ESSAYS ON THE REDISTRIBUTIVE CONSEQUENCES OF DEMOCRATIC CONSTITUTIONS

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Abstract

Why do some democracies redistribute more than others? In this dissertation, I examine how executive-legislative and electoral institutions, two fundamental dimensions in the design of democratic constitutions, influence redistributive policy. To do so, I develop and empirically evaluate three analytical models that emphasize that these political institutions matter for taxes and transfers because they shape the outcome of partisan conflict over redistribution. Taken together, the theoretical arguments and empirical findings suggest that candidate selection, the partisan composition of government and the bargaining power of the chief executive constitute an important set of mechanisms through which democratic constitutions influence policy. The emphasis on institutional explanations based on political parties that represent divergent societal interests stands in contrast to the common view in the political economy literature that institutions mainly matter for policy because they shape the incentives of identical rent-seeking politicians.

In the first part, I argue that public spending is lower in presidential than in parliamentary democracies because the separation of executive and legislative power under presidentialism reduces the frequency and bargaining power of left governments. Using cross-sectional and panel data covering a global set of democracies, I find evidence consistent with key implications of this argument. In the second part, I suggest that electoral institutions shape partisan conflict over redistribution differently than previously thought. In particular, parties competing for the power to set redistributive policy in majoritarian electoral systems can use legislative recruitment to make credible appeals to pivotal middle-class voters despite the absence of external commitment. In line with this logic of endogenous commitment, I find cross-national evidence that left parties are more centrist but equally likely to control the chief executive in majoritarian compared to proportional electoral systems. In addition, I exploit a natural experiment in Britain to compare candidate selection under alternative electoral systems. In the final part, I analyze why governments sometimes pursue eco-
onomic reforms that deviate significantly from their electoral promises and why presidents are more likely than prime ministers to do so. I develop and test the argument that both executive-legislative institutions and economic conditions are crucial determinants of the program-policy link.
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To my parents
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Chapter 1

Introduction

The political redistribution of income is a core aspect of many public policies. A prominent view among scholars is that democracy entails the redistribution of income from the relatively rich to the relatively poor. This intuition has been captured and made more precise in the academic literature by median voter models of redistribution (e.g., Meltzer and Richard [1981]). They predict (but do not aim to justify as a normative ideal) that political competition leads to a policy that represents the redistributive interests of the voter with the median income. The proposition that democracy entails redistribution is complicated by the fact that real-word democracies are representative. They leave little room for voters at the national level to directly choose redistributive policy. Moreover, not all representative democracies are created equal. The comparative politics literature has documented that the basic constitutional structure, which defines the rules of the game under which politicians compete for the power to set policy, varies considerably across democracies (e.g., Cox [1997], Lijphart [1999], Shugart and Carey [1992]). This empirical variation introduces the question of how differences in the design of democratic constitutions influence redistribution. Does it make a difference for egalitarian taxes and transfers, for example, if a country is a presidential or a parliamentary democracy? Do we have reason to expect that redistributive policies will change if a country were to change its electoral system from a first past the post system to...
proportional representation? If so, what are the mechanisms through which democratic con-
stitutions shape the outcome of redistributive conflict? Moreover, to what degree does the
redistributive effect of political institutions depend on economic conditions? In this disserta-
tion, I build on the literature on comparative political institutions and combine the analytical
tools of game theory and quantitative empirical analysis to provide some answers to these
questions. I focus on two fundamental differences in the design of democratic constitutions.
The first concerns the structure of executive-legislative institutions. As I will explain in more
detail later, the distinction between presidential and parliamentary democracies captures a
bundle of institutions concerning the separation of power between the chief executive and
legislature. In presidential democracies, the chief executive is directly elected, unaccountable
to the legislature and typically unable to dissolve it. In parliamentary democracies, the chief
executive emerges from the legislature, can be removed by it and often has the countervailing
power to dissolve it. The second constitutional difference concerns the electoral rules that
regulate the selection of legislators, in particular the contrast between majoritarian electoral
rules such as the first past the post system and proportional representation electoral systems
with multi-member districts and a fairly proportional translation from votes into seats.\footnote{Several countries establish the electoral rules outside their formal written constitution. Regardless of their legal status, electoral rules are an essential component in the rules of the game under which democratic conflict over redistribution takes place.}

The analysis of the redistributive consequences of representative political institutions has
a long intellectual tradition, reflecting the prominence of redistributive conflict in politics.
For example, in the Federalist No. 10 James Madison (\citeyear[2008]{Madison1788} analyzes to what extent
the Constitution of the United States will limit redistribution. The more recent literature in
political science and economics has documented several striking relationships between demo-
cratic constitutions and redistributive policies and outcomes. The landmark study of Persson
and Tabellini \citeyear{Persson2003} has shown for a large cross-section of contemporary democracies that
public spending is lower in presidential than parliamentary democracies. It also finds lower
spending in countries with majoritarian compared to proportional electoral rules. These differences persist when controlling for possible confounders such as income per capita, market inequality, demography, geographic location or colonial origin. Moreover, there is evidence among the economically advanced democracies that redistribution through taxes and transfers is higher in proportional than majoritarian electoral systems. Funk and Gathmann, forthcoming. While the observational nature of the data cautions against a straightforward causal interpretation of these patterns, Acemoglu, 2005, they suggest that we need to take seriously the possibility that differences in the design of democratic constitutions play an important role in explaining why some democracies redistribute more than others. The observed variation in policy is not explained by the general view that democracy entails redistribution nor by the particular logic of median voter models.

To analyze the redistributive consequences of democratic constitutions, I develop and empirically evaluate a series of distinct analytical models. They emphasize that executive-legislative and electoral institutions influence redistributive policy by shaping the outcome of partisan conflict over redistribution. Building on a large literature in political science, the common theoretical starting point is that political parties aim to represent particular societal interests (e.g., Boix, 1998; Hibbs, 1977). In this partisan framework, the unifying theme is that political institutions matter for redistribution because they shape to what extent parties representing groups favoring or opposing income redistribution dominate government. I will argue that democratic constitutions influence parties’ selection of candidates and redistribute platforms before the election, shape the resulting post-electoral partisan composition of government as well as the power of partisan policymakers to pursue their redistributive goals. Drawing on multiple data sets, I find evidence consistent with key implications of these arguments.

The dissertation’s emphasis on institutional explanations based on policy-motivated parties stands in contrast to the common view in the political economy literature that po-
political institutions mainly matter for policy because they shape the incentives of identical rent-seeking politicians (e.g., Bueno de Mesquita et al. 2003; Myerson 1993; Persson and Tabellini 2000; Persson, Roland and Tabellini 2000). My theoretical approach builds on and extends models that combine a partisan framework of economic policymaking with a focus on political institutions (e.g., Alesina, Londregan and Rosenthal 1993; Alt and Lowry 1994; Iversen and Soskice 2006). The partisan-institutional framework neither presumes nor predicts that there will always be partisan differences in redistributive policies. Rather, the theoretical models suggest that partisan differences are contingent on political institutions. Among others, parties should have different incentives to appeal to middle class voters under alternative electoral rules. Depending on the structure of executive-legislative institutions, they face different probabilities of controlling the government and when elected have more or less power to pursue their redistributive goals.

