

# 16

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## Cabinet Government and Parliamentary Democracy

So much of the material in this volume may seem to revolve around political life in America. Whether in describing the private ways in which individuals organize themselves into clubs and organizations to pursue collective purposes or the public ways in which they constitute their official political institutions, I may have conveyed the impression that I have been doing no more than analyzing politics, American style. Problems of group choice, collective action, and institutional politics, however, are not unique to the American constitutional order. Americans have no monopoly on voting, agenda setting, or dividing and specializing political labor, and I can make this point quite forcefully by turning to the ways in which most of the rest of the democratic world organizes its public politics.

In this final chapter on institutions, I lead a quick tour of institutional arrangements in parliamentary democracies. Rather than separating power into distinct branches of government, each checking and balancing the others as is done in the United States, the world of parliamentary democracy is organized according to a principle that emphasizes the coordination and concentration of power. The textbooks refer to this as the "fusion of powers" in contrast to the American-style "separation of powers." The centerpieces of this arrange-

ment are the supremacy of parliament and the accountability of the political executive—the cabinet, the government, or the administration—to it.

## THE PARLIAMENTARY SETTING

### *Electoral Arrangements*

The best place to begin is with electoral arrangements. American legislatures, both state and federal, are elected according to the first-past-the-post principle. Legislative candidates campaign for office in districts, with the one receiving a plurality of votes there elected as the district's representative. I noted in Chapter 7 that this arrangement, which is also followed in Great Britain and some other of its former colonies, encourages two-party or two-candidate competition in each electoral district (Duverger's Law). If it is the *same* two parties in each district, then one of them will end up with a legislative majority.

Although, as just noted, some parliamentary regimes like Great Britain elect legislators in this fashion, the vast bulk of such regimes, especially those in continental Europe (including the democracies that emerged in eastern Europe late in the twentieth century) elect legislators according to one of several proportional representation (PR) formulas.<sup>1</sup> There is tremendous variety in the specific PR details, but however they are implemented, these arrangements tend to produce parliaments in which *many* parties are represented.<sup>2</sup> Indeed, because parliamentary seats are distributed among many parties instead of just two, it is rare for any one party to command a majority in parliament. Thus, with the exception of

<sup>1</sup> Some parliamentary democracies, like those in Germany, Japan, and New Zealand, have a hybrid electoral system in which some legislators are elected from districts according to first-past-the-post, while others are determined by a PR formula.

<sup>2</sup> See Gary Cox, *Making Votes Count* (New York: Cambridge University Press, 1997).

Britain and a few other instances in which a single party captures a parliamentary majority, it is necessary in most parliamentary democracies to engage in multiparty negotiations in order to organize government.

### *Governmental Arrangements*

In parliamentary regimes there is a division and specialization of labor. The House of Commons does not run British politics. Nor does the Dutch *Tweede Kamer*, the German *Bundestag*, the Japanese *Diet*, or the Norwegian *Storting* run the politics of the Netherlands, Germany, Japan, or Norway, respectively. Rather, each parliament "elects" a *government* to serve as the executive arm of the regime. I thus need to describe exactly what a "government" is on the one hand, and how a country's parliament "elects" one on the other.

The political executive in a parliamentary democracy is, with a few exceptions that I won't stop to consider here, chosen by parliament. This executive is called the *government*; it is also known as the *cabinet* or *council of ministers*. It is a collection of senior politicians each of whom is the head of a department or ministry of state. In nearly every parliamentary regime there is a finance minister, foreign minister, interior minister, defense minister, justice minister, education minister, environment minister, and so on.

Thus, there is a division and specialization of labor at two different levels. The first distinguishes between legislature and executive. The legislature selects the executive in the first place; keeps it in place or replaces it with a different one; and considers various pieces of legislation, the most important of which is the annual budget.<sup>3</sup> I will discuss these features mo-

<sup>3</sup> It should be noted that legislatures in parliamentary regimes are not the hyperactive lawmaking engines we encounter in the American setting. Typically, parliaments vote a few broad delegations of statutory authority which are then implemented by the government. In the United States, on the other hand, Congress and the various state legislatures legislate with much greater frequency and in a much more fine-grained fashion.

mentarily. The second level of division and specialization of labor is in the government itself. In a manner quite parallel to the arrangements involving committees in the U.S. Congress, each ministry of state has jurisdiction over specified dimensions of public policy, called a *ministerial portfolio*. In this domain the minister and his or her senior civil servants have considerable discretion to interpret statutory authority and implement public policy.

Another way to think about this arrangement is as a chain of principal-agent relationships. Parliament as principal delegates executive authority to a collective agent, the cabinet. The cabinet as principal, in turn, delegates discretionary authority in various policy jurisdictions to its agents, namely particular cabinet ministers. To control its agents, and coordinate their activities, the cabinet employs various before-the-fact and after-the-fact mechanisms; usually one member of the cabinet plays the role of policeman and maestro—the *prime minister*. Likewise, to control *its* agent, parliament, too, exercises before-the-fact and after-the fact authority. We refer to this authority as that of “making and breaking governments,” since parliament votes a cabinet into office in the first place and, if it is unhappy with cabinet performance after the fact, may vote it out of office and replace it with an alternative cabinet.<sup>4</sup>

### *The Government Formation Process*

A typical sequence of events in one cycle of parliamentary democracy begins with a triggering event like an election. When the new parliament convenes there are often a number of parties represented, no one of which commands a majority of votes on its own. Each party has an *endowment* consisting of

<sup>4</sup> These details are developed in Michael Laver and Kenneth A. Shepsle, *Making and Breaking Governments: Cabinets and Legislatures in Parliamentary Democracies* (New York: Cambridge University Press, 1996).



a certain number of seats under its control and a set of policy priorities and positions on which it has just conducted its electoral campaign.<sup>5</sup> Also at this time there will be a government in place—the cabinet that was running the country just before the election. The first order of business facing the new parliament is whether to retain the status quo cabinet or replace it with a new cabinet. If the political fortunes of the various parties have changed as a result of the election, it is highly likely that a new cabinet will be selected, one better reflecting the balance of political forces in the new parliament. But since no one party is a majority in its own right, the new government will have to reflect the preferences of a *coalition* of political parties. Government formation requires coalition building.

