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When parties matter: A review of the possibilities and limits of partisan influence on public policy

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Abstract. This essay explores the possibilities and limits of partisan influence on public policy in democratic nations. It will be pointed out, that differences in party composition of government, in general, matter in public policy in constitutional democracy. However, the extent to which parties influence public policy is to a significant extent contingent upon the type of democracy and countermajoritarian institutional constraints of central state government. Large partisan effects typify majoritarian democracies and states, in which the legislature and the executive are 'sovereign'. More complex and more difficult to identify is the partisan influence on public policy in consensus democracies and in states, in which the political-institutional circumstances allow for co-governance of the opposition party. Narrowly circumscribed is the room to manoeuvre available to incumbent parties above all in political systems which have been marked by countermajoritarian institutional pluralism or institutional 'semi-sovereignty'. The article suggests, that it would be valuable if direct effects and interaction effects of the party composition of government and state structures featured more prominently in future research on comparative public policy.

1. Introduction

According to the hypothesis of partisan influence on public policy, or 'partisan theory' (Hibbs 1992: 316), a major determinant of variation in policy choices and policy outputs in constitutional democracies is the party composition of government. This hypothesis has been developed mainly in contributions to empirical democratic theory and research on partisan effects in economic and social policy, such as Hibbs (1977, 1987a, 1987b, 1992, 1994), Cameron (1978, 1984), Tufte (1978), Schmidt (1980, 1982a, 1982b, 1992b), Castles (1982a, 1982b), Alt (1985), Garrett & Lange (1986) and Alesina & Rosenthal (1995). The hypothesis of partisan influence on public policy, the 'parties-do-matter' view, is a stylised empirical theory of a democratic political market. Proponents of this hypothesis conceive of politics as a market in which politicians and governments deliver policies in exchange for specific or generalised political demand and support (for the basic model, see Parsons 1959). However, in contrast to most market theories, partisan theory is premised upon the assumption, that the structure, the process and the outcome of the market are contingent upon institutional and cultural circumstances which vary from country to country. Therefore, the emphasis in the partisan hypothesis is on a comparative approach to the study of the political market.

The major field of partisan theory is the comparative study of differences in public policy in constitutional democracies. In explanations of these differences, the proponents of the partisan hypothesis rely mainly on eight key propositions on linkages between social constituencies, parties and policy.

1. Social constituencies of political parties in constitutional democracies have distinctive preferences and successfully feed the process of policy formation with these preferences.
2. Policy orientations of political parties broadly mirror the distinctive preferences of their social constituencies.
3. Political parties are multi-goal organisations. Their major goals are office-seeking and policy-pursuit.
4. Incumbent parties choose policies which are broadly compatible with office-seeking, policy-pursuit ambitions and the preferences of the social constituencies.
5. Governments are capable of implementing the policies that were chosen by the incumbent parties.
6. Regarding policy outputs, there exists a law-like tendency of partisan differences in public policy: cross-national variation, and within-nations differences, in public policy are significantly associated with – and, by inference, dependent upon – differences in the party composition of government. Furthermore, a change in the party composition of government is associated with – and, by inference, causally related to – changes in policy choices and policy outputs.
7. Advanced partisan theory predicts partisan influence on policy in bivariate models and in multivariate explanatory models of public policy differences, controlling for the distribution of power in parliament and in extraparliamentary arenas, institutional arrangements, adaptation to changing environments, socioeconomic circumstances and international interdependence, to mention only some of the variables.
8. The extent to which party differences matter in public policy is contingent upon a wide variety of factors. First deserving mention among these are: socioeconomic challenges and economic resources; the degree of vulnerability of national economies to international markets (Scharpf 1988: Chapter 11); the distribution of power resources among social classes (Stephens 1979; Schmidt 1983; Esping-Andersen 1990); and the incumbent party's lead of the opposition party, measured by differences in vote and seat shares (Keeler 1993).

These propositions are by no means uncontroversial. Some regard them as valid statements, others question their applicability. In this article, this controversy will be tackled from an empirical point of view. Within this context, attention will be focused on the most central proposition of partisan theory. This is the hypothesis, that differences in the party composition of government are causally related to differences in public policy. The essay falls into six parts. In Section 2, attention will be directed on measures of party composition of government and data on the participation of conserv-

ative, liberal, christian democratic and leftist parties in government in democratic OECD nations in the period from 1950 to the mid-1990s. Theoretical and empirical aspects of the hypothesis of partisan influence on public policy are discussed in Section 3. This section concludes that differences in the party composition of government, in general, do matter in public policy. However, the magnitude and the visibility of partisan effects on public policy is also contingent upon the type of democracy and the power of countermajoritarian institutions. The extent to which public policy is shaped by the impact of partisan effects, types of democracy and countermajoritarian constraints of central state government will be explored in Sections 4 and 5. Section 6 concludes; reviewing the possibilities and limits of partisan influence on public policy in democratic nations, it will be suggested that the hypothesis of partisan influence on public policy is a valuable tool in comparative studies of economically advanced democratic states. Furthermore, this article also suggests that it would be valuable if the separate effects, and the interaction effects, of the party composition of government and countermajoritarian state structures featured more prominently in future research on comparative public policy.

2. Measuring party composition of government

The hypothesis of party influence on public policy originates from positive political science. Its proponents insist on precise operational definitions and measurement of the key variables. However, there is considerable disagreement on what represents the most valid and reliable indicator of the partisan complexion of government. Existing approaches to measuring the party composition of governments fall into one of four basic traditions: (1) the historiographic approach, (2) the left-right hypothesis, (3) the concept of the major party of the right and (4) the right-centre-left trichotomy.

The historiographic approach focuses on the historical diversity and idiosyncracies of the cases studied. Within the context of this school of thought, comparative analysis of the party composition of governments is based on detailed typologies of political-ideological families of parties or 'familles spirituelles' (von Beyme 1985: 3), such as parties of the labour movement and agrarian parties, associations of conservative, liberal and christian democratic complexion, and the New Politics parties of the 1970s and 1980s. The major strength of the historiographic approach is detailed reconstruction of idiosyncracies of the party systems, its major weakness consists of the limited potential for data reduction and the lack of a parsimonious comparative measure of the partisan complexion of government.

In contrast to this, the left-right measure of the party composition of governments involves a large degree of data reduction. This is the indicator which has been chosen most frequent in the literature (see, for example, Hibbs 1977; Cameron 1978; Stephens 1979; Schmidt 1982b; Esping-Andersen

1990). Particularly valid left-right indicators can be derived from cabinet seats allocated to leftist or non-leftist parties, while measures exclusively based on months or years spent in office are less conclusive. However, the distinction between leftist and rightist parties disregards a large proportion of the variation in political-ideological orientations of the political parties in democratic nations, including the difference between social democratic parties and communist parties, and the dividing line between social democracy and leftist ecological parties. Moreover, left-right indicators of party composition disregard differences between non-leftist parties, such as the ideological gap between centre, christian democratic, liberal, conservative and extreme rightist parties (see, for example, the differences in 'old politics' and 'new politics' value orientations reported in Knutsen 1995).