Main Arguments and Findings

There are three substantive chapters. While the chapters share the same theoretical outlook and methodological approach, each addresses a different aspect of how democratic political institutions affect partisan conflict over redistribution. In each chapter, I develop a game theoretic model that compares redistribution under alternative constitutional structures. The theoretical models serve as an analytical tool to explore the logical consistency of the proposed argument as well as to organize the data and motivate the empirical analysis. This analytical-empirical approach reflects the view that, in the context of the positive debate about the redistributive consequences of democratic political institutions, an applied theoretical model should be able to account for the known macro-level relationships between institutions and policies as well as suggest new empirical implications that shed light on the mechanism that may generate them (e.g., Rodden 2009). Ideally, it helps scholars to identify a research design that goes beyond the reduced-form relationships and allows for
credible causal inferences concerning plausible mechanisms. With this in mind, the models are kept deliberately simple. They focus on a few key mechanisms. As will hopefully become apparent in the chapters that follow, the models go beyond existing theoretical accounts of institutions and redistributive politics.

Beyond the focus on comparing redistributive policymaking under alternative constitutions of representative democracy, there are two foundational assumptions common to the theoretical models in all three chapters. First, politicians are (at least partially) policy motivated. Second, there is no exogenous commitment. The absence of external commitment in policymaking is often thought to be a key problem in redistributive politics (Acemoglu and Robinson, 2006; Boix, 2003). In the context of democratic politics it refers to the fact that parties cannot enter binding contracts with voters so that, for example, campaign promises are not enforced by the legal system (Alesina, 1988; Iversen and Soskice, 2006; Manin, Przeworski and Stokes, 1999; Persson and Tabellini, 2000). The chapters differ in the rules of the game they consider and/or the structure of the economy.

**Presidentialism, Parliamentarism, and Redistribution**

Chapter 2 develops and tests a new theory that explains how differences in executive-legislative institutions between presidential and parliamentary democracies influence redistributive policy by shaping the distribution and bargaining power of partisan governments that represent distinct economic interests. The theoretical model highlights two institutional mechanisms. One mechanism is based on chief executives’ power to dissolve the legislature, which exists in parliamentary but not in presidential democracies. Dissolution power strengthens the bargaining power of chief executives. It allows them to extract policy concessions from veto players with divergent preferences. The second mechanism is based on the existence of a separate (fused) electoral origin of the chief executive in presidential (parliamentary) democracies. This shapes the probability of divided partisan control of gov-
ernment. The argument implies that given low initial levels of redistribution, subsequent redistributive spending should be lower in presidential than in parliamentary democracies because the separation of executive and legislative power under presidentialism reduces the frequency and bargaining power of left governments. The empirical analysis goes beyond the reduced-form relationship between executive-legislative institutions and fiscal policy and examines the relevance of partisan mechanisms emphasized by the theoretical model. Analyzing cross-sectional and panel data covering a global set of contemporary democracies, I find evidence consistent with key implications of the argument. To preview, the estimates show that government partisanship accounts for a significant portion of the cross-sectional variation in public spending and that the fiscal effects of changes in government partisanship over time are less pronounced under presidentialism.

While there is a large literature in political science that compares presidential and parliamentary systems (e.g., Cheibub 2007; Linz 1994; Samuels and Shugart 2010; Shugart and Carey 1992), it has surprisingly little to say about their consequences for fiscal policy (for exceptions, see Cheibub 2006; Cox and McCubbins 2001). Chapter 2 addresses this shortcoming. The main alternative explanation in the literature is based on rent-seeking politicians (Persson, Roland and Tabellini 2000; Persson and Tabellini 2000). Accordingly, the size of government is lower in presidential compared to parliamentary democracies because the separation of power in presidentialism entails less private rents for politicians and less local public goods. In contrast, chapter 2 emphasizes the importance of partisan mechanisms. It provides a new perspective on why parliamentary democracies tend to have bigger redistributive budgets than presidential democracies. The analysis also has implica-
tions for the literature on veto players and reform capacity, as will be briefly previewed later in this chapter.

Electoral Institutions, Credible Commitment, and Redistribution

Chapter 3 analyzes how electoral institutions affect party competition over redistribution. The literature has documented that government ideology is tilted to the right and there is less redistribution in majoritarian compared to proportional electoral systems in advanced industrial democracies (Iversen and Soskice 2006), but there is no agreement on the mechanisms underlying this striking twin pattern. In contrast to the anti-left electoral bias of majoritarian systems implied by existing theoretical models that emphasize lack of commitment (Iversen and Soskice 2006) or political geography (Rodden 2009, N.d.), I argue that this twin pattern is driven by the centripetal incentives of electoral competition in majoritarian systems.

The theoretical model analyzed in the chapter builds on and extends Iversen and Soskice’s (2006) influential partisan model of electoral rules and redistribution. It takes seriously the commitment problem stemming from the fact that the policy promises of policy-motivated parties are not externally enforced, and shows that parties can nonetheless use political recruitment to endogenously commit to a centrist redistributive policy by selecting a sufficient number of moderate legislative candidates. This logic of endogenous commitment implies, among others, that left parties in majoritarian electoral systems should not be systematically less likely to win control of government than left parties in proportional systems. Left parties in majoritarian systems have incentives to commit to lower taxes and transfers, however, leading to less left-leaning governments and less redistribution compared to proportional systems. Moreover, the theoretical model suggests that parties’ incentives to achieve endogenous commitment shape the impact of political geography on government partisanship and redistribution.
In line with a key empirical implication of the argument that differs from existing theoretical perspectives, I find cross-national evidence that left parties take more centrist positions but are not any less likely to control the government in majoritarian compared to proportional electoral systems. In addition, the empirical analysis exploits a natural experiment to compare candidate selection under alternative electoral rules in the same constituencies. Focusing on within-country variation in electoral institutions in Britain, the comparison reveals that Labour candidates are more left-leaning under proportional than under majoritarian electoral rules. The importance of political recruitment as a commitment device has implications that go beyond the debate on electoral institutions and redistribution.

**Institutions, Economic Crises, and Mandate Representation**

Chapter 4 turns to an economic environment in which there is uncertainty about the link between policy and outcomes. It examines why democratic governments sometimes pursue redistributive reforms that deviate significantly from their electoral promises and why presidents are more likely than prime ministers to do so. Many political scientists have studied the relationship between the policy programs parties announce before the election and the policy the resulting government implements afterwards. This research is motivated by mandate theories of elections, which suggest that representative democracy can work if citizens vote for the political party whose policy program they prefer and the resulting government implements its electoral mandate (e.g., Budge and Hofferbert, 1990; Campello, forthcoming; Manin, Przeworski and Stokes, 1999; Royed, 1996; Stokes, 2001). However, governments might not implement the economic policies they have announced during the electoral campaign because their preferences diverge from those of their voters. They may also not do so because post-electoral conditions turn out different than expected, so that even politicians that share the majority’s preferences will want to break with their mandate.
The chapter spells out the argument that both democratic constitutions and economic conditions are crucial determinants of mandate representation. The theoretical model suggests that executive-legislative institutions and economic crises interactively shape when governments choose policies that deviate from their campaign platform and identifies the conditions under which deviations constitute a failure of representation. Because of the separation of executive and legislative survival, the link between mandates and policy tends to be weaker in presidential systems. In the context of adverse economic shocks, however, policymakers in presidential and parliamentary democracies alike have incentives to switch policy away from what they have promised before the election toward efficiency-oriented reforms. By analyzing the interaction between economic conditions and constitutions, the theoretical analysis suggests new empirical implications and complements existing theoretical accounts of policy switches that either emphasize the economy (e.g., Stokes 2001) or constitutions (Samuels and Shugart 2010). The empirical part of the paper tests implications of the theoretical model using a global panel data set of policy switches. The estimation results show that post-electoral economic conditions predict within-country variation in the program-policy link. In particular, as inflation increases deviations become more likely in both presidential and parliamentary democracies.

