GOVERNMENT RESPONSIVENESS, LEGISLATIVE INSTITUTIONS, AND UNEMPLOYMENT POLICY IN PARLIAMENTARY DEMOCRACIES

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Abstract. A central normative claim in favor of liberal democracy is that it promotes the continuing responsiveness of the government to the preferences of its citizens. In most of the world's democracies, however, governments are composed of multiple political parties, making the connection between policy and citizen preferences tenuous. The electoral commitments of parties in a coalition often diverge significantly, but the government can adopt only one common policy on any issue. This raises a critical question with far-reaching implications for the quality of democratic representation: Whose preferences are ultimately reflected in coalition policy choices? One line of argument has stressed the dominant role of cabinet ministers, leading to the expectation that policy primarily reflects the commitments of those parties that control the relevant cabinet portfolios. Another argument suggests that the policy choices of a coalition represent a compromise among the positions of all its members, regardless of how they divide up ministerial responsibilities. In this paper, we argue that the extent to which either argument holds depends on the presence of legislative institutions that make effective monitoring and enforcement of compromise agreements possible. Where such institutions are present—in particular, in strong legislative committee systems—policy will tend to reflect a compromise among the preferences of coalition partners. In the absence of such institutions, ministers are able to dominate the policy process. We evaluate our argument by analyzing changes made to unemployment policy in 15 European democracies over the past several decades. Our results demonstrate that in environments that privilege ministerial proposals, and make it more difficult for coalition partners to monitor and enforce compromise agreements, policy choices are driven by the commitments of parties that control relevant ministries. In contrast, in institutional environments that "level the playing field" by reducing the informational advantage of ministers and providing effective opportunities for challenging and amending ministerial proposals, policies reflect a compromise position among all coalition partners. In those cases, parties that control a relevant portfolio tend to be no more influential than other members of the coalition in shaping policy choices.

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1. Introduction

A central normative claim in favor of democratic governance is that it promotes "the continuing responsiveness of the government to the preferences of its citizens" (Dahl 1972, 1). At bottom, such responsiveness is rooted in competitive elections, which provide citizens with a measure of control over the officials who make policy (Powell 2000). The more successful parties and politicians are in convincing a large number of voters that they will deliver policies these voters value, the greater their prospects of exercising power. Conversely, elections allow voters to punish incumbents believed to have performed poorly (Duch and Stevenson 2008). The "Westminster model" of democracy (Lijphart 1999) perhaps best exemplifies this vision. Two-party competition under majoritarian electoral rules typically ensures that election results directly lead to the formation of a single-party government, which then dominates the policy process. The flip side of such single-party dominance during a legislative period is accountability: Voters know precisely who is to blame at the ballot box if they are dissatisfied with government policy (Powell 2000).

Single-party government, however, is far less common across the world's democracies than coalition government. And when multiple parties share government power, the seemingly simple connection between government responsiveness and elections becomes much more tenuous. *Who is responsible for government policy under coalition government?* Put differently, when multiple parties are included in a cabinet, which parties' preferences are ultimately reflected in the policy choices these governments make?[1] Answering this question is of obvious significance. First, the answer matters for normative assessments of the quality of democracy: We can only think about the extent to which government policy responds to citizen preferences (and *which* citizens' preferences) if we understand whose policy commitments are reflected in coalition policy. Second, the answer matters for voters. The effective use of electoral sanctions to hold parties accountable requires that voters

[1] Of course, another important piece of this connection is coalition membership: When election results do not produce a clear majority for one party, which parties are likely to be successful in bargaining for inclusion in a coalition, and how responsive is coalition membership to election results? A separate body of research on coalition politics and representation seeks to address these questions (see, for example, Powell 2000; Martin and Stevenson 2010).

be able to hold the *right* policymakers responsible—and under coalition government, this requires understanding which parties primarily drive coalition policy.

Scholarship on coalition policymaking has begun to explore this question over the past several years, and several competing perspectives have emerged. One line of argument, rooted in Laver and Shepsle's seminal "portfolio allocation" model, has stressed the dominant role of cabinet ministers, and leads to the expectation that policy primarily reflects the commitments of those parties that control the relevant cabinet portfolio (Laver and Shepsle 1990; Barnes 2013). In the aggregate, then, coalition policy in this view represents a collection of policies, each of which is largely determined by the particular party that controls the relevant ministry. In contrast, other scholars have argued that the policy choices of a coalition represent a compromise among the positions of all its members (Powell 2000; Martin and Vanberg 2014), thus resulting in an aggregate policy package that (under reasonable assumptions) is preferred by all parties to the policy outcomes under ministerial dominance.

In this paper, we make several contributions to the understanding of coalition policymaking. Building on recent work, we extend and integrate these existing perspectives by systematically taking into account a central feature that has, to date, received limited scholarly attention—the institutional context within which coalitions govern. We argue that the extent to which coalition policy is dominated by parties that control relevant ministries or represents a compromise among all coalition partners depends on the presence of institutions that make effective monitoring and enforcement of compromise agreements possible. Where such institutions are present—in particular, in strong legislative committee systems—policy will tend to reflect a compromise among the preferences of coalition partners. In the absence of such institutions, ministers are usually able to dominate the policy process.

A second set of contributions is empirical. Because assessing the policy choices of governments directly is difficult, existing work has largely focused on *indirect* evidence in assessing whose preferences are likely to be incorporated in coalition policies.[2] For example, Thies (2001) focuses on

[2] One exception is work by Becher (2010), who examines a "veto player" model of coalition policymaking that investigates unemployment entitlements and employment protection policies. However, this paper does not consider the institutional context of coalition policymaking and the conditional nature of influence. It also does

the appointment of junior ministers, arguing that such "shadow appointments" allow for the effective monitoring of ministers, and therefore increase the influence of coalition partners (see also Lipsmeyer and Pierce 2011). Similarly, Martin and Vanberg (2011, 2014) examine the number of changes to government bills, demonstrating that when effective scrutiny is possible, ministerial draft bills are amended more heavily when they are divisive for coalition partners. Finally, Goodhart (2013) analyzes macro-economic outcomes, including growth and unemployment, on the assumption that these outcomes are, at least in part, driven by government policy. Note, however, that all these studies focus on behavior (appointments and amendment patterns) or aggregate economic outcomes as proxies for what governments do; none directly examine the content of policy choices. Moreover, with the exception of Goodhart, availability of data has forced most of these studies to examine only a limited set of countries. For example, Martin and Vanberg (2011) examine five countries, while Thies (2001) examines three.

We overcome these limitations by focusing directly on the policy commitments parties make in their election manifestos, and the subsequent policy choices of governments, and we do so for a large set of countries over an extensive time period. Specifically, we examine changes to the generosity of unemployment benefits in 15 parliamentary democracies over a period of roughly 40 years. Our approach has two significant methodological advantages. One is that the high salience of welfare state policies (including unemployment policy), particularly in the era of widespread retrenchment, ensures that most parties in most elections explicitly address economic issues related to these policies (such as whether to expand state services or to impose greater regulation on labor markets) as part of their election manifestos. Second, we can take advantage of a unique data source that measures the generosity of unemployment benefits as defined by statutes (Scruggs, Detlef and Kuitto 2014), rather than by spending. Unlike spending—which is driven by a variety of factors, some of which are beyond a government's control—the generosity measure directly reflects policy choices made by governments. Our results demonstrate that in environments that privilege ministerial proposals, and make it more difficult for coalition partners to monitor and

not test a traditional veto player model (in which the position of the status quo is critical) but rather focuses on the ideological range of a coalition as the key variable.

enforce compromise agreements, policy choices are driven by the commitments of parties that control relevant ministries. In contrast, in institutional environments that "level the playing field" by reducing the informational advantage of ministers and providing effective opportunities for challenging and amending ministerial proposals, policies reflect a compromise position among all coalition partners. Parties that control the relevant portfolios in these environments tend to be no more influential than other members of the coalition in shaping policy choices.

The paper proceeds as follows. In the next section, we lay out a theoretical account of policymaking under coalition government that highlights that the relative influence of various parties—most importantly, parties that control a relevant portfolio and their partners in government—depends critically on the institutional details of the policy process. In section 3, we present the data we use to evaluate our argument. In section 4, we discuss our analysis and findings. These findings have significant implications for our understanding of democratic representation and coalition governance (including bargaining over coalition formation), which we discuss in the final section.

2. Institutional Context and Policy Responsiveness

Cabinets play a crucial role in the policy process in parliamentary systems, as major legislative initiatives can typically only move forward with cabinet approval. At the same time, given the scope and complexity of governmental policy in contemporary democracies, formulating legislative proposals that effectively promote a particular policy goal is a challenging task. Party leaders may know *what* they want to accomplish, but knowing *how* to do so through specific policy changes requires tremendous technical expertise and information. No cabinet minister is in a position to master the required knowledge in all areas of governmental activity. As a result, policymaking in these democracies involves a significant amount of delegation—not just from voters to legislators and the cabinet, but *within* the cabinet itself. As Gallagher, Laver and Mair (2005, 56) describe it,

> The cabinet does not and cannot simply sit around in a meeting and make policy in a vacuum. Real-world policymaking on complex issues involves the cabinet's accepting, rejecting, or amending specific and detailed policy proposals that are

> presented to it, based on extensive and often very technical documentation. Only the government department with responsibility for the policy area in question has the resources and expertise to generate such a proposal. Thus, only the minister in charge of the relevant department is in a position to present the policy proposal at cabinet, giving him or her a privileged position in the policy area in question.