Anyone watching this process, at least that part of it that is not conducted behind closed doors, will know when it has reached its conclusion. This is when a parliamentary majority allows a new set of senior politicians to take over the reins of each of the ministries of state. This transition is normally accompanied by much fanfare, including a press conference in which the new ministers “meet the public” and announce their policy goals. In some parliamentary regimes, there must be a formal *vote of investiture* in which the new government is formally approved by a parliamentary majority. In others, the head of state (the king or queen or president) simply announces the new government. In all cases the new government survives at the pleasure of parliament. At any time,

<sup>5</sup> In effect, each party may be treated as a unitary actor. Unlike legislative parties in the United States, which contain within them a wide range of opinion and whose members are relatively free to pursue their own private objectives, parliamentary parties are far more homogeneous in terms of policy preferences, and their leaders have powerful mechanisms by which to control the rank and file. Parliamentary party leaders, of course, must keep their followers happy, as I argued more generally in Chapter 14, but they may proceed in a manner that is best for their party as a whole. In effect, then, we may think of the parliamentary party as acting as if it had well-defined preferences, as manifested in the beliefs and choices made by its leaders.

parliament may entertain a *motion of no confidence* in the government, usually moved by an opposition party politician; if this passes, then the government must resign and the government formation process starts up anew.<sup>6</sup> Alternatively, the government itself may introduce a *motion of confidence*, or attach such a motion to an important bill before the parliament. If that motion or bill should be defeated, then the government is obliged to resign.<sup>7</sup>

So, the government formation process ends with the creation of a new government—a new set of managers of the various departments of state. But what of its beginning? Ordinarily, when either a new parliament convenes, an old government is defeated in a confidence procedure, or the old government resigns for whatever reason, the head of state appoints a leading politician, called a *formateur*, to try to assemble a new government. In some countries either the constitution explicitly, or constitutional conventions implicitly, restrict the discretion of the head of state. He or she must, for example, allow the prime minister of the previous government first crack at forming a new government. Or he or she must allow the leader of the largest party in the new parliament first shot. In other cases, the head of state is free to choose whoever he or she wishes as *formateur*. (In some circumstances, the head of state appoints an *informateur*—a respected elder statesman with no personal ax to grind—to consult widely in the political community and then advise him or her on whom to appoint *formateur*.) The *formateur* negoti-

<sup>6</sup> Indeed, a vulnerable government normally can anticipate whether a parliamentary majority no longer has confidence in it; as a result the government will resign in advance of the motion-of-no-confidence procedure so that the latter is not carried out to its ignominious conclusion.

<sup>7</sup> Why would a government do this? The chief reason is to raise the stakes of defeating the bill to which the motion is attached. It is a power play, a show-down move, in which the government puts parliament on notice that if it should defeat the government's bill, the government will come crashing down around its ears.

ates with other parties in assembling a distribution of ministerial portfolios to political parties—a government—that a parliamentary majority is prepared to support. The parties receiving a seat at the cabinet table (by being assigned a ministerial portfolio) are said to be the *government parties*. Those not included in government are the *opposition parties* (though some of these may lend the government support in parliament). I examine this process shortly, as well as the motivations that drive it.

Once in place, the new government governs. Each minister attends to day-to-day administration with senior civil servants in his or her ministry and, together with other ministers, meets regularly in cabinet to formulate and coordinate overall governmental policy. This will entail not only the implementation of existing policy but also the formulation of new policy. And the latter means that the government will need to have firm control of parliamentary politics, setting parliament's agenda and making sure it toes the line. Thus, there is a political tension between government and parliament, with the former in the driver's seat because of its control over day-to-day management of political affairs; but since the latter "makes" the government in the first place, it also can "break" the government. In short, the government governs *subject to keeping the confidence of parliament*.

## A MENAGERIE OF GOVERNMENTS

In the U.S. Congress, the House and Senate are organized by the party capturing a majority of seats in that chamber. It is always the case in the modern era for either the Democrats or Republicans to win a chamber majority (although it wasn't always this way, especially early in American constitutional experience). In contrast, the process of government formation in parliamentary democracies briefly described in the last few

pages produces governments of quite a variety of sizes and shapes (Table 16.1).

The number of parties represented at the cabinet table can be one or many—in which case the executive is a single party or a coalition, respectively. The number of seats in parliament controlled by the government parties can constitute either a majority or a minority. Thus, there are four different types of government. Their relative frequencies in Europe since 1945 are given parenthetically in Table 16.1.

*Unified* governments, which arise in slightly more than one of every eight governments in the period of study, are formed by parties that win outright parliamentary majorities. This is a relatively rare event, which occurs frequently in Great Britain but only occasionally anywhere else in Europe. In this case the majority party votes itself all the cabinet portfolios. The only serious threat to these “juggernauts” is intraparty factionalism. One faction of the majority party, if sufficiently numerous, can bring the government down by deserting it on a key vote.<sup>8</sup>

Much more common, occurring about half the time in the postwar era, is a cabinet composed of several parties that jointly control a parliamentary majority. These *multiparty majority* governments need to control their rank and file in order to continue in office, but the ordinary tools of party discipline are typically sufficient for this task. A “backbencher” who threatens to stray off the reservation may find that his or her parliamentary career prospects suddenly become bleak, not to speak of the fact that the party organization will refuse to back him or her at the next election.