**Endogenous Institutions**

Democratic constitutions set the rules of the game for the choice of redistributive policy. But constitutions themselves are not exogenous to politics. They are, at least in the long-run, the result of political choice. The historical process of constitutional choice has not been random. For example, majoritarian electoral rules are more frequent in former British colonies and presidential democracies are the dominant form of government in Latin America while they are absent in Western Europe, not counting mixed systems like that of the French Fifth Republic (e.g., Persson and Tabellini 2003). Following arguments that institutions shape
redistributive policy, it is also plausible to conjecture that political actors have induced preferences over institutions and try to influence the choice of constitutions accordingly. A classic example of this logic is the controversial economic interpretation of the origins of the Constitution of the United States by Charles A. Beard (1913). More recently, prominent arguments in the debate on the causes of democracy reflect this logic (e.g., Acemoglu and Robinson, 2006; Boix, 2003). It has also been applied to explain variation in electoral rules (Alesina and Glaeser, 2004; Cusack, Iversen and Soskice, 2007; Rogowski and MacRae, 2008; Ticchi and Vindigni, 2010) and origins or reforms of executive-legislative institutions (Acemoglu, Robinson and Torvik, 2011; Londregan, 2000; McGuire, 2003; Negretto, 2006, 2009).\(^3\)

In theoretical terms, the fact that institutions are endogenous is not at odds with arguments that they have a causal effect on policy. Following the logic of backward induction, models of the effects of institutions provide an analytical foundation to examine institutional choice (Diermeier and Krehbiel, 2003). For the empirical study of institutions and redistribution, however, endogenous institutions pose a challenge that often comes in the form of omitted variable bias. Researchers interested in estimating the effect of democratic institutions on policy have to account for the possibility that both institutions and policy reflect causally prior selection variables, such as income inequality or preferences for redistribution, which may be difficult to measure directly. Reverse causality also may be an issue, especially for analyses of the effect of political institutions on the partisan control of government. Addressing these concerns is complicated by the fact that there is relatively little variation in constitutional structures over time. With little or no temporal variation in institutions to exploit, fixed effects estimators, which are the standard approach to deal with unobservable confounders in longitudinal data, fall flat (Plümper, Troeger and Manow, 2005). Moreover, it is difficult to identify credible instrumental variables for distinct macro-level institutions

\(^3\)For an example beyond electoral and executive-legislative institutions, consider the choice of fiscal and political decentralization (e.g., Beramendi, 2012).
The dissertation pursues several complementary empirical strategies to address these problems.

The first approach is to measure possible confounders. I draw on the comparative politics literature to control for likely confounders that have been absent in previous studies of the fiscal effects of democratic institutions. This includes, for example, measuring whether a country has a legacy of military dictatorships (chapter 2 and chapter 4). Such legacies have been shown to be related to the structure of executive-legislative institutions (Cheibub 2006) and may shape the ability of left parties to pursue redistributive policies (Stokes 2001). Another set of variables captures the historical balance of partisan forces (chapter 3), which has been found to shape the choice of electoral rules (Boix 1999, Kreuzer 2010) and, as some scholars argue plausibly, may also affect subsequent government partisanship and redistribution (Alesina and Glaeser 2004).

The second approach is to go beyond the reduced-form relationship between institutions and policy and examine implications concerning the underlying mechanisms. This is appealing for at least two reasons. Existing theoretical models often have observationally similar or identical implications about the macro-level relationship between institutions and policy, but they suggest different mechanisms. Hence, distinguishing the theoretical models empirically requires going beyond the reduced form. Moreover, doing so can be conducive to a research design that accounts for unobserved confounders (e.g., Gagliarducci, Nannicini and Naticchioni 2011). For example, both the rent-seeking model of Persson, Roland and Tabellini (2000) and the partisan model of chapter 2 explain the observation that, on average, public spending is lower in presidential than in parliamentary democracies. One distinct implication of the partisan model is that partisan effects on spending should be stronger in parliamentary compared to presidential systems, reflecting the ability of chief executives to use their dissolution power in legislative bargaining in parliamentary but not in presidential systems. Testing this implication requires comparing the partisan effect on fiscal policy across con-
stitutions. Using panel data, I estimate how year-to-year changes in the partisan control of government affect public spending and whether the partisan effect varies across presidential and parliamentary democracies. The interactive statistical specification that captures the empirical implication allows for the inclusion of country fixed effects because there is sufficient temporal variation in electoral outcomes. This considerably mitigates the concern that the results are driven by unobserved time-invariant conditions such as culture or initial levels of inequality. Furthermore, chapter 3 exploits variation in electoral institutions within a country to test implications of the endogenous commitment argument. The recent political decentralization in the United Kingdom provides a natural experiment to examine candidate selection. For a few years the same constituencies in Scotland experienced elections under alternative electoral rules: first past the post elections for the lower house of the British parliament in Westminster and proportional representation for the new Scottish parliament in Edinburgh. This comparative research design holds cross-national differences constant and also controls for district-specific confounders that may shape candidate selection.

Some Implications

Altogether, the theoretical arguments and empirical evidence collected in the essays suggest that one important explanation for why some democracies redistribute more than others is that the design of democratic constitutions shapes who gets what in partisan conflict over redistribution. It influences to what degree political parties nominate pro-redistribution candidates, win elections, and when in government have the bargaining power to affect policy. On average the poor are better served and the relatively affluent are worse off in parliamentary compared to presidential democracies and in proportional compared to majoritarian electoral systems. Given variation in electoral outcomes and economic conditions, policy also varies substantively within the same set of institutions. The essays do not aim to demonstrate that rent-seeking is irrelevant in explaining how democratic institutions in-
fluence taxes and transfers. Rather, they argue analytically and empirically that partisan mechanisms are important and, especially in the case of executive-legislative institutions, more important than previously recognized in the literature.

The results also have implications that go beyond the study of redistributive politics. A common theoretical approach in comparative politics links the capacity for policy change in democracies to the number and policy preferences of veto players in the legislative arena (e.g., [Tsebelis 1995, 2002]). It is sometimes argued that this approach subsumes qualitative institutional differences such as the distinction between presidential and parliamentary democracies analyzed in chapter 2 and 4. The theoretical analysis in these chapters is consistent with the general thrust of the veto player framework that the partisan configuration of veto players matters for policymaking. But chapter 2 highlights that the number and policy preferences of partisan veto players are endogenous to executive-legislative institutions and that, perhaps more importantly, the value of veto power varies across institutions. In the same veto player constellation, the capacity for policy change is higher in parliamentary than in presidential democracies. This reflects the presence of dissolution power as a bargaining tool in the former but not the latter. Dissolution power changes the strategic logic of veto bargaining. Its effectiveness depends on the electoral environment, which is often ignored by spatial models of legislative politics. The argument also implies that, holding the partisan distribution of veto power constant, parliamentary democracies should be faster to respond to economic shocks (for a different argument leading to a similar conclusion, see [McGann 2006]).

