

The arithmetics of partisanship and policy outcomes in parliamentary democracies*

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Abstract

Empirical assessments of partisan models of politics have primarily focused on the relationship between government composition and policy outcomes. However, we argue that it is necessary to take parties outside government into account because their preferences also shape policy in parliamentary democracies. We show that a measure of parliamentary partisanship based on the preferences and bargaining power shares of all legislative parties outperforms the more traditional measure of government partisanship in explaining policy outcomes. In particular, we find that this is the case for public social spending and political decentralization.

Keywords: *partisan politics, legislative bargaining, social spending, decentralization.*

JEL classification: *D72.*

Resumen

Muchos estudios empíricos en economía política comparada han analizado la relación entre la composición del gobierno y las políticas públicas. Sin embargo, en este artículo argumentamos que en democracias parlamentarias es necesario tener en cuenta el papel que desempeñan los partidos que no están en el gobierno dado que sus preferencias pueden afectar también las políticas. En concreto, aportamos evidencia empírica según la cual la composición del parlamento, medida en función de las preferencias y el poder de negociación de todos los partidos con representación, es una medida que explica mejor las dinámicas de las políticas que no la composición del gobierno. Específicamente, esto ocurre a la hora de explicar las dinámicas del gasto público social así como de la descentralización política.

Palabras clave: *negociación política, modelos partisanos, gasto público, descentralización.*

Clasificación JEL: *D72.*

1. Introduction

While the executive is generally considered to be the key institution in explaining policy dynamics in parliamentary democracies, the story of policy-making does not end at the governments' offices. Certainly, the government is at the heart of policy

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formulation. Cabinet members usually draft legislation and lead the implementation of policy. Therefore, given the prevalent role of the executive, one could well argue that policy is likely to reflect the preferences of government parties alone. However, the policies that governments implement are critically shaped by other parties that do not hold any executive responsibility.

There are two reasons why the preferences of opposition parties are also crucial in understanding policy-making in parliamentary democracies. First, whenever a single party does not have an absolute majority of seats in parliament, the formation of a government is the result of negotiations that tend to produce some kind of inter-party agreement in the form of a coalition government or a legislative coalition. However, the content of these agreements cannot be understood by looking at the preferences of the signatory parties only. The ability of parties to impose their views on the agreement, or their need to concede, is necessarily affected by the alternatives they have open. Specifically, the preferences and potential to coalesce of other (opposition) parties will condition the ability of each signatory party to forge policy.

Second, once the government has been formed, opposition parties continuously represent an alternative for government parties. That is, in the face of discontent, any party can threaten to withdraw its support from the government and form an alternative with opposition parties. Similarly, other government parties can react by counter-threatening to strike a deal with other opposition parties. The credibility and content of these threats –and hence the resulting policies– will again be subject to the characteristics of the latter, mostly their size and preferences.

However, the implications of such arguments have not been explored to date and the empirical assessments of partisan models of politics have tended to concentrate on measuring the partisanship of government and how it relates to policy dynamics. In general, looking at the policy positions and relative sizes of parties in government seems to have been sufficient to evaluate to what extent policies respond to parties' preferences. We believe this is unsatisfactory since it does not take into account the role of outside cabinet parties with legislative bargaining power.

In this article we argue that the influence of partisanship on policy has to be measured at another institutional level: the parliament. We develop a measure of partisanship where the preferences of the parliamentary parties are weighted by their bargaining power. Empirically, we demonstrate that parliamentary partisanship and government partisanship differ in their temporal and spatial variation and, also, we show that the former is a better predictor of policy outcomes (*i.e.* public social spending and political decentralization) than the latter.

The remainder of the article is structured as follows. The next section presents the motivation behind this article and the contribution it makes to the existing literature. Section 3 describes the data and variables of the study, with a particular emphasis on the measure of parliamentary partisanship we defend. Section 4 presents the empirical analyses of the effects of partisanship on policy outcomes. Finally, the last section summarizes the main contributions of this article and concludes.

2. Motivation and Hypothesis

Partisanship can be arithmetically measured at two different institutional levels: that of government and that of parliament. This distinction is crucial to understanding the dynamics of policy-making in parliamentary democracies. The political preferences of parties in government are of course critical determinants of policy outcomes, but parliamentary composition as a whole is also likely to matter since parties outside cabinet represent policy alternatives to the decisions of governments. In essence, what we argue in this article is the following: the same two governments in different parliamentary contexts are likely to implement very different policy outcomes.

A government is no more (and no less) than a result of the composition of the parliament. A given government formed by two parties can behave very differently depending on the parties that remain in opposition. In other words, the preferences and size of the opposition parties condition the content of the policy that the government is likely to implement. In counterfactual terms, the political decisions of a given government would have been different had the other parties (*i.e.* walk-away alternatives for the government parties) had different characteristics. Therefore, analysing the partisanship of government parties may not be sufficient to predict which policy outcomes one should expect.

Attempts to identify the effects of partisanship on policy have an established tradition in political science (*e.g.* Hibbs 1977, Tufte 1978, Rose 1984, von Beyme 1985, Roubini and Sachs 1989, Garrett and Lange 1991, Hicks and Swank 1992, Blais *et al.* 1993, Comiskey 1993, Schmidt 1996, Garrett 1998, Oatley 1999, Volkerink and de Haan 2001, Bräuninger 2004). This scholarly debate on the so-called partisan model of politics has primarily looked at the composition of governments. Since the priorities of left and right-wing parties with respect to the making of policies are supposed to differ, their presence/absence in government is expected to shape the choice of sectorial and fiscal policies. Despite the fact that the partisan politics approach has been brought into question because of the increasing internationalization of the economy that leaves less room for governments to manoeuvre, empirically we tend to find a significant influence of partisanship on policy-making. However, according to Bräuninger (2004: 423), “findings have been encouraging but sometimes mixed”. We argue that this is in part due to excessive attention on government composition rather than the parliament.

On one hand, the comparative political economy literature has focused attention on the effects of government partisanship. A plethora of very influential contributions use government partisanship as a key independent variable of interest or, alternatively, as a control variable (*e.g.* Gross and Sigelman 1984, Cusack 1999, Hallerberg and von Hagen 1999, Moene and Wallerstein 2003, Iversen and Soskice 2006, Lupu and Pontusson 2011). These variables indicate the presence in government of parties with certain preferences. Their presence is captured either by the number of parties or by the share of seats they contribute to the cabinet while political preferences

are measured through party family categorizations/labels, expert surveys, or a time-specific measurement of policy emphasis on multiple issue areas derived from parties' election programmes.