<sup>8</sup> In Great Britain in 1994, the Conservative government of Prime Minister John Major was a unified government, but only tenuously so. It had a bare majority in the House of Commons and thus was potentially vulnerable to factional blackmail from within its partisan ranks. In parliamentary votes on expanding the role of the European Union in the spring of 1994, so-called Euroskeptics inside the Conservative Party threatened to desert the government (which favored further European integration). Major called their bluff and won . . . that time.



TABLE 16.1

## PARLIAMENTARY GOVERNMENT FORMS\*

## Government Parties in Parliament

	Majority	Minority
<i>Single Party</i>	Unified (.134)	Single-party minority (.238)
<b>Executive</b>		
<i>Coalition</i>	Multiparty majority (.500)	Multiparty minority (.128)

\* Cell entries give the proportion of each type as determined by Strom for a sample of Western parliamentary democracies, 1945–1982.

SOURCE: Kaare Strom, *Minority Government and Majority Rule* (New York: Cambridge University Press, 1990), p. 61.

A more serious threat to these governments is that during their incumbency, one or more of the governing parties will become dissatisfied and resign, essentially uniting with the opposition to bring down the government.<sup>9</sup> Short of pulling out of a sitting government in order to defeat it, a governing party may insist on a reallocation of portfolios. If, for example, recent poll results suggested that one of the minor government parties was rising in popularity at the expense of one of the major government parties, the former could insist on a *cabinet reshuffle* in which it received more portfolios, or more important portfolios.

A *single-party minority* government sounds pretty strange to American ears (although I suggest shortly that the reader has more familiarity with it than he or she realizes). It is a government in which one party receives all cabinet portfolios,

<sup>9</sup> If one of the governing parties pulls out, then, as we noted earlier, an actual vote of no confidence need not occur. If the parties remaining in the government believe they no longer have the support of parliament, the government may simply resign, triggering a new round of government formation. Alternatively, the prime minister may petition the head of state to dissolve parliament and call for new elections.

but that party has less than a majority of parliamentary seats. It governs at the sufferance of an opposition that, in combination, controls a majority of parliamentary seats. How can this be? It is able to retain office, as I shortly demonstrate, because the opposition, even though a majority, cannot agree on an alternative that it prefers. Imagine a large social democratic party—slightly left of center—controlling, say, 40 percent of parliamentary seats, that faces a radical left-wing party, an extremist right-wing party, and a religious party, controlling roughly 20 percent of the seats each. It is quite likely that anything preferred to a social democratic minority government by the left-wingers is strongly opposed by the right-wingers and religious partisans, whereas anything preferred to the social democrats by the two more conservative parties is opposed by the left-wingers. The opposition majority simply cannot get its act together, allowing the social democrats to survive in office even though they comprise but a minority of the whole parliament. This is not at all an unusual scenario and, as the evidence reported in Table 16.1 suggests, something like it occurs nearly one-quarter of the time in Western parliamentary democracies.

To complete the picture, about one in every eight governments in the postwar Western experience is a coalition government whose partners control less than a parliamentary majority. Typically they will be center-left or center-right coalitions that, like the single-party minority governments described in the previous paragraph, split the opposition.

Before turning to an analysis of government formation, it is worth mentioning that Americans often get depressed over a phenomenon conventionally referred to as *divided government*. This is a condition in which one party, say the Republican Party, controls the White House, but the Democrats control one or both of the legislative chambers. After the 2006 elections, Republican George W. Bush occupied the White House, but the Democrats had captured both houses of Con-

gress. It is alleged by inside-the-Beltway pundits that this is a formula for gridlock as partisan majorities in the different branches of government prevent anything from happening.<sup>10</sup> Such pundits often cast an alluring look across the Atlantic, touting the advantages of parliamentary government. Yet, the data of Table 16.1 suggest that parliamentary regimes are also highly prone to divided government. Multiparty majority coalition governments are those that control a parliamentary majority, but divided government occurs *within* the executive. Single-party minority governments have a unified executive but, lacking a majority in parliament, are divided in exactly the same way American governments often are—an executive whose party lacks a legislative majority. (Thus, despite sounding pretty strange to American ears, single-party minority governments are structurally identical to the divided governments with which Americans have had frequent experience.) Minority coalition governments are divided both within the executive and between executive and legislature. Indeed, European parliamentary experience suggests that governments are divided about seven-eighths of the time, a proportion roughly equal to the postwar American experience. Parliamentary government, in short, is no cure for divided government.

## ANALYZING GOVERNMENT FORMATION

I now want to analyze how governments of various types actually are formed. Government formation in parliamentary democracies is a subject that has been studied analytically for

<sup>10</sup> This does not often comport well with the actual facts (though this never stopped a pundit worth his or her salt). President Reagan enjoyed enormous success in his first term despite the fact that the Republicans did not control a majority in the House of Representatives. Alternatively, both Jimmy Carter and Bill Clinton enjoyed (hardly the right word!) unified government (in 1977–81 and 1993–95, respectively), but each would undoubtedly have given his eye teeth for a record of accomplishments matching that of Reagan's first term.

more than forty years. Scholars have produced an immense literature and I shall not be able to explore every nook and cranny.<sup>11</sup> Instead, I develop an example in some detail. The example typifies many of the possibilities that are encountered in the real world, but it is hardly *typical*, since the real world contains an enormous amount of variation (as suggested in Table 16.1). My purpose, however, is not so much to present the reader with a full-blown model of government formation as it is to show how rational politicians think through all the many permutations of the government formation game in order to pursue their objectives effectively.