Identifying the major party of the non-leftist tendency has provided a useful starting point for the third approach to the measurement of the party composition of government. Within this context, Castles' indicator of 'the major party of the right' deserves to receive first mention (Castles 1982b: 59; 1986a, 1986b). According to this view, the strength of the major party of the Right or, conversely, the absence of a strong rightist party, makes a significant difference in public policy, in particular in social policy (Castles 1982b; Castles and Marceau 1989; Norris 1987). The 'major party of the right' indicator is an important contribution to the comparative study of parties and public policy. However, this indicator shares with classical left-right measures the weakness of focusing on one particular dimension of the party system while ignoring others. Considering the multidimensionality of most party systems in modern democracies (see, for example, Mair 1990; Knutsen 1995; Ware 1996), the reductionism inherent in the choice of a unidimensional measure of the party composition is difficult to justify. Apart from unidimensionality, the weakness of the 'major party of the right' measure is the *ad hoc* classification leading, in particular, to the inconsistent classification of parties of similar ideological complexion, political programmes and social constituencies, such as the christian democratic parties in Western Europe. Following Castles' operationalisation, the christian democratic parties in Austria, Germany, Switzerland and, until 1993–1994, in Italy are in the position of the major party of the right, whereas the christian democratic parties of the Benelux nations are classified as non-rightist parties (for details see Castles 1982a: 58–60 and the discussion in Castles 1986a; Schmidt 1986; Castles 1986b). In theoretical and empirical terms, the concept of the major party of the right attempts to identify a major political obstacle to the emergence of a highly developed welfare state. However, that argument also does not always apply: the christian democratic parties of West Germany, Austria and Italy – according to Castles parties of the Right and opponents of expansive social policy – have been major proponents of a strong welfare state (see, for example, Hockerts 1980; Talos 1981; Alber 1986; Ferrera 1986; Nullmeier & Rüb 1993; van Kersbergen 1995).

The fourth tradition of measuring party composition of government focuses

on the extent to which parties of leftist, centre and rightist persuasion participate in government (see, for example, Cameron 1984, 1985; Schmidt 1992a; Blais, Blake & Dion 1993). The left-centre-right trichotomy covers an important aspect of the variation within the group of non-leftist parties and it mirrors the location of christian democratic parties and other centrist parties between the more extreme poles of leftist and conservative tendencies more accurate than alternative indicators. For example, in social policy and in state intervention in general, christian democratic parties tend to adopt a centre position, one which is open to statist social amelioration (see, for example, Schmidt 1985; Hanley 1994; van Kersbergen 1995 and the data reported in Laver & Hunt 1992: Appendix B). However, the distinction between leftist, centre and rightist parties – the latter category comprises in most studies liberal and conservative parties – is not generally applicable to policy areas other than economic policy and the welfare state. In public policy on civic rights issues, for example, liberal parties are in general more progressive than centre parties and often also more progressive than parties of leftist persuasion (Kirchner 1988, see also Laver & Hunt 1992). This suggests the usefulness of a broader set of indicators of the party composition of government, particularly one which distinguishes leftist, centre and centre-right, conservative and liberal parties.

Data which are compatible with these criteria are arrayed in table 1 together with data on all other indicators of party composition discussed so far. In order to keep the presentation within manageable proportions, the focus is on the long-run distribution of cabinet seats among leftist, centre, liberal and conservative parties in the period from 1950 to the mid-1990s (for annual data, see Schmidt 1992a).

The data in Table 1 indicate a wide range of variation in the party composition of government in democratic OECD nations. According to this data, the family of parties with the largest share of cabinet seats in the 1950–1994 period is the family of the rightist parties, defined in terms of Castles' major party of the right. However, more detailed measures of the political-ideological spectrum of national governments in OECD nations and the distribution of cabinet seats reveal that leftist parties (mainly of social democratic origin) have been the strongest political tendency in office, closely followed by conservative parties and centre or centre-right parties. Significantly smaller is the proportion of cabinet seats allocated to liberal parties, although the latter have been in power to an extent which exceeds their electoral strength.

The data in Table 1 are also indicative of cross-national differences in the party composition of government. Non-leftist parties, particularly conservative parties, have long commanded a dominant position in government in the Anglo-American democracies and in Japan. In contrast to this, the social democratic parties' efforts to gain portfolios have been particularly successful in Sweden, Norway, Denmark and Austria, while centre or centre-right parties mainly of christian democratic persuasion have been the major parties

Table 1. Indicators of the party composition of government in 23 democracies, 1950–1994

Country	Left	Centre	Liberal	Conservative	Dominant tendency in office	Major party of the right	Left-right scale
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	32.80	0.00	0.00	67.20	Conservative	67.20	2
Austria	60.71	36.47	1.54	1.28	Left	35.63	3
Belgium	27.56	54.21	17.17	1.06	Centre	17.54	2
Canada	0.00	65.18	0.00	34.82	Centre	34.82	3
Denmark	50.73	5.22	27.44	16.61	Left	15.69	3
Finland	33.58	39.93	13.92	12.57	Centre	8.02	3
France	24.53	10.57	16.60	48.30	Conservative	31.64	2
Fr Germany	24.84	53.00	18.48	3.68	Centre	52.92	2
Greece	43.28	56.72	0.00	0.00	Centre	55.90	3
Iceland	31.67	25.69	42.58	0.07	Liberal	42.58	2
Ireland	9.71	20.27	0.00	70.02	Conservative	20.27	2
Italy	12.42	78.10	7.60	1.88	Centre	70.17	2
Japan	0.33	0.60	0.00	99.07	Conservative	97.07	2
Luxembourg	28.44	49.94	21.59	0.00	Centre	21.59	2
Netherlands	18.58	53.49	16.41	11.52	Centre	15.95	2
New Zealand	27.31	0.00	0.00	72.69	Conservative	72.69	2
Norway	73.09	12.43	3.18	11.31	Left	11.31	4
Portugal	13.95	13.21	60.51	12.33	Liberal	60.51	2
Spain	63.58	0.00	0.00	36.42	Left	36.42	3
Sweden	76.29	10.92	6.58	6.21	Left	6.58	4
Switzerland	23.80	30.56	32.09	13.55	Liberal	32.09	2
UK	28.13	0.00	0.00	71.87	Conservative	71.87	2
USA	0.00	37.78	0.00	62.22	Conservative	62.22	1
Mean or mode	30.67	28.45	12.42	28.46	Centre & Conservative	40.96	2.26

Figures are cabinet seat shares, 1950–1994 (except Greece 1974–1994, Portugal and Spain 1976–1994). The data was collected on a daily basis.

Column 1: Name of country.

Column 2 ('Left'): Social democratic parties (operationalised in terms of membership in Socialist International) and other leftist parties.

Column 3 ('Centre'): Centre and centre-right parties (mainly christian democratic parties or other members of the European People's Party (EPP), i.e. the Federation of Christian Democratic Parties in the European Community). Centre parties are parties of moderate social amelioration in a location to the left of conservative or conservative-neoliberal parties. (See, for example, Veen 1983–1994; Hanley 1994).

Column 4 ('Liberal'): Parties of the tradition of Western European political and economic liberalism. Classification is based on Kirchner (1988: Appendix pp. 479–503) In contrast to Kirchner, the French parties MRP, CDS and UDF are classified as centre or centre-right parties. The Canadian Liberal Party, though formally a member of the Liberal International, has been classified, following von Beyme (1985) and the data in Hunt & Laver (1992: Appendix B), as a centre-oriented party.

