

GOVERNMENT FORMATION AND PARLIAMENTARY DEMOCRACY

This book is about the making and breaking of governments in parliamentary democracies. The essence of parliamentary democracy is the accountability of the government (or cabinet or executive or administration) to the legislature. In most working parliamentary democracies, this relationship is enshrined in a constitutional provision that the government must retain the support of a majority of legislators, tested in a legislative motion of confidence (or no confidence) in the executive. A government that loses such a vote is defeated and obliged to resign.¹ Although formal mechanisms for installing new governments differ considerably between countries, a government, however installed, is immediately exposed in the legislature to a potential vote of no confidence. It is the ability of the executive to win this vote and thus maintain the confidence of the legislature that is the universal acid test of government viability in a parliamentary democracy.

Even though the executive is responsible in this sense to the legislature, the cabinet and its ministers nevertheless retain wide-ranging power to govern the country as long as they remain in office. This power comprises both effective political control over the administrative departments of state and a firm grip on the day-to-day activities of the legislature. Apart from the opposition's ability to seek dismissal of an administration by proposing a motion of no confidence, it is difficult in most parliamentary democracies for anyone outside the executive to have a significant impact on the process of legislation. Executive control of the entire legislative

¹In practice, an executive may well resign in anticipation of losing a motion of no confidence, so that we may only rarely actually see the constitutional procedure pushed to its ultimate conclusion. This does not, of course, take away from the fundamental importance of the confidence vote as one of the key institutional foundations of parliamentary democracy.

process, from the drafting of bills to the determination of the order of business, combined with the almost universal provision that the executive may recommend the dissolution of the legislature and the holding of new elections,² gives any incumbent administration considerable power over the legislature.³

The impact of government formation extends far beyond legislative-executive relations, however. Government formation is at the very heart of representative politics, as well as of a large part of economic and social life, in Western parliamentary democracies. If representative politics is what provides the vital connections between the preferences of ordinary individuals and the ambitions of politicians, between elections and party competition, and between legislative politics, policy making, and the governance of the country, then the formation of a government is the focal point at which all of these things come together in a parliamentary democracy. Elections have meaning for voters because they provide a choice between different packages of possible political outcomes, offered by different political parties. Parties themselves are important because they are key actors that take part in the government formation process. This means that party competition in parliamentary democracies is typically couched in terms of what different parties would and would not do if they were in government and thereby had a chance to put their ideas into practice.

After the election has been held in most parliamentary democracies, it is often the case that no party will have won an overall majority. Subsequent legislative politics is much more about building and maintaining a government than it is about legislating. Even when legislation is important, the legislative agenda in most parliamentary democracies is very much in the hands of the government.

Government formation also impinges fundamentally upon economic life. Indeed the claim that a change of government implies at least a potential change of public policy is well illustrated by the market turbulence often caused by uncertainties about the stability of a government or the outcome of an election. Good examples of this can be found in the general instability of European currency markets in the run-up to the French legislative election of 1993, given uncertainties about the impact of a change of government on official policy toward the French franc, and

²An important counterexample is Norway, in which the government cannot interfere with a fixed three-yearly timetable of legislative elections.

³Obviously, the extent to which the executive controls the business of the legislature varies from country to country with, for example, variations in the role and power of legislative committees. Nonetheless, in nearly all parliamentary democracies, the power of the executive over the legislature is very considerable. This point is made by nearly every country specialist describing the interactions between legislature and executive in the parliamentary democracies covered in Laver and Shepsle (1994).

the intense speculation against the peseta prior to the Spanish election of the same year. This turbulence arises precisely because major shifts in the partisan composition of the government can imply major changes in the rules of the economic game. And uncertainties about these rules of the game can feed back in a very volatile way onto expectations about key economic parameters, whether these relate to the money supply, the budget deficit, exchange and interest rates, or whatever.

OUR BASIC PREMISES

In what follows, therefore, we set out to explore as systematically as possible the complicated business of building and maintaining a government in a parliamentary democracy. We base our argument upon a number of premises and it is as well to be quite clear about the essential thrust of these from the very start, though we will elaborate on them in the following chapter.

The role of models

Our most fundamental premise is that it is possible to make general statements about the politics of building and maintaining a government, and that such general statements can give us valuable insights into the political processes involved. Obviously, even a casual look at parliamentary democracies around the world reveals huge diversity. Every country has a different constitution and a different historical, geographical, and cultural setting. Once we look at the formation of any individual government, the sheer welter of activity by large numbers of politicians, officials, lobbyists, interest groups, voters, and commentators in the making, running, and breaking of governments is so rich and complex as to make every particular government appear to be an utterly distinctive political entity, quite unlike any other. The purpose of our enterprise, however, is to cut through all of this variation in an attempt to see whether, at the core of it all, there are interesting and important features of government formation that are common to all parliamentary democracies.

We do this by developing a generic model of government formation in parliamentary democracies. Our model consists of a set of general statements about the process of government formation, statements that we take to be at least somewhat plausible, and a set of logical linkages between these. Our hope and intention is that systematic use of this model allows us to develop some interesting and nonobvious insights into the business of building and maintaining a government. Obviously, the model we develop can be no substitute for the careful description of any particular case. But at the same time there are on the face of things strong

similarities in the government formation process in parliamentary democracies at different places and times, and we do believe that our model sheds light on these. It can do this in two different ways.

First, by allowing us at least logically to hold a wide range of institutional and historical variations constant, while systematically manipulating key variables, the model may be used as a discovery tool. This allows us to enhance our understanding by attempting to answer “what if?” questions about the politics of a particular situation. What if no party wins an overall majority after the next British election? What if, after dominating every Italian government in the postwar era, the Christian Democrats suffer electoral catastrophe, as they did in March 1994? What if, after over 40 years as a major player in German governments, the Free Democrats were to fall below the 5 percent electoral threshold?

Country specialists are typically called on to answer such questions and they rarely shrink from doing so, drawing upon their detailed knowledge of a particular situation. To the extent that they can justify statements about what is likely to happen in circumstances that have not yet arisen, whether to others or merely to themselves, they must have in their minds some private model of parliamentary politics, however vague and implicit. Effectively they are saying “if we could hold these things constant and change that thing in such a way, then the outcome is likely to be this.” Such statements, of course, have exactly the same form as those generated by more explicit models. We strongly believe that being more precise and explicit about models of politics can permit a scholar both to check his or her intuitions more systematically and to tease out further analysis of the problem at hand – possibly counterintuitive but nonetheless useful and even, sometimes, accurate. Explicit models of politics, therefore, are not enemies of intuition. On the contrary, they are engines of intuition.

The second important intellectual role of models of politics is as an essential prerequisite for systematic and informative empirical research. It is of course possible to collect facts about a particular situation in the belief that the situation itself is self-evidently important, that the facts speak for themselves, and that more facts are always better than fewer. Many of those who study politics unfortunately adopt this approach, either explicitly or implicitly. We believe, however, that this approach is inefficient at best and downright misleading more often than not. The essential role of empirical research, as with pure theory, is to enhance our understanding of the world. Empirical research in the social sciences does this by revealing the presence or absence of systematic patterns in actual human behavior. But there is of course a more or less infinite number of behaviors that we could study, and patterns in these that we could look

for. Only a theoretical model of the situation under analysis can tell us which activities to study and what patterns to look out for.

We can put some flesh on the bones of this point by taking a political example closely related to our own work, but not a part of it. All parliamentary democracies have a constitutionally mandated maximum period between elections. In many countries, however, the government may call an election before this period has expired. In these countries, elections are in fact almost always called before the obligatory date. Since we never observe it to be a binding constraint in practice, does this mean that we could abolish the constitutionally mandated maximum period between elections with no impact on the actual frequency of elections? Most people would intuitively feel that to change the constitution in this way would make a *big* difference to electoral politics. Yet, in the absence of any democratic country that has in practice abolished the constitutional requirement that elections be held every so many years, “pure” empirical research on the calling of elections, with no model to structure it, would reveal that this constitutional provision was virtually never used. It takes a model to give shape to our intuitions. In this case it might be a model dealing with the way in which the maximum interelectoral period acts as a constraint on politicians, a constraint that they anticipate by calling early elections on dates that they expect to be more favorable to them than the ultimate constitutional deadline.⁴ Without such a model, empirical research on the calling of elections is likely to be misleading.

Models are thus the essential intellectual equipment with which we both give structure to our intuition and organize our empirical understanding of the world. Of course, even the dogs in the street know that a model of a cat’s brain is no substitute for the cat’s brain itself. Our simple models of parliamentary democracy are mere shadows of any particular instance of the real thing. Indeed we quite consciously seek to abstract away what Milton Friedman (1953) referred to as the “attendant circumstances” of any case. To be sure one person’s mere details are the heart of the matter for somebody else. This is another way of saying that what we include in a model, and what we exclude from it, are matters of choice that we must be prepared to defend.

But the reason we abstract from certain details *by design* is to allow us to formulate generalizations about a world in which we cannot conduct carefully controlled experiments. We want to find out whether things are true not only about one particular cat’s brain but about the brains of other cats. In the same way we want to find out whether things tend to be true about parliamentary democracies as a whole, even if every parliament-

⁴Such a model, used to make empirical estimates of the “censoring” effect on government durations of constitutionally mandated maximum interelectoral periods, has been developed by King, Alt, Burns, and Laver (1990).

tary democracy differs from every other in myriad ways. Models are not only discovery tools for use in a single country, but are also tools that can help us to highlight, and to learn from, patterns underlying politics in a range of different countries.

Rationality and the role of policy in politics

Every model of politics is based on some underlying assumption about what motivates the various actors and characterizes their decision making. The model we elaborate in this book is based on the assumption that politicians are at least implicitly rational decision makers. By this we mean that the decisions they make are in some sense (to be elaborated in the following chapter) expected to further their essential aims and aspirations. We do not assume that politicians are human calculating engines. We do assume, however, that most politicians do not behave at random but rather act as if they have some agenda, and that the political decisions they make serve to further this agenda.

For the purposes of this book we go one stage further and conceive of the agenda of individual politicians in terms of the public policies that they attempt to pursue. Thus a basic premise of this book is that policy is important for politics in general and for government formation in particular. This may seem a somewhat controversial idea, given at least one popular image of politicians as power-hungry egomaniacs concerned with nothing beyond their own personal well-being, and prepared to say and do almost anything in order to advance this. Fortunately, we do not actually need to challenge this rather depressing view of politicians when we claim that policy is important. Even if politicians are power-hungry egomaniacs who are not at all intrinsically interested in policy, policy seeking may nonetheless serve as their driving force. So long as policy is important for voters, activists, and other electorally relevant groups, politicians will be impelled by the incentives of party competition, operating outside the government formation process, to heed the policy priorities of voters.⁵

Of course, policy is important if politicians actually *do* care about the effects of implementing different policies but, even if they care not a whit for the substance of policy, we assume that they do care about the consequences of failing to implement their policy promises. For this reason, politicians engaged in government formation can be characterized in terms of the policy promises with which they are associated, and can be

⁵This may be, for example, because politicians compete at elections by making policy promises to voters and anticipate damage to their reelection chances if they are seen not to make an effort to implement these promises if given the chance to do so after the election.

assumed to be concerned, as agents of electoral interests, about what any prospective government will do once it has taken office. This premise, of policy-driven politics and commonly known partisan policy positions, which we elaborate in the following chapter, is a cornerstone of our analysis.

GOVERNMENT FORMATION: THE STORY SO FAR

A review of what we might think of as traditional theories of government formation can be found in Laver and Schofield (1990). Rather surprisingly, and despite the fact that this is of the essence of parliamentary democracy, political scientists have tended not to take account of the intimate interaction between legislature and executive when modeling the life and death of governments. Government formation and maintenance are typically treated as problems of legislative coalition building and many coalition theories implicitly assume that parliamentary democracies are governed directly by their legislatures. Many recent accounts of government formation, therefore, are in effect spatial models of legislative voting.

Spatial conceptualizations of politics have a long history, extending back at least as far as the seating arrangements of the French Constituent Assembly after the Revolution of 1789, in which radicals sat themselves to the left of the chair and conservatives to the right. In contemporary scholarship, the patron saints of spatial analysis are Harold Hotelling (1929), Duncan Black (1958), and Anthony Downs (1957). In their analyses, politics is conducted in terms of a set of issues that can adequately be described in terms of a single dimension of policy – this is the same left-right dimension as structured politics in postrevolutionary France. The most important result from this body of work is Black's Median Voter Theorem. Making the assumption that voters can be modeled solely in terms of their most preferred policy (ideal point) on a single dimension of policy, Black showed that the ideal point of the median voter has a vitally important property that has informed a huge body of subsequent work. *It is the only point that is preferred by some majority of voters to any other point on the policy dimension.*⁶

This result underlies the very important *centripetal* political tendencies that characterize the Hotelling-Downs-Black approach. If their approach

⁶Formally, Black's Theorem is stated for the circumstance in which preferences are "single-peaked" and the number of voters is odd. "Single peakedness" describes the shape of each voter's preference curve on the left-right dimension: The preference curve is at a maximum just over the voter's ideal point and declines from this peak for points farther away from the voter's ideal in either direction. The theorem may easily be extended to even numbers of voters. In this case, there are two median voters and the theorem says that any point in the closed interval bracketed by the ideal points of these voters³ has the property that no other point is preferred to it by a majority.

is applied to elections between two competing parties, each intent upon winning majority voter support, then the implication is that each party will gravitate toward the ideal policy position of the median voter. If on the other hand their approach is applied to legislative policy making, in which choices are typically made between some substantive motion and amendments to this, then the implication is that the winning version of the motion will represent the policy position most preferred by the median legislator. In either event, the final outcome of the political process is at the median of the distribution of ideal points. And this central outcome is an equilibrium in the sense that, once arrived at, there will be no movement away from it.