The logic of endogenous commitment through legislative recruitment spelled out in chapter 3 highlights that parties have incentives to back up their electoral program and the public promises of their party leader by recruiting candidates for the legislature that are likely to act accordingly and that these incentives vary across electoral institutions. This logic is not restricted to redistributive policy nor is it wedded to a particular view concerning the forma-
tion of individual policy preferences. This perspective is consistent with studies finding that the background of policymakers is related to the policy choices they make (Adolph 2013; Carnes 2012). Moreover, analyzing candidate selection as a commitment device provides an additional motivation and a framework to go beyond policy promises as the sole focus of party competition. It may help shed light on intra-party conflict over nominations as well as the choice of party organization (e.g., Hopkin 2001). At the time of writing, for example, the Labour party in Britain was debating a reform of its long-standing organizational ties with trade unions in response to a scandal of alleged vote-rigging by unions to influence the selection of parliamentary candidates.4

The final remark is motivated by all three chapters. The importance of democratic constitutions also matters for the literature examining the effects of democratic compared to non-democratic regimes on policies and outcomes. Accounting for the variety of democratic institutions better captures the relevant counterfactual and may also make sense of some of the puzzling findings in the literature, which tends to abstract from the variety of democratic constitutions (but see Przeworski et al. 2000). For example, several recent studies find no relationship between democracy and outcomes such as income inequality (e.g., Timmons 2010) or child mortality (e.g., Ross 2006). While it is important to know whether democracies, on average, produce different outcomes than non-democracies, there is good reason to suspect that some democracies are more likely to channel resources to the poor than others. Accounting for the heterogeneity in the institutional structure of democracies may yield a more nuanced picture that is informative to debates about the comparative performance of democratic and non-democratic regimes.

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4Francis Elliott and Laura Pitel, “Miliband Challenges Unions on Funding,” The Times (London), July 9, 2013, 1.
Chapter 2

Presidentialism, Parliamentarism, and Redistribution

Why do some democracies tax and spend more than others? Since the advent of democratic governance, scholars and constitutional framers have claimed that political institutions, which set the rules of democratic competition for power, are an important determinant of fiscal policies. In the Federalist No. 10, for instance, James Madison ([1788] 2008) suggests that the checks and balances embodied in the United States constitution limit redistribution. More recently, political scientists and economists have systematically examined the cross-national relationship between institutions and fiscal policy. A fundamental difference in the design of democratic constitutions is whether they are parliamentary or presidential and it is well documented that the size of government is lower in presidential than in parliamentary systems (Persson and Tabellini 2003). The literature, however, does not agree on the theoretical mechanisms that explain these observed patterns.

A standard view is that institutions influence fiscal policy by shaping the policymaking incentives of incumbent politicians that are motivated by the private gains derived from public office. This institutional approach based on identical, purely opportunistic politicians has been incorporated into well-developed formal models of the fiscal consequences of
constitutions. For example, the canonical model comparing the fiscal effects of presidential and parliamentary systems argues that the size of government is lower under presidentialism because it entails less rents for politicians and less local public goods (Persson, Roland and Tabellini, 2000; for an overview, see Persson and Tabellini, 2000). The rent-seeking view stands in contrast to the view that politicians, at least to some degree, are motivated by partisan policy considerations that reflect particular societal interests. Already Madison ([1788] 2008) argued that partisan motives are an important force in policymaking. Madison hoped that the constitution he helped create would contain partisan forces. But the literature has since shown that programmatically distinct parties are crucial actors in the policymaking process and developed partisan theories of policymaking (e.g., Hibbs, 1977). The partisan perspective suggests a very different account of how democratic constitutions affect fiscal policy.

In this chapter, I build on the partisan framework and provide an alternative explanation for why presidential democracies have smaller governments than parliamentary democracies. I argue that differences in executive-legislative institutions between presidential and parliamentary democracies matter for fiscal policy because they shape the outcome of redistributive conflict between parties representing the rich and parties representing the poor. To make the case for the importance of partisan mechanisms, I propose and test a model of public finance that is based on partisan (rather than rent-seeking) politicians that represent distinct economic interests. The model highlights that executive-legislative institutions influence fiscal policy because they shape the distribution and effectiveness of partisan governments. The argument implies that public spending is lower in presidential than in parliamentary democracies because the separation of executive and legislative power under presidentialism reduces the frequency and bargaining power of left governments. Going beyond the reduced-from relationship between presidentialism and fiscal policies, the partisan model developed in this chapter also accounts for the redistributive effect of the welfare state, partisan differences
in tax-and-transfer policies, and suggests novel implications such as constitution-varying partisan effects.

The theoretical model builds on the large body of scholarship examining the role of parties and institutions in redistributive politics, especially models like those of Alesina, Londregan and Rosenthal (1993), Alt and Lowry (1994), and Iversen and Soskice (2006) that combine a partisan framework with an emphasis on political institutions. The approach taken here is perhaps most closely related to the model of Iversen and Soskice (2006), which argues that electoral rules for the legislature affect public finances through the partisan composition of government. This essay takes a similar theoretical outlook, emphasizing that political institutions matter for public spending by affecting the outcome of partisan conflict, but applies it to the comparison of presidential and parliamentary democracies. Both electoral rules and executive-legislative institutions are fundamental and empirically distinct features of democratic constitutions, but executive-legislative institutions have been neglected in literature on the determinants of fiscal policies.\footnote{But see the large literature on presidentialism and democratic survival (e.g., Cheibub 2007, Linz 1994).}

The theoretical analysis reveals two distinct mechanisms. The first mechanism is based on the existence of a dissolution procedure in the parliamentary but not in the presidential model (separation of survival effect). The power of chief executives under parliamentarism to dissolve the government and call a new election increases their proposal power by giving them the opportunity to turn a vote over fiscal policy into a vote over parties’ immediate political survival. Under favorable electoral conditions, chief executives facing opposition from veto players with divergent preferences can credibly make a dissolution threat to push their programmatic agenda. Hence, governments will be more able to pursue their tax-and-spend policies in parliamentary democracies. Existing models of executive-legislative bargaining comparing presidential and parliamentary democracies emphasize that the stronger bargaining position of chief executives in parliamentary systems is derived from the threat of
reallocating legislative prerogatives within the sitting legislature (e.g., Diermeier and Feddersen 1998; Diermeier and Vlaicu 2011; Persson, Roland and Tabellini 2000). In contrast, the model developed here emphasizes the importance of legislative dissolution and the resulting possibility of a re-allocation of legislative seats. It emphasizes the link between policymaking and elections and implies that the impact of executive-legislative institutions on redistribution is not merely driven by the number of veto players, as is often assumed in studies of welfare-state policymaking (e.g., Huber and Stephens 2001). While the proposed partisan model clearly reflects the established argument that the partisan distribution of veto and proposal power matters for policymaking (Tsebelis 2002), it illustrates that the number of veto players and the effect of veto power are endogenous to institutional differences between presidentialism and parliamentarism. The difference in the separation of survival between presidential and parliamentary systems implies that the effect of presidential versus parliamentary systems on policy stability is not subsumed under the number and ideological distance of veto players. Holding the veto player constellation constant, chief executives in parliamentary systems are in a stronger position to change the status quo than those in presidential systems.

The second mechanism is based on the direct election of the chief executive in the presidential but not in the parliamentary model (separation of origin effect). Holding electoral rules for the legislature constant, the separate election of the chief executive and the legislature makes the emergence of divided partisan control in the legislative arena, which tends to favor the status quo, more likely. In other words, the separation of electoral origin under presidentialism shapes public spending through the number of partisan veto players. Taken together, the two mechanisms suggest that in a context where introducing and maintaining fiscal policies to redistribute income toward the bottom half of the income distribution

\[2\text{The importance of dissolution power for party cohesion is often cited as an important explanation for the emergence of party government in Westminster parliamentary democracies (e.g., Cox 1987 ch. 8). Its relevance for legislative bargaining extends to coalition governments.}\]
requires legislative action, the separation of power in presidentialism implies less public spending than in parliamentarism.