Column 5 ('Conservative'): Total share of cabinet seats of all parties which do not meet the criteria stipulated in columns 2 to 5. In Table 1, these are almost exclusively parties of conservative or conservative-neoliberal complexion, such as the British Conservative Party.

Column 6 ('dominant tendency in office'): The 'family' of parties with the largest share in cabinet seats in 1950–1994 (calculated from columns 2–4).

Column 7 ('Major party of the Right'): Strongest party of the centre-right or rightist tendency according to the criteria stipulated in Castles (1982b).

Table 2. Correlations between indicators of the party composition of governments in 23 democratic nations (1950–1994)

	Left	Centre	Liberal	Conservative	Major party of the right	Left-right scale
Left	1.00	–0.31	–0.10	–0.41*	–0.48	0.87**
Centre		1.00	0.03	–0.58*	–0.16	–0.23
Liberal			1.00	–0.47*	–0.16	0.05
Conservative				1.00	0.55**	–0.31
Major party of the right					1.00	–0.48*
Left-right scale						1.00

Variable names and sources: see Table 1. Coefficients are Pearson's correlation coefficient (r), except for correlation of the left-right scale with other measures (Spearman's correlation coefficients). 0.01-significance level (two-tailed test) is marked by double asterisk (**), 0.05-significance level is indicated by single asterisk (*).

in office in continental Europe, in particular in Germany, the Benelux countries, Austria and, until 1993–1994, also in Italy. In contrast to this, the liberal family of parties' participation in government has been stronger in Portugal, Iceland, Switzerland, Denmark, the Benelux countries and Germany.

To what extent are the various measures of the party composition of government correlated? The answer is given in Table 2, which arrays the correlation coefficients of the measures discussed above. In order to keep the presentation accessible, the data on the total period from 1950 to the mid-1990s is utilised in this table. Those who expect significant correlations across all indicators of the party composition of governments will be disappointed. Only seven out of 15 correlation coefficients are significant. Among these, only one coefficient exceeds the 0.80 mark. The comparatively small

Notes to Table 1 (continued).

Column 8 ('Left-right scale'): Schmidt's indicator of party composition of government, measured by leftist and non-leftist parties' shares of cabinet seats on a scale from 1 to 5 (Schmidt 1982a, 1992a). 1 = 'hegemony of bourgeois parties', i.e. 100% cabinet seats share of non-leftist party or parties; 2 = 'bourgeois dominance', i.e. more than two-third and less than 100% of cabinet seats hold by non-leftist party; 3 = 'stalemate', i.e. left and non-left: more than one-third and less than two-third of cabinet seats; 4 = 'socialdemocratic dominance', i.e. leftist parties hold more than two-third and less than 100% of cabinet seats; 5 = 'socialdemocratic hegemony', i.e. 100% cabinet seats held by leftist parties.

Classification of the political parties is based mainly on 'families' of parties (von Beyme 1985), party programmes and policy orientations of the parties (see, for example, Kirchner 1988; Schmidt 1992a; Katz & Mair 1992; Laver & Hunt 1992; Woldendorp, Keman & Budge 1993; Ware 1996). Data on cabinet seats was taken from various sources. Among these, the *Archiv der Gegenwart* deserves to receive first mention. For details see Schmidt (1982a, 1992a – updated and revised data).

number of significant correlations and the modest degree of covariation between significantly associated indicators mirrors real world differences in the political composition of government. At the same time, this can also be regarded as a warning against the utilisation of unidimensional measures of the party composition of governments, such as the classical left-right indicator, the major party of the right, or the major party of any other political tendency. The practical implication of the moderate or insignificant correlations between the various indicators of party composition indicators is this: the choice of a particular indicator of the party composition of government can make a very large difference to estimates of partisan influence on public policy. The utilisation of a unidimensional indicator of the partisan complexion of government may thus turn out to be insufficient. This has been overlooked in most contributions to the study of partisan influences, in which attention has been focused mainly on left-right differences. However, measuring party composition with indicators of leftist or rightist parties in office tends to generate findings which differ from those that can be attained through indicators of centre, liberal or conservative parties' participation in government. It also should be noted, that the major party of the right-indicator on the one hand and alternative indicators of centre-right or conservative-rightist tendencies yield divergent results.

In the search for valid indicators of party composition of government, the distinction between leftist, centre, liberal and conservative parties, measured by the four indicators arrayed in Table 1, or alternatively indices derived from these variables, such as cabinet seats allocated to centre parties and leftist parties, surpass alternative measures. It is for these reasons, that these indicators, or measures derived from them, can be regarded as best measures of the extent to which 'families' of parties have participated in government.

3. The debate on the hypothesis of partisan influence on public policy

The 'parties-do-matter' hypothesis praises parties for offering real choices and voters for choosing people who successfully implement what they desire. This hypothesis is derived from a stylised model of the political process in a 'majoritarian democracy' (Lijphart 1984). Within this context, the proponents of the theory argue, voters and parties are faced with unambiguous choices. Furthermore, a clear-cut functional division of labour exists between the incumbent party and the opposition party. The opposition party, it is further argued, is the opposition and is thus totally excluded from formal or informal participation in government. Moreover, the hypothesis of partisan influence premises the analysis of the democratic process and the role of government on the assumption that the extent of 'political control of the economy' (Tufte 1978) is considerable and that the incumbent party has a large room for manoeuvre. According to this view, the major determinants of policy making are to be found in preferences, votes, office-seeking and policy pursuit. The

hypothesis of partisan influence on public policy thus resides in the assumption that politics in general, and partisan politics in particular, matters a great deal.

This view has provoked intense criticism. According to its critics, the steering capacities of government in constitutional democracies and market economies are narrowly circumscribed. This critique is not incompatible with evidence from studies on political-economic constraints of public policy (see, for example, Ronge & Schmieg 1973), and it is at least partly compatible with the theory that increasing levels of complex interdependence (Keohane & Nye 1989) have resulted in a diminished manoeuvrability of government at the level of the nation state. There is also evidence in support of the view that increasing levels of globalisation aggravate 'the contradictory development in which parties at one and the same time tend to become less relevant as representative agencies (. . .) while achieving more status and privileges in their role as public-office holder' (Mair 1995: 40, ibid.: 46–47). Support for the critics of the 'parties-do-matter' hypothesis can also be derived from the theory of autopoietic systems, above all Luhmann's contributions. According to Luhmann, successful control of autopoietic social systems, such as the economy, is impossible (Luhmann 1988). Long before the rise of autopoietic systems theory, applications of critical theory to the study of political parties pointed to major transformations of the political market and political parties in modern democracies. According to this view, party competition in the post World War II period has resulted in converging policy orientations, the 'vanishing opposition' (Kirchheimer 1966) and the rise of 'catch-all parties' (Kirchheimer 1965). Last but not least, the hypothesis of partisan influence has been blamed for offering a distorted view of the exchange between voters and politicians. According to the critics, partisan theory regards preferences of constituencies as exogenous, unambiguous and non-contradictory. In reality, however, it is argued, preferences are endogenous. Often they remain highly ambiguous. Moreover, the signals coming from preference structures generate inconsistent demand for public policy, such as cyclical majorities (McLean 1987).