There are good theoretical and empirical reasons to believe that politics is not always one-dimensional, however. The natural generalization of the unidimensional approach, with its well-behaved equilibrium at the center of the distribution of policy preferences, is a multidimensional spatial model. In this, policy is characterized by as many dimensions as are necessary to capture the different world views of key political actors. Each voter's ideal political outcome may be thought of as resulting from the implementation of a bundle of ideal policies, one for each salient dimension. The famous "chaos" theorems of McKelvey (1976) and Schofield (1978) imply that, when two or more dimensions of policy are important, it is nearly certain that majority preferences between policy proposals will cycle indefinitely, with no proposal defeating all others. Any proposed bundle of policy positions will be majority-defeated by another, which in turn will be majority-defeated by another, with this process continuing until it cycles back to the original proposal and begins all over again. This suggests either that policy is in perpetual flux, with every policy proposal displaced by something else, or that the music will stop at some point and the actual proposal implemented will be selected arbitrarily from those in the cycle. Except under the most highly unusual circumstances, there is no equilibrium.

It is worth noting that, in those special circumstances in which there is an equilibrium in multidimensional majority voting games, this equilibrium is still at the center of things, in the sense that it is at the multidimensional median policy position.⁷ Kadane (1972) has shown that, *when policies are selected by majority rule in a multidimensional policy space, if an equilibrium exists (and it may not) it must be the multidimensional median.*⁸

⁷The multidimensional median position is the position such that the median voter on each dimension gets his or her ideal policy on that dimension.

⁸Kadane's theorem applies when voters have preferences that are single-peaked by dimension and separable by dimension. By "single-peaked by dimension" we mean that on any specific dimension (say the j^{th}), holding preferences on the other $n-1$

This result, of which we shall make use in Chapter 4, implies qualified centripetality. If there is a multidimensional equilibrium, then it will be central in precisely the same way that Black's Theorem yields a central result for the unidimensional case. The stark contrast between the two cases, however, rests on the issue of existence: An equilibrium always exists in the unidimensional case and very rarely does in its multidimensional counterpart.

A central feature of these results, however, is that they apply to electoral or legislative decision making on particular policy proposals and that the policies agreed upon are assumed to be implemented automatically as soon as they pass a majority vote. *The results have nothing at all to say about decision making in the political executive, or indeed about any other aspect of the actual implementation of real policy decisions.* This means that they do not apply directly to analyses of the making and breaking of political executives in parliamentary democracies.

Even the best recent work at the cutting edge of coalition theory continues to illustrate this lack of concern both for policy implementation and for the role of the executive. Very good examples are provided by Schofield (1993), working within the traditions of cooperative game theory, and Baron (1991), who proposes a noncooperative theory of government formation.⁹

Dimensions fixed, the i^{th} voter's most preferred position on this dimension is y_i^j and her preferences decline as points are considered further away from this location along the j^{th} dimension. By "separable by dimension" we mean that i 's ideal point and preferences on the j^{th} dimension do not vary as components on the other $n-1$ dimensions are changed. In this sense dimensions may be treated as "independent" of one another. We may give Kadane's result some precision in a form that will prove useful to us in subsequent analysis. Suppose there is an n -dimensional space of policies ($n \geq 2$), and a set $V = \{1, 2, \dots, v\}$ of voters. Let the i^{th} voter's ideal be written $y^i = (y_1^i, y_2^i, \dots, y_n^i)$, where, generally, y_j^i is the i^{th} voter's ideal policy on the j^{th} dimension. Define the *multidimensional median* as the point $m = (m_1, m_2, \dots, m_n)$, where m_j is the median on the j^{th} policy dimension ($m_j = \text{median}_{i \in V} y_j^i$). For convenience, we assume that the number of voters is odd so that there is a unique median on each dimension. Kadane's Theorem states that either m is an equilibrium or there is no equilibrium. Kadane's proof uses an "improvement algorithm" showing that any point not at the multidimensional median position will be beaten in a majority vote by a point that is identical in every other respect, except that it is at the median position on one additional dimension. Only for m can there be no such point (though m itself can be beaten by a point differing from it on two or more dimensions).

⁹Cooperative game theory is different from game-theoretic accounts of cooperation (see, e.g. Axelrod, 1984; Taylor, 1976, 1987). Cooperative game theory is a theory of strategic interaction in which it is assumed that any deal that is consummated is enforceable. Although no details of the enforcement mechanism are part of this theory, implicit is some exogenous mechanism or third party (like a court) that enforces deals by punishing violators with a certainty and severity sufficient to discourage renegeing. Theories of cooperation, in contrast, are more interested in how individuals may secure joint advantages, even in contexts in which there is no exogenous enforcement mechanism. In these circumstances, deals struck stay stuck because they are *self-*

According to Baron (1991: 138), for example, governments are formed on the basis of a legislative vote of confidence and "[i]f the motion of confidence is successful, the policy program is implemented and remains in effect until the next mandated election." Policy, once settled by the legislature, is implemented automatically and effortlessly. This is despite the fact that, in his noncooperative model, "[p]arties are unable to commit to how they will act in the future" (1991: 139). Even Baron's definition of who is in the government makes no reference to the cabinet, but only to the legislature: "[t]he term *government* will be used to refer to the parties that do not vote against a motion of confidence on a policy proposal" (1991: 138, italics in original). Supporting parties who receive no cabinet seats at all are thus counted by Baron as government members, as he in effect models a regime of "governance by legislature."

For Schofield (1993:17), the forecast policy outcome of a coalition is a unique point chosen by coalition members as a compromise between their ideal points. Implementation of this policy position is not modeled, and Schofield is silent on precisely what it means, in strategic terms, to be "in" government. As a consequence, in both these models the policy outputs of governments are determined solely by the strategic situation in the legislature, unmediated by the cabinet, the bureaucracy, or any other executive institution.

When the executive is considered at all by conventional coalition theories, it is seen not as a decision-making body in its own right, but rather as a prize to be shared out by a winning legislative coalition – a set of perks of office, the most important of which are seats at the cabinet table (Browne and Feste, 1975; Browne and Franklin, 1973; Browne and Frendreis, 1980; Budge and Kernan, 1990; Gamson, 1961). Thus these latter theorists also see parliamentary government as a *legislative* process, not as a continual strategic interaction between legislature and executive. Cabinet portfolios, once allocated, are simply consumed as benefits by the legislative parties that hold them.

The conventional coalition theorists' view of governance by legislature flies in the face of the undoubtedly firm control of legislatures by the government of the day, a generalization recently reviewed and supported in a series of country studies (Laver and Shepsle, 1994). As we shall see, conceiving of the structure of policy making and implementation in a more realistic manner provides an altogether richer and more suggestive *enforcing*. The study of self-enforcing strategic interaction is associated with *noncooperative* game theory. This latter class of models is appropriate for circumstances in which deal-making violations may not be subsequently adjudicated (except by nailing the SOB next time around). In general *a priori* terms, it might well be thought that deals among the parties of a national government are not susceptible to "external" enforcement and therefore that noncooperative game theory is the most appropriate tool for modeling them.

account of government formation. *A legislature makes and breaks governments, to be sure, but it does not, in our view, rule the country.*

THE INSTITUTIONS OF GOVERNMENT DECISION MAKING (CABINETS, DEPARTMENTS, AND MINISTERS)

In response to what we see as a major opportunity for theoretical innovation in the analysis of government formation, we present an alternative approach in this book. This approach takes more explicit account of the institutional, and more specifically the departmental, structure within which policy decisions are made and implemented in the real world of parliamentary democracy.

Perhaps the most distinctive feature of our approach, therefore, is the assumption that most important policy decisions are taken by the executive. Effective government decisions on a particular issue, furthermore, are assumed not to be selections of abstract positions in a continuous issue space, but rather to be choices between a very limited number of well-developed and implementable proposals for particular courses of action. Developing such proposals in the real world of public administration is a major task requiring specialist skills. Taken together with the sheer volume of business that real governments must conduct, this implies that only the government department with jurisdiction over a particular policy area is effectively equipped to develop feasible and implementable policy proposals in that area and present these to the cabinet for decision. And this in turn means that the entire process of policy formation on any given issue is very heavily influenced by whoever has political control over the relevant government department – the cabinet minister in charge of the department concerned.¹⁰ In effect, the development of fully elaborated policy proposals that real governments can actually choose between is an activity strongly structured along departmental lines and heavily conditioned by the views of the political department head. Government departments and their political masters, in short, possess considerable *agenda power* (Burch, 1993).

This specialization and division of labor in the development of real-world policy proposals implies that the most credible signal of government policy on a particular issue is the policy associated with the minister in charge of the department with jurisdiction over this issue. Thus a hard-line defense policy is signaled, for example, by a politician with a reputation as

¹⁰We shall, most of the time, only be concerned with the *party label* of an incumbent minister, on the hypothesis that, personal idiosyncracies aside, politicians can be expected to toe their party's line. In Chapter 12 we examine intraparty politics, at which time we entertain the possibility that different ministerial candidates from the same party may have different goals.

a hawk serving as minister for defense. A more conciliatory defense policy is signaled by replacing this defense minister with a politician, perhaps from a different party, who has a reputation as a dove.

As evidence of the plausibility of this general assumption, consider the analyses typically produced in quality newspapers when a new cabinet takes office. Much of this analysis concerns the implications for government policy of having particular individuals or parties, with particular reputations, in charge of particular government departments. Analysis by the Paris correspondent of the *Economist* (April 3, 1993, p. 29) on the appointment of a new French cabinet in early 1993 serves to illustrate this point:

Mr Balladur's new . . . government . . . is a model of fine-tuning and fairness. All of the main factions within the conservative coalition are represented. A leading anti-Maastricht campaigner, Charles Pasqua, returns to his old post at the Ministry of the Interior. But the tone of the government is strongly pro-European and pro-Maastricht, as is Mr. Balladur himself.

Alain Juppé, secretary-general of the RPR, who helped to persuade a hesitant Jacques Chirac, leader of the Gaullists, to campaign for a Yes vote in the Maastricht referendum, takes over as foreign minister. Alain Lamassoure, an ardent European, takes the European affairs portfolio. Edmond Alphandéry, another Maastricht supporter and passionate advocate of the "strong franc" policy (as is Mr. Balladur) becomes finance minister . . . More worrying is the appointment of Senator Jean Puech, a farm lobbyist, to agriculture. This is a sensitive post, given the right's campaign promise to try to veto the GATT farm deal. Appointing a farm lobbyist bodes ill for world trade.

The new cabinet (from which the three main right-wing leaders, Mr. Chirac, Valéry Giscard d'Estaing and Raymond Barre, are all notably absent) won Mr. Mitterrand's immediate approval. That was despite the appointment of François Léotard, former leader of the Parti Républicain . . . as defence minister. Mr. Mitterrand is reported to have rejected Mr. Léotard's appointment to the same post in 1986. The president has promised "scrupulously to respect" the will of the people for a change of government policy.

Equivalent passages, in a wide range of sources, can be found after the appointment of almost any new cabinet in a parliamentary democracy. This reflects a strong tendency for those who need to be able to forecast government policy – and the businessmen and -women who read the *Economist* are good examples of these – to base their forecasts on the signals that are sent as a result of the allocation of cabinet portfolios between politicians with well-known positions of key issues.

Thus the logic of departmentalism in government decision making implies that the overall policy position associated with any given government is determined by the allocation of cabinet portfolios among government participants. For us, then, a *government* consists of an allocation of

authority in particular policy jurisdictions to particular political parties (see note 10) with well-known policy reputations in these areas. Because there is only a handful of key policy jurisdictions and only a limited number of parties with ministerial-caliber politicians who can credibly be nominated to these, the number of different potential cabinets is also limited. Thus, government policy outputs are selected from a finite set of policy forecasts, each forecast being associated with a particular portfolio allocation. The finite nature of the set of credible potential governments means that the business of building and maintaining a government is explicable, as we shall see, in a more straightforward manner than the general spatial model suggests.

PLAN OF CAMPAIGN

The argument in this book is developed in four parts. In the remainder of this first part, we lay the foundations for a model of government formation in parliamentary democracies. We do this initially in Chapter 2, where we set out and defend our basic ideas and assumptions. In Chapter 3 we combine our ideas and assumptions into a generic model of government formation.

Part II is devoted to refining this model. In Chapter 4, we elaborate the model by using it to explore the notion of an equilibrium cabinet. One of the reasons why government formation need not be chaotic is that there is often the possibility of an equilibrium cabinet at the generalized median policy position. Another source of stability in government formation is that there may be a party in a distinctively powerful bargaining position able to dominate the progress of coalition bargaining, a theme we develop in Chapter 5.

In the third part of the analysis we use our model to structure an empirical exploration of government formation in the real world. In Chapter 6 we use the model to motivate two brief case studies of real government formation – Germany in 1987 and Ireland in 1992–1993. In Chapters 7–9 we conduct a more systematic empirical analysis, an analysis that we feel shows the value of our approach in a very convincing manner.

The fourth part of the book develops our model further, exploring a range of intriguing methodological and substantive problems associated with analyses of party competition and government formation. We begin the reader's indulgence until this point, for it is here that we entertain extensions of our model's domain and relaxations of its assumptions. In Chapter 10, we use the model to help us understand factors affecting the stability and instability of governments. We use simulations to examine the likelihood of particular cabinets being thrown into disequilibrium – a

first step on the road to developing a systematic theoretical account of cabinet stability. In Chapter 11 we treat three conceptual issues that bear on our model in particular and party competition in general. These have to do with the structure of the issue space in which politics is conducted. First, we look at correlations between positions on different issue dimensions, and the ways in which higher correlations greatly enhance the prospects for and stability of equilibrium cabinets. Second, we look at what happens when preferences over public policy on one issue dimension are affected by public policy on a quite different dimension – when views about a country's foreign policy, for example, are affected by which economic policy it is pursuing.¹¹ Third, we look at what happens when, as is typically the case in the real world, government departments have jurisdiction over a bundle of different policy dimensions, and jurisdictions are in our sense *complex*.