The privileged position of cabinet ministers in the formulation of legislative proposals creates particular challenges in the context of coalition governance. One central feature that distinguishes coalition governments from single-party governments—including single-party governments by an internally heterogenous party—is that parties in coalition must govern *jointly*, but are held to account *separately* at election time. This creates obvious tensions. To the extent that parties appeal to different constituencies, each of them faces incentives to play to its target audience by attempting to steer government policy in directions favored by its core supporters (or at least to be *perceived* to be doing so, an important aspect to which we return below). The privileged position of cabinet ministers in developing legislative proposals implies that parties not only have the motive, but also the opportunity, to do so. Cabinet ministers can use their central role in developing legislative proposals to pull government policy (within their jurisdiction) towards positions preferred by their party and its constituents.

Laver and Shepsle's seminal "portfolio allocation model" (Laver and Shepsle 1990, 1996) is built around this fundamental logic. In negotiating over a coalition, party leaders should expect that each party will take advantage of the central role of cabinet ministers in drafting policy to pursue the party's preferred policy in those jurisdictions under its control. This implies that the incentive-compatible "coalition policy packages" are those policies that are located at the intersections of the dimension-by-dimension ideal points of parties. To illustrate, consider a two-dimensional policy space and two parties, A and B, that are weighing whether to go into coalition. The parties' have convex preferences over the policy space, depicted in Figure 1. Suppose the parties are contemplating a coalition in which party B receives the portfolio for dimension 1 while party A

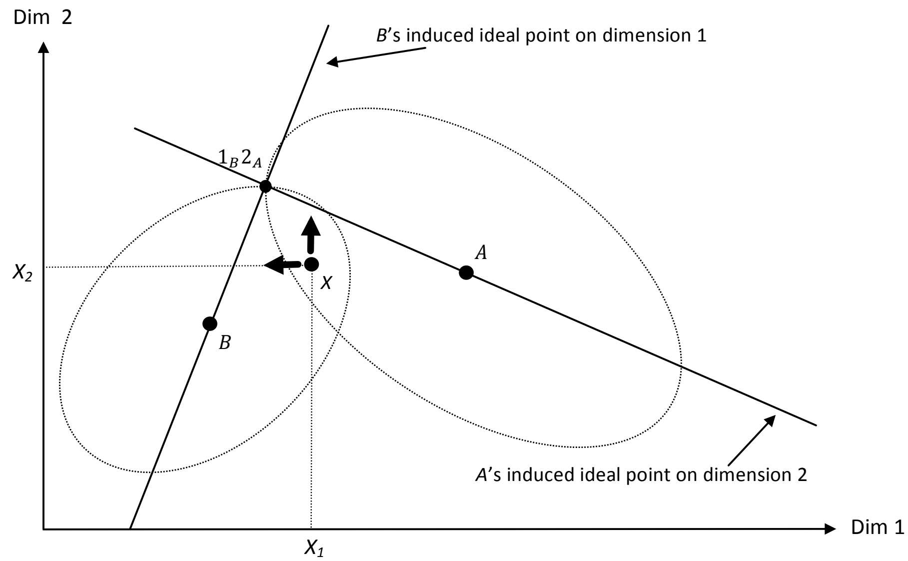

FIGURE 1. Government Policy under Ministerial Autonomy, assuming Non-Separable Preferences

receives the portfolio for dimension 2. The critical question Laver and Shepsle ask is: Which policy outcome should the parties expect from such a portfolio distribution?

Because preferences are non-separable, the policy preferred by each party in a dimension depends on the policy choice in the other dimension; these "induced ideal points" are indicated by the solid lines through each party's ideal point in the figure.[3] Where these two lines intersect (the point labeled 1_B2_A), each minister implements the policy she most prefers in her jurisdiction, given the policy adopted by the other minister in his jurisdiction. Put differently, the aggregate policy outcome 1_B2_A is incentive-compatible in the Laver-Shepsle sense: Neither party would change its policy, given the policy adopted by the other party in the other dimension. However, as a number of contributions to the coalition literature have argued, the policy package that results from accepting such ministerial autonomy is often inefficient from the perspective of coalition parties (Thies 2001; Martin and Vanberg 2005, 2011). Thus, in Figure 1, compromise policies in the overlap area of the two indifference curves through 1_B2_A, such as policy X, are preferred by *both* parties to the results of ministerial autonomy.

[3] Note that in their original formulation, Laver and Shepsle rely on Euclidean preferences, which are separable and result in circular indifference curves (and the famous "lattice" of potential policy outcomes). We reformulate their argument with more general convex preferences to highlight that the ministerial autonomy argument, and our qualification of it, do not depend on a restrictive assumption about preferences.

The difficulty is that while parties may *prefer* genuine coalition compromises like X to ministerial autonomy, implementing such compromises in light of the need for delegation and the incentives confronting ministers poses a challenge. Unlike the point $1_B 2_A$, a policy compromise at X is not (directly) incentive-compatible. To achieve X, minister A must pursue policy x_2 while minister B must pursue policy x_1. But doing so is not in their immediate interests. As indicated by the arrows in the two figures, both ministers would benefit by pursuing a different policy in their dimension. Moreover, the privileged position of cabinet ministers in the policy process provides them with the opportunity to do precisely this. In a sense, of course, this is exactly Laver and Shepsle's point—implementing compromise agreements constitutes a credible commitment problem.

As is true in many other contexts, problems of credible commitment can sometimes be resolved through institutional mechanisms (North 1993). One of the major developments in the literature on coalition governance over the past decade has been to bring these insights to understanding how multiparty governments function (e.g., Thies 2001; Bergman, Müller and Strøm 2000; Martin and Vanberg 2005, 2011). A key argument in this literature is that because compromise policies are typically preferable to the results of unfettered ministerial autonomy, coalition parties have strong incentives to look for ways to make the credible enforcement of coalition compromise agreements possible. Doing so requires that coalition parties have the ability to evaluate and scrutinize ministerial draft proposals, to develop alternative policies, and to push for these alternatives in the policy process. This implies that institutions that reduce the informational advantage of cabinet ministers and secure opportunities for coalition partners to challenge, and force changes to, ministerial proposals can be helpful in enforcing compromise agreements. In the presence of institutions that can accomplish these tasks, coalitions may not be condemned to tolerating ministerial autonomy; instead, genuine coalition compromise becomes possible.

In an important study, Thies (2001) points to the role played by junior ministers in this context. Junior minsters, who are political appointees who work directly below a cabinet minister within a ministry, are in a strong position to gather information on policy proposals (and feasible alternatives) being developed in a particular ministry. As a result, appointing "shadow" junior ministers in departments controlled by coalition partners may allow parties to "keep tabs" on hostile ministers. Tracking the appointment patterns of junior ministers provides clear support for this argument (Thies 2001; Lipsmeyer and Pierce 2011; Martin and Vanberg 2011). Similarly, other scholars have highlighted the role of cabinet committees and inner cabinets (Müller and Strøm 2000; Andeweg and Timmermans 2008). These are institutions that operate within the cabinet, and allow more intense scrutiny and debate over ministerial draft bills; on occasion, they may even be employed to facilitate joint drafting of proposals across several ministries.

Undoubtedly, these institutions represent signifiant opportunities to rein in ministerial drift, and can play a central role in managing coalition conflict. At the same time, they face two limitations. One is a resource constraint. Intra-cabinet working groups cannot be used as a comprehensive oversight tool for most legislation; given the day-to-day demands on cabinet ministers, such groups are limited to particularly salient or prominent initiatives. Similarly, small parties are typically not in a position to appoint shadow junior ministers to all partner ministries because they are only entitled to a limited number of such posts.[4] In addition, junior ministers have access to information, but they may not be in a position to formulate alternative policies or to force ministers to adopt draft initiatives.

A second constraint is political. Because these institutions are placed within the ministries and the cabinet, they operate *prior* to the public "unveiling" that accompanies the introduction of a bill in the legislature. This is significant because the introduction of a legislative proposal provides a unique opportunity for policy-signaling and credit-claiming by ministers (and their parties), often achieved in press releases, news conferences, and interviews. Even if a minister fully expects a legislative proposal to be amended prior to adoption, she can point to the bill as introduced as an indication of the party's "true" intentions. This implies that ministers and parties are not indifferent as to *when* in the policy process ministerial drift is corrected and brought in line with the coalition compromise. All things being equal, ministers and their parties are likely to prefer

4 Martin and Vanberg (2011, 92f.) demonstrate empirically that small coalition partners are constrained in the appointment of shadow junior ministers, and so appoint them strategically to those ministries that most divide them from their partners.

such changes to occur *after* the bill has been introduced and credit-claiming points have been scored.

These considerations highlight a set of institutions that are likely to play a particularly important role in allowing coalition parties to monitor their partners, and to make credible commitments to coalition compromise agreements possible—the structures and procedural rules of legislatures (Martin and Vanberg 2005, 2011; Kim and Loewenberg 2005; Carroll and Cox 2012). All major policy initiatives must be presented to parliament, where at least formally, it is possible for ministerial proposals to be amended. Moreover, legislative consideration of a bill commences after bill introduction—implying that cabinet ministers will already have had an opportunity to engage in policy-signaling. All of this suggests that, at least potentially, parties may be able to take advantage of the legislative process to contain ministerial drift and to enforce coalition compromises.