The criticism of the hypothesis of partisan influences on public policy has not remained unchallenged (see, for example, Castles 1982a; Budge & Keman 1990; Keman 1993). Many objections to the hypothesis of partisan influence are controversial and some of them are empirically invalid. For example, the view that policy orientations of the major parties do not any longer differ to a significant extent, does not pass the empirical test at all well. Most empirical studies lend support to the view that policy orientations of political parties do differ. An exception is Thomas (1976, 1979), who raised his voice for a strong convergence hypothesis. However, more systematic studies of policy orientations, such as Castles & Mair (1984), Laver & Hunt (1992), the 42-nation comparison in Huber & Inglehart (1995) and analysis of party manifestos (Klingemann et al. 1994), reveal major differences between parties. According to Huber & Inglehart (1995), for example,

Table 3. Ideological gap between the major party of the left and the major party of the non-leftist tendency, 1950s to 1990s

Country	Thomas (1979) 1950s	Thomas (1979) 1970s	Castles & Mair (1984) 1983	Laver & Hunt (1992) First half of 1989	Huber & Inglehart (1995) 1993
Australia	15	15	49	27	26
Austria	16	2	31	20	17
Belgium			37	34	20
Canada			13	22	24
Denmark			39	37	37
Finland			47	44	33
France	29	16	60	41	42
Germany	20	8	38	33	29
Greece				36	
Iceland				26	25
Ireland			30	33	19
Italy	31	14	42	33	47
Japan	26	12		55	52
Luxembourg				22	
Netherlands			34	34	23
New Zealand	14	4	24	10	19
Norway			52	41	43
Portugal				25	17
Spain			53	40	39
Sweden	17	3	53	46	47
Switzerland					34
UK	24	6	50	59	30
USA	14	14	22	36	30

Notes: The figures in Table 3 indicate differences in policy positions of the major party of the left and the major non-leftist party on left-right policy scales, expressed as a percentage of the maximum value of that scab. Maximum: 100, minimum: 0. The data calculated from Thomas is the average difference of socioeconomic issue positions of the parties. These positions were in Thomas' study (1976, 1979, 1980) derived from qualitative content analysis. All other data in Table 3 are based on expert interpretations of party space and party locations. Castles & Mair (1984) and Huber & Inglehart (1995) used left-right scales. Data from Laver & Hunt (1992) was calculated as the mean of the differences on two left-right policy indicators: (1) increase services versus cut taxes and (2) pro-public ownership versus anti-public ownership. The data taken from Laver & Hunt (1992) are measures of the policy position of party leaders. For policy dimensions others than the one selected here see Laver & Hunt (1992). The figures in Table 3 were calculated from the following pairs of parties: *Australian Labour Party* vs. *Liberal Party*; Austria: *Sozialdemokratische Partei Österreichs* (SPÖ) vs. *Österreichische Volkspartei* (ÖVP); Belgium: *Parti Socialiste & Socialistische Partij* vs. *Party Social Chretien & Christelijke Volkspartij*; Canada: *Liberal Party* vs. *Progressive Conservative Party*; Denmark: *Socialdemokratiet* vs. *Konservative Folkeparti*; Finland: *Suomen Sosialidemokraattinen Puolue* vs. *Kansallinen Kokoomus* (KOK); France: *Parti Socialist* vs. *Rassemblement pour la République*; Federal Republic of Germany: *Sozialdemokratische Partei Deutschlands* (SPD) vs. *Christlich Demokratische Union* (CDU); Greece: *PASOK* vs. *Nea Demokratia* (ND); Iceland: *Althyduflokkur* (Social Democratic Party) vs. *Sjalfstaedisflokkur* (Independence Party); Ireland: *Labour Party* vs. *Fianna Fail*; Japan: *Nihon Shakai-to* (Socialist Party) vs. *Jiyu Minshu-to* (Liberal Democratic Party); Luxembourg: *LSAP/POSL* vs. *CSV/PSC*; Netherlands: *Partij van de Arbeid* vs. *Christen Democratisch Appel*; New Zealand: *Labour Party* vs. *National Party*;

the major differences are those between left and right, traditional versus new culture and authoritarianism versus democracy. In a similar vein, expert surveys of party locations reported in Laver & Hunt (1992) point to the importance of class, of religion and of environmentalism versus growth as the major dimensions of partisan differences (see, for the impact of a 'old politics' and 'new politics' value orientations on party choice, Knutsen 1995).

While almost perfect policy convergence was suggested in Thomas' estimates of party locations on the political-ideological spectrum in the 1950s, 1960s and 1970s (see columns 2 and 3 in Table 3), the data on policy orientations of parties in the 1980s and 1990s seem to indicate increasing levels of polarisation rather than decreasing ones (see columns 4–6 in Table 3). However, due to differences in concepts, data and methods of data collection, these studies, strictly speaking, are not amenable to longitudinal comparison. The differences of party locations estimated in Castles & Mair (1984), Laver & Hunt (1992) and Huber & Inglehart (1995) one the one hand, and Thomas (1976, 1979, 1980) on the other, are at least partly attributable to differences in measurement and data collection and, in particular, overestimation of convergence in Thomas' study. However, the data also mirrors divergent trends in the policy positions of parties. These trends include convergence in some of the policy areas and in some of the subperiods as well as stable or increasing levels of polarisation in different policy areas and periods. Conspicuous is the polarisation between 'old politics' parties, such as labour parties and conservative parties, and 'new politics' parties, such as the Green parties, to mention an example for increasing ideological gaps.

Although longitudinal comparison of the data in Table 3 is strictly speaking not possible, the results reported from expert-based surveys in columns 4–6 in this table uniformly indicate significant divergence in the policy orientations of the major parties of the left and the non-leftist tendencies in the 1980s and 1990s, to mention but one dimension of the party systems in constitutional democracies. Moreover, it must be emphasised that this measure registers only a relatively small segment of the total ideological distance within a party system. The divergence in policy positions suggests the hypothesis that differences in the party composition of government generate significant differences in political choices and public policy outputs. At the same time though, the data in Table 3 also show that the ideological gap

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Notes to Table 3 (continued).
Norway: *Det Norske Arbeiderparti* vs. *Hoyre* (Conservatives); Portugal: *Partido Socialista* vs. *Partido Social Democrata*; Spain: *Partido Socialista Obrero Español* vs. *Partido Popular*; Sweden: *Sveriges Socialdemokratiska Arbetareparti* vs. *Moderata Samlingspartiet*; Switzerland: *Sozialdemokratische Partei der Schweiz* (SPS) vs. *Freisinnig-Demokratische Partei der Schweiz* (FDP); UK: *Labour Party* vs. *Conservative Party*; USA: *Democratic Party* vs. *Republican Party*. Data calculated from Thomas (1980) are based upon the two major parties or party blocs.

between the major parties is not unbridgeable. This suggests that partisan differences in public policy are presumably of a more moderate nature, while radical differences are the exception rather than the rule.

