In 2007, it joined with the Labour and Justice Party (WASG) to

become The Left (*Die Linke*) (Patton, 2012).⁸ As with the Greens, the PDS traditionally forms coalitions with the SPD at a state level. However, at the national level the PDS has consistently remained in opposition.⁹

Figure 1 shows the distribution of different forms of government across my data set. The unit of analysis I use in this figure and throughout the paper is state year.¹⁰ Some government coalition types are more common than others, but there is a significant amount of variation. Figure 2 breaks these governments down by Land and time period. Black indicates single party governments, red indicates catch-all coalitions and green represents niche coalitions.

[Figure 1 about here]

[Figure 2 about here]

The economic and demographic data available are yearly, which means that I need to account for mid-year government changes. Because many spending decisions are made in advance, I chose to code a government as beginning in the first full calendar year it served. For example, if a government switched from SPD to CDU in the middle of 1992, 1992 would be coded as having an SPD government and 1993 would begin the CDU government.¹¹ I use this rather than weighting the number of parties based on the portion of the year they served (as in Bawn and Rosenbluth, 2006) because I want to look not only at the number of parties in a coalition but also the types of parties within coalitions of the same number of parties. Since these types of parties (niche vs. catch-all) are classified via dummy variables, weighting the

⁸ The WASG formed in 2005 and never held seats in either national or state-level parliaments.

⁹ Hamburg has had two other parties—Statt and the PRO as parts of coalition governments but these observations are removed from the analysis due to a lack of coded policy positions.

¹⁰ This is because budget and demographic data are available yearly.

¹¹ Ideally, this would be coded based on which government passed the state budget for that year, though I am not yet able to provide this.

government variable is not a viable option. There is only one occurrence over the timespan of my dataset that saw three governments in a single year. In 2004 the coalition between the CDU, FDP, and PRO in Hamburg dissolved after members of the PRO rebelled. The CDU and FDP ran a minority government briefly before calling new elections, which resulted in the CDU gaining an outright majority. I coded 2004 as a CDU, FDP, PRO government in Hamburg, though this observation is ultimately dropped because there are no coded policy positions available for the PRO.

4.2 The Data

The data for this project cover all 16 of the German states from 1991 through 2010, a total of 319 observations.¹² The main dependent variables I use are total spending by each state and the total amount of individual benefit transfers (IBTs) received by households within each state. I use total spending to test my first two hypotheses, and IBTs to test my third hypothesis regarding issues with the highest possibility of competing credit claiming. Both total spending and IBT receipts are measured as percent of the states' GDPs to allow for a more meaningful comparison across differently sized economies. IBTs are defined as money received under social insurance programs including social security, pensions, and unemployment insurance (thuringen.de). I use IBT receipts because they are an ambiguous policy area; they rarely fall under the core issue concerns of niche parties and it they are often not directly campaigned on by catch-all parties. Catch-all parties generally do not say that they will increase the amount of money they will hand out to people but instead focus on different policies or programs that should reduce the need for direct handouts.

¹² The data for Baden-Württemberg and Schleswig-Holstein begin in 1992 because of the unavailability of coded policy positions for 1991.

Because IBTs are the shared competence of both the federal and state governments, they are not determined solely by state-level decisions. However, there is no reason to believe that once economic and political factors are controlled for, there should be any systematic difference in the level of per-capita benefits that the national government gives each state. This means that beyond economic need and political alliances, there are no other factors that should incentivize the national government to favor one state over another.

Financial and demographic data come from reports by the German *Statistisches Bundesamt* (Federal Office of Statistics). The advantage of using these reports is that it ensures consistency in data gathering and methodology across states. However, the Office of Statistics only publishes state-level data on relatively aggregated spending areas. While being able to analyze spending on a more detailed level would definitely provide additional insight, there are several potential pitfalls. Independently collecting information on state spending can be challenging, especially considering the time constraints of this project. For example, different states allocate issue portfolios across different sets of ministries, so looking at the amount of money allocated by ministry would not provide measures that are comparable across cases. Furthermore, finding a more specific area of spending that can simultaneously explain differences between parties and is relatively common across most states would be quite difficult. How, for example, can we compare agricultural policy spending (a common concern of the Green Party) between the extremely urban and concentrated region of Berlin and the rural and relatively expansive state of Lower Saxony?