### *German Example: Basic Setup*

In Germany throughout the last quarter century, four parties won seats in the German parliament, the *Bundestag*: the Christian Democrats (CD), the Social Democrats (SD), the Free Democrats (FD), and the Greens (G). The CDs are a classic center-conservative party—procapitalist on economic issues, proactive in foreign policy, and traditional on social issues. The SDs are a classic social democratic party—left-leaning on economic matters, pacifist in the foreign realm, and progressive on social issues. The FDs are a liberal party—free-market oriented on economic issues, moderate in foreign policy, and progressive on social issues. The Greens, finally, are more left-leaning than the Social Democrats on economic and foreign affairs and more progressive than the Free Democrats on social issues.

Although the seat totals for each party varied from year to year, the strategic structure in Germany did not. Specifically, rarely did a single party win an outright majority of seats. Second, the CDs were sufficiently numerous that they could

<sup>11</sup> The standard bibliographic reference surveying this field is Michael Laver and Norman Schofield, *Multiparty Government* (New York: Oxford University Press, 1980).



form a majority with *any* of the other three parties. Third, a majority excluding the CDs required that *all* of the remaining parties coalesce. Thus, the set of possible majority coalitions in the *Bundestag* during this period included

- CD–SD
- CD–FD
- CD–G
- SD–FD–G

as well as any of the above with an additional party added.

A *government* (or cabinet), recall, is a distribution of ministerial portfolios among the parties (more accurately, among senior party politicians). Suppose there were only two key cabinet ministries in the government—Finance (F) and Foreign Affairs (FA). Display 16.1 lists all the possible German governments involving these ministries. There are four ways to assign the Finance portfolio to a party and, for each of these, four ways to assign the Foreign Affairs portfolio, giving a total of sixteen possible governments.<sup>12</sup> In the case at hand, then, there are four possible majority coalitions in the *Bundestag* (listed above) and sixteen possible governments (given in Display 16.1).

<sup>12</sup> If, as is often the case in the real world, there are more than the four parties in the example (say,  $p$  in number), and more than two portfolios (say,  $q$  in number), then there are  $p^q$  possible ways to divvy the portfolios up among parties, and thus  $p^q$  possible governments. Even for moderate values of  $p$  and  $q$ , this number can grow rather large. With ten parties (as was approximately the case at various times in countries like Belgium or Italy) and fifteen government ministries, for instance, there are ten million billion different conceivable governments. We would have to harvest an entire forest to print a list like the one in Display 16.1!

**DISPLAY 16.1****POSSIBLE PORTFOLIO ALLOCATIONS IN THE *BUNDESTAG*****Party holding****Finance portfolio (F)    Foreign Affairs portfolio (FA)**

1.	CD	CD
2.	CD	SD
3.	CD	FD
4.	CD	G
5.	SD	CD
6.	SD	SD
7.	SD	FD
8.	SD	G
9.	FD	CD
10.	FD	SD
11.	FD	FD
12.	FD	G
13.	G	CD
14.	G	SD
15.	G	FD
16.	G	G

*German Example, Continued: Party Preferences  
and Majority Preferences*

We now need to consider how each party (and ultimately how each parliamentary majority) assesses each of the sixteen governments in Display 16.1. There is no right answer to this matter, since a party's assessment of a particular government will depend on what the party cares about. In the literature on government formation, two motivational hypotheses have been seriously entertained.

## DISPLAY 16.2

OFFICE-SEEKING PARTY PREFERENCES OVER  
ALTERNATIVE GERMAN GOVERNMENTS\*

CD	SD	FD	G
{1}	{6}	{11}	{16}
{2, 3, 4}	{5, 7, 8}	{9, 10, 12}	{13, 14, 15}
{5, 9, 13}	{2, 10, 14}	{3, 7, 15}	{4, 8, 12}
{6, 7, 8, 10, 11, 12, 14, 15, 16}	{1, 3, 4, 9, 11, 12, 13, 15, 16}	{1, 2, 4, 5, 6, 8, 13, 14, 16}	{1, 2, 3, 5, 6, 7, 9, 10, 11}

\* The numbers in each column refer to the governments listed in Display 16.1. A party prefers higher-listed to lower-listed governments and is indifferent among bracketed governments.

OFFICE-SEEKING. The first, the office-seeking motivation, assumes that parties care only about getting into office. Thus, the CDs, in looking over the possibilities in Display 16.1, will most like government 1, giving them both portfolios. If they care more about financial matters than foreign affairs (and I will assume this, for the sake of argument, for all parties), they will next prefer governments 2, 3, and 4 (among which they are indifferent), giving them the Finance portfolio and some other party the Foreign Affairs portfolio. Next they will prefer governments 5, 9, and 13 in which they get the Foreign Affairs portfolio and some other party gets Finance; again, they are indifferent among these three governments. Finally, they least prefer (and are indifferent among) governments 6, 7, 8, 10, 11, 12, 14, 15, and 16, in which they are excluded from government altogether. Display 16.2 gives the office-seeking preferences of each of the four parties.

Since we know which combinations of parties constitute *Bundestag* majorities (the bulleted list above), we can compute majority preferences over the sixteen possible govern-

ments from these individual preferences. For example, the CD–FD majority prefers government 3 (CDs get Finance and FDs get Foreign Affairs) to government 6 (SDs get both portfolios), since 3 ranks ahead of 6 in both party preference orderings. It is a bit tedious, and not particularly enlightening in this particular example, to examine all sixteen governments to see how majorities rank them. It is tedious because there are 120 such comparisons to be checked (though a computer with even a modest amount of power could do this in the blink of an eye); it is unenlightening because, as Display 16.2 reveals, there is a substantial amount of indifference in party preferences, the latter because the only thing parties consider is whether they are in government or not. For these reasons I go no further in an analysis based on office-seeking, though the reader now can see how it could be carried out. (This is one of those proverbial “homework exercises” that the enterprising reader may wish to pursue.)