On the other hand, there are much fewer studies aimed at assessing the influence of *parliamentary* partisanship on policy outcomes. In particular, the role of parties' bargaining power on the likelihood that their preferred policies are implemented has frequently been neglected in this field's empirical literature. While theoretical models of legislative bargaining have defended the effect of parties' bargaining power (e.g. Baron and Ferejohn 1989, Baron and Diermeier 2001), its influence has seldom been assessed in empirical studies (Diermeier and Merlo 2004).

If anything, empirical analyses that have examined the role of parliamentary composition have focused on which party has been the median legislator. According to standard legislative models, the median legislator in parliament is assumed to determine the voting outcome because it can cast the pivotal vote. As a result, policy change between years is given by the change in the median position on every issue (e.g. Enelow and Hinich 1984, Kraan 1996). But aside from the median legislator, empirical studies on the relationship between parliaments and policy have typically focused on parties' seat shares without further inquiry into how that translates into their actual negotiating power.

But beyond mere seat shares and beyond the specific cabinet that is finally formed, we argue that it is the actual bargaining power (or coalition potential) of each political party with representation in national parliaments what really makes a difference for policy outcomes. In fact, the smallest variations in seat distributions can cause dramatic changes in the distribution of parties' bargaining power. This is why the correlation between parties' seat shares and their share of bargaining power is far from perfect (Warwick and Druckman 2006).

In fact, the partisanship of a given parliament can be fully characterized by the distribution of seats across parties but also, more accurately and efficiently, by the distribution of parties' coalition potential or bargaining power (Laver and Benoit 2013). We argue that the latter, namely the vector of coalition potential values, is most important in characterizing the parliamentary partisanship arithmetic that is of relevance to explain changes in policy outcomes. This distribution describes the ability of parties to influence policy outcomes by incorporating parties' voting power indices and hence their coalition potential (Rodden 2002, Aksoy 2011).

In a previous study we followed a similar approach and showed that the parliamentary salience of the decentralization dimension of party competition, weighted by parties' bargaining power, is a key determinant of the dynamics of actual political decentralization (Amat and Falcó-Gimeno 2013). This is the case because, frequently, regionalist parties are able to influence the introduction of legislative reforms when they have coalitional bargaining power. In the present article we generalise our argument to other dimensions and policy outcomes, comparing the explanatory power of government and parliamentary partisanship.

Therefore, the main contribution of this article is to challenge much of the existing literature by arguing that parliamentary partisanship, which is characterized by taking into account all parties' preferences and bargaining power, will be a better predictor than government partisanship of the dynamics of policy outcomes in parliamentary democracies. This should be the case because outside government parties with political representation in parliament and sufficient legislative bargaining power can impact the decisions of the government (or may have impacted it during the formation stage) and, by doing so, influence policy-making. This alternative hypothesis can be succinctly formulated as follows:

Main Hypothesis: Partisanship in parliament, measured both in terms of parties' preferences and parties' legislative bargaining power, is a better explanatory factor of the dynamics of policy outcomes in parliamentary democracies than government partisanship.

In order to test this hypothesis a careful description of the ways in which we can account for the arithmetic of partisanship both at the government and parliamentary level is needed. The next section provides an explanation of our dataset and measures of partisanship in any dimension of political competition in any given parliament or government. After that, we will tentatively test the hypothesis with two significant policy outcomes in advanced parliamentary democracies: public social spending and political decentralization.

3. Data and Measures of Institutional Partisanship

There are various ways to measure the political inclination prevalent in a parliamentary democracy at a given point in time. In any event, data on both parties' preferences and parties' weight is always needed. Based on the ParlGov project (Döring and Manow, 2011), we have built a party-year database with information on party preferences as contained in their election manifestos (CMP data, Budge *et al.* 2001, Klingemann *et al.* 2006, Volkens *et al.* 2012) and different party characteristics including their seat shares, bargaining power fractions, and government status, from 1946 to 2010 and for 34 countries¹. We have then used these data to calculate our indices of partisanship for each legislature. More specifically, our indices follow this formula:

$$\text{Partisanship} = \sum_{i=1}^n \text{preference}_{ijt} * \text{weight}_{it} \quad [1]$$

¹ However, the analyses presented in this article are run on a subset of 22 OECD parliamentary democracies.

Where the partisanship of the parliamentary democracy on a given dimension j during legislature t is measured as the sum of parties i 's preferences on dimension j weighted by an index ranging from 0 to 1 capturing each party i 's relative strength in the legislature t . This general formula can be applied to i) any dimension j for which we have data on parties' preferences, ii) any weight that measures each party's strength (including their proportion of seats in the legislature or their relative bargaining power calculated through various indices) and iii) any legislature for which we have the relevant data.

One of the objectives of measuring the prevalent political preferences in a parliamentary democracy at a given point in time is to address the issue of how these preferences relate to actual policy. As stated in the previous section, most studies have used measures of partisanship based on the composition of the government. Instead, we believe that parties' potential influence on policy outcomes is best captured by their strength in parliament, regardless of the government that has finally been formed. Parliament is what gives birth to the formation of the government, and the content of the formation negotiations is inextricably linked to the strength of each party in parliament, irrespective of their eventual participation in cabinet or not. That is, two governments composed of the same parties can agree on very different policies, keeping their sizes constant, depending on the alternatives that are present outside government.

This is why we face two very different measures of partisanship: in order to compare which is more accurate in the explanation of policy outcomes. The first is the typical measure of government's preferences in dimension j at time t , weighted by the seat share contribution of each party in cabinet (that is, only the g government parties are taken into account). This is our seat-share weighted (SSW) measure. More specifically, using Comparative Manifesto Project (CMP) data:

$$\text{Partisanship in Government (SSW)}_{jt} = \sum_{i=1}^g \text{CMP score}_{ijt} * \text{seat-share contribution}_{it} \quad [2]$$

However, the measure we defend to capture partisanship in a parliamentary democracy is one where all l parties represented in parliament are taken into account. The CMP scores are in this case weighted by the bargaining power of each party –bargaining power weighted (BPW).

$$\text{Partisanship in Parliament (BPW)}_{jt} = \sum_{i=1}^l \text{CMP score}_{ijt} * \text{bargaining power index}_{it} \quad [3]$$

We argue that this latter measure will better predict changes in policy outcomes. That is, a variation in *Partisanship in Parliament (BPW)*, measured as defined by equation [3], will have a greater effect on policy than a variation in *Partisanship in Government (SSW)* as defined in equation [2]. Note that the crucial difference between both measures is that the index of *Partisanship in Parliament (BPW)* includes the preferences and strength of the parties in opposition whereas the index of *Partisanship in Government (SSW)* only includes the parties in government.