In Chapter 12 are three extensions of our model to interesting substantive questions related to the making and breaking of governments. First, we look at intraparty politics, and the prospect that what we have up to this point considered as a unitary party is in fact a coalition of factions, each supporting a set of cabinet-rank politicians. Second, we look at minority cabinets, in which the cabinet comprises fewer parties than necessary to control a legislative majority, and surplus majority cabinets, from which at least one party could be expelled, while still leaving the cabinet controlling a majority. Although such cabinets appear as anomalies in many accounts of government formation, both types are not only quite common empirically, but can easily be accounted for within our general approach as well. Third, we look at administrative reform, and the prospect that alterations in the allocation of policy areas to government departments may be an integral part of what is on the table when a government is formed, rather than a rigid administrative structure that must be taken as given.

In the final chapter of the book, we review the main themes that have been highlighted by our analyses – most notably legislative–executive relations, departmentalism, and centripetal policy tendencies – and discuss the extent to which these can be reconciled with some of the received wisdom of political science. Throughout the volume we are rather catholic in our approach, combining the deductive tools of formal political theory with multivariate statistical analysis, case studies, and simulation techniques.

The single most important lesson to be learned from the discussion to follow concerns the institutional arrangements of parliamentary democracy.

¹¹Formally, what we do at this stage is to relax the assumption of separable preferences.

rary. In particular, the departmental organization of governments decision making structures the environment in which governments are born, live, and die. The model that we develop takes this structure as its basic premise. On our account, when politicians consider the making and breaking of governments, they look ahead both to the most likely consequences of putting a particular cabinet in charge of running the country's affairs and to the most likely consequences of replacing that cabinet with some viable alternative. This leads to a theory of cabinet equilibrium. Majority-rule models that ignore the structure of government decision making often fail to identify equilibrium outcomes. Their conclusion stands in stark contrast to the real political world, where government formation appears to be more stable and is not characterized by the endless churning of alternative administrations that disequilibrium implies. A striking feature of our approach is that cabinet equilibria are quite common and tend to be close to the center of the configuration of party policy positions.

The search for an account of equilibrium cabinets was our original motivation; its theoretical development and empirical evaluation are probably the main finished products of this volume. This search, however, proved unexpectedly fruitful. What became clear to us as we proceeded is that the making and breaking of governments is at the crux of much of what is important about parliamentary democracy. We believe the model throws light on a range of substantively important features of the political process, including government stability, minority and surplus majority government, intraparty politics, and administrative reform. We hope that even a reader initially skeptical about our general approach will agree that the model offers the opportunity to visit some interesting substantive destinations.

The political process that dominates our discussion in the rest of this book involves a set of politicians in a parliamentary democracy, each motivated to achieve some objective or another, competing and cooperating among themselves to form a government. The hopes and fears, aims and aspirations of each politician are fulfilled to a greater or lesser extent depending on the outcome of this process.

Before we can develop any systematic analysis of this crucial aspect of democratic politics, we must be explicit about our assumptions. In this chapter, therefore, we elaborate assumptions on a range of matters relevant to the making and breaking of governments in parliamentary democracies. These include the aims, aspirations, and rationality of key actors; the institutional process by which a government is formed; the manner in which actors forecast the likely consequences of having different governments in power; and collective decision making both between and within parties. We begin with perhaps the most fundamental assumptions of all, which have to do with the hopes and fears of politicians and the rational calculus that they use to make decisions.

THE MOTIVATIONS OF POLITICIANS

Those writing on the politics of government formation tend to assume one of two things about the fundamental motivations of politicians involved in political bargaining.¹ Some assume that politicians are concerned above all else to get into office – and that they will say and do whatever is necessary to achieve this. In their search for power, politicians may make policy promises either to each other or to the electorate but, on this interpretation, such policies are promoted for purely instrumental

¹For a review of writings on the motivations of politicians engaged in government formation, see Laver and Schofield (1990: chap. 3).

reasons. If the chances of getting into power are enhanced by changing policies, then an “office-seeking” politician will see no cost in changing. Nonetheless, to assume that a politician is an office seeker is not necessarily to imply that he or she will change policies just to suit the time of day. The need to maintain long-term credibility, both with fellow politicians and with voters, may well provide politicians with incentives to stick with a policy that in the short term has come to look like a liability. Thus even office-seeking politicians may promote distinctive policies, and the need to maintain subsequent credibility may ensure that these policies are quite stable. Indeed, once office-seeking politicians have promoted a particular policy, a strong need for credibility may even result in them behaving just as if they were sincerely trying to achieve the policy in question.

Perhaps the most influential exponent of the office-seeking assumption about the motivations of politicians has been Anthony Downs, whose position is summed up in his famous statement that “parties formulate policies in order to win elections, rather than win elections in order to formulate policies” (Downs, 1957: 28). Much of what Downs has subsequently become famous for is concerned with policy competition between parties. As his basic motivational assumption shows, however, the fundamental driving force behind such competition is the desire to get into office; policy advocacy for Downs is purely instrumental. Although Downs does have a brief discussion of multiparty politics, he was writing for the most part with a two-party system in mind. For him, “winning” an election automatically implies going into office and coalition building plays no part in government formation. He also assumed that parties behave as if they are unitary actors.

An alternative influential assumption about the fundamental motivation of key political actors is that they are intrinsically concerned above all else with public policy. De Swaan (1973: 88), for example, assumed the “considerations of policy are foremost in the minds of the actors . . . the parliamentary game is, in fact, about the determination of major government policy.” This is not, of course, to deny that it may be necessary to get into power in order to enact policy. Getting into power involves both making promises to the electorate and, in coalition systems, making deals with fellow politicians. Both in elections and in government formation, it may be necessary for a party to make compromises – changing ideal policies in order to make them more acceptable to some group or another. Just as office-seeking politicians may stick to certain policies that they don’t actually care about, policy-seeking politicians may change policies that they do care about. A policy-seeking politician trying to get into power in order to implement certain ideals may even behave as if he or she is a pure office seeker.

What all of this implies is that the “big” political game – an indefinite sequence of elections and government formations – may force office-seeking and policy-seeking politicians, who seem on the face of things to be so different, to behave in quite similar ways. Most of the pressure to do this, however, comes from part of the political process that we do not consider in this book – the interaction between politicians and voters at election time. For this reason we do not need to commit ourselves here to assuming that the politicians we are modeling are either intrinsically or instrumentally concerned with promoting particular policies.

What we do assume is that, when politicians bargain with each other in an attempt to form a government, they behave “as if” they are committed firmly to implementing their public policy positions, should they be able to do so. We remain silent on whether this is because politicians really do want to implement their published policies, or because they feel bound to do so by the need to retain credibility in the wider political game. The assumption that politicians, if given the chance, will attempt to implement the policies with which they are associated is fundamental to our approach, however. For us, the implementation of public policy is at the heart of the government formation process.

RATIONAL FORESIGHT AND PERFECT INFORMATION

In addition to making assumptions about what motivates politicians, we must also make assumptions about how, given these motivations, they decide what to do. In common with a large number of other accounts of political competition, we assume here that politicians are rational actors in the sense that they act within the best of their capacities to fulfill their fundamental aims and aspirations. This should not be taken to imply that we assume politicians approach each decision with a computer at the ready, self-consciously determined to calculate all the angles. But it does assume that politicians make important political decisions in accordance with their own best interests. In effect we assume that they operate, quite possibly unconsciously, as if they were continuously performing quite sophisticated calculations designed to help them fulfill their basic objectives.

The continuous background of cost–benefit calculation that we assume to inform the strategic decision making of politicians is in many ways analogous to the continuous process of geometric calculation, most of it unconscious, that must inform physical decisions by people who are able to do no more than walk around their own homes without continuously crashing into things, or who can cross a busy road without being knocked over. These calculations, unconsciously performed by most of us effortlessly in real time, are far beyond our capacity to perform self-consciously in any but the most cumbersome manner. At the same time,

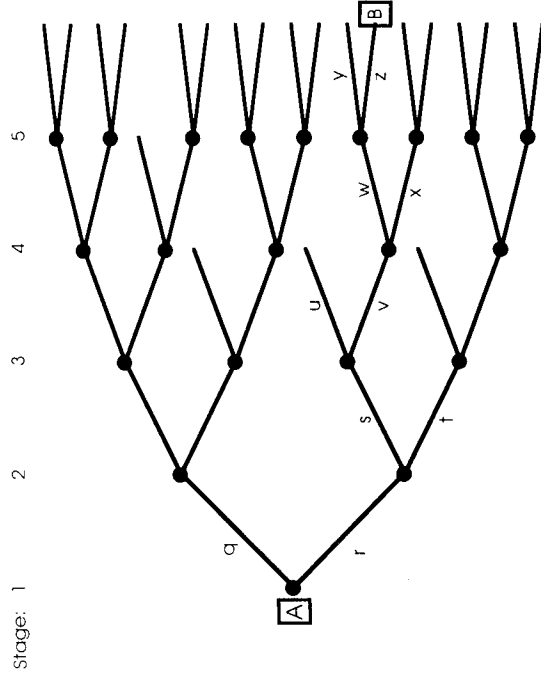


Figure 2.1.1. A decision tree

however, our knowledge of geometry allows an analyst explicitly, comprehensively, and realistically to model the decisions involved.

Similarly, we need not assume that rational politicians are continuously performing explicit cost–benefit calculations when they make strategic decisions designed to fulfill their basic objectives. What we do assume is that, just as people cross a crowded room as if they are performing a complex series of interlocking geometric calculations, politicians make strategic decisions as if they have the ability to perform a continuous cost–benefit calculus. And it is this calculus that we model.

An essential part of the process of making effective strategic decisions is looking ahead. Each course of action chosen leads to another set of decisions and, at any particular time, each decision maker stands at a node on a complex decision tree such as that shown in Figure 2.1.2 For a person to get from A, where they are now, to B, where they want to be, typically involves decisions arising in a number of distinct stages. If nobody else is involved, then these decisions may all be taken by the same person. Getting from A to B in Figure 2.1 involves choosing option r over option q at Stage 1, option s over option t at Stage 2, option v over option u at Stage 3, option w over option x at Stage 4, and option z over option y

²Another way of thinking of Figure 2.1 is as the representation of an extensive form game generated by the decision process being modeled.

at Stage 5. In this way an actor navigates her way toward her objective across a decision-making landscape that may be physical, social, or psychological. Knowing an actor's preference for B over any other outcome and assuming her to be rational, one can predict her choice at any stage in the decision process. In this sense the outcome of the entire process is a foregone conclusion.

Most political decisions, of course, involve interdependent choices – outcomes depend on a sequence of choices made by a number of actors whose fates are intertwined with one another. Thus, for example, the decision tree in Figure 2.1 may involve two actors who make their choices in sequence. They could, for example, be two presidential candidates acting and reacting to each other during an election campaign. Actor 1 decides between q and r at Stage 1. Actor 2 decides between s and t at Stage 2, if Actor 1 has already chosen option r, and between other options if Actor 1 chose option q. If Actor 2 chose option s at Stage 2, then Actor 1 may choose between options u and v at Stage 3, otherwise she must choose between other options, and so on.

If the preferences of the various actors over the possible final outcomes are well known, then it is once more possible to predict the course of their interaction quite straightforwardly. This is done by working backward from each potential final outcome. To continue with the example in Figure 2.1, it will be known that, at Stage 5, if the game is at the node leading to outcome B, then Actor 1 will choose option z over option y, yielding her most-preferred outcome. Since this is the final move in the game, she will surely make such a choice if she is rational. Similarly, it is possible to predict with certainty the choice of Actor 1 at every one of the other decision nodes that might be reached in the final stage of the decision process. In effect, we can replace each decision node at Stage 5 with the outcome we surely know will be chosen by the actor with the power to do so. We can think of these outcomes as the “strategic equivalents” of the decision nodes we know will lead to them.

Having replaced every final decision node with its strategic equivalent and using the same logic, we can now predict which option Actor 2 will choose at each of the decision nodes in Stage 4 of the process. This is because, knowing what will happen at Stage 5, we know the particular final outcome generated by any choice Actor 2 makes at Stage 4. Knowing Actor 2's preferences over these outcomes, we can predict which option she would choose if she were to find herself at any of the Stage 4 decision nodes. We can therefore replace each of these decision nodes with its strategic equivalent.

In this way, we work back up the decision tree, at each stage replacing decision nodes with their strategic equivalents. Once we have determined the strategic equivalent of the very first decision node, we have in effect

forecast the entire course of the game and predicted the final outcome. If the strategic equivalent of being at the first decision node of the game in Figure 2.1 is outcome B, for example, then the strategic equivalent of the entire decision process is B.

Another way of putting this is that, given sufficiently rich knowledge, everyone will have rational foresight concerning the outcome of this decision process, if it is embarked upon. One important implication of this is that, since everyone can easily forecast this outcome, it is not necessary for the actors actually to work their way through the decision process in order to find out what the outcome will be. In a world of perfect and complete information, once the actors are at A, they might as well be at B.

For the same reason it is not necessary for two chess players actually to play a particular game out to a checkmate, once both recognize that this is the inevitable outcome. Once it is clear in the final move in the game that Cassie will checkmate Seth, then Seth will resign before this. Once it is clear that Seth can do nothing to avoid allowing Cassie into this desirable penultimate position, he will resign. Once it is clear that Cassie can make an antepenultimate move that puts Seth in this vulnerable position, then he will resign. Once it is clear that Seth cannot make a move that prevents Cassie's antepenultimate strategic stroke, Seth resigns. In short, the players will work back up the game tree from the inevitable ending and anticipate it. As soon as the ending can be seen as inevitable – and the better the players, the further in advance this can be seen – the ending is assumed and the losing player resigns.

It should be clear that the logic of these examples assumes that each actor has perfect information about all aspects of the decision process, and complete information about the preferences of other actors. In the arguments that follow, we do for the most part assume that the rules of the government formation process and the preferences, expressed as policy positions, of all relevant actors are common knowledge in this sense.³ The knowledge allows each actor to forecast the choice of every relevant decision maker at each stage in the government formation process.