**POLICY-SEEKING.** The second motivational hypothesis, that of policy-seeking parties, is richer in its possibilities, and arguably a more realistic conjecture about party behavior as well, so I explore it somewhat more deeply. Needless to say, ambitious politicians love the prospect of advancing to high office. The ego boost of power, not to speak of the creature comforts of a commodious office, an army of deferential assistants, the services of a leather-upholstered limousine, and frequent travel to exciting world destinations, all contribute to the allure of office. There is no gainsaying the potency of the office-seeking motivation to explain the wishes of individual politicians. But parliamentary politicians are not entirely free agents. They are members of parties which have been elected to the parliament to accomplish things. Party leaders must check the acquisitive instincts and other private motives of their senior party members to ensure that these partisan purposes are not jeopardized.

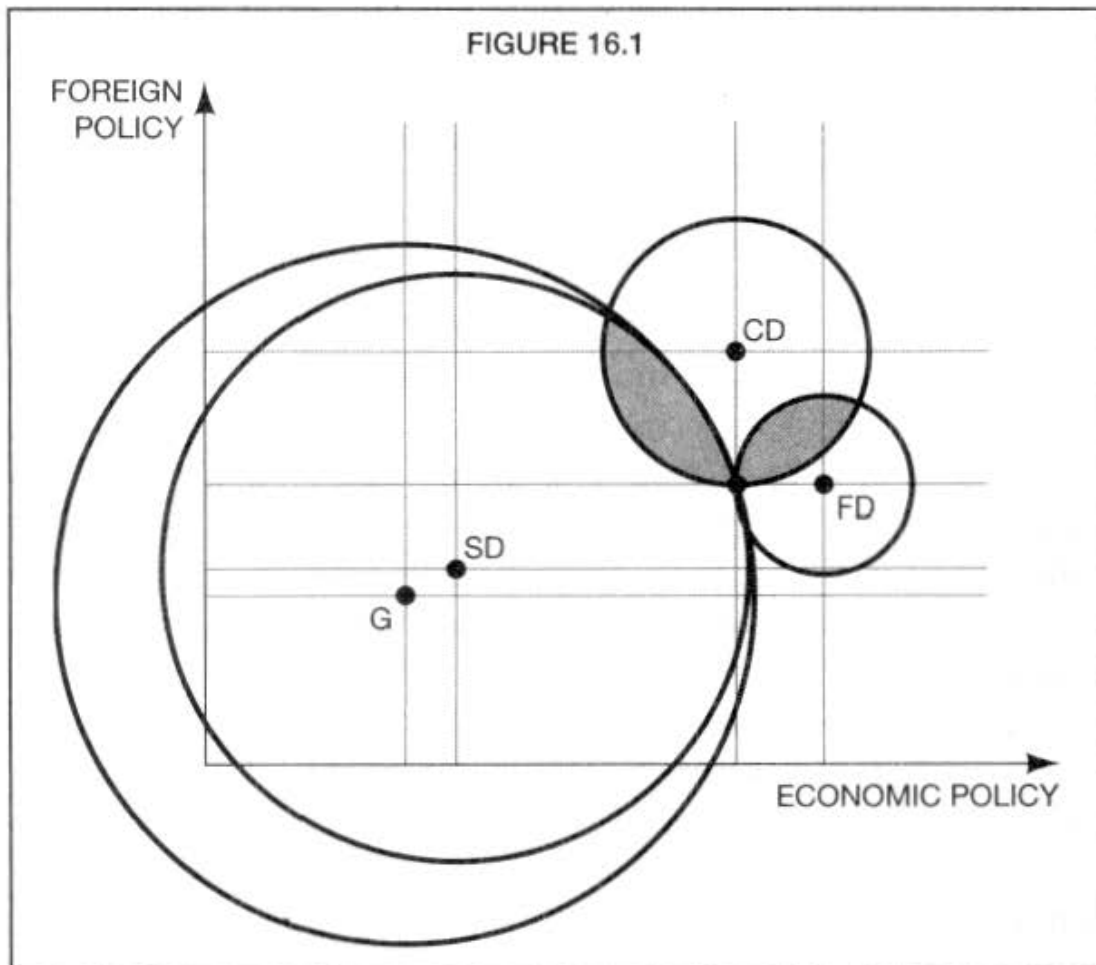


In particular, I conjecture that a more compelling motivational consideration derives from the fact that parties serve external constituencies, delivering policies desired by those constituencies in exchange for electoral support. External constituencies don't really care whether a politician from the party is a cabinet minister or not. They *do* care about the policies produced by the government in power. Always attentive to electoral considerations and ever mindful of the fact that electoral constituencies are the principals for which the party is an agent, party leaders seek to install governments that are disposed toward policies preferred by these constituencies. This may mean pushing to get fellow party members appointed to the cabinet, but it may not. Thus, despite the individual politician's lust for office, the party system, electoral competition, and the principal-agent relationship between parliamentary parties and external constituencies check and constrain this motivation.<sup>13</sup>

To see what is involved in a policy-seeking analysis of government formation, we need to know what policies a party wants to pursue on the one hand, and what policies a party believes other parties are pursuing on the other. To facilitate this, I employ the by now familiar spatial model initially developed in Chapter 5. Based on our crude characterization of the German parties earlier in this section of the present chapter, we portray their policy preferences in a simplified, two-dimensional spatial map (Figure 16.1).

The horizontal dimension captures economic policy, with a left-wing radical positioned to the left and a right-wing conservative to the right. The vertical dimension describes foreign policy, with a more pacifist orientation at the bottom and a more activist international posture at the top. Thus, given the

<sup>13</sup> I also note that it doesn't matter for our purposes whether a party is "really" committed to the policies it pursues (ideological parties), or instead whether it does so only to secure electoral benefits from satisfied constituents (instrumental parties).



preferences of their electoral supporters, the CDs are the most activist party in the *Bundestag* on foreign policy issues and one of the more conservative on economic issues. The black dot next to their name locates the CD “ideal” policy on both dimensions. In a similar manner we locate the other three parties.