I look at the effects of coalition government in general in two ways. First using a dummy variable that I call *SPM Government*, which is coded one if a single party holds a majority of seats in the state legislature and no other parties have seats in the cabinet. There are 11

observations of single party *minority* governments. I treat these as the omitted category with my dummy variables. Second, I count the number of parties that hold cabinet portfolios with the variable *Party Number*. I also differentiate between different types of coalitions. Those coded as *Grand Coalitions* are governments with only the CDU/CSU and the SPD, the two catch-all parties in German politics. *Niche Coalitions* are those with either the CDU/CSU or SPD as the senior partner and one or more small parties as junior partners.¹³ These two types encompass all of the coalitions within my dataset—there are no coalitions between the CDU/CSU, SPD, and another party nor are there any coalitions that do not include either the CDU/CSU or the SPD.

Ideology is another possible explanation for total government spending. If the junior partner in a coalition is more extreme than the senior partner, it may pull policy closer towards one end of the political spectrum, thereby changing spending as compared to what the senior party would do by themselves. If the coalitions that tend to form are between the same parties, then this might explain any differences we observe between coalition and single party government. Because of this, I control for the ideological positions of governments using state party left-right positions coded by Bräuninger and Debus (2012). They use the Wordscores method developed by Laver, Benoit, and Gary (2003) to calculate state level party positions based on state party election manifestoes with lower scores considered more left and higher scores more right. The technique compares the relative frequency of words with the assumption that certain words signal policy positions and are not randomly used in the course of political discourse (Bräuninger, Debus, and Müller, 2013). This differs from the more traditional Comparative Manifestoes Project data, in which manifesto statements are hand coded into different policy areas. The fact that different elections will emphasize different policy issues

¹³ “Partyless” ministers were not included in formation of any of these variables.

depending on their saliency causes some to question how comparable CMP data are across time (Köning, Marbach, and Osnabrügge, 2013). The Bräuninger and Debus dataset is also better for this project than CMP data because it codes state-level party manifestoes, rather than those at the national level. Because the Bräuninger and Debus code based on election manifestoes, there are only new party positions for every four to five years—whenever an election is held. In my analysis, I use the party’s position from the most recent election preceding each budget year.

It is also prudent to control for the economic conditions within each state because they can influence both the amount of money available for states to spend and the areas that spending must be focused on. To do this, I use the share of the population that is employed and the percent change in state GDP from the previous year. I use percent of the population employed instead of the more traditional unemployment rate because it is a better measure of the financial burden of the state when it comes to IBTs. The young and elderly are the highest consumers of government transfers, yet neither group is included in the calculation of unemployment figures. We should expect to see both overall spending and IBT spending increase as the percentage of the employed population decreases or with decreases in the annual GDP. In addition, because the data begin immediately following reunification, I include a dummy variable for all states within the former East Germany to account for the disparities between the East and West not captured by other control variables.¹⁴

Finally, I include year fixed effects to account for any country-wide shocks that would influence the amount of money that either the state or federal government would be able to provide. Additionally, the year fixed effects should help to capture some of the effects of the increasing influence of the European Union on levels of spending.

¹⁴ Berlin is classified as a former Eastern region.