Obviously, the assumption that all actors have perfect and complete information about both the rules of the government formation process and the preferences of all other relevant actors can never be realized in practice. The big wide world is much messier than this, and bargaining over the formation of real governments will in practice be much more fluid than we assume. The same problem does of course apply to any

³However, it is important to bear in mind, as we saw in the previous section, that these policies do not necessarily represent sincere preferences, but may represent published positions from which parties, for reasons originating outside the government formation process, are unwilling to diverge.

carefully specified assumption that we or anybody else might care to make about how politicians interact, and it is not an argument for not making assumptions or constructing models of the world. Notwithstanding this, the assumption that all actors' policy positions are common knowledge is probably more realistic in a model of government formation than it is in models of many other political processes. Government formation, after all, is a game played by a very limited number of elite actors who have typically interacted over a long period and therefore know each other rather well. The assumption is useful analytically because it allows us to develop a relatively parsimonious model of government formation.

POLITICS WITHIN PARTIES

In all parliamentary democracies, politicians belong to political parties that are more or less disciplined, in the sense that most members, for the most part, follow party directives on both policy and strategy. It has thus been quite common for people writing about the politics of government formation to treat political parties as if they were unitary actors. Indeed it is common in this literature for references to political parties to be heavily anthropomorphic – and in particular to treat each party as if it thinks with a single mind.

Yet parties can and do both split and fuse. It is also quite clear that vigorous and sometimes bitter debate about both policy and strategy does go on inside political parties. Internal party turmoil, such as that which resulted in the replacement of Margaret Thatcher as British Conservative leader by John Major, can lead to dramatic changes at the governmental level. So are we justified in treating parties as unitary actors when we model the making and breaking of governments?

There are sound theoretical reasons to suppose that political parties in parliamentary democracies will behave in a disciplined manner. The rationale is straightforward: If individual party politicians were permitted to pursue their own private desires at every opportunity, then their party's reputation in the wider political process would constantly be put at risk. People would not know what the party stood for, so that voters, interest groups, and others who might see the party as acting on their behalf would have nothing to rely on. As a consequence, the party would be severely hampered in its ability to attract support. Thus, the ultimate enforcers of party discipline are voters who want to know what they are voting for at election time, and who will not vote for parties if they cannot be confident that party politicians will stick to the party line after the election is over.

Empirically, the unitary actor assumption has been extensively re-

viewed, from the perspective of government formation, by Laver and Schofield (1990: chap. 2, app. A.). Their conclusions on the matter are based primarily on the empirical observation that it is almost always the case that parties both enter and leave cabinet coalitions as unified blocs – almost never does only part of a party enter or leave a cabinet. They take this to imply that, for the purpose of analyzing cabinet formation and maintenance over a reasonably short time scale, nearly all Western European political parties can be treated as if they are unitary actors (Laver and Schofield 1990: 28).

This evidence has recently been supplemented by a series of country studies collected by Laver and Shepsle (1994). Individual authors were not asked explicitly to comment on the unitary actor assumption. Nonetheless, many were at pains to point out that strong party discipline in the parliamentary democracies with which they were concerned means that individual cabinet members, as well as backbenchers, are not able to act independently of their party organizations. Most described politicians as agents of their party, with politicians from the same party forecast to behave in more or less the same ways when placed in the same situations. Almost none was prepared to accept that it might make a difference which politician from a given party filled a particular role. Obviously, this line of argument provides further strong support for the assumption that political parties can be treated as unitary actors, at least as far as cabinet politics are concerned.

Taking all of this into account, therefore, we assume for the bulk of the argument that follows that individual politicians behave as perfect agents of their party. Thus, while we will shortly assume that cabinet ministers have discretion within their jurisdictions, we also assume that they exercise this discretion on behalf of their party, rather than “against” their party. For the most part, this means that we treat parties as if they are unitary actors. In Chapter 12, however, we do consider intraparty politics, and explore the internal processes that might lead a party to choose one strategy rather than another in the government formation process.

PARTY POLICY

One of the most significant implications of the assumption that politicians behave as perfect agents of their parties is that each party can be treated as if it has a unique ideal policy position. As we have already seen, this ideal position may reflect the intrinsic tastes of a policy-seeking party. Alternatively, it may reflect a published position that an office-seeking party has strong incentives – derived from the wider political game – to implement if given the chance. For our purposes, what is important is that a party's ideal policy is the policy that the party is forecast to imple-

ment if given the opportunity to do so. Note that an ideal policy position in these terms is a realistic policy. It is not the policy that the party would like to see implemented in a perfect world, but rather the policy that the party would implement in the real world in which it finds itself.

It has become conventional in recent years to describe the policy positions of political actors in terms of a set of key dimensions of policy. For many people, the most familiar of these is the left-right dimension of socioeconomic policy. Those who use this dimension in effect assume a correlation between party positions on economic issues such as public spending and on social issues such as capital punishment or abortion. The left-right dimension can then be used to describe a typical European party system by placing a communist or left socialist party at the left-hand end, followed by a socialist or social democratic party, perhaps by an agrarian or center party, a Christian democratic party, a secular conservative party, and possibly a neofascist party on the extreme right. The use of a single dimension of policy to describe a party system is simple and intuitive, has a tradition stretching back at least to the French Revolution, and of course loses a lot of detailed information about the party system. Using a larger number of independent dimensions of policy – separating economic and social policy, for example – enables richer descriptions of party politics,⁴ but can greatly increase analytical complexity.

This leaves us with some extremely difficult questions to answer. How many independent dimensions of policy should we use to describe adequately the ideal policy position of a given political party? Taking all parties in a given system together, how many dimensions of policy do we need for an adequate description of party competition? These are deep issues that we cannot explore fully here (for some thoughts on the matter, see Laver and Hunt, 1992). Nonetheless, since it is of the essence of our approach that party competition and government behavior are described in terms of positions on key policy dimensions, we cannot ignore them completely. The basic problem is one of deciding upon how to choose the most appropriate dimensionality of the policy space we use to describe party competition, in the knowledge that the choice of different dimensionalities can yield quite different descriptions. In concrete terms, how do we decide whether the most appropriate description of party competition in Germany, say, is in terms of one, two, three, five, ten, or even fifty key dimensions of policy?

Obviously, depending upon the level of detail we are prepared to use in collecting information on policy positions, any number of independent dimensions of policy could be detected. For example, one research project

⁴For example, a liberal party may now be placed toward the right of an economic policy dimension and toward the left of a social policy dimension.

has estimated party positions by content analyzing party election manifestos for a range of European party systems on a total of 54 policy dimensions. Various techniques of dimensional analysis, such as factor analysis or multidimensional scaling, were used to collapse this large number of policy dimensions into a smaller number of underlying dimensions. Ultimately, all of these data were also used to estimate positions on a single left-right dimension. Thus the same dataset could in this case be used to generate anything from a 1-dimensional to a 54-dimensional representation of policies in a given party system (Budge, Robertson, and Hearl, 1987). Furthermore, there is no single "correct" representation. Just as there is no map of a given piece of territory that is perfect for every possible purpose – we need one map for locating mountain ranges or oceans and another for finding a needle in a haystack – there is no unambiguously correct dimensionality for the policy space we use to describe party competition. Different applications call for different levels of detail in our description.

At the same time, party positions on sets of policy dimensions can be highly correlated with one another. Thus it may well be the case that party positions on the public sector borrowing dimension, for example, can be very accurately predicted from their positions on the personal taxation and/or inflation dimensions. Positions on abortion might well be highly correlated with those on divorce, and so on. This implies that a reasonably parsimonious and intuitive description of party policy positions can be given in terms of a limited number of independent underlying dimensions of policy, a matter that we consider in more detail in Chapter 11. If this is true, almost any new salient policy area that we might think of will generate a set of party positions that is highly correlated with one or more of the underlying policy dimensions. The problem now becomes one of estimating the number of underlying policy dimensions necessary to generate party positions on any salient issue in party competition.

Estimating the dimensionality of a policy space in these terms is still not a straightforward task, once it is accepted that published policy positions may in some sense be as much a product of party competition as an exogenous input to it. Normal techniques of dimensional analysis all assume that, if positions on two dimensions are perfectly correlated, then there is a single dimension underlying them both. But in the present context it may equally be the case that the correlated party positions are a strategic response to a particular circumstance of party competition. Parties could in principle choose positions on the two dimensions quite independently; in a particular set of circumstances they do not. Thus, is there one underlying dimension, or two?

We offer no magic formula for determining the most appropriate dimensionality of any given representation of party competition. We have

raised the issue in the preceding discussion, however, to highlight the fact that the choice of any given spatial representation of a particular party system is no more than one among many that could have been chosen. What we offer in the following chapters, therefore, is a set of tools that can be applied to a particular spatial representation of party competition that the analyst feels happy with for reasons that are quite outside our terms of reference. We have nothing to say about which particular spatial representation might be appropriate. But we must very firmly draw attention to the fact that the choice of one spatial representation over another has fundamental consequences for the ensuing analysis. This implies that, for obvious reasons, the analyst should be very sure that he or she feels comfortable that the spatial representation to be used is valid *before* the analysis is commenced – and should resist all temptations to fiddle with the space once the analysis is under way.

As we shall see when we come in subsequent chapters actually to apply our model to particular real-world cases, however, settling upon a particular set of policy dimensions on which to base an analysis of government formation is not the open-ended problem that it might appear to be when considering the problem in purely abstract terms. One of the interesting features of our approach is that we come to most real-world cases with much of the dimensional analysis already done for us by the political system itself. This is because particular policy dimensions have been formally identified as being salient by virtue of having been designated as part of the official jurisdiction of a cabinet ministry. Indeed the formal determination of the policy responsibilities of particular cabinet portfolios, and hence the identification of the policy dimensions that are “in play,” is something that we can typically take as given, even if somewhat fuzzy around the edges, at the beginning of the government formation process.⁵

THE GOVERNMENT

The government as the cabinet

People living in parliamentary democracies typically think of “the government” of their country in terms of the cabinet. Of the many arms of government – the civil service, the judiciary, publicly owned corporations, and the various tiers of local administration, for example – it is the

⁵Obviously, the allocation of policy dimensions to the jurisdiction of different cabinet portfolios may change as a result of the government formation process, a possibility to which we return in Chapter 12. Nonetheless, the set of portfolios that characterizes the outgoing government – the status quo in the government formation process – can be taken as identifying, almost in the manner of a giant living factor analysis, a particular set of policy dimensions as being salient.

cabinet that symbolizes the apex of political responsibility. It is the cabinet that is expected to guide affairs of state by making and overseeing the implementation of policy on important issues. It is the cabinet that is expected to react to and deal with major crises and emergencies. And, perhaps most significantly of all, it is the cabinet whose survival is on the line at election times. If voters in parliamentary democracies feel that they have any control over their political destinies, it is because they can pass judgment on the cabinet, albeit indirectly, when they vote in national elections. For many people, the terms *cabinet* and *government* are more or less synonymous. Although many parliamentary democracies do not explicitly use the term *cabinet*, all have a functional equivalent, whether it is called a council of ministers, an executive council, or whatever.

The typical process of forming a government in a parliamentary democracy, to which we will return in more detail, involves the selection of a prime minister, who must win a majority vote (actual or implicit) in the legislature before he or she can take office. The prime minister then nominates a cabinet of ministers, which must also be capable of winning a majority vote (actual or implicit) in the legislature. The cabinet is free to set policy on any matter, subject only to the law of the land and to the constraint that it can be dismissed on the basis of a majority vote in the legislature. In practice, as we might expect, a rational anticipation of defeat may lead a cabinet to resign in advance of losing such a vote. In this way the cabinet is held collectively responsible for government policy decisions.

In parliamentary democracies, therefore, changes in government depend on changes in the cabinet generated by changes in the balance of forces in the legislature. It is by having an effect on the balance of forces in the legislature when voting at election time that voters in parliamentary democracies can have some control over affairs of state. The fact that many voters are in effect voting for potential governments rather than for individual candidates has profound effects upon party competition, many of which are far beyond our remit here. One, at least, is very important for the government formation process, however. If voters vote for parties and not candidates, then the party label is a very valuable commodity – and being denied the party label is a very serious sanction. This sanction is a powerful weapon in the hands of the party organization, and the threat of it reduces the incentives of individual legislators to defy their party line. This in turn contributes greatly to party discipline, and the consequent ability of parties to function as if they were unitary actors. Closing the circle, it is because parties are disciplined that it makes sense for voters to vote for them at election time, since a vote for a party has some foreseeable consequence on the balance of forces in the legislature that decides the fate of the incumbent government. The effective opera-

ters thereby have some hope of being able to master the affairs of their own departments, most will have very little of the time and energy needed to develop policy proposals in areas outside their jurisdiction. Not only this, but the departmental structure of the civil service means that ministers can call on very little expertise in policy areas that lie within the jurisdiction of some other department. Blondel and Müller-Rommel (1993: 13) sum up these points very elegantly:

Above all, the behavior of ministers is also likely to be affected by the belief that they will have a better chance of seeing their proposals adopted by the cabinet if they concentrate on the affairs of their department; this belief seems rather widespread. On the one hand, ministers are more likely to be left alone if they do not discuss, criticize or raise points about matters that concern other departments. On the other, even if they are or want to be "generalists," ministers are close to their departments; they are in their office throughout their working day and are members of the cabinet only episodically. It is therefore the department rather than the cabinet that is likely to be their main reference point.

All of this obviously imparts a very strongly departmental character to government decision making – government departments are the only organizations with the resources to generate fully developed policy proposals and the expertise to implement and monitor any proposal that might be selected. This pattern may well have been intensified by the increasing tendency for cabinet discussions to be extensively prepared in committees. Thiebault (1993: 96), for example, argues that "committees can be instruments legitimizing the autonomy of individual ministerial departments."