I assume that the horizontal dimension falls into the jurisdiction of the Finance Ministry and the vertical dimension is the responsibility of the Foreign Affairs Ministry. I also assume—and this is a strong assumption—that all parties in the *Bundestag* know that whichever party secures each of the ministries will push its ideal policy in that jurisdiction.<sup>14</sup>

<sup>14</sup> It is a strong assumption because it stipulates not only that a minister has a great deal of authority in his or her jurisdiction (something that any observer would accept), but also that other players on the parliamentary scene have virtually no influence over policy once the minister has been

I can now state precisely what is meant by policy seeking. A policy-seeking party will, if given the authority to do so, implement its ideal policy in the jurisdictions in which that authority applies. A party that obtains both portfolios, therefore, will implement its ideal point. A party that obtains one portfolio will implement the component of its ideal point that applies to the jurisdiction of that portfolio. Thus, if the CDs form a single-party minority government, they will implement the policies associated with their ideal point. If, on the other hand, the CDs and FDs form a multiparty majority government, with the CDs getting the Finance portfolio and the FDs the Foreign Affairs portfolio, then this government will implement the policies associated with the point identified by the intersection of the horizontal line through the FD ideal and the vertical line through the CD ideal. (It is the point from which the shaded petals originate—these will be described momentarily.) That is, the CD–FD government will implement the CD's ideal economic policy and the FD's ideal foreign policy.

### *German Example, Concluded: Equilibrium in Government Formation*

In Figure 16.1 the four horizontal and the four vertical lines through each of the party ideal points define the foreign policy and the economic policy, respectively, that each of the four parties would implement if it secured the relevant cabinet portfolio. Thus, each of the sixteen possible governments (the ones listed in Display 16.1) is associated with one of the six-

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designated. The only recourse for a parliamentary majority is to topple the government. As long as a minister does not cross that line, he or she is otherwise unconstrained. To say that this assumption is *strong* is effectively to say that it is very unrealistic. Models, as I hope I made clear way back in Chapter 1, are always unrealistic; the important issue is whether they are "close enough for government work" to permit some insight. This the reader must judge after thinking about the argument in its entirety.

teen points in Figure 16.1 defined by the intersection of one horizontal and one vertical line. For example, the point at the intersection of the vertical line through the CD ideal and the horizontal line through the FD ideal locates the policies of the CD–FD government in which the CDs get the Finance portfolio and the FDs the Foreign Affairs portfolio. I refer to these sixteen points so defined as the *lattice* of possible governments.

The ideal policies not only define what policies a party would implement if it were given the power to do so, but they also allow us to characterize party preferences over *other* policies. As in Chapter 5, I make the simplifying assumption that parties prefer policies closer to their ideal to those farther away from their ideal. With this assumption we can analyze the viability of alternative governments, each of which is judged by the various *Bundestag* parties in terms of the policies they are postulated to pursue.

Consider the CD–FD government just discussed. (Throughout this discussion, the first-named party obtains the Finance portfolio and the second-named the Foreign Affairs portfolio.) To determine how the CDs assess this government, draw a circle through the CD–FD point centered on the CD ideal (as shown in Figure 16.1). The CDs are indifferent among all the points on this circle and prefer any point inside it (because each point on the circle is exactly as far away from the CD ideal as is the CD–FD point, and all points inside the circle are closer to the CD ideal than the CD–FD point). The circle is an *indifference curve*, and the area inside it is a *preferred-to set* in the language of Chapter 5. Notice that the only *governments* the CDs prefer to the CD–FD government are the single-party minority government, in which the CDs get both portfolios enabling them to implement their ideal point, and the FD–CD government in which they swap portfolios.

The three other circles in Figure 16.1 reflect the preferences of the remaining parties regarding the CD–FD govern-



ment. To see how parliamentary majorities feel about this government, we look at relevant intersections of these circles. Recall that there are four majority coalitions (the bulleted list given earlier). The shaded petal pointing northeast is the set of policies preferred by the CD–FD *Bundestag* majority to the policy that a CD–FD government would implement. While there are *policies* that this majority prefers, there is no *government* (alternative allocation of portfolios as reflected in the various lattice points) that it prefers. There are two shaded petals pointing northwest (one is only slightly bigger than the other), reflecting the policies that the CD–SD and CD–G *Bundestag* majorities prefer to the policies that would be implemented by the CD–FD government. Again, there are policies each of these majorities would rather see implemented, but no government (no lattice point) that would do it. Finally, only barely visible to the naked eye is a sliver of a shaded petal pointing almost due south—the policies preferred by the SD–FD–G *Bundestag* majority. Again, this majority prefers no government to CD–FD.

In short, *no other government is preferred by any of the bulleted parliamentary majorities to the CD–FD government*. In the language of Chapter 5, this government has an *empty win-set* relative to the fifteen alternatives the *Bundestag* might consider. If this government were installed and set about implementing the CD ideal on economic policy and the FD ideal on foreign policy, then it would constitute an *equilibrium* of the government formation process. Any motion of no confidence would fail, since a *Bundestag* majority would not pass such a motion unless it had an alternative government in mind to replace the incumbent.<sup>15</sup>

It is actually rather remarkable that such an equilibrium exists, since typically in multidimensional spatial analysis

<sup>15</sup> In fact, this is actually the government that dominated German politics throughout the last quarter century (with occasional exceptions).