5. Results and Discussion

Table 1 shows the effects of coalition government in the German states on overall spending. This tests my first hypothesis—that coalition governments should spend more than single party majority governments. As expected, single party majority governments spend less than coalition government, on average. Similarly, in accordance with Bawn and Rosenbluth, more parties within a coalition are associated with higher government spending. States that were part of the former East Germany spend more as a percent of GDP, likely because of the combination of a lower overall GDP per capita and the need to rebuild infrastructure and other aspects of the economy after Communist rule. These results, while not surprising, are an initial indication that spending by German state governments follows similar patterns to what we would expect of national governments. An interesting result to note is that a rise in GDP per capita from the previous year increases overall spending *as a share of GDP*. Thus, when a government has more money, they spend even more as a percentage of their income than they would when times are economically tough. This is somewhat counterintuitive, but it may have to do with a belief that governments can afford to undertake more discretionary spending when there is more money available.

[Table 1 about here]

The results in Table 2 test my next hypotheses—that grand coalitions should spend more than niche coalitions or single party majority governments. Single party governments are the omitted category in the regression. There is significant statistical evidence to suggest that grand coalitions spend more overall than either niche coalitions or single party governments.

Additionally, the difference in spending is substantial; given that the mean total spending across all of the observations in my dataset is 15 percent of GDP, an increase in spending of 2 percent of GDP is quite large. Additionally, we cannot say with statistical confidence that coalitions with niche parties spend more than single party governments. This suggests that demands of niche parties are relatively limited, and that the party members are satisfied when they are met. In contrast, grand coalitions may need to spend more in the form of pork barrel spending or core policy issues to differentiate themselves from their coalition partner.

I have chosen to use IBT receipts to test Hypothesis 3, which says that catch-all parties will spend less on issues the most subject to competing credit claiming. Bawn (1999) classifies various spending areas in German politics to test the veto player model on a national level. She defines each issue area in the national budget as a predominant concern of either a party or as an ambiguous policy area to which no single party lays claim. While I am not directly testing this model, her classifications are a useful first step for identifying which areas of spending would be useful to test my theory. She classifies social insurance, aid to families and war victims, health, income stabilization, and pensions as ambiguous spending categories, meaning that these policies are not clearly the main campaign issues of any political party. Catch-all parties are most likely to receive the credit from voters for ambiguous policy areas so a government with more than one catch-all party may have a problem with competing credit claiming over these issues.

As previously mentioned, IBTs are one of the issue areas that is the joint competence of both federal and state level governments, and money comes from both equalization payments from the national government and income acquired by the state directly. Because the national government has a direct influence on the spending, I include a *Match National* variable in my analysis. This is a dummy variable which takes the value one if the coalition government in the

state matches the coalition in the national government at the time.¹⁵ We might expect to see more IBT money given to states whose political composition match the national government since no other parties can claim credit for the state or national government's work.¹⁶ As with my analysis on overall spending, I include controls for ideological position, the percent change of GDP from the previous year, percent of the population that is employed, former eastern states, and year fixed effects.

The analysis in Table 3 supports the hypothesis that grand coalition governments will spend less on ambiguous policy issues than single party majority governments. This suggests that parties do not want to spend money on issues they are not likely to receive credit for. The fact that IBT spending increases when a state government matches the national government also supports this idea— because both state and national governments can claim credit for IBTs, we should expect to see lower spending when these two governments differ. As expected, the residents of Eastern Germany receive significantly more IBTs than those in the West and decreased employment increases the level of IBT spending.

There are two somewhat surprising results from the analysis presented in Table 3. The first is that, as with overall spending, IBTs actually increase as a percent of GDP when GDP increases. This may once again have to do with a desire to increase spending when times are good, though it is not entirely clear. Further work will definitely need to look into the reasons behind this, though it is not the main focus of this paper. Second, niche coalitions also spend less on average on IBTs than single party majority government, though still less than grand coalitions. This suggest that there still may be some concern between coalition partners, even in niche

¹⁵ There have been no single party national governments during the period my data cover.

¹⁶ I have also run regressions adding dummy variables for only one party matching the parties in national government. They yielded little effect.

coalitions, regarding credit claiming, but that these concerns are not as strong as those between grand coalition partners.