The empirical part of the chapter confronts key implications of the partisan model with evidence using cross-sectional and panel data covering a large set of democracies. While there are several studies that examine the fiscal effects of executive-legislative institutions, they do not consider the role of government partisanship as a channel through which executive-legislative institution may shape fiscal policy (e.g., Acemoglu 2005, Andersen 2011, Blume et al. 2009, Cheibub 2006, Fumagalli and Narciso 2012, Persson and Tabellini 2003, Rockey 2012). Going beyond the reduced-form relationship between constitutions and fiscal policy, the empirical analysis sheds light on the relevance of partisan mechanisms. Consistent with the logic of the partisan model, the cross-sectional analysis shows that the occurrence of left governments accounts for a significant portion of the cross-sectional variation in public spending across presidential and parliamentary democracies. In the panel analysis, I estimate how changes in the partisan composition of government affect spending and whether the impact of partisanship varies across parliamentary and presidential democracies. Controlling for country heterogeneity using fixed effects, the estimation results indicate that the fiscal effect of left governments (relative to right governments) varies by constitution. In line with the separation of survival effect highlighted by the model, left majority (minority) governments in presidential democracies spend significantly less than left majority (minority) governments in parliamentary democracies. Altogether, the results demonstrate that partisan politics is an important channel through which executive-legislative institutions influence public spending.

**Theoretical Model**

I propose a deliberately simple theoretical framework to highlight two partisan mechanisms through which differences between presidential and parliamentary constitutions may shape
public finances. The reduced-form model reflects a stripped-down version of a complex process and captures a democratic political economy with self-interested citizens and rational partisan politicians. In the electoral part of the game, voters determine the partisan composition of government. Subsequently, elected politicians bargain over a general transfer policy financed by an income tax. What is important is that the political process varies according to whether the constitutional structure is parliamentary or presidential.

Basic Framework

To simplify, suppose that there are two groups of citizens, indexed by $j \in \{p, r\}$, that differ in their exogenous income $y_j$: poor ($p$) and rich ($r$). This is a stylized way to capture pre-tax-and-transfer income inequality that induces redistributive conflict. The overall population size is normalized to unity. The share of relatively poor citizens is $\delta$ and the share of relatively rich citizens is $1 - \delta$. The relatively poor constitute a majority in the population. The mean income in the political economy is denoted by $\bar{y} \equiv \delta y_p + (1 - \delta) y_r$.

Citizens care about their disposable income. Hence, they have induced preferences over redistributive policy. In line with a large literature (e.g., Meltzer and Richard, 1981), the redistributive policy consists of a general lump-sum transfer, $g$, that is financed by a linear income tax $t$. The government budget constraint is $g = t \bar{y} - \frac{t^2 \bar{y}}{2}$, where the last term on the right-hand side, $\frac{t^2 \bar{y}}{2}$, is a quadratic deadweight cost capturing economic distortions due to taxes and transfers in a reduced form (as in Bolton and Roland, 1997). The disposable (i.e., post-tax-and-transfer) income of a citizen belonging to group $j$ is $V_j(y_j, t) = (\bar{y} - y_j) t + y_j - \frac{t^2 \bar{y}}{2}$. Maximizing $V_j(y_j, t)$ (with respect to $t$) yields the induced preferred tax rates $t_p = \frac{\bar{y} - y_p}{\bar{y}}$ and $t_r = 0$. They reflect the familiar microfoundations in this economic setting according to which the relatively poor (i.e. those with an income below the mean) prefer redistribution, and increasingly so as the income gap increases, and the relatively rich (i.e. those with an income above the mean) prefer no redistribution at all.
There are two types of parties (or blocs of parties), left and right, that compete for office. All candidates of the same party have identical preferences. For a given policy $t$ the policy preferences of partisan politicians of type $J \in \{L, R\}$ are represented by a linear spatial utility function

\[ u_J(t, t_J) = -|t - t_J| \]

Left politicians ($L$) represent the interests of poor citizens and right politicians ($R$) represent the interests of rich citizens in the sense that left (right) politicians share the induced ideal points of the poor (rich), $t_L = t_p$ ($t_R = t_r$).

Elections are characterized by political uncertainty that is driven by shocks to the distribution of electoral support for political parties. My preferred substantive interpretation is that political uncertainty reflects shocks to voter turnout. While there is a majority of poor citizens in the population, variation in turnout implies that there need not be a majority of poor voters in the electorate. An alternative interpretation, consistent with stochastic models of voting, is that political uncertainty reflects preference shocks on a second dimension of political conflict. The important assumption is that electoral outcomes are uncertain ex-ante and both partisan camps have a chance, however small, to win the election.

The approach to capture turnout is simple, as the theoretical focus is on variation in executive-legislative institutions. In large elections, voting is typically a low-cost, low-benefit action and relatively small changes in the cost of voting may affect turnout (Aldrich, 1993). In this context, the turnout decision is not considered a strategic choice. Citizens turn out to vote if the individual cost of voting is (weakly) negative. In particular, suppose that the idiosyncratic cost of voting, $c_{ij}$, for an individual member of group $j$ is uniformly distributed...
on the interval

\[ [-1, \phi_j] \] \hspace{1cm} (2.2)

where \( \phi_j \) is uniformly distributed on

\[ [0, \gamma_j] \] \hspace{1cm} (2.3)

and \( \gamma_r = 0 \) and \( \gamma_p > 0 \) (sufficiently large). This assumption means that there is full turnout among rich voters and incomplete turnout among poor voters. It captures the fact that there is a socio-economic turnout differential across a large range of democratic contests.\(^3\)

The turnout differential between rich and poor and consequently, for given group sizes, the relative strength of income groups in the electorate depends on two factors. First, \( \phi_p \) is an election-wide mobilization shock affecting all low-income citizens. In substantive terms, it can be thought to represent the relative strength of left-party organization and valence that shape the mobilization of low-income voters. Second, \( c_{ij} \) is an idiosyncratic shock at the individual level. For a given \( \phi_p \), it captures individual variation in the propensity to vote due to, for example, normative concerns (civic duty) and the cost of voting (e.g., information, foregone leisure or work). The distribution of the individual-level shocks depends on the election-wide shock. Hence, a large \( \phi_p \) means that average voting costs for the poor are large (e.g., because of low left-party organizational capacity or low valence of left party candidates) and thus the turnout differential between rich and poor will be large.

**Parliamentarism**

The model captures several important features of parliamentary democracies. To begin with, the chief executive (i.e., prime minister) emerges from the legislature. In other words, there is a fusion of the electoral origin of the chief executive and the legislature (e.g., Samuels

\[^{3}\text{For example, Leighley and Nagler (1992) show for the United States that affluent individuals are more likely to vote than poor individuals.}\]
and Shugart, 2010). Moreover, while prime ministers are unable to survive in office if there is a majority of legislators that prefers to replace them, they have the power to trigger a dissolution of the legislature. The dissolution procedure is an important mechanism to break the separation of survival between the chief executive and the legislature (e.g., Cox 1987; Linz 1994). A divided control of legislative power - capturing the possibility of coalition or minority government - can emerge endogenously through elections.