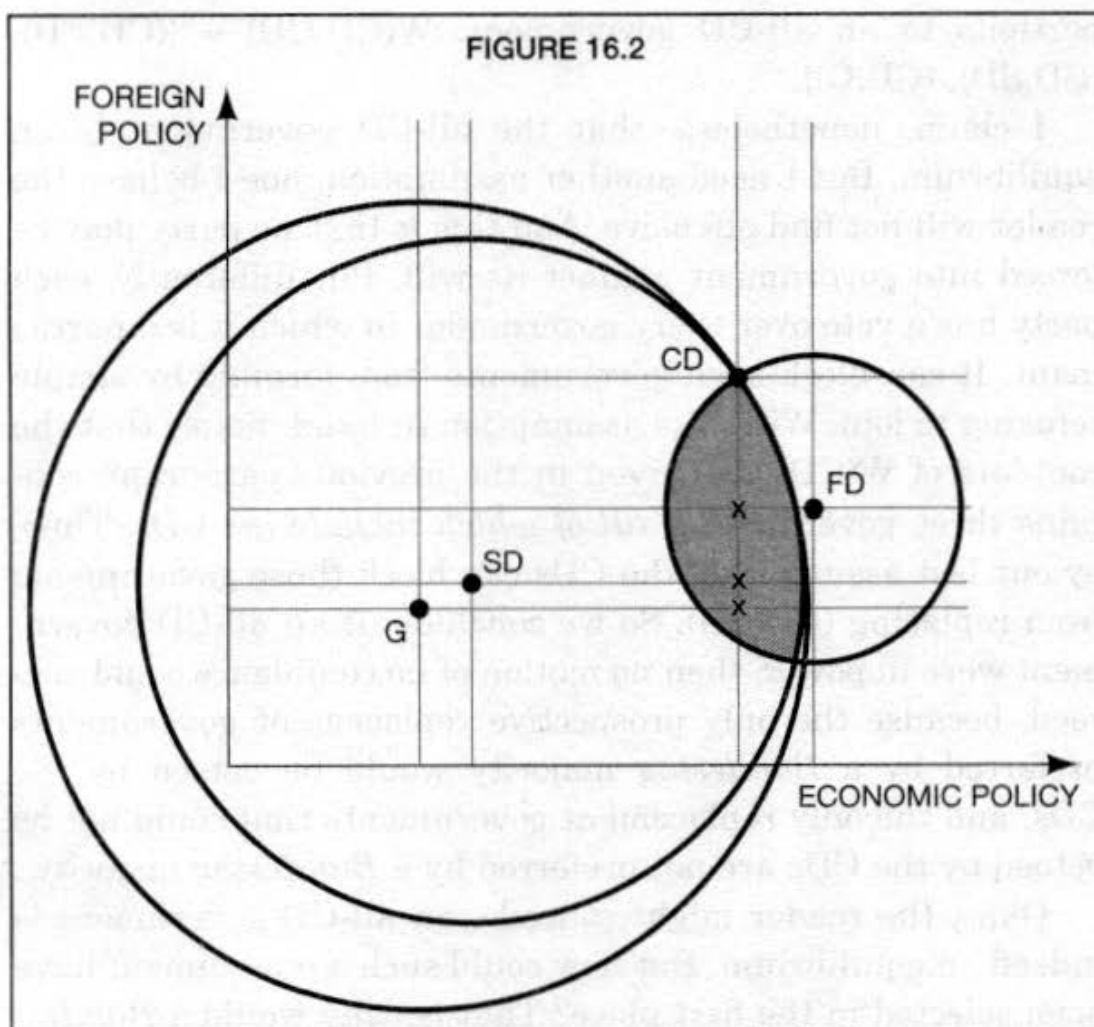
there is no majority-rule equilibrium (see Chapter 5). The reason there is one in this example is because we are considering only the sixteen lattice points, not the entire two-dimensional space of points. I have restricted focus to the points on the lattice because the government formation process chooses *governments*, not *policies*. If the *Bundestag* chose policies directly, then there would be no need for a government at all, since Germany would be run directly by its parliament. The fact is, however, that in Germany and every other parliamentary democracy, its parliament does *not* run the country; it chooses a government which does. So our focus on governments (the lattice of points) rather than policies (the entire space of points) is appropriate.

Let me conclude this brief equilibrium analysis by noting a couple of additional findings. First, although we did find an equilibrium in the German example—an empty-winsset point from among those on the lattice—it does not always work out so nicely. Examples can be produced in which *no* lattice point is an equilibrium. In this case, majority preferences cycle over all the lattice points. However, systematic empirical work on the real world suggests that equilibrium is very likely.<sup>16</sup>

Second, an empty-winsset lattice point may not be the only equilibrium. By this we do not mean that there can be more than one empty-winsset point, for this is virtually impossible.<sup>17</sup> Rather, I am suggesting that there is a different way to think about equilibrium. We display this for our German example in Figure 16.2. There the analysis focuses on a CD single-party

<sup>16</sup> This evidence is found in Laver and Shepsle, *Making and Breaking Governments*, chapters 6–9.

<sup>17</sup> *Informal proof:* Suppose  $x$  and  $y$  are two lattice points. Logically, either  $x$  is preferred by some majority to  $y$ , or  $y$  is preferred by some majority to  $x$  (both cannot be true). Of course, a third possibility is that  $x$  and  $y$  tie in a vote between the two. If either of the first two scenarios holds, then the losing candidate does not have an empty winsset, so that at most one of them does. Only in the third scenario is it possible for there to be more than one empty-winsset lattice point.



minority government in which the CDs receive both portfolios and implement their ideal policy. Clearly this is the best result for the CDs—they would certainly participate in no *Bundestag* majority trying to replace this government. The only majority which excludes the CDs is the SD–FD–G majority. Indifference curves through the CD ideal point for each of these three parties are shown in the figure, and their common intersection is shaded. This shaded area describes the winset,  $W(\text{CD}, \text{CD})$ , the set of policies that all three parties prefer to the one implemented by the CD government. Notice that there are three lattice points in this winset (indicated by  $x$ ). Thus, a *Bundestag* majority prefers any government giving the CDs the Finance portfolio and any other party the Foreign Affairs

portfolio to an all-CD government:  $W(CD, CD) = \{(CD, FD), (CD, SD), (CD, G)\}$ .