Considerable controversy exists also in relation to the view that the degree to which modern democratic pluralist societies are amenable to political manipulation is small, if not non-existent. Although heuristically valuable this view is, strictly speaking, not compatible with the findings of a wide variety of studies of public policy in economically advanced democracies. These contributions have demonstrated that the leeway for political action in public policy in modern democracies is considerable and that policy choices and outputs differ to large extent, notwithstanding constraints coming from domestic structures and international interdependence (see, for example Hall 1986; Castles 1993; Keman 1993; Armingeon 1994; Janowski & Hicks 1994; Merkel 1994; Naschold & de Vroom 1994; von Rosenow & Naschold 1994; Héritier et al. 1994; Pierson 1994; Sainsbury 1994; Mabbett 1995; Moon 1995; Castles et al. 1996). Furthermore, none of the critics has so far empirically and theoretically convincingly demonstrated that the hypothesis of partisan influence is invalid. This is not to argue that political parties in constitutional democracies are omnipotent collective actors. They are rather to be regarded as omnipresent players in politics, though not hegemonic ones, in contrast to the dominant or hegemonic parties in authoritarian or totalitarian regimes, such as the *Nationalsozialistische Deutsche Arbeiterpartei* (NSDAP) in Germany in 1933–1945 and the *Sozialistische Einheitspartei Deutschlands* (SED) in East Germany's socialism in 1949–1990.

In constitutional democracies, the role of political parties in shaping public policy is normally severely circumscribed by constitutional rules and the relative autonomy of social and economic life from political intervention. Thus, many areas of social and economic life in democratic states are not amenable to political manipulation. It is therefore not surprising that correlations of the party composition of government and macroeconomic outcome indicators such as rates of economic growth, inflation and unemployment, with few exceptions yield inconclusive and insignificant results (see for example Cukierman 1994: 343–344; Busch 1993, 1995; Notermans 1993; and for longer-term impacts also Hicks 1994; for scholars which attribute a major impact of parties on outcomes see, besides Hibbs 1987a, b; Garrett & Lange 1986, 1991; Alvarez, Garret & Lange 1991). This is compatible with the logic of economic activity in a private market economy, in which private actors choose mainly according to the calculus of micro-level costs and benefits. Although these costs and benefits are influenced by political-institutional circumstances, it is rarely the case that incumbent parties are able to effectively control outcomes.

Within these limits, however, differences in the party composition of government matter in the choice of public policy instruments and the nature of policy outputs, such as legislation and policy on taxation and expenditure. A substantial body of scholarly work shows that the hypothesis of partisan

effects on public policy deserves to be extolled for the empirical quality in these domains. This view receives support above all in two areas of research: in *cross-national* studies on policy choices and policy outputs as well as in *longitudinal* studies on policy making in *majoritarian* democracies (see, for example, Budge & Keman 1990; Gallagher, Laver & Mair 1992: 173–238; Borchert 1995; Schmidt 1996). These observations support the view that a 'law of partisan influence on public policy', defined in terms of a statistical tendency, is at work in democratic states.

Partisan influence on public policy has been identified in cross-national studies. According to Tufle (1978), one needs two variables in order to explain a substantial proportion of variation in policy outputs: a left-right indicator of the party composition of government – according to Tufte, leftist parties are more inclined to spend more on social policy, equality and employment – and a measure of the electoral calendar in order to account for re-election-oriented policy making. Add to this the evidence accumulated in Hibbs (1987a, b, 1992, 1994). Hibbs argues, that economic policy and macroeconomic outcomes, such as unemployment and inflation, are largely attributable to left-right differences in the partisan complexion of government and the different choices of these government. Consider also Sharpe & Newton (1984), Castles (1982a), Budge & Keman (1990), Borchert's studies of the conservative transformation of the welfare state in Canada, Germany, the UK and the USA in the 1980s and early 1990s (Borchert 1995), and analysis of the impact of the political-ideological centre of gravity on macroeconomic performance (Cusack 1995), to cite a few examples. All these contributions are compatible with the hypothesis of partisan influence on public policy.

Evidence in support for the hypothesis of partisan influence can also be derived from comparing extreme cases, such as Sweden in periods of SAP-led government, and market-oriented countries, such as the USA and Japan (Pempel 1982; Castles 1989b; Olsson 1990; Castles 1993; Gould 1993; Leibfried 1994). The difference between Sweden's welfare statism and the more market-and company-led political economies in Japan and the US is part of a broader tendency: large cross-national differences in the party composition of government are associated with very large differences in policy outputs (see also Castles 1982a).

Empirical studies of partisan effects on public policy have also identified circumstances, in which the possibility of policy change for rightist parties or, conversely, for parties of the left is particularly large. There are, of course, facilitating or inhibiting circumstances for both parties, such as high economic growth, low economic vulnerability of the national economy, political stability, stable majority status and a divided opposition. Moreover, parties of the right are faced with almost ideal circumstances, when they are at work in a centralised state and when trade unions and the opposition parties are ideologically divided. Control of a centralised state structure is also a central requirement of leftist governments, but in order to be successful

in delivering their preferred policy, a leftist party in office also needs support from unions and quiescence of labour. Moreover, leftist governments are faced with the requisite of successful concentration of economic policy, wage policy and monetary policy of the central bank in order to generate the desired macroeconomic outcomes, such as economic growth and employment growth (see, for example, Schmidt 1982b; Cameron 1984; Scharpf 1988; Alvarez, Garrett & Lange 1991). However, it is particularly difficult to attain the latter goals in circumstances of intensified international interdependence and external vulnerability.

A further finding in support of partisan theory deserves to receive mention within this context. The dividing lines between parties differ from one policy area to the other. A classical division is the left-right difference in employment and labour market policy. It is on this difference, that Hibbs' 'partisan theory' has focused attention. Employment in the public sector is also largely shaped by the difference between leftist and non-leftist parties. Government as an employer of last resort is to the liking of leftist parties, while it is strongly opposed by centre, liberal and conservative parties. Comparative studies on labour market policy have established that these preferences have influenced policy on public employment (see, for example, Schmidt 1987; Esping-Andersen 1990; Sainsbury 1994). The examples include the difference between the dramatic increase in public employment in Sweden in the last three decades and the muted expansion or stagnation of public employment in conservative or liberal dominated countries, such as Japan, Switzerland and the US (OECD 1995a: 44; OECD 1998b: 71).

However, in countries in which the class cleavage coexists with religious or ethnic cleavages, the left-right difference is not the dominant dimension in party systems and voter alignments. For example, in most European nations the dividing line between supporters and opponents of the welfare state is more complex than the left-right difference. Liberal and conservative parties are, in general, proponents of a 'lean welfare state', while social democratic parties and christian democratic parties can be regarded as *Sozialstaatsparteien*, to borrow from the terminology of German social policy, that is they are partisans of a fully developed welfare state. It is for this reason that a major difference exists in social policy between nations in which christian democratic parties and social democratic parties alternate in office, and nations in which liberal or conservative political tendencies have hold the reigns of power (see, for example, van Kersbergen 1995).

In contrast to social security, the dividing line in gender issues tends to separate conservative and christian democratic tendencies from social democratic, liberal and ecological parties. The latter group of parties demands higher levels of equality and strives for universal 'égalité des conditions' (de Tocqueville 1981), including egalitarian gender relations, while conservative and christian democratic parties tend to prefer the maintenance of more traditional family roles (Norris 1987; Therborn 1993; Schmidt 1993b). A fourth class of issues divides leftist parties and the right alike,

such as the issue of European integration in most Nordic countries and in the UK. A fifth class of issues is marked by a dividing line between leftist parties on the one hand and centre and conservative parties on the other. Relevant examples include public debt and budget deficits. For example, Wagschal's study of public debt ratios and budget deficits in OECD nations in the 1960–1992 period shows, that leftist party control of government tend to opt for higher taxation and lower deficits, while non-leftist parties, in particular parties of centre and centre-rightist persuasion as well as some of the conservative parties, have opted for lower taxation loads, possibly at the cost of higher deficits (Wagschal 1995).