We can now take any CMP score and produce a measure of partisanship in any dimension. Each CMP score (perXXX/100) refers to the proportion of the electoral manifesto of the party that contain policy statements (*i.e. quasi-sentences*) related to a particular dimension (for a detailed explanation, see Budge et al. 2001, Klingemann et al. 2006, Volkens et al. 2012). One of the most-used CMP additive indices is the left-right index (Laver and Budge 1992). This scale sums all the CMP scores on the dimensions that are typically considered as right-wing, and subtracts all the CMP scores on the left-wing dimensions.² The resulting score captures the left-right position of each party, potentially ranging from -1 (for a party with a manifesto with a 100% of left-wing quasi-sentences) to +1 (for a party with a manifesto with a 100% of right-wing quasi-sentences). The calculation of our aggregated indices of partisanship on the left-right dimension makes use of these left-right positions.

It is important to emphasize that, by taking the electoral manifestoes and using them as a proxy for parties' legislative preferences, we are implicitly making several assumptions. Arguably, parties' electoral preferences do not necessarily match their posterior legislative preferences. That is, parties can exhibit more extreme positions on certain issues at the electoral stage but relax their preferences a posteriori once they are in parliament (*or vice versa*). But in any case, the extent to which political parties will do so will be constrained by their previous electoral promises. Moreover, in practical terms, the CMP dataset provides comparable measures of parties' preferences both across countries and across time and therefore provides useful information that has been extensively used in similar studies.

Regarding the weights, the government measure defined in equation (2) takes the contribution that each cabinet party makes to the resources of the government in terms of seat-shares. As for the parliamentary measure, we specifically use the Shapley-Shubik index. According to this index, the bargaining power of each party is measured by the fraction of the possible voting sequences in which that party casts the deciding vote, namely, the vote that first guarantees passage of the 50% threshold (Shapley and Shubik, 1954).³

Note also that the theoretical variation of the two measures of partisanship defined in equations (2) and (3) ranges from -1 to +1. The former would imply that all the *relevant* parties –parties with some voting power in parliament for *Partisanship in Parliament (BPW)* or parties with some representation in cabinet for *Partisanship in Government (SSW)*– have manifestos with 100% left-wing-oriented policy statements. A score of +1 would represent a situation where all relevant parties are 100% right-wing according to their manifestos.

Figure 1 shows the results of these calculations. It is worth mentioning here that, in order to make the two measures comparable, we have aggregated them at the level

² More specifically, the calculation is the following: (per104 + per201 + per203 + per305 + per401 + per402 + per407 + per414 + per505 + per601 + per603 + per605 + per606) - (per103 + per105 + per106 + per107 + per403 + per404 + per406 + per412 + per413 + per504 + per506 + per701 + per202).

³ Further detail on the calculation of these measures can be provided by the authors upon request.

of the legislature (the period between two elections). This is obvious for *Partisanship in Parliament (BPW)* (solid black line) as the configuration of the parliament does not vary during this period. However, for *Partisanship in Government (SSW)* (in grey) we have averaged the government partisanship scores across all cabinets that formed during the inter-election period. The comparison between the partisanship prevalent in government and the partisanship prevalent in parliament across time is illustrated in Figure 1 for 22 OECD parliamentary democracies.³

One can easily see that, in majoritarian systems, the two measures tend to coincide most of the time. This makes perfect sense, as the prevalent political preferences in the parliament are the same as in the government. In other words, these systems tend to produce absolute majorities in parliament that then lead to the formation of single-party majority cabinets. Hence, the political views that are likely to be decisive are the same either looking at the parliament or at the cabinet: the party with an absolute legislative majority is the one that also runs the government.

However, *Partisanship in Government (SSW)* and *Partisanship in Parliament (BPW)* behave in a considerably different manner in many countries (every time the black line in Figure 1 becomes visible). While the government measure tends to produce steeper ups and downs, the parliament measure remains steadier. In general, the governments are more “extremist” than parliaments, which stay more centrist over time. Denmark, for instance, provides a strong example of such a difference.

Figure 2 shows the means and standard deviations of each measure, by country. On average, the parliaments (crosses) and the cabinets (circles) do not differ much in terms of left-right positions. It is true that there seems to be a slight right-wing bias for cabinets in 13 out of the 22 cabinets, but the cabinet is, on average, left of the parliament in 9 countries. Taken together, however, the differences are not striking, even if we look at majoritarian and proportional representation (PR) systems, separately.

Hence, the use of our measures provide findings that do not coincide with those of Iversen and Soskice (2006) but are more in line with McDonald *et al.* (2004), who find little or no gap between the average cabinet position and the parliament’s in PR systems. However, the standard deviations reveal much clearer differences. The variance of *Partisanship in Parliament (BPW)* is lower than that of *Partisanship in Government (SSW)* in 20 out of the 22 cases. That raises an apparent paradox that in some ways represents a challenge for our argument: the variation of a measure that actually varies less, *Partisanship in Parliament (BPW)*, is expected to better predict changes in policy outcomes.

The comparison between the two measures can better be explained with the analysis of a specific example: Spain. Figure 3 shows the evolution of the two variables for the left-right dimension and for another relevant dimension of political competition in the Spanish case: the preferences for the territorial organization of

³ We show the measures for the periods in which the country can be considered a parliamentary democracy according to PERSSON *et al.* (2007).