Significantly, the parliamentary arena can only be effective for this purpose if it allows parties to reduce the informational advantage of ministers, and to develop alternatives to ministerial draft bills. Whether parties can use the legislative process in these ways depends directly on its institutional details. Two features are particularly important: first, the presence of legislative rules that prevent ministers from dominating the legislative process; and second, the presence of institutions that strengthen the ability of legislative committees to scrutinize legislation and develop feasible alternatives. Scholars have identified a number of institutions relating to both features (Mattson and Strøm 1995; Harfst and Schnapp 2003; Martin and Vanberg 2011). They are:

(1) *The number of legislative committees.* The larger the number of committees, the greater the opportunities for specialization and development of policy expertise.

(2) *Correspondence of committees to cabinet ministries.* Committees that are organized along the same jurisdictional lines as ministries enhance the ability to develop relevant policy expertise.

(3) *The size of legislative committees.* Large committees are less likely to be effective because they tend to become unwieldy and encourage free riding.

(4) *Binding plenary debate before committee stage.* If a binding plenary debate occurs before committee deliberations, opportunities for detailed scrutiny and change are curtailed.

(5) *Right to compel witnesses and documents:* The greater the ability of committees to compel testimony and documents (including from senior civil servants and ministers), the greater their ability to scrutinize legislation and develop alternatives.

(6) *Urgency Procedure.* If a minister can declare a bill "urgent" and thereby restrict legislative debate and shorten the legislative timetable, effective legislative scrutiny is made more difficult.

Two other institutional features relate to the ability of coalition partners to push effectively for changes in ministerial draft bills. This ability is enhanced by rules that restrict the authority of ministers in precluding debates or amendments, and by procedures that lower the costs of changing ministerial bills. They are:

(7) *Rewrite authority:* Committees that can rewrite draft bills directly (i.e., their version of a bill becomes the floor agenda) are in a more powerful position to push for change than committees that can only sponsor amendments.

(8) *Guillotine procedure:* If a minister can unilaterally reject amendments, or force an up or down vote on a ministerial draft bill, the ability to push for changes to draft bills is reduced.

What are the implications of this argument? As we theorized above, coalition partners have good reason to prefer coalition compromises, but enforcing such deals poses a problem of credible commitment. Legislative institutions can play a central role in resolving this problem. Legislative settings characterized by institutions that are "weak" in the sense that of limiting the ability of legislators to scrutinize legislation and push for alternative policies places ministers in a strong position, and will tend to lead to policy choices that reflect the preferences of ministerial parties. This leads to our first expectation:

Hypothesis 1. *Where legislative institutions are weak, policy changes will be driven primarily by changes in the preferences of the party controlling the relevant ministry.*

Conversely, where legislative institutions are strong, and provide opportunities for coalition parties to reliably enforce coalition compromises, the influence of ministers should be more limited. Instead, the policy process will more closely reflect compromise agreements among the positions taken by all coalition parties:

Hypothesis 2. *Where legislative institutions are strong, the preferences of the minister's party will be less influential, and instead, policy changes will be driven primarily by changes in the preferences of the coalition as a whole.*

Put differently, institutional context—and in particular, the nature of legislative institutions—is critical for the nature and outcomes of coalition governance. We now turn to a systematic evaluation of these expectations.

3. Unemployment Policy, Party Commitments, and Legislative Policing Institutions in 15 Parliamentary Democracies

We evaluate our claim about the impact of party electoral commitments on public policy—and the mediating influence of legislative institutions—by examining changes in unemployment benefits in 15 European democracies over the past several decades. Specifically, the countries and time periods included in our analysis are Austria (1973–2006), Belgium (1977–2007), Denmark (1974–2010), Finland (1973–2007), France (1977–2010), Germany (1973–2010), Great Britain (1973–2010), Greece (1983–2004), Ireland (1973–2010), Italy (1973–2008), the Netherlands (1977–2006), Norway (1973–2005), Portugal (1983–2010), Spain (1985–2010), and Sweden (1973–2010). All together, there are 498 country-years (the units of analysis) in our sample.[5]

We focus on unemployment policy because it has been one of the most salient, and often contentious, economic issues dealt with by governments in advanced industrial democracies, particularly following the oil shocks of the mid to late 1970s and subsequent retrenchment of the welfare

[5] The countries and time periods were chosen on the basis of data availability. The portfolio allocation data need to identify the party of the minister responsible for unemployment policy (from Martin (N.d.)) is limited to these 15 countries. The beginning date of each time period is determined by the start date of the Comparative Welfare Entitlements Dataset (Scruggs, Detlef and Kuitto 2014), discussed in more detail below; the end date is determined by the last election covered by the 2011 release of party manifestos by the Manifestos Project.

state. Underlying the controversies surrounding reforms of unemployment insurance have been competing claims about the effects of generosity in unemployment benefits on poverty risks, the labor supply, and the macroeconomy (Sjöberg, Palme and Carroll 2010). Arguments in favor of higher (and longer) unemployment benefits tend to highlight their role in alleviating poverty and economic inequality and in maintaining the consumption patterns of at-risk households (Korpi and Palme 2003; Chimerine, Black and Coffey 1999; Vroman 2010). Arguments against higher benefits cite their potentially detrimental effects on aggregate unemployment (since the unemployed may have fewer financial incentives to find work) and the global competitiveness of businesses that are forced to pay higher taxes to support unemployment benefit schemes (Mortensen 1977; Layard, Nickell and Jackman 2005). As Korpi and Palme (2003) point out, political parties on the left and right have tended to take opposing positions with respect to these arguments, which has helped lead to a partial reawakening of class-based distributive conflict in advanced industrial democracies.

To assess the types (and the magnitude) of changes governments have made to unemployment insurance in the retrenchment era, one could use several different policy measures, but most of them have serious drawbacks. For example, measures that rely on spending do not typically account for the size of the unemployed population, nor do they account for such factors as income replacement rates; thus, they tend to mask the true "generosity" of government policy (Esping-Anderson 1990; Scruggs 2007).[6] Other indicators that do take replacement rates into account, such as the benefits measure from the OECD *Jobs Study*, ignore taxes on benefits, as well as benefit qualifying conditions and population coverage (Scruggs 2007, 140).

To overcome these problems, we make use of a novel data set compiled by Scruggs, Detlef and Kuitto (2014), the *Comparative Welfare Entitlements Dataset 2* (CWED2). The CWED2 contains annual data on five characteristics of unemployment insurance: (1) the average benefit replacement rate (for a single person and for a family with one earner and two children), (2) the maximum number of weeks of benefit duration, (3) the number of weeks of employment needed to qualify for

[6] For example, as Esping-Anderson (1990, 20) and Scruggs (2007, 137) point out, unemployment spending in Great Britain during the early Thatcher years grew quite sharply, even though the government had been making dramatic (and highly unpopular) cuts in income replacement rates for the unemployed. Spending was only rising because the population of unemployed happened to be increasing at a faster rate than the spending cuts.

benefits, (4) the number of days an unemployed person has to wait until benefits start, and (5) the share of the labor force covered by unemployment benefits. These components are aggregated into a single *Unemployment Generosity Index*.[7] We display the index for our sample of democracies and years in Figure 2.

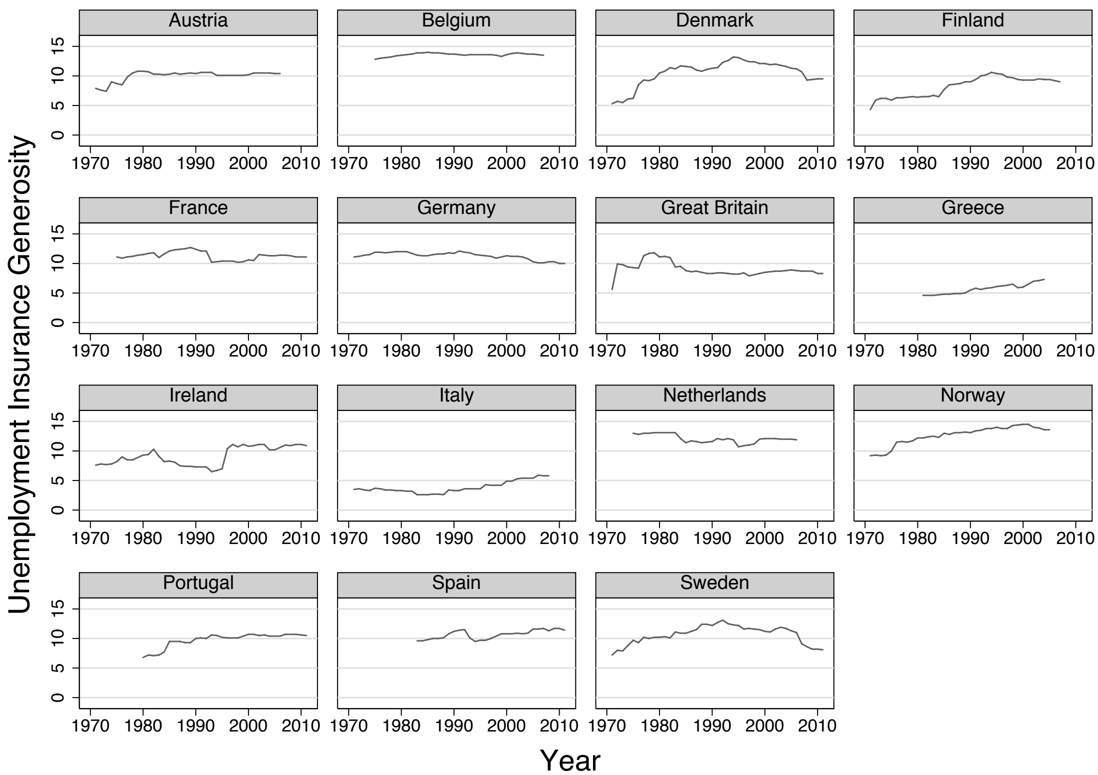

FIGURE 2. Unemployment Insurance Generosity, by Country and Year

As the figure shows, there is substantial variation both across countries and over time. Across countries, for example, we see that Belgium and the Netherlands are, on average, the most generous providers of unemployment insurance, while Italy is consistently the least generous. We also see some common patterns in variation in generosity over time—e.g., most countries experienced declines in generosity in the wake of the economic recessions of the mid-1980s, mid-1990s, and early 2000s. Finally, in some countries, we see dramatic shifts in generosity over time, such as in

7 The index for a given country-year is calculated as: Coverage $*$ $\{2 * z[\text{Benefit replacement rate}] + z[ln(\text{Benefit duration weeks})] + z[ln(\text{Benefit qualification weeks})] + z[\text{Waiting days}] + 12.5\}$, where z is the z-score of the associated component normalized on the cross-national mean and standard deviation of that component in 1980.