Each department has jurisdiction over a set of policy dimensions. We say that the jurisdiction is *simple* if it can be represented by a single dimension of policy. Bearing in mind our earlier discussion of the dimensionality of policy spaces, we might also think of a jurisdiction as being simple if it comprises a number of policy dimensions, but each party's position on each of these dimensions can be predicted from its position on any other. In that case we can proceed as if they are in fact a single dimension. We say that a jurisdiction is *complex* if it comprises more than one independent policy dimension. A department of foreign affairs, for example, may have jurisdiction over policy in relation to the European Community and policy in relation to the United States. It is possible to find parties that are pro-EC and pro-U.S., whereas others are anti-EC and pro-U.S., so that positions on one dimension cannot be predicted from positions on another. In this event the foreign policy jurisdiction will be complex. As we shall see in Chapter 11, the possibility of complex jurisdictions makes a considerable difference to our analysis of the government formation process.

The departmental structure of government decision making is a vital

tion of parliamentary democracy, in short, both depends upon and encourages disciplined behavior by political parties in the government formation process. And the crux of that process is voting by legislators on the future of the cabinet.

Given all of this, we assume in what follows that the government in the political process we model can be taken to be the cabinet, and that membership of the government is unambiguously defined in terms of membership of the cabinet. This explicitly excludes from our notion of government membership legislative actors who support the government in votes of confidence, but who are not members of the cabinet. In other words, we make a clear distinction between a government as such and its legislative support coalition.⁶ It is this distinction that allows for the possibility of "minority" governments, comprising cabinets whose parliamentary parties do not between them control a majority of legislative seats. Despite this, a minority government must still command majority support in the legislature; otherwise it will be defeated and replaced, a matter to which we return in Chapter 12.

The departmental structure of government decision making

Although the cabinet is in theory responsible collectively for taking decisions on all significant affairs of state, the tasks involved in this are simply too massive for most government decisions in practice to be taken in cabinet. As well as being a member of the cabinet, each cabinet minister is typically the political head of a major government department, staffed for the most part by career civil servants. Each government department has formal jurisdiction – determined by the constitution, by law, or by precedent – over a particular set of policy areas.

It is clear that the pressure of work on cabinet ministers and senior civil servants is immense. Each minister faces a very heavy administrative workload, over and above the busy schedule of a full-time politician. The resources available to ministers to allow them to discharge their responsibilities are organized very much along departmental lines. Each cabinet minister can call on a considerable pool of expertise in his or her own department, expertise that is professionally focused in a very intense manner on the policy concerns of the department.⁷ While cabinet minis-

⁶As we have seen in Chapter 1, for example, some analysts (e.g., Baron, 1991) include as part of the government all parties who vote for it in a confidence vote. We depart from this view.

⁷Although we can reject out of hand the *Yes, Minister* view of civil service domination of ministers, a view rejected by all country specialists in Laver and Shepsle (1994), it does need to be said that ministers need to be vigilant in dealings with their civil servants. This is for all the usual reasons concerning the possibility that civil servants have their own political agendas.

part of our model of politics in parliamentary democracies. It implies that government decision making is broken up into a series of component parts relating to particular policy areas, rather than ranging wild and free over the whole political domain. The structure that the departmental nature of cabinet life brings to government decisions creates a situation in which cabinet decision making is far less chaotic than would otherwise be the case. In this sense, government departments bring the same structure to decision making in parliamentary democracies that congressional committees bring to decision making in the United States (Shepsle, 1979).

Ministerial discretion

Given the intense pressure of work and lack of access to civil service specialists in other departments, it seems unlikely that cabinet ministers will be able successfully to poke their noses very deeply into the jurisdictions of their cabinet colleagues. This implies that members of the cabinet will have only very limited ability to shape the substance of policy emanating from the department of a ministerial colleague, an assumption that has received empirical support from a number of country specialists (Laver and Shepsle, 1994; see also Blondel and Müller-Rommel, 1993: 2; Thiebault, 1993: 95). We therefore assume in what follows that each minister has considerable discretion to act, in his or her own department, independently of other members of the cabinet. A minister may be constrained by any number of extracabinet institutions – the most consequential of which is his or her own party – but these may be taken as exogenous to cabinet decision making (and, often, more or less fixed for a government's life).

This discretion is sustained, principally but not exclusively, by the control over the policy agenda that each minister exercises in his or her own departmental jurisdiction. There seems to be common agreement among country specialists that it is difficult if not impossible for ministers to defy explicit decisions taken by the cabinet (Laver and Shepsle, 1994). Ministerial discretion thus results from the ability of a minister to use his or her position as the head of a major government department to do one or more of three things. The first is to act on matters that are not decided by the cabinet. The second is to influence which matters come to the cabinet for decision and which do not. The third is to affect the substance of specific proposals on those matters within his or her jurisdiction which do come to the cabinet for decision.

In most countries, there are either rules or strong conventions that determine which matters must be brought to cabinet, while the prime minister typically retains firm control over the cabinet agenda, taken as a whole (Burch, 1993: 112–113). The ability of individual ministers to

exercise discretion over government decision making, therefore, derives from their ability to shape the substance of those proposals that do find their way onto the agenda. The prime minister can only fashion a cabinet agenda from the substantive raw material that he or she is presented with. This raw material is generated for the most part by the cabinet members with jurisdiction over the policy area in question.

Ministerial discretion, in short, results from the minister's ability to shape the agenda of collective cabinet decisions rather than to determine cabinet decisions once the agenda had been set. This in turn implies that removing the incumbent minister and putting someone with different policy preferences in charge of the department affects the shape of proposals on the cabinet agenda and, hence, the substance of eventual government policy in the jurisdiction concerned.

In the discussion to follow, we take two bites at the role of ministerial discretion in the making and breaking of governments. For most of the book we consider parties to be unitary actors and thus treat cabinet ministers as perfect agents of their parties. Thus, when we refer to ministerial discretion in this context, we are talking about a minister using discretion on behalf of his or her party vis-à-vis other political parties. Since many scholars, however, have reservations about treating parties as unitary actors, we feel that it is important to refine our model in order to take account of politics *within* parties. Hence, the second bite that we take at the role of ministerial discretion is to consider the departmental freedom of action a minister might have vis-à-vis his or her own party. A minimal departure from any conception of a party as a unitary actor, after all, involves treating party politicians as heterogeneous in their policy preferences and capable of doing something about these. If there is no diversity of tastes within the party or if the party leadership can enforce a party line on every policy decision that might be made, then the party is effectively a unitary actor.

The consequences of ministerial discretion are fundamental to our model of politics. If the policy positions of each party are well known prior to government formation, then legislators can forecast the consequences for eventual policy formulation and implementation of allocating a cabinet post to a particular party's politician. In what follows we assume that they will forecast that the minister in question will act, as far as possible, to implement party policy within his or her jurisdiction.

Finite number of governments

If there is strong party discipline, as we are assuming, so that ministers can be treated as if they are agents of their party, and if there is a strong departmental structure to government decision making, as we are assum-

ing, then we can take two governments as effectively being the same if the same cabinet portfolios are allocated to the same parties. We can take them as being different if the same portfolios are allocated to different parties. This is because, if the same portfolios are allocated to the same parties, then key political actors will forecast, before the government is formed, that the same policy outcomes will be pursued. If the same portfolio is allocated in two prospective cabinets to two different parties, each with different policy positions, then key actors will forecast that different policy outcomes will result. They will therefore view these as effectively different governments.

This implies that, in any given government formation situation, there is only a finite number of governments that can be proposed, reflecting the number of different ways in which the fixed set of cabinet portfolios can be allocated between the fixed set of "coalitionable" parties. Indeed, if we concern ourselves only with a few key cabinet portfolios dealing with the most important political decisions, and if the number of parties is small, then there may be very few effectively different potential governments. To take almost the simplest possible example, imagine a three-party system in which all important decisions were taken either on financial policy or foreign affairs. There are only nine possible ways in which the two key portfolios of finance and foreign affairs can be allocated between three parties. In this important sense, there are thus only nine different potential governments.

We can think more systematically about the different potential governments in this simple example if we arrange them in a diagram such as that in Figure 2.2. The diagram shows two policy dimensions. The horizontal dimension represents financial policy, in the jurisdiction of the Department of Finance. The vertical dimension represents foreign policy, in the jurisdiction of the Department of Foreign Affairs. These dimensions describe a two-dimensional policy space. The ideal policies of three parties – Party A, Party B, and Party C – are shown by the black dots, labeled AA, BB, and CC respectively. These dots show the positions that we assume each party is forecast to try to implement if given control of both the finance and foreign affairs portfolios. There are six other points in the diagram, each marked with a small x. These represent a coalition government that gives one portfolio to one party and the other portfolio to another. Thus point AC represents the government in which Party A gets the (horizontal) finance portfolio and Party C gets the (vertical) foreign affairs portfolio. Note that there is another point, CA, which represents the cabinet formed when the allocation of portfolios between parties is reversed, giving foreign affairs to Party A and finance to Party C. This latter cabinet generates different forecast government policy outputs, even though it consists of the same government parties.

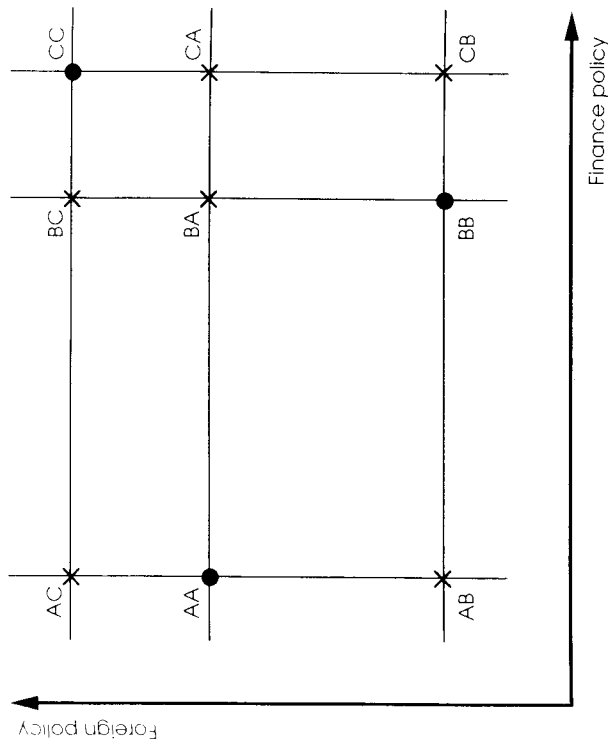


Figure 2.2. A simple lattice of policy positions

Two important technical assumptions of our model are, first, that what a party can do with one portfolio is not affected by which particular party controls some other portfolio and, second, that how people feel about what happens in one jurisdiction is not affected by what happens in another. In this particular example, these assumptions imply that what a party can do in finance is not affected by which party holds the foreign affairs portfolio, and that how people feel about decisions taken by the finance minister is not affected by the substance of decisions taken by the minister for foreign affairs.⁸ This assumption is of course restrictive, but we do not believe it to be too unrealistic, given the pressures toward the departmental structuring of decision making that we discussed earlier. The effect of the assumptions is to arrange the policy forecasts associated with each portfolio allocation in the form of an orthogonal "lattice" of the type shown in Figure 2.2. If the assumptions are violated, then the lattice will be distorted – what party C, for example, will do if it holds the foreign affairs portfolio (top row of the lattice) will not lie along a horizontal line, since it will depend upon which party holds the finance portfolio. (We return in more detail to this in Chapter 11.)

⁸Technically, this amounts to an assumption that portfolio allocation effects are separable.

Each point on this lattice corresponds to a potential government, defined by an appropriate portfolio allocation. Any point not on the lattice does not represent a potential government in our approach, since there is no allocation of portfolios between parties that is forecast to generate such a point as a government policy output. Such a point can be talked about, even dreamed about, but it cannot be forecast to be credibly implemented by an actual cabinet made up of living and breathing cabinet ministers, each intent upon making his or her party's preferred policies the law of the land.

Collective cabinet decisions

Most parliamentary democracies operate on the basis of a doctrine of collective cabinet responsibility – in many cases this is enshrined in the constitution. This doctrine implies that cabinet ministers are responsible as a group for every government decision. Inside the cabinet chamber, ministers may fight tooth and claw for a particular position. The cabinet may be deeply divided. In public, however, the cabinet must officially present a common front. If someone loses a fight in cabinet, then the doctrine of collective cabinet responsibility nonetheless binds the minister to observe whatever cabinet decision is finally taken, however much he or she disapproves of it. In theory, and indeed to a large extent in practice, a minister must resign or be sacked if he or she defies, or even publicly dissents from, a collective cabinet decision.

It is important to bear in mind, however, that the collective responsibility of members of the cabinet for government decisions says nothing about how those decisions are taken in the first place. The prime minister might be an absolute dictator, for example, laying down the law in cabinet and ignoring all opposition. The process of decision making in such a cabinet would not be collective at all, but ministers would still bear collective responsibility for cabinet decisions. Thus, collective cabinet responsibility is quite different from using a process of collective decision making to formulate cabinet decisions in the first place.

Collective decision making in cabinet is much more likely in some circumstances than in others. Most obviously, if different government departments come into direct conflict with one another, then such conflicts must be resolved if deadlock is not to result. One way to do this is by making a decision on the issue collectively. Certain policy problems – for example, urban regeneration – are intrinsically interdepartmental in character and require coordinated policy making and implementation. New issues emerge for the cabinet to make decisions on – and these may not automatically fall within the jurisdiction of an existing portfolio. In this event they must be disposed of somehow, directly by the cabinet

acting outside the normal departmental structure, or indirectly by making a cabinet decision to assign jurisdiction over the problem to a particular department. For major new issues, a new department may even be created, or the existing departmental structure may be radically redesigned. Finally, and perhaps most important, the cabinet will from time to time face the need to resolve unanticipated and unavoidable political issues. These may arise unexpectedly out of the process of party competition, or hit the government like a bolt out of a clear blue sky – turmoil in international currency markets suddenly put John Major's Conservative cabinet in Britain on the spot, for example, in the autumn of 1992. Such issues, which could threaten the very life of the cabinet, may well involve collective cabinet deliberation and decision making.