FIGURE 1
EVOLUTION OF PARLIAMENTARY AND GOVERNMENT PARTISANSHIP ON THE
LEFT-RIGHT DIMENSION IN 22 OECD COUNTRIES

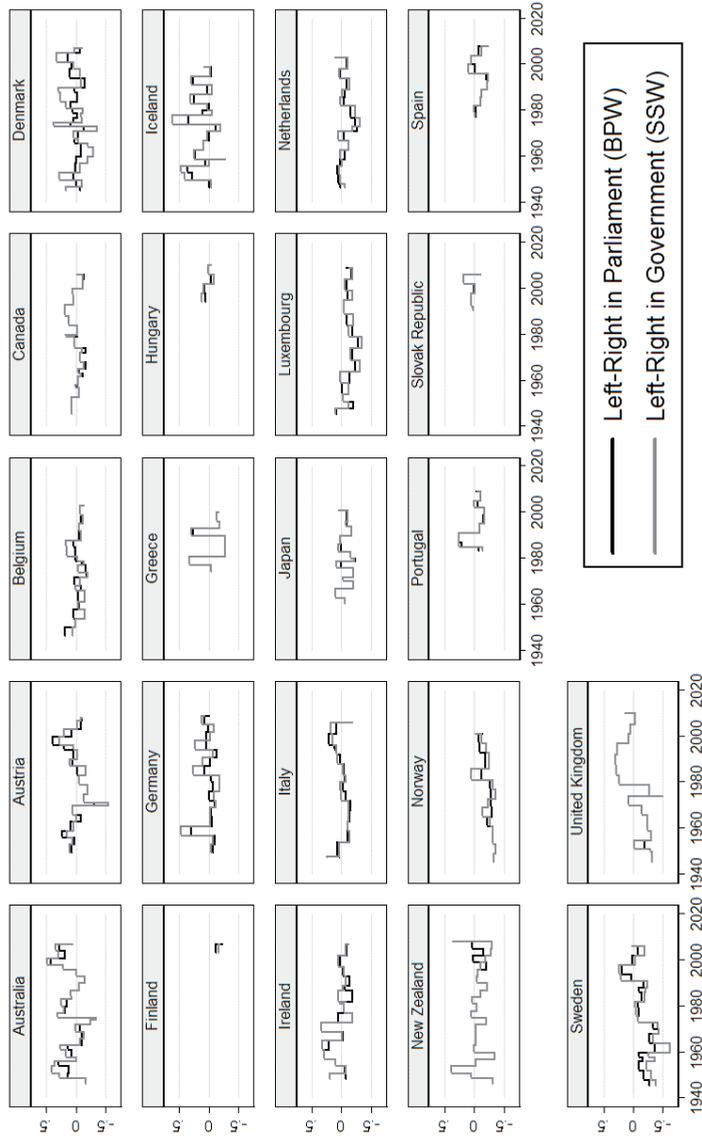
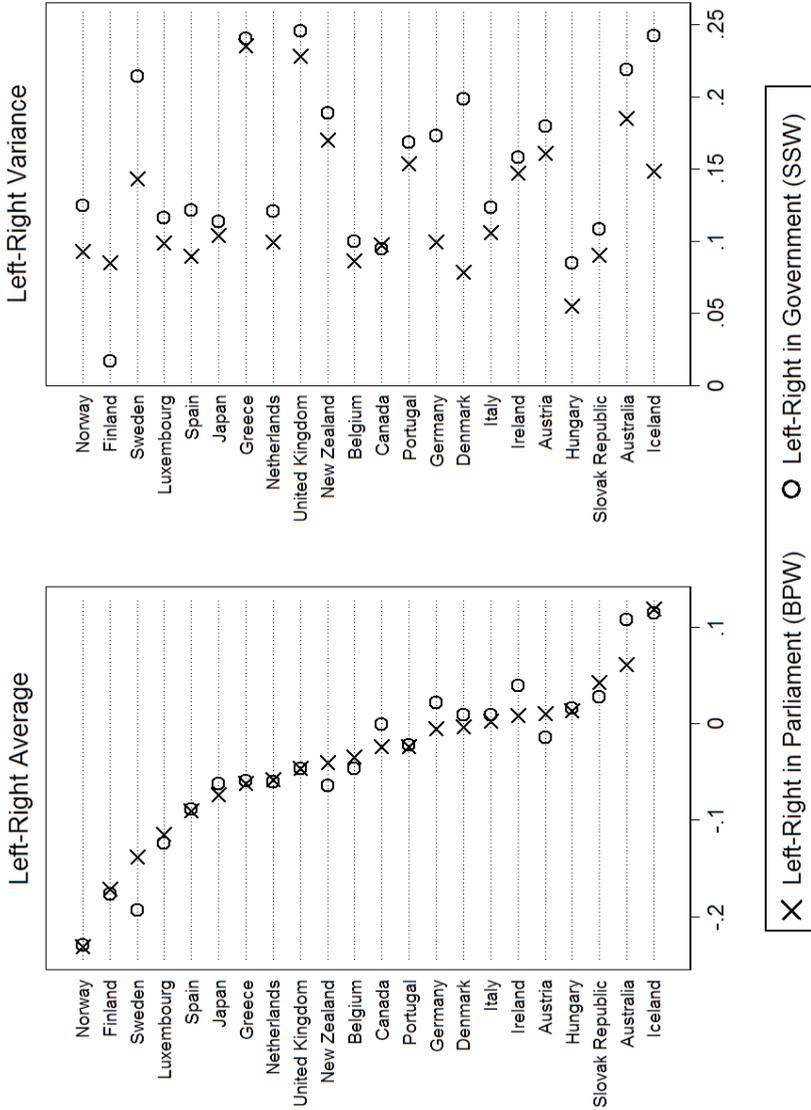


FIGURE 2
AVERAGES AND VARIANCES OF LEFT-RIGHT POSITIONS IN PARLIAMENT AND IN GOVERNMENT



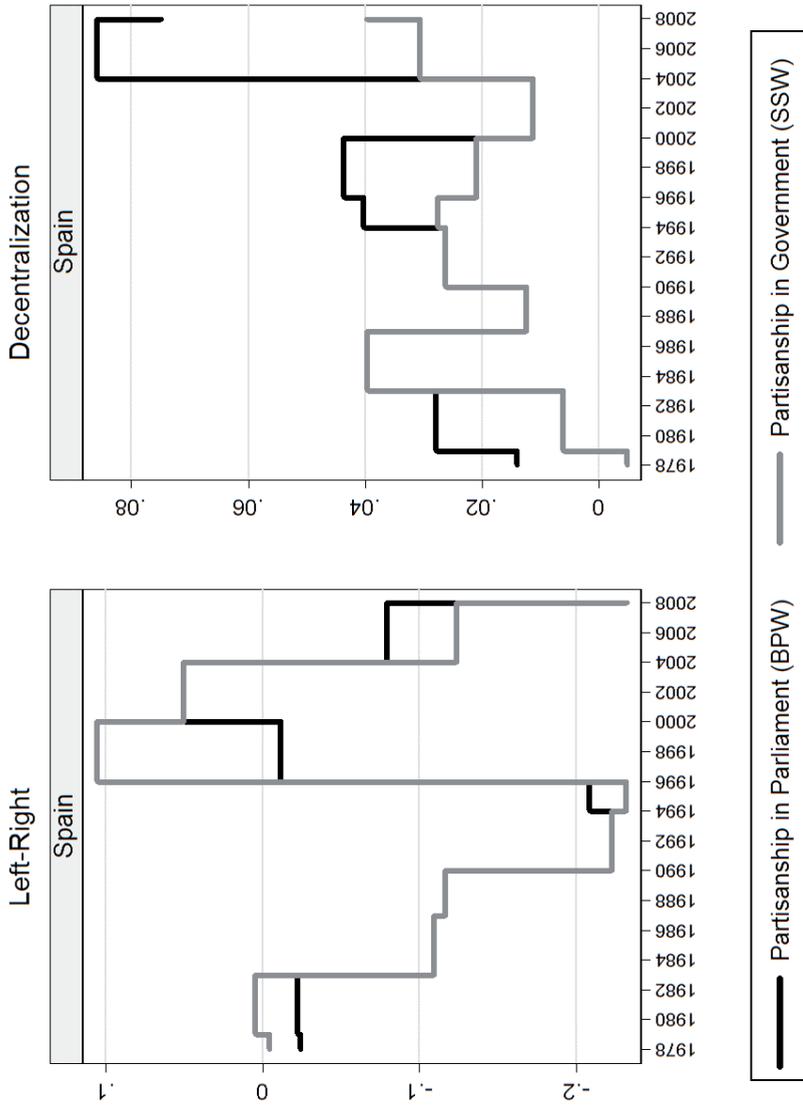
the country, or more succinctly, decentralization preferences. To calculate the latter we also draw on the CMP data. Following Laver and Budge (1992) we simply subtract per302 from per301, which gives us the overall position of each party on decentralization (see also Amat and Falcó-Gimeno (2013)). The former refers to the proportion of party manifestos' policy statements (*i.e.* quasi-sentences) that contain negative views about decentralizing the political structure of the country, whereas the latter accounts for the opposite (namely, positive views about decentralization). The aggregation process is then the same as explained above.