[Table 3 about here]

6. Conclusions and Next Steps

In this paper, I have shown that the difference in spending between coalitions and single party majority governments is not a function of coalition government itself but depends on the type of parties that are in government. Coalitions that include only one catch-all party are not significantly more likely to spend more than single party majority governments. Conversely, coalitions between catch-all parties do tend to increase the overall spending of a government. Despite the increased overall spending of catch-all coalitions and the steady spending of niche coalitions, the monetary benefits that a state's citizens receives decreases if no single party can form a majority government.

The combined results I have presented beg an interesting question; given that coalitions in general, and catch-all party coalitions in particular, spend less on IBTs but either hold steady or increase overall state spending, where is that money going? The arguments regarding credit claiming that I have presented suggest that this money should be going towards issue areas that political parties can explicitly claim credit for during the next election campaign.

Ultimately, this paper has highlighted a new component of government that should be taken into account when examining policy formation. Generally, if two coalitions have the same number of parties and similar overall ideological positions, they are treated as the same. However, I have shown that this assumption should not be treated lightly. Additional insight

could easily be gained by taking into account the broader goals and strategies of political parties, as exemplified by their classification as catch-all or niche parties.

Clearly, the next step is to collect spending data at a more detailed level. The classifications that Bawn (1999) creates would be a good place to start though it would need to be updated to include niche parties and I would need to ensure that Bawn's classifications are appropriate both after reunification and at a state level. Ultimately, a cross-national study should be undertaken but this will require careful and extensive thought regarding which areas of spending can reasonably be compared across countries.

I would also like to examine the campaign and publicity techniques of the parties in government. What issue areas do they focus on when campaigning or choose to publicize while they are governing? Is there evidence of the SPD and CDU competing for credit for certain successful policies when they are in coalition with each other? How often are failed campaign promises held against governments by opposition parties during the campaign? Finding the answers to these questions should help to get at the underlying assumptions of the hypotheses I presented.

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Table 1:

	<i>Dependent variable:</i>	
	Total Spending as % GDP	
	<i>OLS</i>	
	(1)	(2)
Party Number		1.444*** (0.376)
SPM Government	-1.241*** (0.419)	
Left-Right Position	-0.554*** (0.144)	-0.542*** (0.142)
East	8.236*** (0.412)	8.276*** (0.406)
% Employed	-0.018 (0.082)	-0.026 (0.081)
% Change GDP	0.426*** (0.053)	0.421*** (0.052)
Constant	19.808*** (4.468)	17.093*** (4.477)
Observations	283	283
R ²	0.795	0.799
Adjusted R ²	0.777	0.782
Residual Std. Error (df = 260)	3.099	3.065
F statistic (df = 22; 260)	45.733***	47.010***

*Note:** $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

Includes year fixed effects

Figure 1:

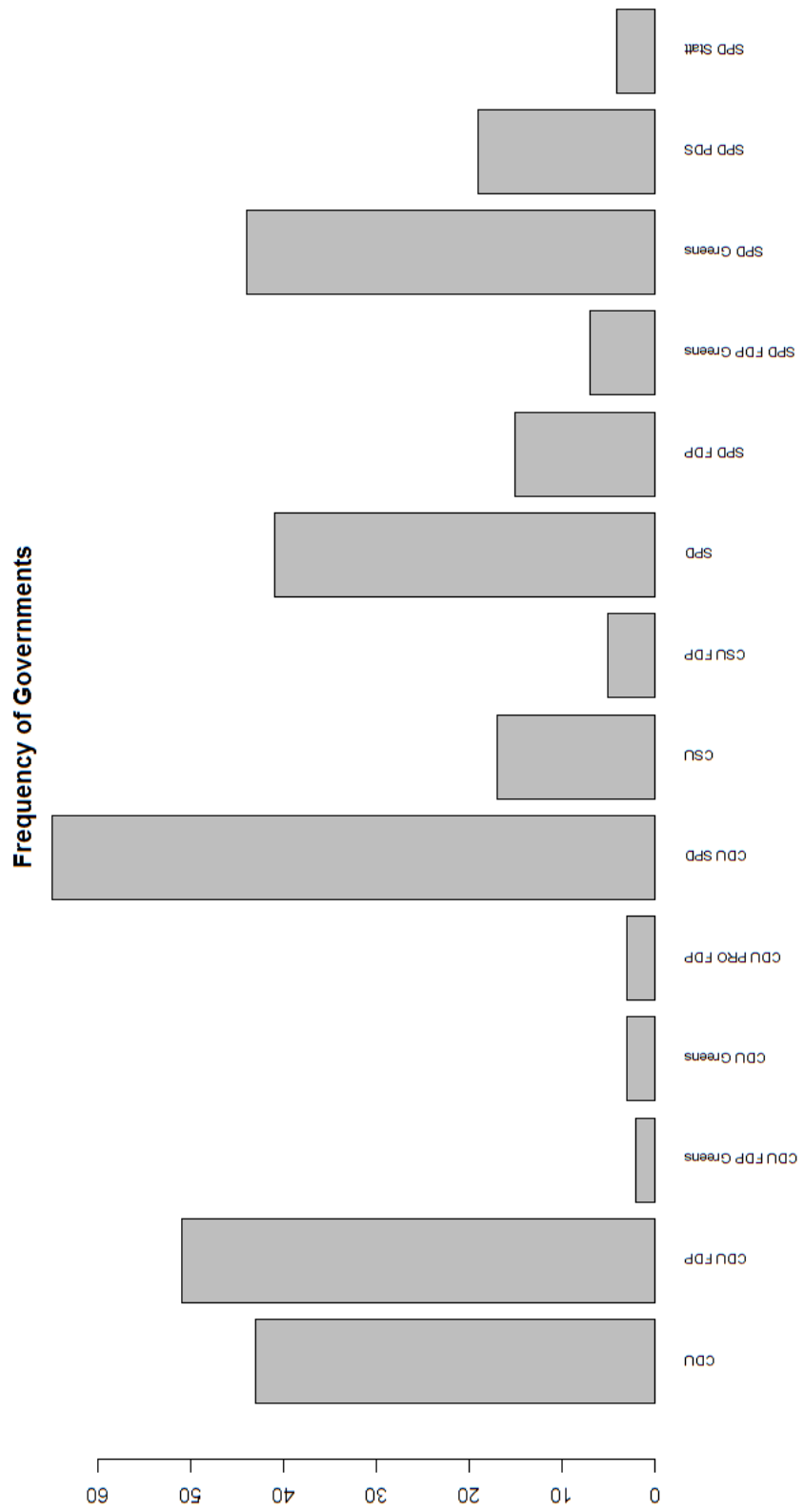


Figure 2:

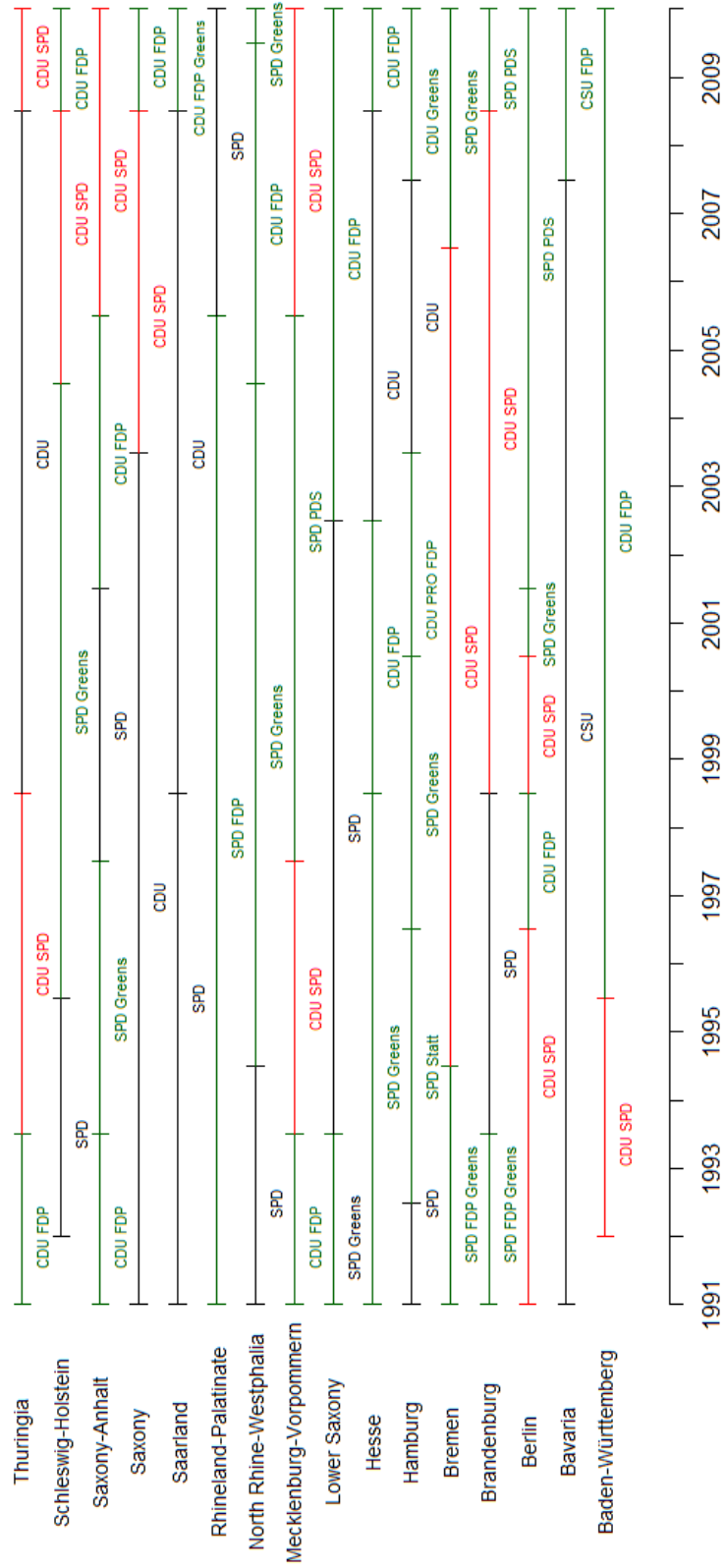


Table 2:

<i>Dependent variable:</i>	
Total Spending as % GDP	
<i>OLS</i>	
Grand Coalition	2.274*** (0.545)
Niche Coalition	0.653 (0.440)
Left-Right Position	−0.659*** (0.145)
East	7.769*** (0.437)
% Employed	−0.019 (0.080)
% Change GDP	0.459*** (0.053)
Constant	19.735*** (4.422)
Observations	283
R ²	0.801
Adjusted R ²	0.784
Residual Std. Error	3.055 (df = 259)
F statistic	45.373*** (df = 23; 259)
<i>Note:</i>	* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$ Includes year fixed effects

Table 3:

<i>Dependent variable:</i>	
IBTs as % GDP	
<i>OLS</i>	
(1)	
Grand Coalition	-2.261*** (0.647)
Niche Coalition	-1.379*** (0.517)
Match National 1.014*	 (0.580)
Left-Right Position	-0.045 (0.161)
East	11.478*** (0.497)
% Employed	-0.220** (0.088)
% Change GDP	0.301*** (0.063)
Constant	27.026*** (4.827)
Observations	299
R ²	0.766
Adjusted R ²	0.744
Residual Std. Error	3.552 (df = 273)
F statistic	35.700*** (df = 25; 273)
<i>Note:</i>	* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$ Includes year fixed effects