Support for a moderate version of the 'parties-do-matter' hypothesis can also be derived from the author's studies of a wide variety of policy areas in Germany (Schmidt 1980, 1992b) and the welfare state in OECD-nations (Schmidt 1982a, b, 1987, 1988, 1996). Without downgrading the impact of other political and economic determinants, it can safely be concluded from these studies that the hypothesis of partisan influence on public policy passes the empirical test reasonably well. Public policy inheritance may be statistically more important than policy choices at timepoint t (Rose & Davies 1994), but policy inheritance itself is largely a product of decisions taken in the past. Furthermore the acceptance or rejection of the inheritance is the product of policy choices at timepoint t. Among the determinants of these choices, the party composition of government must be counted as a major variable.

4. Partisan effects on public policy in majoritarian and non-majoritarian democracies

The hypothesis of partisan influences is an important analytical instrument for a better understanding of public policy. Compared to many other hypothesis in the public policy literature, it can be regarded as a relatively successful candidate, notwithstanding the caveats that need to be entered. The first caveat resides in the observation that the party composition of government is but one variable among a wide variety of determinants of public policy, and that a 'partisan theory' (Hibbs 1992) of public policy is but one approach to the comparative study of policy outputs among other theories. Apart from partisan theory, three other approaches have dominated the cross-national study of public policy in economically advanced democracies. The first of these directs attention on economic and socio-economic variables, such as Wagner's law of the expansion of public expenditure (Wagner 1893, 1911), and more recently to the hypothesis according to which international markets have grown too powerful for any national government to oppose them successfully (see, for example, Scharpf 1988; Kurzer 1993). A second family of theories explains public policy differences mainly in terms of power resources of social classes, such as the market power and the

political power of labour relative to that of capital and the middle classes (see, for example, Esping-Andersen 1990). According to a third school of thought, mainly neo-institutionalist in character, policy differences are largely attributable to differences in political and economic institutions as well as to differences in the strategies pursued by interdependent collective actors (see, for example, Hall 1986; Scharpf 1988; Armingeon 1994; Braun 1995; Borchert 1995 and, with special emphasis on policy inheritance, Rose 1984; Rose & Davies 1994). In order to arrive at a full understanding of the determinants of public policy, it is therefore mandatory in the comparative study of public policy to focus attention on all the key variables suggested in the literature.

The second caveat concerns the differences in the room for manoeuvre available to politicians. Although the hypothesis of partisan influence can be regarded as a law-like regularity not all areas of social and economic life in a constitutional democracy are amenable to political manipulation. Moreover, the degree to which social and economic life is amenable to partisan influences varies from nation to nation. A wide range of variation thus characterises the Kirchheimerian 'sphere of distribution' (Kirchheimer 1981: 42–43) – the sphere which is in principle amenable to political control – in contrast to the 'sphere of direction', which is determined by political-economic constraints. The size of the sphere of distribution is largely dependent upon the share of public expenditure in GDP and the level of 'institutional pluralism' (Colomer 1995), or degree of institutional semi-sovereignty, inherent in the political system. For example, highly centralised states are, in principle, more amenable to partisan influences on public policy than states, in which the government is constrained by countermajoritarian powers such as federalism, an influential constitutional court and an autonomous central bank.

Take as an example the Federal Republic of Germany. In this country, the room to manoeuvre for incumbent parties is narrowly circumscribed by powerful checks and balances, such as federalism, local self government, regulatory capacities of associations, co-governing institutions such as the *Bundesverfassungsgericht* (Federal Constitutional Court) and the *Deutsche Bundesbank*, and co-administrative institutions, such as the welfare associations (*Wohlfahrtsverbände*). The room to manoeuvre available to central government (and to state governments) is, thus, narrowly constrained by the structures of the 'semi-sovereign state', which Katzenstein described as a Goliath tied down by numerous checks and balances (Katzenstein 1987: 385). The Federal Republic of Germany can therefore be regarded as a democracy which is reminiscent of the classical prescription of 'political mixing' (Lindsay 1992) and moderation. Within the context of a 'moderate democracy', the margin for political choices on the part of the incumbent parties is considerably smaller than the room to manoeuvre available to governments in majoritarian democracies. This suggests the hypothesis that the partisan influence on public policy is stronger in majoritarian and 'sovereign' democracies and weaker in a 'moderate' and 'semi-sovereign' democracy.

Empirical analysis does indeed lend support to this view (see also the estimates of party locations in Table 3). Narrowly circumscribed space for solo runs by the incumbent party (or the major incumbent party of a coalition) has indeed characterised public policy in the Federal Republic of Germany in the post-1960 period. Examples include the difficulties, the SPD-FDP-government (1969–82) was faced with in the effort to design and implement a policy of domestic reform in the early 1970s (Schmidt 1978). A further example is the relatively moderate policy change which resulted from the change in power in 1982 from a SPD- to a CDU-led-coalition (Lehmbruch 1989; Webber 1992). Of course, there were big policy turnabouts in the post-1982 era and, above all, in policy on German unification. However, these policy changes were all based on a grand coalition of the incumbent parties CDU, CSU, FDP on the one hand and the opposition party SPD on the other. Examples of such changes include legislation on German unification in 1990, the reform of the constitutional article on the asylum law, privatisation of the *Deutsche Bundespost* (postal services and telecommunication) and the *Deutsche Bundesbahn* (German Rail) and the introduction of a long-term care social insurance scheme in 1994.

Nations differ in the degree of institutional semi-sovereignty of the legislature and the executive (for the semi-sovereignty theorem see Kakenstein's study on Germany in Katzenstein 1987). The degree of semi-sovereignty or, in the words of Colomer (1995), the patterns of 'institutional pluralism', influence the scope for action of the incumbent party to a significant extent. The extent to which countermajoritarian semi-sovereign state structures, or countermajoritarian institutional pluralism, circumscribe the room to manoeuvre available to government is amenable to more precise measurement. Lijphart's federalism-unitarianism indicator was a first step in this direction (Lijphart 1984). Others followed soon, such as the Huber et al. index of constitutional structures, Colomer's index of institutional pluralism and Schmidt's index of the institutional constraints of central state government (see Table 4). All of these indicators throw light on deep-seated institutional differences and countermajoritarian constraints of central state governments. According to most of these measures, the room to manoeuvre available to central government is large in countries in which the legislature and the executive are 'sovereign', such as France, Sweden, the UK, the Netherlands and New Zealand. In contrast to this, constitutional structures narrowly circumscribe the government's course of action in another group of countries, comprising most of the federations, such as the US, the Federal Republic of Germany and Switzerland.