Denmark and Sweden, where unemployment benefits increased sharply for the first two decades of the period before falling off markedly in the mid-1990s, and in Great Britain, where generosity increased considerably during the Labour governments of the 1970s and then declined sharply during the years of the Thatcher administration.

Our task, of course, is to assess whether the cross-national and temporal variation shown in Figure 2 is due primarily to

- the electoral commitments of parties that have ministerial responsibility for employment policy, or[8]
- reflects a compromise among the commitments of all parties in government, or
- whether this depends on the institutional context within which a government operates.

To measure the expressed policy preferences of parties, we make use of the data on party manifestos produced by the Manifestos Project. While there are well-known issues associated with these data (see, e.g., Volkens 2001; Lowe et al. 2011), the manifestos dataset remains the most comprehensive available in terms of the countries, elections, and parties covered. More importantly, the manifestos data is theoretically the most appropriate data for our purposes. Governments do not make policy choices regarding unemployment benefits on a tabula rasa. Instead, each government inherits and existing policy, and must decide whether to retain this policy or change it. Put differently, the location of the *status quo* is critical. We need to know whether individual parties wish to maintain the status quo, or move policy to the right or the left. The manifestos (and related documents) published by parties during their election campaigns contain precisely this type of information In the CMP data, most manifesto statements (all of them in our particular measure) are coded *directionally* with respect to how a party pledges to change the status quo. That is, the coding of manifesto statements indicates whether a party wants, for example, to *expand* or *contract* the size of the welfare state, or whether they wish to *increase* or *decrease* spending in a particular policy area.

[8] We use the generic designation "employment minister" to refer to the minister with primary responsibility for making changes to unemployment benefits. For our countries and time frame, this minister was almost always the labor minister; in some instances, however, the responsible minister was the social affairs minister or the economic affairs minister.

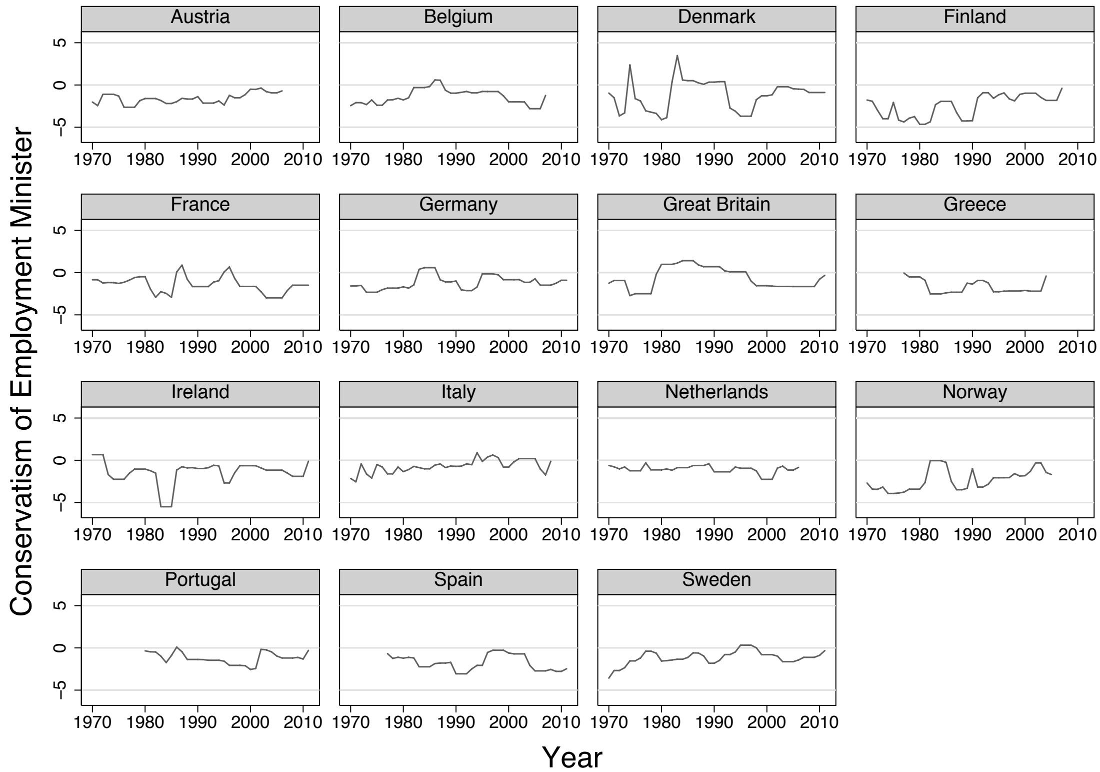

Figure 3. Conservatism of Employment Minister, by Country and Year

Because unemployment policy is intrinsically an economic issue, we use the economic scale developed by Lowe et al. (2011), which measures party positions on state involvement in the economy. Parties that pledge, on net, to reduce the role of the state in the economy (lowering regulations on business and cutting back welfare state benefits) receive positive values on this scale, while parties that pledge, on net, to expand state involvement in the economy (increasing market regulation and expanding welfare state benefits) receive negative values on the scale. In Figure 3, we display the *Conservatism of the Employment Minister* on this economic scale, aggregated by country-year. We see that, most of the time, employment ministers have negative values on this scale, thus reflecting electoral pledges to expand the welfare state. There are notable exceptions, however, such as in Great Britain during the years of the Thatcher/Major administration (contrasting sharply with the Labour governments that came before and afterwards); in Denmark during the years of the rightist "four-leaf clover" governments of the 1980s (which were preceded and followed by social-democratic governments); the right-wing Chirac administration in France in the mid-1980s and the Juppé/Balladur governments in the mid-1990s (which both followed and were succeeded by socialist governments); and the Berlusconi governments that succeeded the (welfarist) Christian Democratic administrations in Italy in the mid-1990s. Thus, the measure does appear to be picking up on well-known cases of major switches in government ideology over time.

We can also calculate the position of the coalition as a whole on our economics scale. Following Martin and Vanberg (2014), we calculate the coalition compromise position as the *seat-weighted average position* of all the parties in the government. Our theoretical argument is that, where legislative policing institutions are "strong," policy changes will be driven primarily by changes in the coalition compromise position, rather than changes in the preferences of the party of the minister. To test that claim, we obviously need to be able to separate the position of the minister from the position of the coalition as a whole—i.e., we need a measure of *divergence* between the minister and the coalition compromise. We calculate this simply as the economic position of the coalition compromise minus the position of the employment minister. Thus, a positive value indicates that the position of the minister is to the left of the position of the coalition, while a negative value indicates that the minister is to the right of the coalition.

We display this measure, which we call *Conservatism of Government Relative to Employment Minister* (aggregated over a country-year), in Figure 4. With the exception of the single-party governments of Great Britain and Spain, we see quite a bit of variation over time in most countries. Most divergence occurs in either large coalitions, such as in Belgium and Finland, or in "grand coalitions" that unite parties of the (economic) left with those of the right, such as in Austria for several years, Germany in the mid-2000s, Ireland during the Fine Gael/Labour coalitions in the 1980s, and the Netherlands during the years of the "purple coalition" in the mid- to late-1990s.