Consider a legislature with a finite and even number of $N \geq 2$ seats where a simple majority of $\frac{N}{2} + 1$ votes is required to pass legislation. Focusing on an even number of legislative seats is a straightforward way to allow for the possibility of a divided parliament where neither left nor right policymakers on their own can change the status quo policy. In the electoral stage, voters can either support the left party or the right party. The resulting distribution of electoral votes determines the partisan allocation of seats in the legislature. The share of legislative seats received by a party is proportional to the share of votes it receives in the legislative election. A party wins a legislative majority (i.e., obtaining a seat share of at least $\frac{1}{2} + \frac{1}{N}$) if it wins more than $\frac{N+1}{2N}$ of the votes.

In the legislative stage, parties bargain over redistributive policy. There are two types of relevant players. First, each party whose consent is needed to change the status quo is a veto player (Tsebelis 2002), denoted by $V$. Second, there is an agenda-setter. The prime minister ($PM$) proposes a proportional income tax rate $b \in [0,1]$. This is in line with the prevalent view that in parliamentary systems, the executive controls the legislative agenda (Tsebelis 2002 pp. 82-84). Recall that by the government budget constraint, the transfer $g$ is determined residually. Policy $b$ passes if it attracts a majority of votes in the legislature - in other words, if all veto players accept it. Importantly, a veto can trigger a new election and hence a reallocation of legislative power through the electoral process. To focus on interesting cases of policy conflict, assume that the status quo policy lies between the two partisan ideal points, $t_q \in [0, t_L]$. 

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More specifically, the sequence of interactions under the parliamentary constitution is as follows:

1. Nature draws $\phi_p$ and $c_{ij}$.

2. Citizens decide whether to turn out to vote and, if turning out, which party to support.

3. If a party wins a majority of legislative seats, it obtains the position of the prime minister ($PM$). If no party wins a legislative majority, nature randomly recognizes one party to obtain the position of the $PM$.

4. $PM$ proposes a bill specifying an income tax rate $b \in [0, 1]$. The government budget constraint residually determines the corresponding lump-sum transfer $g$. If $PM$ endorses the status quo (i.e., $b = t_q$) the game ends with the status quo policy.

5. If $PM$ proposes $b \neq t_q$, the proposal is considered in the legislature. If all veto players ($V$) accept $b$, it becomes the new policy and the game ends. If at least one $V$ rejects $b$, the legislature is dissolved and a new election takes place.

    *If there is a new election:*

6. Nature draws $\phi_p$ and $c_{ij}$.

7. Citizens decide whether to turn out to vote and, if turning out, which party to support.

8. If a party wins a majority of legislative seats, it obtains the position of the prime minister ($PM$). If no party wins a legislative majority, nature randomly recognizes one party to obtain the position of the $PM$.

9. $PM$ proposes a bill specifying an income tax rate $z \in [0, 1]$. The government budget constraint residually determines the corresponding lump-sum transfer $g$. If $PM$ endorses the status quo (i.e., $z = t_q$) the game ends with the status quo policy.
10. If $PM$ proposes $z \neq t_q$, the proposal is considered in the legislature. If all veto players $(V)$ accept $z$, it becomes the new policy. If at least one $V$ rejects $z$, the game ends with the status quo, $t_q$, in place.\footnote{The model focuses on institutional differences in executive-legislative institutions across parliamentary and presidential democracies. In order to facilitate the comparison of executive-legislative institutions, it holds the electoral rules for the legislature constant across the form of government. It is easy to see that an alternative framework for legislative elections based on single-member districts yields the same qualitative results.}

There are four relevant cases concerning the partisan allocation of proposal and veto power in the legislative arena. (1) Left-unified government: the left party wins a majority of seats and thus it controls proposal and veto power and can unilaterally set policy. (2) Right-unified government: the right party wins a majority of seats and can unilaterally set policy. (3) Left-divided government: a government with a left prime minister facing a right veto player. (4) Right-divided government: a government with a right prime minister facing a left veto player.\footnote{I assume that a prime minister that is indifferent between breaking and maintaining the government will maintain it. The tie-breaking assumption can be interpreted as introducing some risk aversion. It simplifies the notation and does not affect equilibrium policy.}

**Presidentialism**

The model captures that under presidentialism, executive-legislative institutions are characterized by a separation of origin and survival between the chief executive and the legislature (e.g., Samuels and Shugart 2010). The chief executive (i.e., president) is directly elected. The president is a powerful actor in the lawmaking process but does not have the power to dissolve the legislature. The consent of the legislature is required to pass legislation, but it does not have the power to remove the president. Elections may endogenously generate a unified or a divided partisan control of proposal and veto power.

The model assumes that de facto proposal power is vested in the president (following Londregan 2000; Saiegh 2011). Some constitutions grant presidents the power to propose the budget and restrict legislative amendments (Cheibub 2006; Shugart and Carey 1992, pp.
139–158), and presidents derive de facto proposal power from their privileged access to the executive bureaucracy (not unlike chief executives in parliamentary democracies). The sequence of interactions under the presidential constitution is as follows:

1. Presidential election

   (a) Nature draws $\phi_p^P$ and $c_{ij}$.

   (b) Citizens decide whether to turn out to vote and, if turning out, which party to support in the presidential election.

2. Legislative election

   (a) Nature draws $\phi_p^C$ and $c_{ij}$.

   (b) Citizens decide whether to turn out to vote and, if turning out, which party to support in the legislative election.

3. The president ($P$) proposes a bill specifying an income tax rate $b \in [0, 1]$. The government budget constraint residually determines the corresponding lump-sum transfer $g$. If $P$ endorses the status quo (i.e., $b = t_q$) the game ends with the status quo policy.

4. If $P$ proposes $b \neq t_q$, the proposal is considered in the legislature. If all veto players ($V$) in the legislature accept $b$, it becomes the new policy. If at least one veto player rejects $b$, the status quo remains in place.

As in the parliamentary model, there are four relevant cases concerning the partisan allocation of proposal and veto power. (1) Left-unified government: the left party wins the presidential election and a majority of legislative seats, controlling proposal and veto power and thus being able to unilaterally set policy. (2) Right-unified government: the right party

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6Assuming congressional agenda control does not affect the main results.

7The order of the executive and legislative election is immaterial in this framework. An alternative interpretation of the electoral shocks as affecting citizens’ policy preferences or valence attributions (rather than turnout cost) is consistent with simultaneous elections.
controls the legislature and the presidency and can unilaterally set policy. (3) Left-divided government: the left party controls the presidency but not the legislature. (4) Right-divided government: the right party controls the presidency but not the legislature.

**Institutional Comparison**

Comparing the two alternative constitutions highlights two particular mechanisms through which executive-legislative institutions influence public spending, namely, the distribution and effectiveness of partisan governments. The separation of origin makes the emergence of left unified governments, which are most willing and able to redistribute income from the rich to the poor, less likely in the presidential than in the parliamentary setting (separation of origin effect). The dissolution procedure implies that chief executives are in a stronger bargaining position in the parliamentary than the presidential setting (separation of survival effect). The results are proven formally in the Appendix to this chapter. The analysis proceeds in two steps. First, the game is solved separately for the parliamentary and the presidential structure. Second, equilibrium behavior and redistribution are compared across constitutions. Here, I provide an intuitive explanation of the theoretical argument.