A further caveat concerns the limited applicability of the hypothesis of partisan influence to non-majoritarian democracies. Consider two cases: first, an all-inclusive coalition, such as Switzerland during the World War II period and after 1959, and second, a democracy in which the major opposition party is co-governing, such as the Federal Republic of Germany in Autumn 1995. Within the context of an all-inclusive coalition, there is no leeway for policy

Table 4. Institutional constraints of central state government in 23 OECD nations

Country	Lijphart's federalism-unitarianism indicator (1984)	Augmented index of constitutional structures (Huber, Ragin & Stephens 1993)	Augmented index of institutional pluralism (Colomer 1995)	Institutional constraints of central state government (Schmidt 1995)
(1)	(2)	(3)	(4)	(5)
Australia	–0.99	4	4	3
Austria	–0.37	2	3	2
Belgium	0.19	1	3	3
Canada	–1.22	4	5	3
Denmark	0.49	0	2	2
Finland	0.46	1	3	0
France	0.36	2	3	1
Germany	–1.79	4	4	5
Greece	0.64	2	0	1
Iceland	0.81	0	2	1
Ireland	0.76	0	2	2
Italy	0.01	1	4	3
Japan	–1.11	2	3	2
Luxembourg	0.79	0	1	2
Netherlands	0.33	1	2	1
New Zealand	2.16	0	0	0
Norway	–0.08	1	1	2
Portugal	0.61	0	2	1
Spain	–0.23	1	3	2
Sweden	–0.06	0	1	0
Switzerland	–1.53	6	6	5
UK	1.40	2	1	1
USA	–1.62	7	6	5
MEAN	0.0	1.74	2.65	2.04

Column 1: Name of country.

Column 2: Lijpharts federalism-unitarianism indicator for post-World War II period until early 1990s. The data are standardised arithmetic means of z-transformed indicators of the federalism-unitarianism dimension in Lijphart (1984). Low values (negative signs) indicate strong federalism, high values are, in Lijphart's terminology, indicative of a high degree of unitarianism. The z-scores reported in Table 4 are taken from the calculations in Schmidt (1995c: Table 9).

Column 3: Augmented version of Huber, Ragin & Stephen's index of constitutional structures (Huber, Ragin & Stephens 1993: 728). Data cover period until early 1990s (electoral reform in New Zealand 1993 not included). The constitutional structure index is an additive index composed of five indicators: (1) federalism (0 = absence, 1 = weak, 2 = strong), (2) parliamentary government (=0) versus presidentialism or Swiss type of *Kollegialregierung* (=1), (3) proportional representation (=0, modified PR = 1, majoritarian formula and single member district = 2), (4) bicameralism (1 = weak, 2 = strong), (5) referendum (0 = no referendum or rare, 1 = frequent). Score for Sweden for post 1969-period. The data for Greece, Iceland, Luxembourg, New Zealand, Portugal, Spain were added by the author of this article. A value of '2' was attributed to Austria (federalism: 1, modified PR: 1).

Column 4: Augmented index of 'institutional pluralism' (Colomer 1995: 20). Minimum 0, maximum 7. Additive index composed of 4 indicators (coded 0, 1 or 2): number of effective parties, bicameralism, elected president and decentralisation. Data for non-European states, Iceland and Luxembourg were added by the author of this essay.

Column 5: Index of institutional constraints of central state government in 1960–1990 period

making of the kind that standard partisan theory suggests, that is by solo runs of the incumbent party A in period one, followed by solo runs of the former opposition party B in the subsequent period. The choice that exists in an all-inclusive coalition of parties is the freedom to choose between bargaining, exit, and blockade of the decision-making process (see, for example, Abromeit & Pommerehne 1992). When bargaining and compromise-seeking prevail, policy tends to be premised on the lowest common denominator of the coalition partners. That denominator tends to generate policies of continuity rather than discontinuity and it is normally associated with limited short-term elasticity in policy-making. Because policies result under these circumstances from extended bargaining and compromise-seeking, it is difficult or impossible for the voters to attribute the output to the individual players. But that means interruption or blockade of the causality that partisan theory predicts for the relationship between voter's preferences, policy choices, policy output and positive feedback from the social constituencies.

A similar logic governs the policy process when the state structures allow for co-government of the opposition party. The major example is the 'Grand Coalition State' (Schmidt 1995b) in the Federal Republic of Germany during three periods: (a) in 1972–1982, the period in which the christian democratic opposition party rose to a co-governing opposition party; (b) from June 1990 to October 1990; and (c) since the early 1991 until the present time, the period, in which the social democratic opposition party, due to its dominant position in the majority of the *Länder* (states) and in the *Bundesrat*, has found itself in the position of a co-governing party. Co-governing opposition parties pose awkward problems for the 'parties-do-matter' hypothesis, because the latter has centred attention mainly on clear-cut divisions of labour between government and opposition. Applied to cases, in which the opposition party is de facto a co-governing agency, the methodology of standard partisan theory erroneously attributes policy outputs to the incumbent party, while these outputs, in reality, result from compromises between the incumbent party and the opposition party or from anticipation of the constraints that the opposition party imposes on the incumbent.

Notes to Table 4 (continued).

(Schmidt 1995c: Table 9). High values indicate powerful constraints, low values are indicative of a large room to manoeuvre available to central state government. The index is an additive index composed of six dummy-variables ('1' = constraints, '0' = else). It is based mainly on Gallagher, Laver & Mair (1995), Lijphart (1984), Lutz (1994) (with revisions) and Busch (1995): (1) constraints due to policy harmonisation in the European Union (EU membership in most of the period under study = 1, else = 0), (2) degree of centralisation of state structures (1 = federalism), (3) difficulty of amending constitutions (1 = very difficult, 0 = else), (4) strong bicameralism (=1, else = 0), (5) central bank autonomy (Busch 1995) (=1, else = 0) and (6) referendum (1 = frequent, 0 = rare).

The methodology of standard partisan theory, illustrated, for example, in Hibbs' contributions, is not well equipped to handle the case of co-governing opposition parties. Co-governance of the opposition party requires more detailed analysis and measurement of institutional 'veto-points' (Immergut 1992) and state structures, but this has been neglected by most proponents of the partisan theory of public policy. The exceptions prove the rule (Huber, Ragin & Stephens 1993; Alesina & Rosenthal 1995).

5. The impact of parties, constitutional arrangements and structures of democracy on public policy

According to a leading German journalist writing in the mid 1980s, it has been impossible in Germany not to be governed by the Liberals (Zundel 1986). In the light of more recent analysis of politics and policy, that statement must be revised in the following manner: It is almost impossible in the Federal Republic of Germany not to be governed by a formal or informal Grand Coalition of the major established parties and a formal or hidden Grand Coalition of federal government and state governments. The Federal Republic of Germany can therefore be regarded as the embodiment of the Grand Coalition State (Schmidt 1995b). It is for this reason, that the hypothesis of partisan influence on public policy, when applied to the political machinery of the Federal Republic of Germany and other mixed democracies or consensus democracies, is faced with difficult challenges.

In contrast to this, the hypothesis of partisan influence is normally fully applicable to majoritarian democracies, particularly to majoritarian democracies in which the government controls a relatively large sphere of distribution, such as Sweden, Britain, New Zealand and Greece. It is not accidental that partisan effects on public policy have been particularly large in these countries. Take, for example, the expansion of the welfare state and full employment policy until the late 1980s in Sweden (Therborn 1985; Olsson 1990) and Britain's experience of spectacular policy change in the period of the Labour governments in 1945–1951 and the era of Thatcherism (Moon 1993, 1995). The third case to be mentioned within this context is New Zealand in the 1980s and 1990s, which was the country of the most radical market-oriented reform in the OECD area (Nagel 1994; Castles et al. 1996). Greece is the fourth country in which incumbent parties have fully exploited the room to manoeuvre created by majoritarian democracy and hegemonic majority: the PASOK governments of the 1980s used public power for a wide variety of purposes, including the breath-taking expansion of patronage and clientelism in the public sector (OECD: Economic Survey: Greece, various issues).