In line with our institutional argument, we will interact this divergence measure with a measure of legislative policing strength. In the previous section, we described eight features of legislative rules, committee structures, and ministerial powers that serve to strengthen, or weaken, the ability

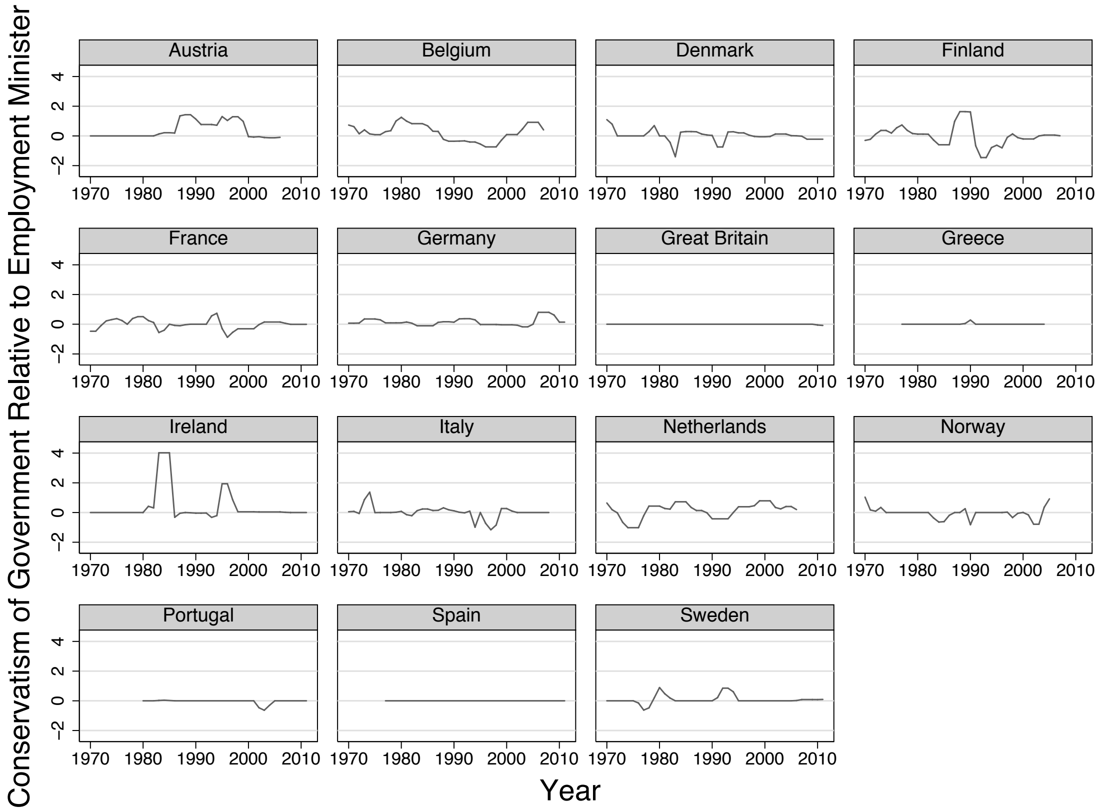

Figure 4. Conservatism of Government Relative to Employment Minister, by Country and Year

of coalition partners to effectively scrutinize and amend ministerial initiatives. Martin and Vanberg (2011, 47) develop an index of parliamentary policing strength that is derived from a principal components analysis of these eight institutional features. Figure 5 displays this index for the 15 European legislatures included in our data. The picture that emerges is consistent with conventional scholarly impressions, with some of the strongest legislatures found in the "consensus" systems of the Netherlands, Austria, and Germany, and some of the weakest legislatures found in the "majoritarian" democracies of the UK, France, and Ireland.[9] We now turn to examining whether these institutional rules are important in determining which party commitments, if any, are translated to policy changes.

9 For specifics regarding the derivation of this index, see Martin and Vanberg (2011, 49). The values of the index are: Netherlands (0.88), Austria (0.81), Germany (0.68), Denmark (0.62), Sweden (0.48), Finland (0.39), Spain (0.33), Norway (0.30), Italy (0.28), Belgium (0.26), Portugal (0.24), Greece (-0.51), France (-1.18), Ireland (-1.84), and Britain (-2.51).

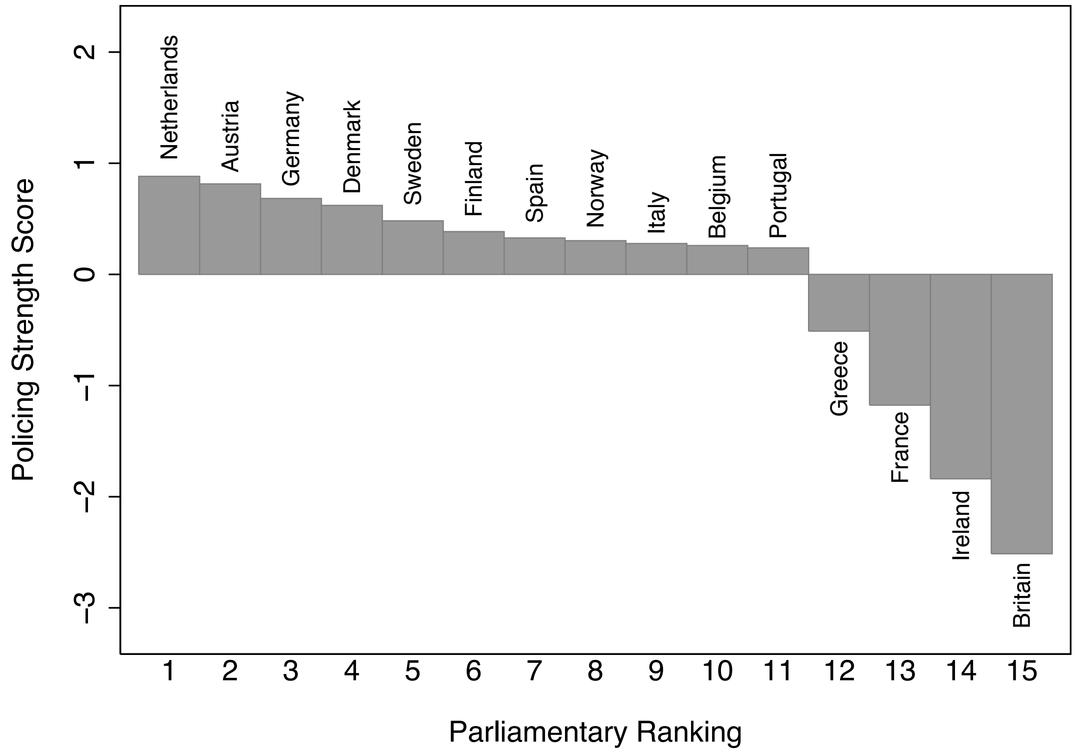

Figure 5. Policing Strength of 15 European Parliaments

4. Analysis and Findings

Given the longitudinal structure of our data, we use time-series cross-section (TSCS) methods—specifically, an error-correction model (ECM)—for our analysis. In this type of model, the dependent variable is measured in terms of its *change* from one period to the next, rather than its level in any particular period. Thus, in our application, the dependent variable is yearly change in a country's level of unemployment insurance generosity. One virtue of TSCS models is that they allow estimation of both short-term and long-term effects of the covariates. Thus, we will be able to assess how our key theoretical variables—the economic conservatism of the employment minister and the conservatism of the government relative to the employment minister (conditional on the strength of legislative policing institutions)—translate to immediate changes in the generosity of unemployment benefits and to changes in benefits in subsequent years.[10]

[10] While the ECM was developed for (and has most often been applied to) the investigation of single time series (see, e.g., Davidson et al. 1978; Engle and Granger 1987), it is equally suitable for the analysis of TSCS data

To identify the causal effects of these variables, we take into account three macroeconomic indicators that we view as potential confounders, as we expect them to have an impact both on the provision of unemployment benefits in a given year and on the economic positions taken by government parties. Specifically, we control for the (short-term and long-term) impact of the unemployment rate, growth in GDP per capita, and growth in the budget deficit.[11] These macroeconomic indicators tap into both the demand for unemployment benefits and the capacity of governments to deliver them. As with our theoretical variables, we account for their short-term and long-term effects on unemployment insurance generosity.[12]

We also include lags of the dependent variable in the model—specifically, a one-year lag of the *level* of unemployment insurance generosity and a one-year lag of the *change* in the level of unemployment insurance generosity.[13] As with the macroeconomic indicators, our primary rationale

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(Beck and Katz 2011; De Boef and Keele 2008). The most common model for TSCS data is the autoregressive distributed lag (ARDL) model, which (in its most general form) regresses the level form of the dependent variable on contemporaneous and lagged values of the covariates and lagged values of the dependent variable. Through a simple transformation (such as the Bewley or Bardsen transformation), the quantities of interest from an ARDL model can be re-parameterized as ECM equivalents (Banerjee et al. 1993). As long as all model variables are stationary (i.e., mean-reverting over time), then either model can be used; however, in the event of non-stationarity, standard errors in the ARDL model will generally be biased downwards. To test for non-stationarity, we conducted the non-parametric unit root test for panel data advocated by Maddala and Wu (1999), originally developed by Fisher (1932), which is based on the combined p-values of individual unit root test statistics for each panel in the sample. For the panel-specific unit root tests, we used both the augmented Dickey-Fuller and Philips-Perron tests under several different assumptions about the prevailing lag structure (specifically, we varied the lags from zero to four). On the basis of these tests, we are able to reject the null hypothesis of a unit root in the dependent variable and all the covariates in our analysis. Thus, both the ARDL and ECM models are appropriate for our data. We settle on the ECM because it has the property of providing direct estimates of both the short-term and long-term effects of the covariates (De Boef and Keele 2008; Beck and Katz 2011), which facilitates interpretation.

[11] Our measure of growth in GDP per capita is from the OECD Economic Outlook database (OECD 2010), while our measures of the unemployment rate and the growth in the budget deficit are from the Comparative Political Data Set I (Armingeon et al. 2011). On the basis of our diagnostic unit root tests, we could not rule out non-stationarity of the unemployment rate, and thus we use its natural log instead. With this transformation, the variable is stationary.