The importance of collective cabinet decision making in parliamentary democracies highlights the need to be clear about the ways in which ministerial discretion has an impact on government policy. We assume in what follows that ministers make a difference, that putting a minister from one party in charge of a particular department has foreseeable consequences that are different from those of putting a minister from another party in charge. But if some, or even all, important cabinet decisions are taken collectively, how can individual ministers make a difference?

The answer is simple. A cabinet, or indeed any other decision-making body, does not make decisions in the abstract. Real-life decisions on complicated issues, such as those facing a cabinet, are choices that are made between reasonably detailed and well-elaborated programs that specify alternative courses of action. There is typically a large briefing paper for cabinet members, possibly a formal discussion document for public consumption, even detailed draft legislation. Every cabinet member with which we are familiar makes rueful reference to the enormous volume of paper that any minister is expected to process as part of the business of decision making. In short, the cabinet in practice does not look at a policy space in the abstract and consider proposals of the form "let's go to x." Rather, it considers whether to accept, reject, or amend a particular fully formulated policy proposal on some matter.

Such a proposal is almost always prepared by one government department or another. As Burch (1993: 109) has argued so forcefully, "the key agents for the preparation and development of policy coming to the cabinet are in the departments." A particular proposal will, of course, be located at some point in the policy space – say *y*. But amending such a proposal is not simply a matter of collectively deciding to go from *y* to *x*, since the amended proposal at *x* is not yet sufficiently well specified to be capable of implementation. If the cabinet does not like a particular proposal, therefore, it must refer it back to the originating department for

detailed amendment and subsequent reconsideration. But in practice the matter of whether the amended proposal is actually "at" x is of course not transparent from the detail of the proposal itself. Each complex proposal requires interpretation before ministers can assess its implications for the broad sweep of government policy. The initial interpretation, needless to say, comes in briefing papers from the originating department. All of this gives the originating department, and in particular the minister in charge of it, considerable ability to shape the substance of the cabinet agenda, even in relation to matters that on the face of it are decided collectively. Burch (1993: 107) puts this point very clearly:

Those within government who originate a decision proposal and who provide the information and advice attached to it are in a strong position to influence the final outcome since it is they who establish the framework of ideas and assumptions within which discussions take place; originators can therefore have a critical role. In general, this initiative is with the departments and not at the level of the cabinet system.

The collective choice is between alternatives that are departmentally conditioned. This will be known, and its effects anticipated, before the minister is appointed in the first place.

Thus even collective decision making in cabinet will, we argue, take place within the context of the departmental structuring of the agenda of choices. This is essentially because public administration is so very complex that any workable decision to be taken by the cabinet needs the expertise and resources of some government department before it can be specified in an implementable form. The person in charge of that department is clearly in the driver's seat in relation to policy areas under his or her jurisdiction. The main way to effect a major policy change in a jurisdiction is to replace the minister in charge with someone who has a different policy position.

All of this will be known in advance of the government formation process. Thus politicians will forecast that even essentially collective cabinet decisions will be heavily conditioned by their preparation (or pre-cooking to take a term from the low countries) within existing department jurisdictions. This does not, of course, deny any role for collective decision making in cabinet; it merely emphasizes that this role will be heavily conditioned by departmental agenda power.

There is, however, an altogether different, and in our opinion more important, role for collective cabinet decision making. This concerns decisions that were *not anticipated* at the time of government formation. Departmental influence on anticipated decisions will be fully discounted at the point the government is formed and be part of the policy forecasts that underpin the government. Unanticipated events, however, cannot be

imposed in expectations when the government is formed, may well not fall clearly under the jurisdiction of some particular government department, and thus may leave scope for a more collective form of cabinet decision making.

In essence, the distinction that we are making here is between routine and/or foreseeable executive decisions on the one hand, and those that are sprung upon the government unexpectedly, on the other. Unexpected decisions, by their very nature, are likely to impinge upon the government as a whole, and to represent a threat to its equilibrium. In a sense, every unexpected situation with which a government is confronted creates a new political world, and there is no guarantee that a cabinet that was in equilibrium in the world before the event in question will remain in equilibrium after it. On an extreme view, every unexpected event requires the renegotiation of the government, something that will inevitably involve the government as a whole, and thereby require collective decisions to be taken. While the prime minister typically has no line departmental responsibilities, and therefore no direct role in the process of policy implementation, a key role for the prime minister is dealing with the unexpected and managing the necessary collective responses to these unanticipated events.

At the same time, however, very much of what a government does is foreseeable and anticipated. Even though the crises provoked by surprises that threaten the life of governments are the things that make newspaper headlines and attract popular attention, the vast bulk of government decisions – most of the things that affect the day-to-day lives of voters and therefore affect the fates of politicians at election time – may be almost boringly predictable. Nonetheless it is these predictable but important matters that condition the negotiations that lead to the formation of a new government. And it is these decisions, we contend, that are strongly structured along departmental lines. It is simply not possible to negotiate in advance a cabinet response to every possible thunderbolt that may strike unexpectedly at the heart of a putative government. Such problems will inevitably be subject to collective responses after the event. *But by the same token they cannot, by definition, impinge upon the process of government formation that is the main concern of this book.*

Our discussion of the departmentalism inherent in government decision making is no better than a rough sketch of what happens in the real world. In reality, all sorts of complex interactions between departments are likely to condition actual decisions, and it would be silly to pretend otherwise. Once more, however, we do feel that the sketch we have drawn bears some resemblance to reality, providing a sound enough basis for the construction of a simplified model of government formation.

Legislative control of the cabinet

Obviously, the effect of the cabinet on public policy would be very limited if every detail of policy were settled by parliamentary legislation. The partisan composition of the cabinet would be irrelevant, since policy outputs would be determined by the balance of forces in the legislature. Before we can model the political role of the cabinet, therefore, we need to know how much the legislature can constrain the ability of cabinet ministers to set policy. If parliamentary action can force the hand of an unwilling cabinet minister, then the legislature can let a minister occupy a portfolio secure in the knowledge that he or she can be forced to act in particular ways should the need arise. If the legislature cannot realistically bind a minister in this way, then the minister has some discretion vis-à-vis the legislature, at least within his or her jurisdiction.

Formally, in every parliamentary democracy, parliament is sovereign. A constitutionally valid law binds an individual minister, or indeed the cabinet as a whole. In terms of practical politics, however, a cabinet in which the government parties control a majority of seats in parliament can summon up a legislative majority whenever it cares to do so, provided party discipline holds firm. Thus a majority government with disciplined parties can comprehensively dominate any legislature once it has been installed in office. This in turn means that the legislature cannot in practice pass laws constraining the government. The possibility of the legislature imposing its will on a majority executive can only arise when party discipline breaks down and dissident members of a government party join forces with the opposition to pass legislation on some particular issue. In such cases, the key political action takes place within political parties, a matter to which we return in Chapter 12.

The possibility for confrontation between legislature and executive is far more clear-cut if there is a "minority" cabinet in which the government parties do not control a parliamentary majority.⁹ While a minority cabinet must retain majority legislative support in the sense that no credible alternative government is preferred to it by a legislative majority, this certainly does not mean that it can act at will. Even if a majority of legislators cannot agree on an alternative cabinet that they prefer to a particular minority administration, they can still defeat the incumbent cabinet in particular instances by passing particular pieces of legislation opposed by the cabinet.

The fact remains, however, that a minority cabinet retains the support of a majority of the legislature. If not, it would be defeated and replaced

⁹Minority governments in parliamentary democracies are in this sense analogous to situations of "divided government" in the United States – see Laver and Shepsle (1991).

with an alternative. If cabinet members feel strongly enough about an issue to make it a matter of overall confidence in the government, threatening to resign if they are defeated, then the minority cabinet's overall appeal to a legislative majority still puts it in a powerful strategic position vis-à-vis the legislature.

Cabinet control of the legislative agenda

One of the main ways in which the cabinet dominates the legislature in the business of making public policy has to do with the flow of legislative business. Typically in parliamentary democracies, the cabinet has a tight grip on the parliamentary timetable. By virtue of controlling the main departments of state, as we have seen, the cabinet also has a near monopoly of both the information and the drafting skills needed to prepare legislation. These factors make it very difficult for opposition parties to get significant draft statutes onto the legislative agenda and effectively prevent the legislature from imposing policies on an unwilling cabinet. Cabinet ministers thus have freedom of action relative to the legislature, subject only to the constraint that they cannot implement policies so unpopular with the legislature that a majority of legislators prefers to defeat the government as a whole. Overall, the government's opponents in the legislature can find it almost impossible to get their own proposals on to the agenda. Firm cabinet control over the flow of legislative business thus vastly reduces the opportunity for a parliament to leave a cabinet in place and yet use its legislative power to impose policy on the government on an *à la carte* basis. In effect, the only way for the legislature to effect a substantial change in government policy is to change the government, or at least to mount a credible threat to do so.

SUMMARY

Let us now summarize the essential features of what we take to be the social and political context of government formation, bearing in mind that in later chapters we will consider the effect of relaxing some of our more restrictive assumptions. First, we are talking about a world in which policy outputs are important – either because politicians are intrinsically concerned about policy or because they are constrained by other aspects of the larger political game to honor policy promises made to voters. We assume the preferences of politicians over the various possible policy outputs to be common knowledge, and that politicians are forecast to act so as to implement more favored policy outputs rather than less favored ones. We are talking about a parliamentary government system in which the executive is a cabinet with real power over policy outputs, responsible

to the legislature in the sense that a cabinet must resign if it is defeated in a confidence vote by a legislative majority. We assume that, in considering the fate of the government, political parties behave in a disciplined manner so that politicians can be viewed, by the outside world at least, as agents of the party to which they belong.

Once a government has formed, we assume that the immense weight of decision making for which the cabinet is collectively responsible, together with the departmental organization of a civil service responsible for the detailed preparation and implementation of actual policy decisions, will give a strongly departmental structure to cabinet decision making. Specific policy proposals are brought to cabinet by the minister with relevant jurisdiction, and implemented by the same minister.

All of this results in the forecast, shared by each of those involved in building and maintaining a government, that government policy outputs in any given policy area are best predicted by looking at the position of the party in control of the portfolio with jurisdiction over the policy area concerned. It is these forecasts that inform actors' decisions during the government formation process, a process to which we now turn.

3

The government formation process

Having outlined our assumptions about how political actors view the making and breaking of governments, we now roll up our sleeves and move on to the process itself. Here we begin to assemble the raw materials out of which we will build a model. Obviously, once we get down to the nitty-gritty of how things are actually done in the real world, we find that governments are formed according to different rules and procedures in each parliamentary democracy. Any one of these differences is potentially of great importance in some particular circumstance. There are considerable broad similarities in the rules that structure government formation, however – sufficient to allow us to model a “generic” government formation procedure that can, with modest amendments, be adapted to most particular government formation situations.

First, since our rational foresight approach assumes that sophisticated political actors take account of, and adjust to, events that they can foresee in the future, we must specify what it is that triggers the government formation process in the first place. Second, we must be clear about the status quo that determines policy outputs if attempts to make a new government, or break an incumbent one, are unsuccessful. Third, we must provide a stylized description of the process that is triggered. Fourth, we must transform our stylized description into a model. Finally, we must explore implications of our model for the making and breaking of governments.

TRIGGERING THE GOVERNMENT FORMATION PROCESS

The process of government formation can be triggered in several different ways. These include an election, a government defeat in the legislature, or a government resignation.

The most straightforward way in which the government formation process is triggered happens when the legislature comes to the end of its

constitutionally defined term. At this point, the legislature must be dissolved and new elections held. Obviously, if there were no fixed maximum term for the life of a parliament, a cabinet could stay in office indefinitely. Although the holding of scheduled elections is thus a very important constitutional rule, and is one of the things that makes parliamentary democracy democratic, in practice we actually observe a legislature reaching the very end of its scheduled constitutional term only in those few countries, such as Norway, in which the government has no power to dissolve the legislature and call early elections. It is far more common in practice for a government that could constitutionally continue in office to choose, of its own accord, to dissolve parliament and call an early election, thereby voluntarily triggering the government formation process.

In most parliamentary democracies the prime minister may either dissolve the legislature directly, or request a dissolution from the head of state who will, by rule or convention, accede unless the circumstances are exceptional.¹ This makes the calling of an election a very important strategic weapon in the hands of the government. Obviously, prime ministers will attempt to call elections at the times that are most favorable to them. Since the growth of widespread and accurate public opinion polling during the postwar era, prime ministers have had very good information on the likely consequences of calling an election at any particular time. Thanks in part to the efforts of political scientists, they have also gained a better understanding of cycles of government popularity, and thereby some ability to forecast future movements in public opinion.

Prime ministers are typically wary of being forced by the constitution to call an election at an inopportune time. They therefore have an incentive not to let themselves get "boxed in" to calling an election at the end of their term, with no choice as to the timing. Nonetheless, when a prime minister with a secure majority does see some benefit in calling an election before the end of the life of the legislature, this means replacing the certainty of being able to continue in office for a while longer with the lottery of an election. Though the lottery must be faced sooner or later, and though the government's odds can be improved by judicious timing, improved chances in an early election must be balanced against the possibility of losing office earlier than necessary – a difficult trade-off. All of this has the effect that a prime minister in a parliamentary democracy is liable to dissolve the legislature at what is judged to be the most favorable time during the final 12 (even 18) months of the legislature's maximum term. Empirical research on government durations confirms this pattern –

¹For a summary of this in Western European parliamentary democracies, see Laver and Schofield (1990: 64).

governments tend to be terminated at a much higher rate during the final 12 months than during earlier periods of a legislature's constitutional maximum life (King, Alt, Burns, and Laver, 1990).

Thus far we have been considering the voluntary self-termination of an incumbent government that is attempting to make the best of an upcoming election. The other main trigger for the government formation process arises when a government is involuntarily terminated by its actual or impending defeat in the legislature.

As we indicated in the previous chapter, one of the key characteristics of parliamentary democracy is that an executive must resign if it loses the support of a majority of the legislature – formally tested in a motion of confidence or no confidence.² Governments may thus be involuntarily brought down by the legislature. Obviously, they may also resign in anticipation of such a defeat.