**Separation of Survival**

The effect of the dissolution procedure is driven by differences in executive-legislative bargaining between presidential and parliamentary systems for a given partisan allocation of proposal and veto power. A veto has different consequences in each system. Under presidentialism, a veto protects the status quo. Under parliamentarism, it can trigger a new election, meaning that the relevant reversion outcome is the expected policy after the new election. A chief executive is never worse off and sometimes strictly better off having dissolution power. When the electoral prospects for the party of the chief executive are bad, which

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8 The solution concept is subgame-perfect Nash equilibrium in weakly undominated (voting) strategies in the electoral and legislative stage.
means that the expected redistributive policy after a new election is worse than the status quo, chief executives in parliamentary systems are better off by simply sitting out their term, just as chief executives do by constitutional fiat in presidential systems. But when electoral prospects for the chief executive are good, meaning that the expected policy after the new election is better than the status quo, the chief executive can credibly use the threat to call a new election to extract concessions from veto players with divergent policy preferences. In principle, both left and right chief executives can benefit from dissolution power. But starting from a status quo that favors the right, left executives have greater incentives to use them to increase public spending favoring lower income groups. In this situation, right executives do not benefit from dissolution power, as they are content with the status quo. For them, a new election brings the risk, however small, that the left wins a majority and gets to implement its redistributive agenda.

To illustrate the role of dissolution power more clearly, Figure 2.1 shows the outcome of executive-legislative bargaining with and without dissolution procedure for the case of no redistribution under the status quo. The logic of the argument holds more generally, but this is the prominent scenario in the literature (e.g., Iversen and Soskice 2006; Persson, Roland and Tabellini 2000). It reflects the notion that providing government transfers to particular constituencies requires legislative action. It also appears a natural starting point for models aiming to explain differences in the growth of government under different democratic constitutions.

For the presidential version of the model, Table (a) in Figure 2.1 illustrates the resulting redistributive income tax for all possible partisan constellations of veto and proposal power. Here there is no dissolution power, so this stage is a version of the canonical agenda-setter model (Romer and Rosenthal 1978) applied to executive-legislative relations. Veto players only accept a tax-and-transfer bill $b$ that makes them better off than the status quo policy, $t_q$. Given this constraint, the president proposes the bill $b$ she most prefers from those bills
veto players will accept when the proposal is better than the status quo. The right party prefers to maintain the low-redistribution status quo. It will neither propose nor accept any increase in redistributive taxation. As a veto of the bill preserves the status quo, it is a powerful weapon to protect the interests of relatively well-off citizens. In this context, redistribution only occurs if the government is dominated by left politicians.

Partisan ideal points over tax rates

\[ t_R = t_Q \]

Right’s acceptance set (parliamentarism)

(a) Policy in presidential model

<table>
<thead>
<tr>
<th>Maj.</th>
<th>Min.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Left Executive</td>
<td>( t_L )</td>
</tr>
<tr>
<td>Right Executive</td>
<td>( t_R )</td>
</tr>
</tbody>
</table>

(b) Policy in parliamentary model

<table>
<thead>
<tr>
<th>Maj.</th>
<th>Min.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Left Executive</td>
<td>( t_L )</td>
</tr>
<tr>
<td>Right Executive</td>
<td>( t_R )</td>
</tr>
</tbody>
</table>

Figure 2.1: Example of executive-legislative bargaining over a redistributive income tax, \( t \), used to finance transfer spending without the dissolution procedure (presidentialism) and with the dissolution procedure (parliamentarism) for the case of no redistribution under the status quo (\( t_Q = t_R = 0 \)).

Table (b) in Figure 2.1 illustrates the bargaining outcomes for the parliamentary version of the model, where prime ministers can make the survival of the government contingent on the passage of their policy proposal. In particular, it illustrates the argument that the dissolution power may allow left prime ministers to achieve some redistribution even if they face veto players that prefer the status quo to an increase in redistribution. A rejection of \( b \) in the initial round leads to a new election and another round of bargaining. This means that a veto may not be an effective move to protect the status quo, as a new election may generate an alternative legislative majority. For a given new partisan allocation of proposal and veto
power, politicians can predict the resulting policy. Because the parliamentary model rules out a repeated dissolution, it is just as in the model without the dissolution procedure. But there is uncertainty about the post-electoral distribution of legislative prerogatives. Denote the expected reversion policy as $E[t|\text{reject } b] \equiv \hat{x}$, where the expectation operator $E[\cdot]$ refers to the political uncertainty in the election and the government formation process. It captures the common belief about the partisan composition of government after a new election.

In situations of divided partisan control of proposal and veto power, the prime minister would like to use the power to dissolve parliament to extract concessions from divergent veto players. The ability to do so depends on the probability with which a new election will result in a partisan allocation of support favorable to the party of the prime minister. Given linear utility functions, a veto player with divergent preferences from those of the prime minister accepts any $b$ in the interval between $t_q$ and $E[t|\text{reject } x]$. Thus, a left prime minister’s optimal proposal is to set $x^*_L = E[t|\text{reject } x]$ and the right veto player accepts. In the context of a low redistribution status quo, the dissolution threat allows left prime ministers to extract policy concessions from veto players that are less supportive of redistribution.

In sum, the argument illustrated by Figure 2.1 shows that the existence of a dissolution procedure affects fiscal policy by changing the nature of proposal and veto power in the legislative process. It affects the ability of chief executives to pursue their party’s redistributive programs. Holding the preferences of policymakers constant, chief executives are in a stronger position to pursue their party’s program in the parliamentary than in the presidential model. This is true regardless of the status quo policy. Dissolution procedures do not intrinsically favor left or right policies. But in a context where the status quo level of taxation favors the rich and is low relative to the left party’s preferred level, left prime ministers can use their institutional prerogative to increases taxes and transfers where left presidents will not be able to do the same. If the status quo level of taxes and transfer is high, right prime ministers can use the dissolution procedure to extract some concessions.
from the left and reduce redistributive policy. The separation of survival effect qualifies the argument that accounting for the number and ideological distance of veto players makes obsolete the institutional distinction between presidential and parliamentary systems (Tsebelis, 2002). The veto player constellation matters for policy stability. But in the same veto player constellation, chief executives should be more effective in changing policy (toward their preferred outcome) in parliamentary than presidential democracies. The argument implies a constitution-varying partisan effect on fiscal policy. In contrast to power resource theory of redistribution (e.g., Huber and Stephens, 2001), it also suggests that empirical studies relying on an additive specification of the role of partisanship may mask considerable heterogeneity in partisan effects.

**Separation of Electoral Origin**

Differences in the election method of the chief executive imply different probabilities of divided and unified partisan control of proposal and veto power. Divided control of proposal and veto power is more likely to occur in the presidential than parliamentary model. The separate election of the chief executive and legislature in presidential systems makes it more likely that the electoral fates of a party will vary across the executive and the legislative branch of government. Electoral shocks to turnout (or preferences) increase the chance that neither party controls both proposal and veto power and policy change requires inter-party compromise. Therefore, elections are more likely to produce such minority situations in the presidential than in the parliamentary version of the game. Put differently, due to the separation of electoral origin situations where the left controls both the executive and the legislature are less likely to emerge under presidentialism.

The result is a straightforward implication of the view that the exact outcome of democratic elections is uncertain ex-ante due to the large number of underlying individual decisions with a stochastic component. While actors have rational expectations about which party
is likely to win based on structural factors, no party can guarantee an electoral victory for certain. Otherwise the contest would hardly be democratic (Przeworski et al., 2000, pp. 14-18).

The higher probability of divided government under presidentialism is not driven by the electoral rules for the legislature, which are held fixed in the analysis. Elections may generate divided partisan control in both the parliamentary and the presidential model. To what extent this is the case also depends, in practice, on the electoral rules for the legislature and societal cleavages (e.g., Neto and Cox, 1997). The argument is that holding the factors determining legislative fractionalization constant, electing the chief executive in a separate electoral contest increases the chances of divergent electoral outcomes. The implied hypothesis was first discussed in the literature on presidentialism and democratic survival (Linz, 1994).