[12] We have no strong expectations regarding the direct or indirect impact of the control variables. While we suspect that increasing economic growth, all else equal, will lead to an increase in benefits by raising the level of resources available to fund unemployment programs—and by lessening pressures on political actors to campaign on welfare cuts—the expected impact of the other variables is less clear. An increase in the unemployment rate, for example, likely places significant pressure on politicians to promise, and subsequently enact, initiatives to help the newly affected groups; at the same time, an increase in the number of unemployed (without a corresponding increase in government revenues, cutbacks in other areas, or borrowing to finance unemployment programs) might force a scaling back of payments made to existing beneficiaries. Similarly, an increase in a nation's budget deficit might encourage (some) governments to make cuts to welfare state expenditures, particularly those ideologically committed to fiscal discipline; however, other governments might subscribe to the notion that in times of higher deficits, more, not fewer, resources should be directed towards the unemployed in order to boost their household consumption, thereby providing a stimulus to economic growth and higher government revenues down the road.

[13] Including the latter variable, when the former is also included, is equivalent to including a two-year lag of the level of unemployment insurance generosity (the coefficient on the lagged change variable will be of the

for doing so is that we wish to purge from the analysis all sources of possible spurious association between our key causal variables and policy change. First, we suspect that the stances taken by government parties on whether to increase or decrease unemployment benefits depend in part on the generosity of the current system—e.g., we suspect parties are more likely to promise a larger increase in benefits when status quo entitlements are relatively modest than when they are relatively lavish. Moreover, we believe that the previous level of unemployment insurance generosity and the previous amount of change in generosity, irrespective of their effect on party stances, are likely to have a direct impact on the current extent of changes implemented by policymakers. This is because unemployment insurance schemes are not written onto a "blank slate" from one year to the next. Rather, governments inherit existing schemes that set public expectations for what benefits will be in the future. Even if governments would like to make sudden, dramatic changes in one direction or the other, doing so would potentially create uncertainty about future policy shifts, which could have disruptive effects on the spending patterns and planning abilities of households and firms. Thus, given their incentives to reduce uncertainty, we see it as highly unlikely that policymakers will make anything more than incremental changes to unemployment benefits from one year to the next.[14]

same magnitude as the coefficient on the two-year lagged level variable, but with the opposite sign). Using the approach recommended by Hendry (1995) to choose the appropriate lag structure, we first estimate an ECM with multiple lags of the dependent variable (i.e., we estimate a more general model than the typical ECM, in which only one lag is included) and then "test down" (via t-tests of the coefficients on the lags) to determine how many lags to include (see Keele and Kelly (2006), De Boef and Keele (2008), and Wilkins (2015) for similar advice). We arrive at our choice of two lags through this procedure. Notably, the inclusion of these lags virtually eliminates autocorrelation in the residuals, which is necessary to ensure consistency of the parameter estimates.

[14] Some scholars have cautioned against the use of lagged dependent variables. One reason is that coefficient estimates in a model with a lagged dependent variable are biased if there is residual autocorrelation in the data after conditioning on the other covariates (Davidson and MacKinnon 1993; Achen N.d.). More specifically, the coefficient on the lagged dependent variable is biased upwards, with the coefficients on the other covariates likely biased downwards, if the lagged dependent variable is absorbing dynamic effects of the covariates that are (improperly) excluded from the model (Plümper, Troeger and Manow 2005). While this is a valid point, we do not interpret it as a reason to exclude lags of the dependent variable—particularly given our view about how governments make policy decisions—but rather as a reason to specify a model that takes into account the possible dynamic effects of the covariates by estimating both their short-term and long-term effects. Such a specification should (and in our case, does) reduce autocorrelation to an insignificant level, thereby mitigating the risk of including a lagged dependent variable (Keele and Kelly 2006). Nonetheless, to ensure that our findings are robust to this decision, we estimate an alternative model that excludes the lags of the dependent variable and corrects the parameter estimates for serial correlation in the residuals through a Prais-Winsten transformation. We discuss these findings below.

Another issue we must consider concerns the possibility of unobserved heterogeneity at the country level in the provision of unemployment benefits. As Figure 2 earlier made clear, differences do exist in the average level of generosity across countries, which may be due to any number of factors (e.g., a country's history or "culture") that cannot easily be incorporated into an empirical model. If these unobserved factors also affect the economic positions taken by political parties, then we must (again) be concerned about the possibility of a spurious relationship between our causal variables and policy change. The standard approach to dealing with this issue in TSCS data is to add country-specific intercepts (i.e., unit "fixed effects") to the specification.[15] This eliminates the possibility of omitted variable bias arising from time-invariant factors at the country level, but it carries a price in that it removes potentially valuable information from the analysis, and may suppress the effects of covariates that are measured in levels since cross-national differences in levels will be partially absorbed by the country-specific intercepts (Beck and Katz 1995; Plümper, Troeger and Manow 2005).[16] While we have a slight preference for a pooled model for this reason, our strategy is to estimate *both* a pooled model and a fixed effects model, and then investigate the sensitivity of the parameter estimates to the choice of specification.

We present the results of our analysis in Table 1, providing both the *short-term* and *long-term* effects of the covariates on change in unemployment insurance generosity. Importantly, we note very few substantive differences between the pooled model and the fixed effects model. For simplicity,

[15] This procedure is numerically equivalent to de-meaning the dependent variable and all covariates prior to model estimation, which is commonly referred to as the "within transformation" of variables. Obviously, the de-meaning of variables means that the effect of time-invariant variables cannot be estimated. Although our legislative policing variable is time-invariant, it enters the estimation only through its *interaction* with the relative conservatism of the government, which therefore makes it time-varying.

[16] Another problem with fixed effects estimation arises in the particular case (such as we have here) where a lagged dependent variable is included in the model. The (implicit) de-meaning of the lagged dependent variable induces a correlation between this variable and the contemporaneous value of the error term, leading to bias in its estimated coefficient (Nickell 1981). Several instrumental variable estimators have been proposed to overcome this problem (see, e.g., Anderson and Hsiao 1982; Arellano and Bond 1991; Wawro 2002), which is particularly pronounced in short time series. Fortunately, the bias decreases significantly as time (T) increases. On the basis of Monte Carlo simulations, Beck and Katz (2011) find that when T is greater than 20 (our average T is 33, with the smallest, Greece, being 22), OLS fixed effects estimation with a lagged dependent variable performs as well as, if not better than, instrumental variable estimators. Nonetheless, we estimate an alternative fixed effects model, just as we do with the pooled model, that excludes the lags of the dependent variable and corrects the parameter estimates for serial correlation in the residuals through a Prais-Winsten transformation. We discuss these findings below.

TABLE 1. Effect of Changes in Economic Policy Preferences of the Employment Minister and the Government on Change in Unemployment Insurance Generosity, Conditional on Legislative Policing Institutions

Explanatory Variables	**Pooled Model**	**Fixed Effects**
(Short-term effects)		
Δ Conservatism of Employment Minister	-0.087***	-0.067**
	(0.027)	(0.027)
Δ Relative Conservatism of Government	-0.112**	-0.097*
	(0.056)	(0.055)
Δ Relative Conservatism of Government $*$ Policing Strength	-0.109**	-0.110**
	(0.056)	(0.054)
Δ Log Unemployment Rate	0.059	0.018
	(0.117)	(0.118)
Δ GDP per Capita Growth	0.104**	0.103**
	(0.048)	(0.047)
Δ Deficit Growth	-0.020**	-0.022**
	(0.009)	(0.009)
(Long-term effects)		
Conservatism of Employment Minister $(t-1)$	-0.020	0.013
	(0.017)	(0.021)
Relative Conservatism of Government $(t-1)$	-0.057	-0.043
	(0.039)	(0.040)
Relative Conservatism of Government $*$ Policing Strength $(t-1)$	-0.015	-0.025
	(0.044)	(0.046)
Log Unemployment Rate $(t-1)$	-0.074**	-0.079*
	(0.033)	(0.047)
GDP per Capita Growth $(t-1)$	0.107	0.123*
	(0.066)	(0.066)
Deficit Growth $(t-1)$	-0.022	-0.031**
	(0.014)	(0.013)
Unemployment Insurance Generosity $(t-1)$	-0.027***	-0.112***
	(0.005)	(0.019)
Δ Unemployment Insurance Generosity $(t-1)$	0.084*	0.102**
	(0.044)	(0.043)
Intercept	0.378***	1.267***
	(0.093)	(0.190)

Coefficient estimates from error correction model, with panel-corrected standard errors in parentheses. Country-specific intercepts in fixed effects model not shown. Dependent variable: Δ Unemployment Insurance Generosity. N: 498 country-years. Significance levels : $*$: 10% $**$: 5% $***$: 1%.

then, we focus on the results from the pooled model. We begin by considering the estimated short-term effects.

We should note that the coefficient estimates for the theoretical variables must be interpreted with caution since multiple interactions are present in the model. In particular, recall that the coalition compromise position on economic policy is expressed *relative to* the position of the minister, and this relative conservatism variable is itself interacted with the policing strength index. Thus, the negative (and statistically significant) coefficient estimate for the variable, Δ *Conservatism of Employment Minister*, represents the expected annual change in unemployment insurance generosity when the minister moves by one unit in a conservative direction in that year *and* when the change in the relative conservatism of the government in that year is equal to zero—i.e., when the coalition compromise position changes in the same direction and by the same magnitude as the minister's position. For all practical purposes, this only occurs when there are successive years of single-party government, since the position of the minister and the position of the government are (assumed to be) identical. Similarly, the negative (and statistically significant) coefficient estimate for the variable, Δ *Relative Conservatism of Government*, is the expected annual change in unemployment insurance generosity when the government as a whole moves one unit further to the right of the minister in that year *and* when this occurs in legislatures where the policing strength index is equal to zero (which is, incidentally, not a value that occurs in our set of countries).