The argument advanced in this essay is compatible with the view that the room to manoeuvre available to incumbent parties varies from country to country. However, in contrast to mainstream partisan theory, the hypothesis

advanced in this article emphasises the structures of constitutional democracy as major promoters or inhibitors of radical policy change, without downgrading the importance of facilitating or inhibiting circumstances suggested in the mainstream literature, such as mandates (Esping-Andersen 1990; Keeler 1993), presence or absence of a major party of the Right (Castles 1982b), support of leftist governments from neo-corporatism, powerful unions and social partnership in labour relations (Schmidt 1982b; Garret & Lange 1986; Alvarez; Garret & Lange 1991), consonance or dissonance of the power distribution in government and in social arenas (Schmidt 1983; Garret & Lange 1986). The argument advanced in this essay is that state structures, as mirrored by the indicators arrayed Table 4, are of greater importance in shaping public policy than was hitherto assumed in the mainstream of the literature on comparative public policy.

This suggests, that a more detailed analysis of state structures is likely to improve the descriptive and explanatory potential of comparative approaches to the study of public policy in democratic nations. This view receives support from a variety of sources. Focusing attention on countermajoritarian state structures improves the quality of 'thick description' (Geertz 1983) of the process and the substance of public policy (see, for example, the contributions to Castles (1989), Lehmbruch (1989), Borchert (1995) and Castles et al. (1996).) Moreover, empirical analysis has revealed significant correlation coefficients between policy outputs and state structures or constitutional structures. Huber, Ragin & Stephens' index of constitutional structures (see Table 4, for example), varies inversely with the expansion of the welfare state (Huber, Ragin & Stephens 1993). Moreover, the institutions index developed by the author of this article (see Table 4) is associated inversely with indicators of 'big government', long-term change in the tax burden, labour market policy effort and levels of gender inequality, to mention just a few findings from the data analysis on which this article is based.

The extent to which state structures and the party composition of government influence public policy can also be demonstrated in multivariate models of public policy determinants. Take the growth of government in OECD nations in the post 1960-period until the 1990s. Most of the OECD nations have experienced in this period a dramatic expansion of the share of public expenditure in GDP and a significant, albeit less large, increase in government final consumption expenditure. Particularly steep has been the increase in the role of the state above all in the Nordic nations in which total outlays of government as a percentage of GDP have exceeded the 60 percent mark and in Sweden even the 70 percent mark in 1993 (OECD 1995a: 72). In another group of nations, however, the growth of government started from a lower level and has remained more muted, for example in Japan, the US and Switzerland. A substantial proportion of the differences in the growth of government in the West can be attributed to economic cycles, demographic trends, such as a growing proportion of the population aged 65 and above, and disinflationary or inflationary trends.

Table 5. Economic and political determinants of the growth of government in OECD-nations, 1960–1994 (OLS regression of pooled data)

Dependent variable/ Independent variables	Annual change in total outlays of general government % GDP (first differences)	Annual change in general government final consumption expenditure % GDP (first differences)
Constant	1.150 (8.71)	0.385 (7.01)
Economic growth	−0.209 (−8.80)	−0.078 (7.82)
Change in rate of unemployment	0.499 (6.52)	0.093 (3.13)
Inflation-disinflation	0.064 (2.98)	0.024 (2.91)
Leftist party in office	0.005 (2.79)	0.003 (4.67)
Centre party in office	0.005 (2.86)	0.003 (4.30)
Conservative party in office	−0.004 (−2.17)	−0.001 (−1.72)
Institutional constraints index (Schmidt 1995b)	−0.076 (−2.10)	−0.024 (−1.77)
R^2 adjusted	0.278	0.202
Number of cases	633	661

Notes: Included were all countries marked by continuity in democratic structures over the whole period (see the countries listed in Table 1, except the late democratisers Greece (1974–94), Portugal and Spain (1976–94)). No comparable data were available, as far as the outlays of government are concerned, for New Zealand.

Variables: For the political variables see Tables 1 and 4. Leftist parties in office and centre parties in office: cabinet seat shares multiplied with 1.0 in period from 1960 to 1979, 1980–1994 = 0. Conservative party in office: share of cabinet seats multiplied with 1.0 in post-1980 period in pre-1980 period = 0. Economic growth: percentage change in real GDP against previous year; change in unemployment rate: first difference (t minus t − 1), inflation-disinflation: consumer price inflation index minus consumer price index in previous year. Figures in Table 5 are unstandardised regressions coefficients. T-statistics in parenthesis.

Sources: Economic data was taken from OECD. *Historical Statistics* (various editions). Political data: see Tables 1 and 4.

However, the growth of government is also attributable to political factors, such as inheritance of policy programmes (Rose & Davies 1994) and the decision not to reject the heritage of the past. Among the political factors, incumbent parties and institutional structures deserve to receive foremost mention. Take Table 5, which presents findings of a pooled cross-section-time-series analysis of determinants of change in public spending in democratic OECD nations in the 1960–1994 period. According to this analysis, the growth of government has been influenced by political-economic factors, such as real economic growth or, conversely, economic recession, change in the rate of unemployment and inflationary or disinflationary outcomes. However, the determinants of public spending also include genuinely political factors. Within the context of this article, three variables deserve to receive foremost mention. First, leftist parties' participation in government increases public spending. Second, the expansion of public expenditure can also be attributed to policy choices of centre or centre-right parties, particularly

parties of christian democratic persuasion. Thus, social democracy and christian democracy have been major political 'engines' in the growth of government in the post-1960 period, largely, though not exclusively, through the expansion of social policy until the early 1980s (see Flora & Heidenheimer 1981; Flora 1986–1987). In contrast to this, conservative parties have been major inhibitors of the growth of government in modern democracies. Third, state structures matter as determinants of public expenditure trends. For example, countermajoritarian institutional constraints, such as federalism and autonomous central banks, have stopped or reversed the trend towards big government. This relationship is mirrored in the inverse association in Table 5 between the dependent variables and the index of institutional constraints discussed above (see Table 4). More detailed analysis (not reported here in detail) reveals significant inverse associations between the change in public expenditure (or government final consumption expenditure) as a percentage of GDP on the one hand and federalism as well as EU membership on the other, other things being equal. Controlling for partisan influence on public policy, EU membership, together with disinflationary policy and countermajoritarian institutional constraints of government, thus contributes to decreasing growth of public expenditure in GDP. This is good news for the economic orthodoxy prescribed in the convergence criteria of the Maastricht treaty. The bad news for the architects of the Maastricht treaty is that many other factors have been conducive to rising levels of public spending, such as partisan influence of leftist and center parties on public policy, mainly (though not exclusively) in the 1960s and 1970s, high levels of unemployment and increasing rates of unemployment.

Conclusion

Taking the various bits and pieces together, this essay suggests two major conclusions on the explanation of public policy differences in democratic nations. First of all, the review of the literature and the available data suggest that the hypothesis of partisan influence on public policy is a valuable tool in comparative studies of policy choices and policy outputs in economically advanced democratic states. Furthermore, this article also suggests that it would be valuable if direct effects and interaction effects of the party composition of government and state structures featured more prominently in future research on comparative public policy.

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