Although the two measures of partisanship in Figure 3 follow a similar trend in both dimensions, the differences between them are also obvious. The segments in which the two measures coincide (only the grey line is visible) are those in which a single-party majority cabinet formed, whereas the differences arise in those periods when none of the main state-wide parties –the centrist party that led the democratic transition “Unión de Centro Democrático” (UCD) (1977-1979, 1979-1982), the social-democratic party “Partido Socialista Obrero Español” (PSOE) (1993-1996, 2004-2008, 2008-2011), or the conservative party “Partido Popular” (PP) (1996-2000)– had an absolute majority of seats and had to form a single-party minority government.

The graph of the left-right dimension shows that the parliament is left of the cabinet during the periods when UCD and PP formed a minority government. By contrast, the parliament is more conservative than the government when the PSOE led with a minority cabinet. The decentralization graph depicts an even more interesting illustration of Spanish politics. The bargaining-power-weighted parliament is always more pro-decentralization than the government when the main state-wide parties do not have control of at least 50%+1 of the seats. That reflects both the presence of numerous regional and nationalist parties that want more decentralization in the Spanish *Congreso de los Diputados* as well as the pro-centralization bias of the state-wide dominant parties. It is precisely these situations that make the claims of regional parties more likely to be listened to and hence have more potential to influence parliamentary negotiations. We will discuss the policy implications of these types of situations in the next section.

But before exploring and comparing their predictive capacity in explaining actual policy-making, it is worth mentioning that the two measures differ not only when minority governments form (as is evident with the illustration of the Spanish case), but in fact any time when no single party controls an absolute majority of seats in parliament. These are the situations in which legislative coalitions need to be formed. Therefore, most coalition majority cabinets also have a partisanship score that is different from that of their parliament's. According to Strøm and Nyblade (2007), of the governments that formed in Western European parliamentary and semi-presidential democracies between 1945-1999, 13% were single-party majority governments, 22% were single-party minority governments, 44% were coalition majority cabinets, and 18% coalition minority cabinets. Therefore, in the vast majority of cases the two measures of partisanship are likely to differ.

FIGURE 3
EVOLUTION OF PARLIAMENTARY AND GOVERNMENT PARTISANSHIP ON
TWO DIMENSIONS IN SPAIN



4. Institutional Partisanship and Policy Outcomes

In this section we will first test whether or not we can find evidence of a partisan model of politics. Is partisanship a significant determinant of policy outcomes? In particular, our empirical applications will focus on the study of i) the dynamics of public social spending as a proxy for redistribution and ii) the dynamics of political decentralization. Both are fundamental policy outcomes that have received considerable attention in the recent comparative political economy literature (Lupu and Pontusson 2011, Beramendi 2012).

However, as argued above, we believe that the real source of policy change is parties' coalition potential in national parliaments rather than the composition of governments alone. In fact, coalition politics is the essence of policy-making in multiparty parliamentary democracies. Therefore, the main objective is to disentangle the effects of cabinet partisanship and parliamentary partisanship on policy outcomes. By doing so we will test this article's main hypothesis according to which parliamentary partisanship is a better predictor than government partisanship of the dynamics of policy outcomes in advanced parliamentary democracies.

4.1. Methodology

In order to compare different institutional effects we estimate legislature-based models. Recall that *Partisanship in Government* (SSW) averages government partisanship scores across all cabinets that formed during a given inter-election period. By doing so we are able to provide comparable estimates of the effects of cabinet and parliamentary partisanship. Therefore, all models use observations codified during the legislature or inter-election period. In order to merge legislature data with the data for the policy outcomes of interest we consider a half-a-year "rule of thumb". That is, we take the election year as the starting year of a given legislature unless elections were held after June 30th, in which case the starting year is the following.

We estimate dynamic time series cross-sectional (TSCS) models based on the legislature data described in the previous section for 22 OECD parliamentary democracies. Specifically, the countries under study are the following: Australia, Austria, Belgium, Canada, Denmark, Finland, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovak Republic, Spain, Sweden, and the United Kingdom. For those models that estimate the effects of left-right partisanship on the dynamics of public social spending the time period for which we have observations is 1980-2006, with an average of 5.7 legislatures per country. For those models that estimate the effect of decentralization partisanship (*i.e.* parties' preferences for (de)centralization) on the dynamics of political decentralization we have observations for a longer time period, 1950-2005, with an average of 12.4 legislatures for each country.

We run two types of dynamic TSCS models for each of the two dependent variables of interest: i) fixed effects models and ii) error correction models (ECM). The latter are particularly interesting since they are useful to estimate how a change in partisanship (either at the government or parliamentary level) influences the dynamics of policy outcomes. All models include a lagged dependent variable to correct the serial correlation in the policy outcome of interest and, additionally, use a panel-specific AR (1) autocorrelation structure. However, most of the results that we will discuss with respect to the fixed effects models are also robust to the exclusion of the lagged dependent variable. Finally, the models are estimated using panel-corrected standard errors (PCSE) to correct for group-wise heteroscedasticity and contemporaneous correlation.