Given the nature of these interactions, we therefore provide visual interpretations of the substantive effects of our key variables. We begin with the effect of the relative conservatism of the government. In Figure 6, we display the effect of a one standard deviation increase in the conservatism of the government vis-à-vis the employment minister *conditional on* the strength of legislative policing institutions (see Figure 5 for the values of the policing index for the 15 countries in our study). The figure shows that where legislative institutions are sufficiently strong to allow partner oversight and amendment of ministerial policy proposals, an increase in the relative conservatism of the coalition leads to a reduction in the generosity of unemployment insurance. Conversely, where legislative institutions are weak, a change in the position of the coalition as a

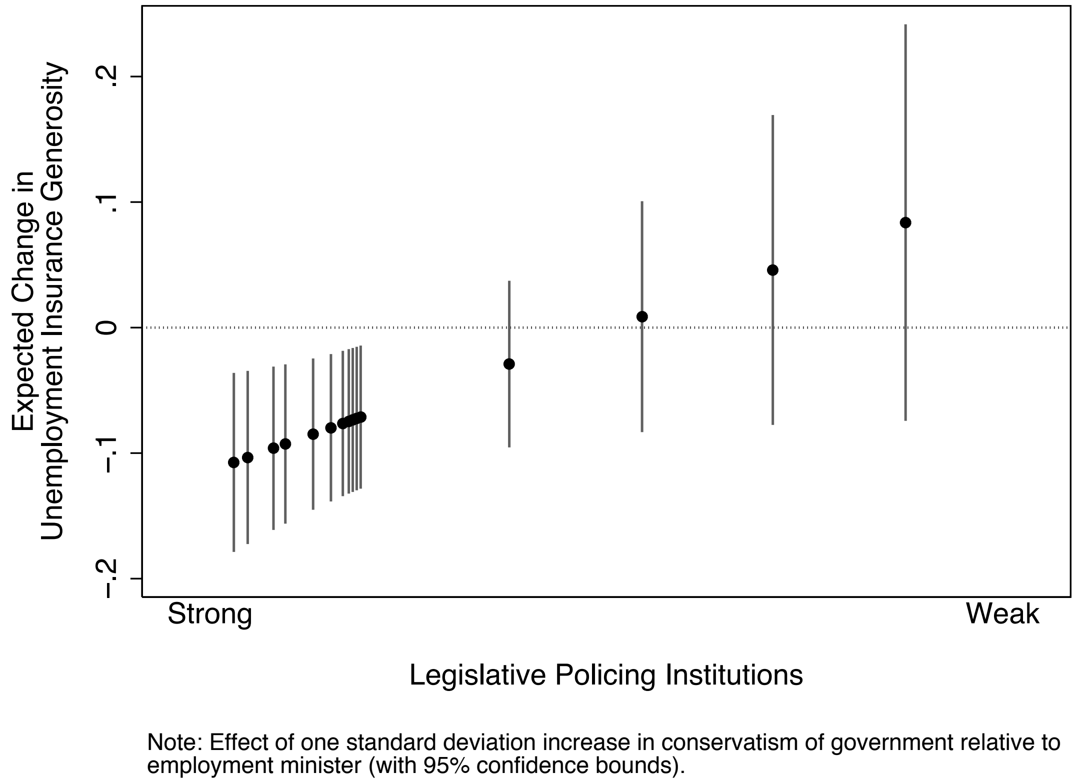
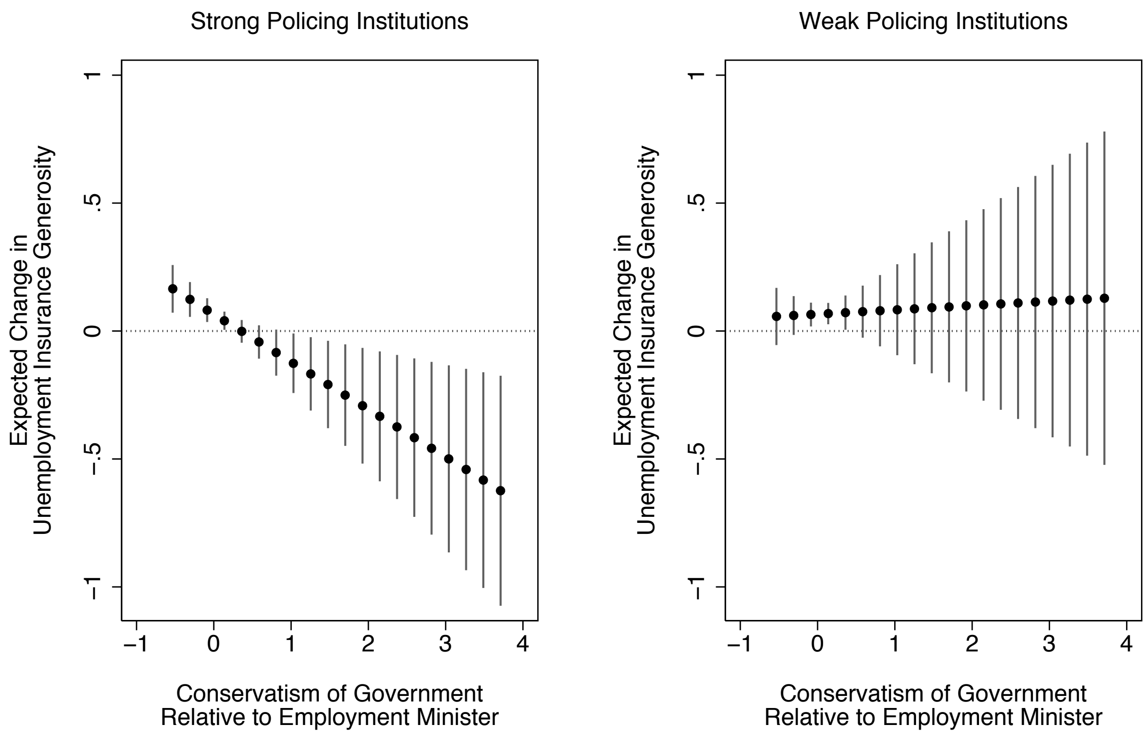


FIGURE 6. Effect of Change in Relative Conservatism of Government on Change in Unemployment Insurance Generosity, Conditional on Legislative Policing Institutions

whole has no statistically discernible effect on changes to unemployment benefits. This finding is important in that it demonstrates, for the first time, that policing institutions have an impact not only on the *legislative behavior* of coalition parties (Martin and Vanberg 2011, 2014) but on the types of policies they produce.

It is worth noting, however, that Figure 6 does not directly show the effect of a change in the minister's preferences on change in unemployment policy. That is, while it does suggest that a shift in coalition preferences away from the minister will—in strong legislatures—dilute the impact of the minister's preferences, it does not indicate whether the dilution effect is so great that a move by the minister is virtually irrelevant to change in unemployment policy. We investigate this possibility in more detail in Figure 7 by examining a hypothetical scenario in which the economic position of the employment minister shifts dramatically to the left from one year to the next



Note: Effect of extreme leftist shift by the employment minister (5th percentile) conditional on increase in coalition conservatism (with 95% confidence bounds). Strong policing institutions set at the level of Germany. Weak policing institutions set at the level of France.

FIGURE 7. Effect of Change in Preferences of Employment Minister on Change in Unemployment Insurance Generosity, Conditional on Relative Conservatism of Government and Legislative Policing Institutions

(more precisely, we set the size of the shift at the 5^{th} percentile of the variable, Δ *Conservatism of Employment Minister*, in the sample data). We then predict how unemployment insurance generosity should change in that year, *conditional* on changes in the conservatism of the coalition as a whole relative to the employment minister. The values of relative government conservatism (shown on the horizontal axis) reflect the full range of this variable when the minister's position change is set at its hypothetical value. The prediction is also conditioned on the strength of legislative policing institutions. Specifically, in the left pane of the figure, the policing index is set at the upper quintile value of the countries shown in Figure 5—Germany—while in the right pane, the policing index is set at the lower quintile value of the countries—France.

The differences across the two sets of legislative institutions are quite stark. When policing institutions are as strong as those of the German Bundestag, yearly change in unemployment policy is expected to be quite sensitive to change in the position of the coalition as a whole, as indicated by the downward slope in the predictions. In approximately 35% of country-years, when the minister has moved this far to the left, the coalition position has become either somewhat more leftist or (more commonly) much more conservative. In either case, the generosity of unemployment benefits is expected to shift significantly towards the coalition compromise position.