Every incumbent government must at some time have had the support of the legislature, in the sense that no viable alternative government was preferred by a legislative majority. Otherwise it would not have been able to gain and retain office. A government defeat in a legislative confidence vote must therefore result from some shock to the system that was not fully anticipated at the time when the government was formed. Such shocks may take many forms. There may be tough policy choices that divide the cabinet irreconcilably, but which the incoming cabinet gambled on being able to avoid. Unanticipated events may force these choices to center stage. Completely unexpected developments from within or without the system – wars, currency crises, or environmental disasters, for example – may transform the world view of key political actors. Politicians may make incorrect assumptions about the preferences or resources of their friends or enemies – they may change their strategic choices when more information on these is revealed as political developments unfold. In each case, the result may be that a government that at one time had the support of the legislature now finds that the legislature prefers some viable alternative. It therefore faces defeat.

It is by no means *necessarily* the case, however, that the defeat of a government implies the dissolution of the legislature and the holding of a new election. The situation in this regard varies considerably from country to country, though apparently more on the basis of precedent than the letter of the constitution. In some countries – Italy and Denmark, for example – it is common, after a government defeat, for the parties of the existing legislature to bargain among themselves and form a new government without an election being called. In other countries –

²Countries, such as Switzerland, in which the government is not subject to this test but can remain in office for the entire duration of the legislative term are, in this important sense, not parliamentary democracies.

Ireland, for example – a government defeat almost always involves a new election.³

Conversely, it is also the case that a new election does not *automatically* put an end to the life of the incumbent government. This can only happen voluntarily if the government resigns or, involuntarily, if the government is defeated. And even in this event it is entirely possible for the government formation process to fail to produce a new government, in which case the “old” government typically remains in place as a caretaker. For our purposes what is important is that a government defeat, or resignation in anticipation of such a defeat, triggers the government formation process.

In summary, the government formation process may be triggered by factors that are entirely predictable – a scheduled election, for example, or government decisions in anticipation of one. Or it may also be triggered by unanticipated shocks to the system, resulting in the midterm legislative defeat of what had previously been a stable incumbent government.

THE STATUS QUO IN GOVERNMENT FORMATION

Once the government formation process has been triggered, it is important to be clear about the policy status quo that remains in place while government formation proceeds, and which remains in place if it is not possible to form a new government. This status quo, after all, is the bottom line against which any alternative must be measured.

Both *de jure* and *de facto* in a parliamentary democracy, there is always an incumbent government. Put very crudely, somebody has to remain in office to sign the checks – someone has to have a finger on the trigger. When a particular cabinet has been installed and remains in office without resigning or being defeated, then the situation is unambiguous. The status quo is obviously the incumbent cabinet. Until this is defeated or resigns, it is free to govern at will.

In some countries, such as Germany, the requirement to defeat a government is a “constructive” vote of no confidence. In this case a no-confidence motion in the incumbent government must at the same time

³This is despite the fact that the Irish president has the explicit constitutional power to refuse a dissolution to a prime minister who has lost the support of the legislature. This power has never been used explicitly and its use would now politicize the presidency to a degree that some would consider inappropriate. The fact that the formal power does exist and might be exercised in extraordinary circumstances does, of course, condition the political game and may well explain the first ever case of a government forming without an intervening election in January 1995.

specify an alternative. In effect, one government is removed and a new one installed in a single step. In these countries, the status quo is always the incumbent government and is unambiguous.

More typically, however, a vote of no confidence in an incumbent cabinet (or a voluntary resignation in anticipation of this) is quite distinct from the investiture of a replacement. In this case, a government will technically be defeated before it is replaced by an alternative. (Obviously, those who vote to defeat the incumbent government will have some alternative in mind when they do so, but different actors may have different alternatives in mind.) Once the incumbent has been defeated or has resigned in anticipation of such a defeat, some form of administration, typically called a “caretaker” cabinet, must hold the fort pending the installation of a successor. Such a caretaker government represents the status quo during the business of government formation.

Surprisingly, there is little to read in the political science literature about caretaker cabinets, though a recent survey of the situation is reported by Laver and Shepsle (1994). With only a couple of exceptions, the position is quite uniform in the countries Laver and Shepsle surveyed. After a cabinet loses its parliamentary basis, it remains in office as a caretaker until a new cabinet is sworn in.⁴ It is a strong constitutional convention that no important decisions are taken until a new fully fledged cabinet has been invested in office. The exceptions are Germany where, as we have just seen, a constructive vote-of-no-confidence procedure means that an alternative cabinet is proposed as part of the original no-confidence motion; and Ireland, where the outgoing cabinet continues with more or less undiminished powers until an alternative is sworn in.⁵ In other countries, the installation of a caretaker government typically means that there can be no change from the policy status quo that was in place when the caretaker took over.⁶

Thus if a cabinet has resigned or been defeated and a caretaker cabinet has taken over, there is in effect no deviation from the policies in place

⁴Occasionally, as has happened in Finland, Italy, and Greece, a group of nonpartisan notables such as judges and academics forms the caretaker cabinet.

⁵In Ireland in December 1992, for example, among many other patronage appointments, a Fianna Fáil caretaker cabinet appointed a Supreme Court judge and Ireland's sole European commissioner – two public positions with the highest possible profile.

⁶This is something of an oversimplification, since there is a sense in which a caretaker cabinet represents “less” than the status quo that preceded it. For example, if some new issue arises out of the blue, an incumbent government may be widely forecast to respond to it by making some particular “new” decision. The status quo when there is a full-fledged incumbent cabinet thus incorporates forecasts about potential responses to new issues that a caretaker cabinet would be precluded from adopting. We ignore such complications here, however.

when the outgoing cabinet left office.⁷ This means that we can safely assume the status quo in government formation to be the policy position of the incumbent cabinet, if it has not been defeated. If the incumbent has been defeated and a caretaker has taken over, government policy remains by default at the position of the defeated incumbent.

THE GOVERNMENT FORMATION PROCESS

We have thus far looked at government formation in terms of the actors who are trying to form a government and the nature of the governments they are trying to form. We now turn to the structure of the government formation process itself. This process has a number of key institutional features.

The executive must retain the confidence of the legislature

As we noted in Chapter 1, the essence of parliamentary democracy is that the government must retain the confidence of a majority of the legislature. Even though formal procedures for investing a new government may differ widely, every government, however it is invested in office, must immediately be able to win confidence votes in the legislature. In this sense, investiture procedures are far less important than confidence procedures. In what follows, therefore, we do not concern ourselves with potential differences in investiture procedures, and concentrate instead on the effect on government formation of procedures for voting confidence or no confidence in the government.

The procedure for initiating a legislative vote of no confidence is thus a vital part of the mechanics of parliamentary democracy, one neglected in scholarly writing. Obviously, a confidence motion cannot be debated while the parliament is not in session. (Thus parliamentary democracies are not really democracies at all during the long summer recess enjoyed by most legislatures.) Even while the legislature is in session, however, if the incumbent cabinet can block or delay a motion of no confidence, then it can prolong its own life. On the other hand if it is very easy to propose such a motion, then the legislature effectively sits as a permanent tribunal on the fate of the cabinet.

⁷For example, if an incumbent cabinet is defeated on its budget and resigns, then the existing budget remains in force, and may be extended on a pro rata basis into the new fiscal year, until a new full-fledged cabinet takes over. The caretaker cabinet would not be able to reintroduce the defeated budget, since this does not represent the status quo before the government resignation. The same argument applies to any other policy initiative.

In a review of the empirical situation in relation to no-confidence procedures, Laver and Shepsle (1994) found that although there are minor variations, procedures for getting no-confidence motions onto the legislative agenda are permissive in every country. The most liberal provisions of all can be found in Norway and Finland. In Norway, for example, ... any member can ... propose a no-confidence motion at any time, even without a seconder. In Finland, two proposers are needed, but in both cases the government has no effective means of controlling the procedure. In other countries, the number of proposers may be somewhat higher. ... The least permissive procedure in the countries covered is in Greece, where 50 deputies must sign the motion. ... Once more, however, the government has no effective control over the procedure. (Laver and Shepsle, 1994: 289)

The overall conclusions to be drawn are thus clear-cut. No-confidence procedures are permissive, at least in each of the countries in Western Europe considered in the Laver-Shepsle review. This has the effect that it does indeed seem to be the case that the incumbent cabinet can be defeated whenever a majority of legislators decide that they want to do so. Put another way, a cabinet remains in office as long as a majority of legislators cannot agree on a preferred alternative cabinet. We refer to this below as the *majority criterion*.

A set of cabinet portfolios must be allocated among the executive

Our general discussion in Chapter 2 of how people might forecast the effects of installing different governments concluded with the assumption that we can take the defining characteristic of a government to be the allocation of cabinet portfolios between political parties. This is illustrated by our lattice of feasible governments (see Figure 2.2). One party secures the Ministry of Finance, for example, another (or the same) party secures the Ministry for Foreign Affairs, and so on until all of the portfolios have been allocated.

In order to have at least some firm ground beneath our feet before we begin to elaborate our model, for most of this book we do take the set of cabinet portfolios in any given country to be fixed and unchanging during the government formation process. This in itself is something of an oversimplification, in that the identity and jurisdictions of government departments can be, and sometimes are, modified as a part of government formation. (We return to consider this possibility in Chapter 12.) A perfectly general model would assume that absolutely everything, including the entire administrative structure of the state, was on the negotiating table during all government formation negotiations. We do, however, have to impose restrictions on our model in order to gain some analytical

Stage II

The parties allocated portfolios in the proposal (called the *participants* in the proposal) may veto it by refusing to participate in that government. If any participant exercises its veto, then the process returns to Stage I and repeats. If no participant exercises its veto, then it proceeds to Stage III.

Stage III

The proposal is put to a parliamentary vote. If the proposal receives the support of a parliamentary majority, then it replaces SQ. If the proposal fails to receive the support of a parliamentary majority, then SQ remains unchanged. In either case, the process returns to Stage I and repeats.

Figure 3.1 shows this process in diagrammatic form.⁹ At each node, an individual party is called upon either to propose a cabinet or veto a proposal, or the collection of all parties is called upon to vote on a prospective government. The effect of these choices is to take the process down one of the branches emanating from the node in question. Once the process has been through all of its stages, it simply starts again from the beginning. In this sense, the making and breaking of governments is a never-ending process. Any government, whether the original status quo or a newly minted alternative, is immediately subject to the possibility of being broken by defeat in a no-confidence motion.

This bare-bones model of government formation is obviously very stylized, although we do feel that it captures the essence of the process in many parliamentary democracies. In subsequent chapters we develop some of the logical implications of the model, exploring empirical and experimental evidence that throws light on it, and relaxing some of its more restrictive assumptions. In the remainder of this chapter we restrict ourselves to discussing some of the main features of the process as we have just described it.

Selection of proposers (Stage I)

Politics in the real world is a continuous process, with no beginning, no middle, and no end. It is thus both theoretically artificial and empirically inaccurate to think of the government formation process as "starting" at some point – and, as we have seen, constitutionally, some government is *always* in place. For the purposes of exposition, however, we have to start somewhere.

We began our stylized description of government formation with the recognition of some actor who either makes an explicit proposal for a

⁹It shows an extensive-form game tree of the government formation process we model.

purchase, and we feel the assumption that the specification of cabinet portfolios is causally prior to the government formation process is a reasonable starting point.⁸

Cabinet members can veto prospective governments

If a government can be characterized by an allocation of cabinet portfolios between political parties, then it needs to pass an additional test, over and above achieving majority support in the legislature, before it can be installed and remain in office. This test arises because political parties cannot be forced to accept cabinet positions against their will. The consequence of this is that a prospective cabinet also needs the assent of each of the parties who will control at least one portfolio. In effect, unless people can be marched into the cabinet room at gunpoint, and we assume that they cannot, every politician in the cabinet has a veto over the formation of any cabinet in which he or she participates. Since we are assuming that politicians act as agents of their parties, this means that *each party has a veto over the formation of prospective cabinets in which it participates*. As we shall shortly see, the interaction of such vetoes with the majority criterion drives much of the politics of government formation.

Rules governing the formation process

We have argued that, while the details of government formation procedures are different in each parliamentary democracy, the process of forming a government is sufficiently similar in all parliamentary democracies for it to make sense for us to suggest a generic model of government formation. As we describe it, this generic government formation process has three essential stages.

Stage I

A legislative party (call it P_i) is selected. This party proposes a particular cabinet, described in terms of a particular allocation of cabinet portfolios between parties (call this allocation x_i). If the proposal is simply a continuation of the existing cabinet status quo (call this SQ), then Stage I is repeated with some other party selected to make a proposal. If the proposal differs from the existing status quo, then the process advances to Stage II.

⁸It is worth noting in passing that the substantive structure of cabinet portfolio jurisdictions remains remarkably similar as we move from country to country. Thus every Western European country has a Department of Finance (under some name or another), a Department of Foreign Affairs, a Department of Justice, and so on. Though we do not do so in this book, it is intriguing to speculate on the reasons for this. It does, however, suggest that key cabinet portfolio jurisdictions are determined by factors other than "local" party competition over government formation.

new cabinet or a proposal to retain the incumbent cabinet.¹⁰ The recognition process is indicated by the encircled "R" in Figure 3.1. The actual mechanism by which an actor is recognized to make a proposal may take a range of possible forms.

In many parliamentary democracies, the recognition process entails the head of state designating someone to lead the process of government formation. This person is known to political scientists as a *formateur*. In such countries, there is typically only one *formateur* at any given time. When one *formateur* fails to form a cabinet, another is designated and the process is repeated. Obviously, the designation of a *formateur* is a very explicit political decision. In many parliamentary democracies the role of head of state is ostensibly nonpartisan, and the head of state may be insulated somewhat from politics by giving the task of finding a *formateur* to an *informateur*. An *informateur* is typically a senior, experienced (and often elderly) politician with no direct stake in the government formation process, who passes among political elites and identifies a *formateur* who is likely to be successful. The name of this person is given to the head of state who makes the formal nomination.