4.2. Empirical Results

Table 1 presents the models in which public social spending (SOCX), measured as a percentage of GDP, is the policy outcome under study. We follow Lupu and Pontusson (2011) and subtract the spending targeted towards the elderly (pensions and other services) from overall public social spending. Note that the non-elderly public social spending variable can be thought of as a proxy for redistribution since the correlation between both variables is above 0.8 according to Lupu and Pontusson (2011). That is, if we took the GINI data points available from the Luxembourg Income Study (LIS) and computed an index of redistribution based on the percentage change in the GINI coefficients, we would find a very robust correlation between that redistributive index and the SOCX variable.

Firstly, models (1.1) to (1.4) explore the effects of government left-right partisanship on the dynamics of public social spending. Accordingly, the variable of left-right partisanship in those models refers to the measure *Partisanship in Government (SSW)*, previously discussed. Note also that models (1.1) and (1.2) focus on the bivariate relationships, whereas models (1.3) and (1.4) are multivariate models that include *GDP Growth* and *Unemployment* as controls. Interestingly, we observe a negative bivariate association between government left-right partisanship and public social spending in the bivariate legislature-based models. However, the effects are only barely significant (at the 10% level). This is surprising since one would expect a much stronger relationship according to the traditional literature on comparative political economy.

The relationship between cabinet left-right partisanship and social spending appears to be stronger once we include the controls (*GDP Growth* and *Unemployment*) in models (1.3) and (1.4). This is true for the fixed effects model and the ECM model.⁴ In order to interpret the magnitude of the effects it is necessary to recall the

⁴ Note, however, that this change may also be due to the fact that the latter models include fewer observations: they are estimated for 101 legislatures across 16 OECD parliamentary democracies.

TABLE 1
DYNAMICS OF PUBLIC SOCIAL SPENDING ACROSS OECD PARLIAMENTARY DEMOCRACIES

DV: SOCX	Government left-right partisanship (SSW)				Parliament left-right partisanship (BPW)			
	FE (1.1)	ECM (1.2)	FE (1.3)	ECM (1.4)	FE (1.5)	ECM (1.6)	FE (1.7)	ECM (1.8)
Lagged DV	0.564*** (0.090)	-0.439*** (0.092)	0.557*** (0.099)	-0.382*** (0.106)	0.598*** (0.087)	-0.408*** (0.089)	0.598*** (0.101)	-0.351*** (0.105)
Left-Right Partisanship	-1.408* (0.753)		-2.089** (0.858)		-3.069*** (0.867)		-3.060*** (1.032)	
Left-Right Partisanship (diff)		-1.402* (0.766)		-2.040** (0.864)		-3.027*** (0.865)		-2.907*** (1.066)
Left-Right Partisanship (lag)		-1.508 (1.025)		-1.279 (1.116)		-3.388*** (1.209)		-2.936** (1.321)
GDP PC Growth			-0.394*** (0.078)				-0.373*** (0.076)	
GDP PC Growth (diff)				-0.350*** (0.084)				-0.337*** (0.082)
GDP PC Growth (lag)				-0.213 (0.135)				-0.192 (0.129)
Unemployment			0.008 (0.049)				-0.011 (0.048)	
Unemployment (diff)				0.093 (0.066)				0.068 (0.066)
Unemployment (lag)				-0.006 (0.070)				-0.019 (0.068)
Constant	5.142*** (1.009)	5.188*** (1.052)	6.082*** (1.074)	5.067*** (1.277)	4.939*** (0.991)	5.038*** (1.037)	5.786*** (1.068)	4.934*** (1.249)
Observations (#Leg.)	127	127	101	101	127	127	101	101
R-squared	0.967	0.302	0.970	0.515	0.966	0.333	0.962	0.515
Number of Countries	22	22	16	16	22	22	16	16

NOTA: Standard errors in parentheses *** p < 0.01, ** p < 0.05, * p < 0.1

definition of the variable *Partisanship in Government (SSW)*, which ranges from -1 to 1 depending on the left-right partisanship parties in government. Take for example the estimated coefficient in the fixed effects legislature-based model (1.3). It implies that, on average, a change from a centrist government to a completely right-wing oriented cabinet (from 0 to 1) the expected reduction in public social spending would be equivalent to 2 percentage points over GDP.

In models (1.5)-(1.8), we explore the effects of *parliamentary* left-right partisanship on the dynamics of public social spending. In other words, in those models we use the variable *Partisanship in Parliament (BPW)* as a measure of left-right partisanship. Recall that this variable is computed by taking into account the left-right preferences of all parties represented in parliament along with their legislative bargaining power (Shapley-Shubik voting power). The differences with respect to the cabinet partisanship models are remarkable. Now, the negative relationship between parliamentary left-right partisanship and public spending in the bivariate legislature-based models (1.5) and (1.6) is very robust, and it also holds in the multivariate legislature-based models (1.7) and (1.8), when *GDP Growth* and *Unemployment* are included as controls.

Not only is the relationship between parliamentary partisanship and public social spending more robust but also the magnitudes of the effects are higher. The estimated coefficient in the fixed effects multivariate legislature-based model (1.7) implies that the expected reduction in public social spending due to a change from a centrist parliament (where parties' preferences are weighted by their bargaining power) to a completely right-wing one would be equivalent to 3 percentage points –note that this means 1 percentage point more with respect to the estimated coefficient in model (1.3).

Therefore, the analyses of Table 1 allow us to conclude that the partisanship prevalent in parliament is a better predictor of the dynamics of public social spending than cabinet partisanship. Note that this result relates to the apparent paradox discussed before: although *Partisanship in Parliament (BPW)* has less variation (as shown in Figure 2), nonetheless, when it changes, it has more explanatory power than changes in cabinet left-right partisanship. In other words, the composition of parliaments in terms of preferences and power seems to be the real source of change for policy-making in parliamentary democracies.

To further test this idea, Table 2 presents a series of models where political decentralization is the policy outcome of interest. The dependent variable is Hooghe *et al.*'s (2010) Regional Authority Index (RAI). RAI is an additive index that ranges on a continuous scale from 1 to 24 and takes into account both the Self-Rule and Shared-Rule dimensions of political decentralization. Interestingly, around a half of the total variation in the RAI index is not due to differences in levels across countries but due to temporal variation within countries (Hooghe *et al.*, 2010). As we argued before, structural determinants of decentralization such as ethno-cultural diversity and inter-regional inequality cannot explain such temporal dynamics and it is therefore necessary to shift the attention to political determinants and institutional constraints (Amat and Falcó-Gimeno, 2013).