I claim, nonetheless, that the all-CD government is an equilibrium. But I need another assumption, one I believe the reader will not find offensive. And this is that no party may be forced into government against its will. Put differently, each party has a veto over every government in which it is a participant. It can block such governments from forming by simply refusing to join. With this assumption in hand, notice that the contents of  $W(CD, CD)$  given in the previous paragraph contains three governments, *all of which include the CDs*. Thus, by our last assumption, the CDs can block those governments from replacing  $(CD, CD)$ . So we conclude: If an all-CD government were in power, then no motion of no confidence could succeed, because the only prospective replacement governments preferred by a *Bundestag* majority would be vetoed by the CDs, and the only replacement governments that could not be vetoed by the CDs are not preferred by a *Bundestag* majority.

Okay, the reader might concede, an all-CD government is indeed an equilibrium. But how could such a government have been selected in the first place? That is, why would a *Bundestag* majority have ever handed over the keys to all ministries to the CDs, especially if they appreciated the conclusion we just drew? This is a very good question, but I believe there is a good answer. Imagine that once upon a time the CDs were a *majority* party all by themselves. Naturally enough, they formed an all-CD government, since they had the votes in the *Bundestag* to do that. Now suppose there is a new election, and the CDs lose their majority. The new parliament convenes to form a government, *but the CDs are the incumbent sitting government and they stay in power until they are replaced by the new parliament*. In this situation, as Figure 16.2 graphically displays, the CDs can remain in power as a minority government because the new parliamentary majority is unable to replace it with something they prefer that is veto-proof.



I thus have derived two different kinds of government equilibrium. One, displayed in Figure 16.1, is an allocation of portfolios to which no other allocation is preferred, an empty-winsset government. The second, displayed in Figure 16.2, is an allocation of portfolios to which other allocations are preferred, but these are vulnerable to veto.

## CONCLUSION

This chapter has served as something of an antidote to the possible misimpression that rational behavior in institutional contexts is a distinctly American practice. In fact, institutional arrangements elsewhere, though they surely differ in fundamental ways, nonetheless serve some of the same purposes that I portrayed American institutions as serving in the other chapters of this part of the volume. Thus, political labor is divided and specialized; authority is delegated; and before-the-fact and after-the-fact control mechanisms are utilized. Rational actors in these political settings exercise sophistication and foresight in determining what actions will best serve their interests.

In the case of parliamentary behavior, in which the government (a specialized agent) is selected by a parliamentary majority (the principal), partisan political leaders calculate about government formation in terms of objectives they wish the selected government to serve. If office-seeking animates their behavior, then they will maneuver, whether in voting to bring a government down or to form one in the first place, to include their partisan colleagues at the cabinet table. If policy-seeking drives behavior, then the calculation will be in terms of which policies they prefer to see implemented. I have done no more than develop a specific example in detail. But I hope to have displayed how one might analyze politics, whatever the institutional context.

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## PROBLEMS AND DISCUSSION QUESTIONS

1. Like any complex institution, parliamentary democracies feature a division and specialization of labor, between the parliament and the government it elects on the one hand, and between the various cabinet portfolios or ministries within the government on the other. Discuss these arrangements in general terms. Which institutions are tasked with which activities? What purposes does this administrative setup serve? Is there any *delegation* involved, and if so, how do the principals keep their agents in line?

2. Mueller (2003)<sup>a</sup> provides an example of coalition formation in a one-dimensional setting to show that behavioral hypotheses strongly affect predictions of how coalition governments will form. Suppose some country with PR ends up with the following distribution of 100 parliamentary seats among five parties, ordered from left to right:  $A(15) < B(28) < C(11) < D(33) < E(14)$ . First, find all minimum winning coalitions (MWC)—that is, coalitions with greater than fifty votes but for which removal of any one party will make them a minority. Then, find the smallest minimum winning coalition. Then, find the MWC with the fewest members, which might be a plausible prediction if bargaining becomes more complex as the number of parties increases. Then, find all MWCs for which the parties are adjacent in the political space. Is one of these hypotheses more believable than the others? Does it depend on whether you think politicians are policy-seeking or office-seeking?

<sup>a</sup> See Dennis Mueller, *Public Choice III* (New York: Cambridge University Press, 2003), pp. 280–81.

3. Draw two sets of axes ranging from 0 to 10, with one dimension representing Finance and the other Defense, and suppose that there are three parties (A, B, and C) with ideal points (1, 2.5), (3.5, 1) and (9, 7). Any coalition of two parties (with one controlling each portfolio exclusively) is sufficient for a majority government, but no one party has an outright majority. What is the set of possible minority and majority governments? Is there a stable majority government coalition (i.e., with an empty winset)? Is there a minority government that is a stable equilibrium (if we assume that no party can be forced into a government against its will)? Illustrate all of your answers graphically and briefly explain your logic, taking special care to explain how minority governments come about.

4. In proportional representation systems it is almost always true that no single party wins an outright majority of votes. Using the logic of Downsian electoral competition, explain why this might be so.

5. After reading this chapter, what is your reasoned opinion about the merits of proportional representation within parliamentary democracies, relative to the U.S. system of single-member districts and presidential government? In your discussion, consider at least representation; divided government and gridlock; the government formation and breakdown process; and effective governance.