In contrast, this never happens under weak legislative institutions, as indicated by the nearly flat slope in the predictions in the right pane. When policing institutions are similar to those of the French Assemblée Nationale, policy change tends to be more responsive to the preferences of the minister. One interesting difference between the two systems can be seen in the figure when the relative conservatism of the government moves away from zero. Recall that when relative government conservatism is exactly at zero, this corresponds to a case of single-party government, where, in both systems, the hypothetical leftist shift by the minister is expected to lead to an increase in unemployment generosity. This is perhaps not surprising, although as we mentioned earlier, very few studies have demonstrated such a partisan effect of individual ministers on policy change. But note that in strong legislatures, as soon as the coalition compromise position begins to deviate from the minister's position, policy is expected to change in the same direction as the coalition shift. In weak legislatures, in contrast, the employment minister is expected to change policy in accordance with his leftward shift (i.e., increasing benefits) even as the coalition as a whole is becoming more conservative. This tendency holds for approximately 60% of the country-years in the sample. Importantly, though, there does appear to be a limit to the minister's dominance in weak systems. Specifically, as the coalition compromise shifts by approximately one unit or more in a conservative direction away from the minister, we no longer expect to see an increase in unemployment insurance generosity. This suggests that while coalition partners in these systems might be able to *prevent* a minister from changing policy when they strong disagree with his position, they cannot force the minister to instead enact the policy changes they desire. As we discussed earlier, that would require legislative institutions and structures that would allow partners to develop feasible alternatives to the minister's proposals and to push for meaningful amendments. Thus, in weak legislatures, while the results suggest that moderate divisions between the minister and the coalition will go in favor of the minister, extreme divisions will likely lead to a continuance of the status quo policy.

Notably, as we also see from Table 1, the effects of our theoretical variables appear to be confined to the short term. We calculate the long-run multiplier (LRM) for the *Conservatism of Employment Minister* and the *Relative Conservatism of Government* (under all values of legislative policing strength), and we find no statistically significant effect on unemployment insurance generosity.[17] This is a substantively interesting finding, in that it suggests that all changes made to unemployment benefits that are due a shift in ministerial and government policy preferences are expected to occur in the first year following the shift. Thus, to the extent that policy changes in this area are responsive to changes in the positions of the relevant actors, this appears to happen fairly quickly.[18]

5. Conclusion

It is no accident that the study of coalition governance has been a mainstay of comparative politics for decades. In most democratic polities, especially those that employ proportional representation electoral systems, multiparty governments are the norm. In recent years, motivated in large part by a concern for the quality of democratic representation, scholars have increasingly shifted attention to understanding the policy process under coalition governments between their formation and termination: What positions do these governments take? Which parties' priorities

[17] The LRM for a variable in an error-correction model is computed by dividing its coefficient by the negative of the coefficient on the lagged dependent variable. Because the LRM is a ratio, the variance is approximated as $(\frac{1}{b^2})Var(a) + (\frac{a^2}{b^4})Var(b) - 2(\frac{a}{b^3})Cov(a,b)$, where a represents the long-run estimated effect of the covariate and b represents the coefficient on the lagged dependent variable.

[18] Given our previous discussion of including lagged dependent variables in the model, and some of the potential pitfalls associated with this decision, we also estimate pooled and fixed effects models in which they are excluded. In Appendix Table 1, we present the results of a Prais-Winsten regression that corrects for AR1 autocorrelation. We see that the estimated effects of our causal variables are actually somewhat stronger under this specification, as the logic of Plümper, Troeger and Manow (2005) would suggest. However, we cannot be sure whether the greater effects are due, as they would argue, to an absorption of the covariate effects by the lagged dependent variable in the ECM specification or to omitted variable bias in the Prais-Winsten specification. Because we have theoretical reasons, as discussed previously, for including the lagged dependent variable in the model, we prefer our ECM specification, although we are comforted by the fact that our findings are not very sensitive to this choice.

and preferences are reflected in policy choices? Which sets of voters are these governments responsive to? A prominent theme in this literature concerns the tensions that result from the delegation problems that multiparty governments must confront. These tensions are rooted in the fact that the parties that govern jointly must pursue common policies, but have different preferences over them. In addition, they must delegate considerable discretion in policy development and implementation to individual cabinet ministers, who have access to departmental resources that provide required policy expertise. As a consequence, multiparty governments must deal with the fact that ministers have incentives and opportunity to undermine coalition compromise agreements. Coalition governance constitutes a problem of credible commitment.

The central argument of this paper is that whether coalitions can resolve this commitment problem depends on institutional context. Where coalition partners have access to resources that allow them to scrutinize ministerial draft bills effectively, and to advance alternative policies, compromise agreements are viable. As a consequence, coalition policy will tend to reflect the influence of all government parties. In the absence of such institutions, however, it is difficult to control ministerial drift, and as a result, policy in each jurisdiction will tend to reflect the preferences of the party with ministerial jurisdiction.

While a number of institutions can conceivably be employed to "keep tabs" on coalition partners, we have argued that the legislative process provides a particularly important and prominent forum for doing so. The reasons for this are both practical—strong legislative institutions provide natural opportunities for scrutiny and change—and political. Because legislative scrutiny occurs after bill introduction, it is compatible with ministerial credit-claiming in ways that institutions that rein in ministers prior to the unveiling of a legislative proposal are not. Our empirical evidence, which focuses on the generosity of unemployment benefits in 15 countries over roughly a 40-year period, provides strong support for these arguments. Where legislative institutions are weak, changes in policy are primarily sensitive to the preferences of ministers with jurisdiction over unemployment. However, where legislative institutions are strong, this is no longer true. In such settings, it is primarily the compromise position of the coalition as a whole that drives changes in policy.

These findings have significant implications for how we should think about responsiveness in parliamentary systems. Most obviously, they imply that *whose* preferences are reflected in policy under coalition governments depends critically on broader institutional features of the political system. In systems in which ministers dominate the legislative process, policy tends to reflect the electoral commitments of ministerial parties, and is thus predominantly responsive to the preferences of voters who backed the party with control over the relevant ministry. In systems that distribute influence more equally across parties that participate in government, policy is responsive to a broader coalition of voters, and represents a compromise position. Normative evaluations of the quality of democracy should thus incorporate institutional details into their analysis. Similarly, in deciding how to cast their votes—both in terms of prospective expectations for policy, as well as in terms of retrospective accountability—voters should be sensitive to the institutional details of their polity.

These findings also have significant implications for theories of coalition formation and portfolio allocation. Our results suggest that the *same government*—in terms of its party composition and portfolio allocation— will make *different policy choices* in different institutional settings, and these policy choices will be favored by different sets of citizens. Consider what this means for how we ought to think about the allocation of portfolios across specific parties—an aspect of government formation that often receives significant media and scholarly attention. While politicians may be intrinsically interested in which portfolio they receive, our argument and findings highlight that how significant portfolio allocations are for the quality of representation (and thus, for citizens) varies across institutional settings. In some circumstances, the allocation of a ministry to one party rather than another is likely to have significant implications for policy choices, as highlighted by Laver and Shepsle (1990, 1996). But in other settings, it may not make a substantial difference: Policy will be jointly determined by the preferences of the coalition partners, regardless of whether they control the relevant ministry.

Of course, expectations about the policy outcomes that are predicted to result from alternative coalitions also shape negotiations over coalition formation. Explicitly incorporating these considerations into formation bargaining was the seminal contribution of the Laver and Shepsle (1990, 1996) and Austen-Smith and Banks (1988) approaches. Our contribution highlights that because institutional context shapes the ability of coalitions to reliably enforce compromise agreements, this context is also likely to play a role for coalition formation. For example, we would expect that the ideological compactness of a coalition is likely to matter less to party elites in systems with strong legislative institutions than in systems with weak institutions because ideologically-divergent ministers can be more reliably constrained in the former than in the latter. Similarly, we would expect patterns of portfolio allocation to be sensitive to institutional context. For example, in systems with strong legislatures, parties may be more willing to allocate important ministries to relative preference outliers in the expectation that these outliers can be effectively contained; conversely, in systems with weak legislatures, parties may prefer to award important ministries primarily to parties with centrally-located preferences. In short, recognizing the significance of the institutional environment within which coalitions make policy potentially opens up a number of ways to push forward our understanding of multiparty governance.

Online Appendix

Appendix Table 1. Prais-Winsten Re-estimation of Table 1

Explanatory Variables	**Pooled Model**	**Fixed Effects**
(Short-term effects)		
Δ Conservatism of Employment Minister	-0.104***	-0.092***
	(0.026)	(0.028)
Δ Relative Conservatism of Government	-0.139**	-0.127**
	(0.060)	(0.060)
Δ Relative Conservatism of Government $*$ Policing Strength	-0.121**	-0.118*
	(0.059)	(0.061)
Δ Log Unemployment Rate	-0.064	-0.115
	(0.127)	(0.129)
Δ GDP per Capita Growth	0.084*	0.092*
	(0.051)	(0.053)
Δ Deficit Growth	-0.018*	-0.018*
	(0.010)	(0.010)
(Long-term effects)		
Conservatism of Employment Minister $(t-1)$	-0.024	-0.006
	(0.020)	(0.025)
Relative Conservatism of Government $(t-1)$	-0.062	-0.043
	(0.046)	(0.049)
Relative Conservatism of Government $*$ Policing Strength $(t-1)$	-0.026	-0.022
	(0.051)	(0.056)
Log Unemployment Rate $(t-1)$	-0.080**	-0.156***
	(0.039)	(0.050)
GDP per Capita Growth $(t-1)$	0.076	0.076
	(0.073)	(0.076)
Deficit Growth $(t-1)$	-0.021	-0.020
	(0.015)	(0.015)
Intercept	0.130	0.232**
	(0.090)	(0.091)

Coefficient estimates from Prais-Winsten regression model, with panel-corrected standard errors, additionally corrected for panel-specific (AR1) autocorrelation, in parentheses. Country-specific intercepts in fixed effects model not shown. Dependent variable: Δ Unemployment Insurance Generosity. N: 503 country-years. Significance levels : $*$: 10% $**$: 5% $***$: 1%.

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