As in Table 1, models (2.1)-(2.4) of Table 2 first explore the effects of government decentralization partisanship on the dynamics of political decentralization. Specifically, in models (2.1) and (2.2) we focus on the bivariate relationships between cabinet's preference for decentralization (*i.e.* "decentralization partisanship") and political decentralization by using the *Partisanship in Government (SSW)* variable. In this case, we observe a robust positive association between them when controls are not included. For example, the estimated coefficient in the bivariate fixed effects model (2.1) tell us that if a government changes from a neutral position to a completely pro-decentralization oriented position (from 0 to 1) the expected increase in the RAI index would be equivalent to 9.7 points.

However, the robust relationship between government decentralization partisanship and political decentralization vanishes once we include the *GDP Growth* and *Unemployment* controls in the multivariate legislature-based models (2.3) and (2.4). In fact, only the estimated coefficient in the fixed effects model (2.3) is barely significant at the 10% level. But the error correction model (2.4) yields statistically non-significant effects. These results imply that the prevalent preferences for decentralization of parties in cabinet are not particularly helpful in explaining the dynamics of political decentralization across parliamentary democracies. Hence, the territorial dimension of political competition does not seem to have policy implications that are channelled through government partisanship.

But again the picture looks different once we take into account the effects of decentralization partisanship at the parliamentary level. In models (2.5) and (2.6) we estimate bivariate legislature-based models using the variable *Partisanship in Parliament (BPW)* as a measure of decentralization partisanship. Interestingly, the coefficients are bigger in size than the ones estimated at the cabinet level. Now, looking at the coefficient in the fixed effect legislature-based model (2.5), we should expect a 15.7 point increase in the RAI index if a parliament changed its decentralization partisanship from a neutral position to one that was completely pro-decentralization (from 0 to 1).

Most significantly, these effects hold once we include the *GDP Growth* and the *Unemployment* controls (multivariate legislature-based models (2.7) and (2.8)). Note that, before, the effects of decentralization partisanship in government disappeared once we included the controls. The strength of these results also point towards the role of opposition parties in the negotiations over decentralizing the political system –in this case, and most likely, regionalist parties with sufficient legislative bargaining power. That is, the territorial dimension of political competition affects policy outcomes through legislative bargaining in national parliaments. These results are coherent with our previous findings in Amat and Falcó-Gimeno (2013). Interestingly, in that previous study we also demonstrated that, since legislative bargaining is the main driving force, there are no significant differences between majority and minority cabinets once the measure of parliamentary decentralization partisanship is included.

TABLE 2
DYNAMICS OF POLITICAL DECENTRALIZATION ACROSS OECD PARLIAMENTARY DEMOCRACIES

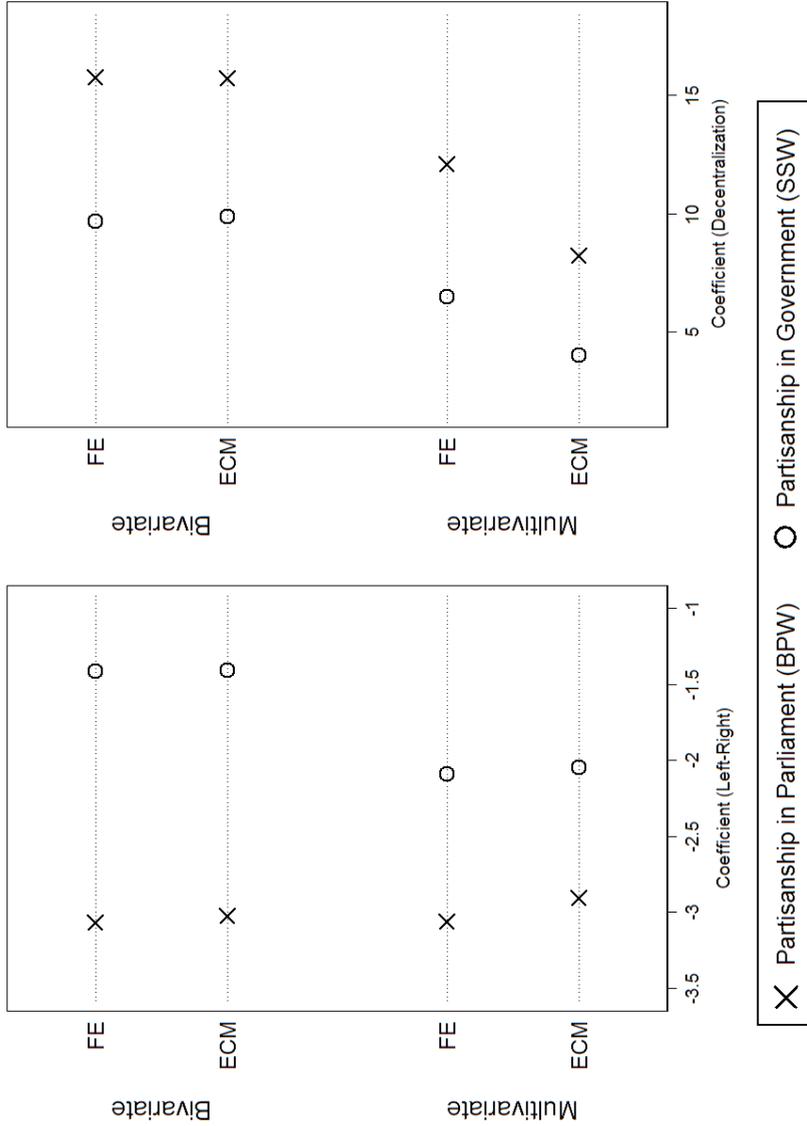
DV: RAI	Government decentralization partisanship (SSW)			Parliament decentralization partisanship (BPW)				
	FE (2.1)	ECM (2.2)	FE (2.3)	ECM (2.4)	FE (2.5)	ECM (2.6)	FE (2.7)	ECM (2.8)
Lagged DV	0.845*** (0.051)	-0.153*** (0.051)	0.794*** (0.057)	-0.259*** (0.062)	0.837*** (0.052)	-0.164*** (0.053)	0.790*** (0.057)	-0.272*** (0.063)
Decentralization Partisanship	9.685*** (3.604)		6.526* (3.966)		15.725*** (4.109)		12.079*** (4.637)	
Decentralization Partisanship (diff)		9.885*** (3.608)		4.071 (4.072)		15.689*** (4.143)		8.231* (4.952)
Decentralization Partisanship (lag)		6.792 (4.813)		3.504 (6.531)		16.138** (6.360)		13.686* (8.209)
GDP PC Growth			-0.009 (0.045)				-0.010 (0.041)	
GDP PC Growth (diff)				-0.005 (0.052)				-0.003 (0.049)
GDP PC Growth (lag)				-0.078 (0.067)				-0.054 (0.063)
Unemployment			0.015 (0.036)				0.013 (0.036)	
Unemployment (diff)				-0.051 (0.068)				-0.038 (0.065)
Unemployment (lag)				0.008 (0.041)				0.016 (0.042)
Constant	2.802*** (0.936)	2.787*** (0.934)	3.702*** (1.039)	4.932*** (1.139)	2.888*** (0.944)	2.898*** (0.954)	3.737*** (1.044)	4.948*** (1.147)
Observations (#Leg.)	274	274	203	190	274	274	203	190
R-squared	0.982	0.264	0.963	0.317	0.983	0.281	0.963	0.325
Number of Countries	22	22	16	16	22	22	16	16