The head of state may have no discretion in the government formation process, however. In some parliamentary democracies – Greece, for example – the constitution specifies that the largest legislative party supplies the first *formateur*, with the second-largest party supplying the second in the event of failure, and so on. In other countries – Britain and Ireland, for example – there is a strong constitutional convention that the outgoing prime minister is the first designated *formateur*, even if this person's party is not the largest.

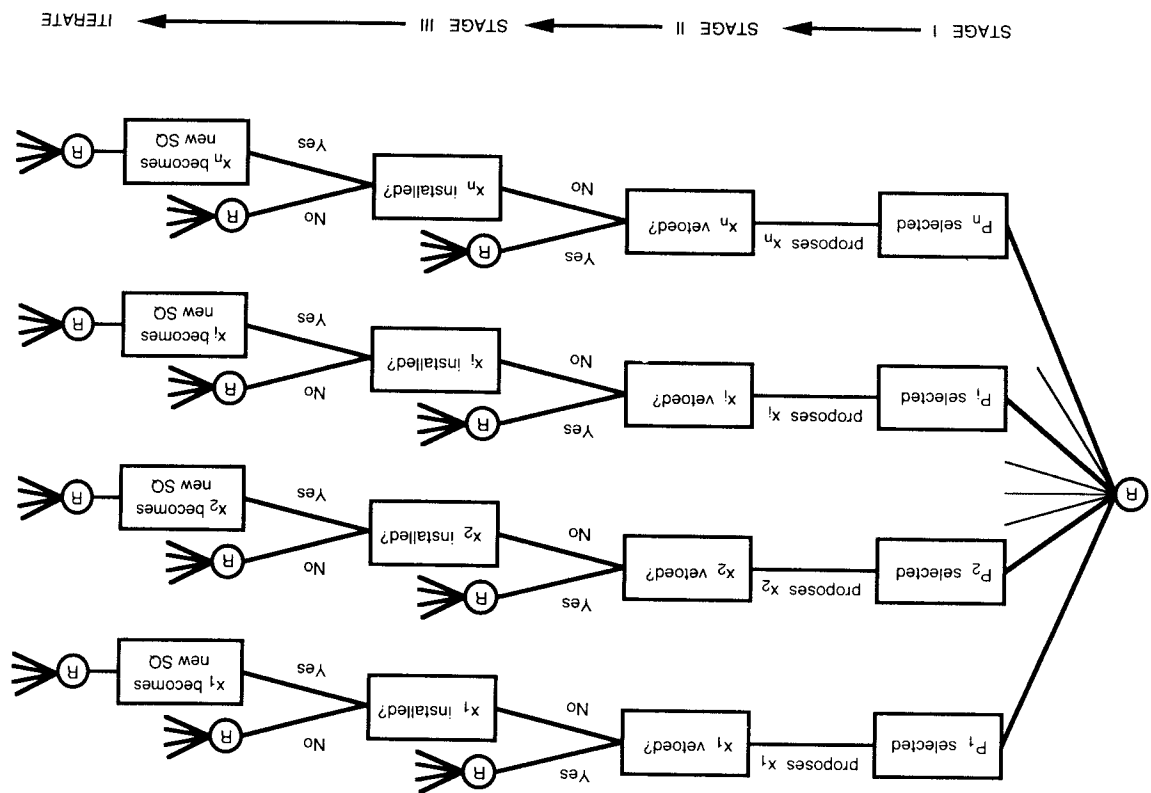
In our description of the government formation process, we embrace all of this potential institutional variation, without tying ourselves down to the circumstances of a particular country, by assuming that the recognition mechanism operates nonstrategically from outside the game. We may therefore think of it generically as a *common-knowledge* recognition rule. This is wholly compatible with real-world recognition procedures in which probabilities of recognition are dependent on party weights, in which parties are recognized in some fixed deterministic order, or in which particular (e.g., incumbent) parties must be recognized first. The theoretical results we report do not depend on specific features of the recognition device used,¹¹ though we could tease out additional results specific to particular countries, once an actual country-specific recognition device was fully specified.

It is as well to be quite clear, however, that we do assume that the

¹⁰The latter may be implicit in that no proposal is made at all.

¹¹The only exception is that we require that every party have *some* possibility of being recognized (though the probability can be quite small).

Figure 3.1. Repeat play government formation game



recognition of the actors who can propose new governments is non-strategic. This implies, for example, that the head of state is not a strategic actor in the government formation process. This assumption is clearly violated in France and possibly also in Finland, but seems to us to be reasonable in many other parliamentary democracies.¹²

Veto of a proposed government by its participants (Stage II)

As we have already suggested, it seems most unreasonable to suppose that any member of a proposed cabinet can be forced into government against his or her will. Thus, if there is a proposed coalition between a Social Democratic and a Center Party in some country, for example, and the Social Democrats propose that they take the Finance Ministry while the Center Party takes the education portfolio, then the Center Party has something to say in the matter. The proposed government cannot come into being, even if every other member of the legislature votes for it, unless the Center Party agrees to accept the portfolios that it has been allocated. This gives the Center Party a veto over the proposal. Indeed, every party has a veto over every cabinet in which it participates.

Since parties cannot be forced into government against their will, the government formation process is very far from being a simple majority rule voting game, as it has often been portrayed in the literature. Indeed, our model's recognition of this basic fact of political life sets it apart from most other models of government formation.¹³ It is simply not enough for a proposed government to command the support of a majority of legislators – it must also command the support of its own participants if it is to have a hope of forming.

Obviously, for those who think that government formation is simply about sharing out the short-term rewards of office, it is hard to see why any government would not be supported by all who receive the rewards. Once we take policy into account, however, it is possible that a party might prefer a government in which it does not participate to some other in which it does. This superficially paradoxical possibility can arise because a government excluding the party might nonetheless be forecast to implement policies quite close to the party's ideal policies. In contrast, a government in which the party does participate might be one that is forecast to implement policies quite far away from its ideal policies. (For

¹²We are aware of no scholarly treatment in the government formation literature of the role of the head of state, strategic or otherwise.

¹³The one exception of which we are aware is a version of a model proposed by Austen-Smith and Banks (1990), based on what they call the *restricted portfolio core* of the government formation game, a model that makes exactly the same assumption as we do.

example, a Social Democratic Party may prefer a minority Center Party administration to a coalition between the Social Democrats and a party of the far right, if the very disparate coalition would be forecast to generate a lot of grief for the Social Democrats in policy terms.)

The possibility of participant vetoes gives a very distinctive character to the politics of government formation. Quite apart from anything else, it raises the possibility that there may be "standoffs," in which some party threatens to veto an alternative to the status quo, despite the fact that this is preferred by a legislative majority. As we shall see, the legislative majority can threaten to keep voting for the alternative, some party can threaten to keep vetoing it, and government formation can thereby be deadlocked until one side or the other backs down. Such vetoes can also give a particular strategic advantage to one particular party, arising out of its participation in, and consequent ability to veto, a wide range of popular potential governments.

Our generic model of the government formation process involves a further implicit assumption about vetoes. This is that it is not possible to veto the status quo government. This assumption is somewhat more controversial than it might seem at first sight. The matter of the unilateral resignation of one party, but not all parties, from a government raises complex and intriguing issues that have, as far as we know, been completely ignored in the government formation literature. We have already noted that constitutionally, both in theory and in practice, there must always be some government. It is just not possible for every party to abandon the government, leaving the doors of Government House swinging in the breeze and nobody running the country. As a matter of political practice, if the government parties really are determined to bail out they can do so, but a caretaker administration will be put in their place which, as we have already seen, will maintain existing government policy. Therefore the policies of the outgoing government remain in place, even after it has resigned, for the typically brief duration of the ensuing caretaker government. It is in this important sense that incumbent parties cannot veto the status quo. Even if they do resign, policy outputs under the jurisdiction of the portfolios they controlled remain essentially the same until the portfolios have been reallocated and a new *de facto* government has been formed.¹⁴

¹⁴The treatment of a "partial" government resignation in our generic model thus assumes that a resignation brings down the government, installs a caretaker continuing the policies of the outgoing administration, and triggers the government formation process. This is true in many countries, but in others it is possible for the incumbent government simply to reallocate the portfolios of the resigning party and to continue as if nothing had happened unless defeated in a legislative motion of no confidence. In such cases our model in effect assumes that the government formation process is implicitly triggered in the sense that the remaining parts of the incumbent government

Confidence and investiture votes (Stage III)

Our generic model collapses two real-world features of the government formation process that we take to be strategically merged – the vote of no confidence and the investiture vote. As we saw earlier, one constitutional device, the constructive vote of no confidence used in Germany, does formally merge these in a requirement that a motion of no confidence in the government must designate an alternative administration as part of the motion. The constructive vote of no confidence is not common in parliamentary democracies, however, most of which have constitutionally quite separate devices for defeating one government and installing a new one.

This of course raises the possibility that an incumbent government is defeated, yet no alternative is able to pass the investiture test. In this event, as we have also seen, a caretaker administration remains in place, implementing the policies of the outgoing government. Even after a no-confidence motion has passed, therefore, the policies of the outgoing government remain in place. As far as the government formation process is concerned, therefore, the key vote is the one that installs a new government. This investiture vote is an explicit constitutional requirement in many countries. In countries without a formal investiture procedure, the implicit investiture vote occurs on the first occasion when the government faces the legislature, and exposes itself to the possibility of losing a confidence vote. Thus we feel we do not do too much violence to reality by treating the no-confidence vote and the investiture procedure as if they were part of the same strategic process, since a successful no-confidence motion changes nothing in policy terms until a new government is invested.

Our generic model of parliamentary democracy thus sees the incumbent government as being continuously vulnerable to defeat by the legislature. In effect, the government formation process is continuously iterated throughout the life of the government, though many of the actors who have the chance to propose an alternative government will in practice do nothing, implicitly proposing the continuation of the status quo.

propose a new portfolio allocation and, if this is not vetoed, the allocation is immediately subject to a legislative no-confidence motion. If this no-confidence motion is lost, a caretaker government is in place, which implements the policies of the *original* incumbent government. Thus, our model is characterizing what we feel are well established constitutional conventions in many European democracies. However, the absence of any systematic discussion of caretaker governments in the political science literature makes this point difficult to establish definitively. The government formation process, as described in the text, is then iterated.

CONCLUSION: THE DIFFERENCE BETWEEN FORMING A GOVERNMENT AND LEGISLATING

The government formation process illustrated in Figure 3.1 and elaborated in this chapter is a stylized description of the institutional manner in which policies are selected and implemented in parliamentary democracies. Perhaps the most important assumption underlying our approach is that most of the business of policy making and implementation takes place within the executive – and that actual legislation is a relatively minor part of the policy process. Even when legislation is necessary in order to change policy outputs, we assume that the executive retains firm control of the resources required to develop implementable legislation, as well as controlling the legislative timetable itself. It is thus relatively rare in a parliamentary democracy for the legislature to succeed in imposing detailed legislation in the face of active opposition from the executive.

According to our approach, the role of the legislature is much more that of controlling the fate of the government than it is of implementing policy directly. The legislature thus has the ability to choose between a limited number of viable governments, each with different policy implications, rather than to select policy outputs directly. This distinguishes our approach from other recent theories of government formation which operate as if parliamentary actors engage in the direct selection of self-implementing policies.¹⁵ We might think of these as models of legislative government, rather than of cabinet government, since their equilibriums are statements about which policies a legislature would select if it had the power to govern directly. The parameters that affect this policy selection are simply the size and spatial policy position of all legislative parties. Whether or not any given party is in the cabinet has no effect whatsoever on forecast policy outputs in these theories; indeed the distinction between legislature and executive is not made at all.

In contrast our approach requires that explicit attention be given to the identity of those who compose the government. The reason, which we have alluded to on several occasions, has to do with the departmental nature of policy formulation and implementation, and the inevitable ministerial agenda power that this entails. The manner in which this power will be exercised depends on who possesses it. Thus, in our view, it is misleading to suppress consideration of the partisan composition of the cabinet. Since even direct legislation in parliamentary democracies tends to be orchestrated by the government, it is also heavily conditioned by

¹⁵See, for example, the discussion of Baron (1991) and Schofield (1993) in Chapter 1.

departmentalism, as are the substantive outputs of implemented policies that are affected by the preferences of individual ministers.

Notwithstanding our reservations about the realism of their assumptions, there is no doubt that recent direct-legislation models of policy formation are methodologically very rigorous. The stylized process described in Figure 3.1 does, indeed, borrow heavily from one such approach, the "divide-the-dollar" model of Baron and Ferejohn (1989). In this, a group of legislators has the classic pork-barrel task of dividing a dollar, an outcome being some apportioning of the dollar among projects in legislative constituencies. As in our model, there is a recognition device by which some legislator is selected to propose a division. The proposal goes directly to a vote and, if a majority approves, the money is so divided and the game ends. If not, the recognition stage is repeated.

Though inspired by the Baron-Ferejohn direct-legislation model, our approach differs in several significant ways. First, as we have just seen, we restrict proposals in our model to the finite set of possible governments and the forecast policy outputs associated with each. Second, since we deal with actual cabinets rather than with policies in the abstract, we allow for the possibility that actors can veto cabinets (and hence policy outputs) that require their participation. Finally, since we describe the continuously repeating process of building and maintaining a government, ours is a continuous game. Baron and Ferejohn, in contrast, describe a single policy decision, leading them to specify a game that ends irrevocably once the decision in question has been taken.

Overall, therefore, the single most important thing about the process described in this chapter is that it concerns the making and breaking of governments in situations in which actors are concerned with the substantive content of government policy outputs. Governments in parliamentary democracies are created by legislators and may be destroyed by them. But, while they are in existence, governments do take on a life of their own. Legislatures have only very limited control over the precise policy outputs governments enact, and the only real sanction legislators have at their disposal is to bring the entire government crashing down around their ears. Given all of this, governments clearly have a lot of power over policy, and legislators will obviously take careful account of this when deciding which government to put in power in the first place.