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

Finally, to allow for a better comparison between the varying effects of the alternative measures of institutional partisanship on policy outcomes, Figure 4 plots all the estimated coefficients in Tables 1 and 2. The left-hand side panel of the figure summarizes the estimated coefficients that refer to the public social spending models. The differences between the magnitudes of the effects for partisanship in parliament versus partisanship in governments are clear. In all cases the estimated coefficients for parliamentary partisanship are larger in absolute magnitude –that is, the crosses are to the left of circles. Note also that the plotted coefficient for the ECM models refers to the differenced partisanship variable (*i.e.* the increment) –since this is the variable that captures the short-term impact of partisanship on the policy outcome. Although it is true that the difference between the estimated coefficients for the cabinet (circles) and the parliament (crosses) does not reach standard levels of statistical significance, the fact that the coefficients are systematically larger irrespective of the concrete specification make us confident that the parliamentary measures better explain the dependent variable.

On the right-hand side panel, Figure 4 summarizes the estimated coefficients in Table 2, which refer to the political decentralization models. Again, we observe that all the estimated coefficients for the parliamentary decentralization partisanship variables are always larger than those of government partisanship. In this case, the more pro-decentralization the parliament is, the greater the expected increase in political decentralization. The effect is always statistically significant and robust to the inclusion of controls in the multivariate legislature models. However, the coefficients for government decentralization partisanship are not statistically different from 0 in the models that include the controls –models (2.3) and (2.4). Thus, in this case we can safely conclude that legislative bargaining with outside cabinet parties plays a crucial role.

FIGURE 4: COMPARISON OF ESTIMATED COEFFICIENTS OF PARLIAMENTARY AND GOVERNMENT PARTISANSHIP



5. Conclusions and Outlook

In this article we have examined the arithmetics of partisanship in parliamentary democracies and the way they affect the dynamics of policy outcomes. Most importantly, we have provided an alternative hypothesis to the existing literature by arguing that it is necessary to account for the role of outside cabinet parties in order to understand the effects of partisanship on policy outcomes. If those parties have enough legislative bargaining power, or coalition potential, they can influence the dynamics of policy-making. Therefore, we have essentially claimed that the policy decisions of two equal governments are likely to differ considerably if the composition of the parliamentary contexts is different.

First, we have discussed the arithmetics of institutional partisanship and described how we built our measures across legislatures both for governments and for parliaments. On the one hand, the measure of government partisanship follows the orthodox characterization of partisanship by simply weighting the preferences of parties in government with their seat share contribution to the cabinet. On the other, we have also proposed a new measure of parliamentary partisanship in which all parties with representation in parliament are taken into account and their preferences are weighted with their legislative bargaining power (specifically using the Shapley-Shubik voting power index).

We argued that partisanship measured at the parliamentary level should be a better explanatory factor of the dynamics of policy making than government partisanship. This should be the case since the former takes into account the ability of parties outside the cabinet to affect the governments' policy-making processes. During the formation stage, opposition parties may have conditioned formation negotiations because they were in fact members of potential alternative cabinets and, during the cabinet's term in office, opposition parties always represent walk-away options for the parties supporting the government, who can threaten their partners during policy formulation.

Therefore, as long as outside cabinet parties do not remain passive actors in national parliaments and have enough legislative bargaining power (coalition potential), they should be able to modify the current content of policy-making. We have also contended that our argument should have observable implications since in parliamentary democracies those scenarios in which the two measures of partisanship actually differ are the rule rather than the exception. In fact, they only coincide when a single party has an absolute majority of seats and forms a single-party government.

Afterwards, we have shown empirically that institutional partisanship measured at the parliamentary level is indeed a better explanatory factor of the dynamics of various policy outcomes than government partisanship. In order to test our main hypothesis we have explored the effects of institutional partisanship on public social spending and political decentralization across 22 OECD parliamentary democracies. These are two fundamental policy outcomes with a reasonable amount of temporal variation across legislatures and therefore good explanations of their dynamics are

required. We have contended that institutional partisanship and, more specifically, the parliamentary partisanship that takes into account not only parties in government but also parties outside cabinet offers a crucial source of information to understand such dynamics.

Interestingly, however, we have found that the variance of our measure of parliamentary partisanship on the left-right dimension is lower than that of government partisanship. And yet, we have shown that its explanatory power with respect to the dynamics of public social spending is higher. The answer to this apparent paradox is that parliamentary partisanship has less variation because cabinets are on average more extremist than legislatures but still better predicts policy because it fully captures the strength and preferences of all political parties. In other words, it offers a more comprehensive picture by also incorporating outside cabinet parties. In that sense, many previous studies exploring the effects of partisanship suffer from a severe limitation by focusing exclusively on parties in government.

Similarly, by exploring the effects of the territorial dimension on the dynamics of political decentralization we have shown that the demands for greater decentralization are actually not channelled through government partisanship. In fact, the multivariate legislature-based models did not yield statistically significant results when using government partisanship as the explanatory factor. By contrast, our measure of parliamentary decentralization partisanship is much more robustly associated with the dynamics of political decentralization. We also take this result as further evidence that outside cabinet parties, possibly regionalist parties in this case, are able to influence policy-making by exploiting their legislative bargaining power.

Finally, it is important to acknowledge that we have not provided a full description of the institutional mechanisms by which outside cabinet parties are able to influence policy-making in parliamentary democracies. In other words, once it is shown that opposition parties matter, the next step is to investigate further the institutional conditions under which outside cabinet parties are likely to be more influential. This influence on the actual content of policy-making can be direct or indirect, either through the government formation stage or later by posing a permanent credible threat. We plan to explore this in future research by focusing on particular institutional characteristics such as the presence of an investiture vote, which is likely to shape the way political parties negotiate policy in national parliaments.

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