How the difference in the likelihood of divided government affects fiscal policy depends on the status quo redistribution. If the status quo level of taxes and transfers is low relative to the left’s preferred level, then the higher probability of divided government under the presidential model will entail lower levels of expected taxes and transfers relative to the parliamentary model. In this case, divided government implies a protection of the low-redistribution status quo. If the status quo level of taxes and transfers is relatively high, then the higher probability of divided government under the presidential model will make it more likely that high taxes and transfers are maintained relative to the parliamentary model.

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9. The logic is distinct from arguments based on strategic voters that balance electoral outcomes (Alesina, Londregan and Rosenthal, 1993) or deal with credible commitment problems of partisan policymakers (Iversen and Soskice, 2006).

10. It is analytically distinct from the question of when post-electoral coalitions are likely to emerge (Cheibub, 2007) and consistent with the finding of larger differences in votes for presidents and their parties in non-concurrent elections (Samuels and Shugart, 2010).
Empirical Implications

Proposition 1 summarizes the consequences of presidentialism and parliamentarism for general transfer spending in the partisan framework. The expected level of public spending is lower in the presidential than the parliamentary model. This constitutional comparison holds as long as the status quo policy is sufficiently conservative relative to the ideal policy of the left. It is more general in the sense that the status quo redistribution need not be zero. In fact, it can be substantially large. This reduced-form implication is practically identical in observational terms to the implication of the rent-seeking model of Persson, Roland and Tabellini (2000), but the underlying mechanisms are fundamentally different. In the partisan framework, the difference is driven by how executive-legislative institutions affect the frequency and bargaining position of different partisan governments, not by variation in control over rent seeking politicians. The policy difference can be decomposed into a separation of origin effect, relating to the relative frequency of left unified governments, and a separation of survival effect, relating to differences in bargaining power reflecting the existence or absence of a dissolution procedure.

Proposition 1. For a given economic and electoral environment:

1. Expected public spending is lower in the presidential than in the parliamentary model if the status quo redistribution is sufficiently conservative.

2. The expected difference in public spending between the presidential and the parliamentary model consists of two distinct institutional effects, one reflecting differences in the partisan composition of government (separation of origin effect) and the other reflecting differences in bargaining power of the chief executive (separation of survival effect).

The institutional analysis suggests several novel empirical implications that shed light on the partisan-institutional mechanisms. They go beyond the previously documented association between presidentialism, parliamentarism and the size of government and the core
claim of the partisanship literature that the partisan composition of government matters for public finances. Holding everything else equal:

1. The separation of origin effect implies that in a cross-section of democracies, the average control of government by the left should be positively related to the level of public spending and reduce the impact of executive-legislative institutions. Partisan control alone need not capture the whole impact of executive-legislative institutions, however, as it ignores the separation of survival effect.

2. In the same veto player constellation, left (right) chief executives should be associated with more (less) public spending in parliamentary than in the presidential democracies. This implication reflects the key bargaining mechanism driving the separation of survival effect. Taken as a prediction of how a change in the partisan composition of government affects policy, it is not contingent on the status quo.

Evidence

I now turn to evaluating key implications of the partisan model of presidentialism, parliamentarism and public spending. The empirical analysis proceeds in two steps. First, I use a cross-sectional data set covering 77 democracies to examine whether the previously documented association between presidentialism and public spending is driven, at least in part, by variation in the frequency of left party control over the executive. Second, I use a panel data set of about 60 democracies to estimate how year-to-year changes in the partisan composition of government affect spending and whether the impact of partisanship varies across parliamentary and presidential democracies. The cross-sectional analysis and the panel analysis are complementary and draw on the same underlying data sources with country-years as the unit of observation.
Data

The data set I have assembled to test the model covers countries with at least 15 democratic years between 1975 and 2008, excluding micro-states with a population of less than one hundred thousand in 2008. Democracy is measured with the dichotomous measure from the Democracy-Dictatorship data set (Cheibub, Gandhi and Vreeland [2010]). It is based on clear procedural criteria and does not entail any judgment about economic policy or the specific nature of democratic constitutions. This is ideal for the purpose of assessing arguments about how differences in democratic constitutions shape redistribution. Requiring at least 15 years of democracy aims to ensure that there was sufficient time for the democratic process to unfold. In all included countries there were multiple electoral cycles, potentially allowing different parties to gain leverage over redistributive policy. The start date of the data set is constrained by data availability concerning partisan variables.

Fiscal Policies

The main dependent variable in both the cross-sectional and the panel analysis is Central government expenditures as a percentage of GDP, collected and harmonized by the International Monetary Fund (IMF [2011]). It captures the implication of the argument concerning public spending, is available for many countries and has been widely used in the literature (e.g., Lindqvist and Östling [2010]). For the purpose of the analysis, employing a broad spending measure has several advantages. Governments may use different spending instruments to achieve their redistributive goals and using a broad spending measure avoids bias by selectively focusing on a particular instrument. Moreover, as the IMF points out in its documentation, disaggregate spending items are notoriously difficult to compare. There are comparable disaggregate spending data for the subset of OECD countries, but to capture variation in executive-legislative institutions one has to cover a larger set of democracies. Because the theoretical argument concerns national-level policymaking, I focus on central
government spending\footnote{For the cases where data is available, spending correlates fairly strongly ($r = 0.6$) with the income gain of the bottom half of the income distribution through taxes and transfers as calculated by Milanovic (2000) for 24 countries using the Luxembourg Income Study.} To assess the robustness of the results, I use *Non-defense government expenditures* (as a percentage of GDP). It is calculated as *Central government expenditures* minus military spending, which is available for less countries and years.

**Presidential and Parliamentary Democracies**

Executive-legislative institutions are measured in line with the theoretical model. In operational terms, a democracy is coded as *Presidential* if (1) there is a directly elected president that has veto power over legislation (i.e., a supermajority is required to override) and (2) neither the president nor the prime minister (if the office exists) has the unconditional power to dissolve the legislature or to request a confidence motion that, if rejected, leads to a resignation of the government. A democracy is coded as *Parliamentary* if (1) there is no directly elected president with veto or dissolution power and (2) the chief executive (i.e., prime minister) has the power to dissolve the legislature or to request a confidence motion. All other executive-legislative arrangements are coded as *Mixed*\footnote{Mixed democracies are a residual category that is introduced to allow for a comparison of parliamentary and presidential constitutions in line with the theory. Disaggregating the mixed category into cases with and without a dissolution procedure or excluding them from the analysis does not substantively change the results.}.

The coding is based on previous classifications of the election method, veto and dissolution power of the chief executive (especially Bergman et al., 2003; Huber, 1996; Samuels and Shugart, 2010; Siaroff, 2003; Shugart and Carey, 1992), complemented by constitutional texts (for which the principle source is CCW, ongoing) and country-specific literature on the constitutional practice. Existing work has documented the rules of the election of the chief executive as well as veto and dissolution power of elected presidents, at least until the 1990s. For these items, I have checked the consistency of the sources with each and updated them where necessary. Detailed data on the power of prime ministers to dissolve the legislature or request a confidence motion are only available for a small set of mostly West European
countries. I have coded the remaining countries in the data set based on constitutional texts complemented by country-specific sources. Table 2.4 in the Appendix lists the coding of the countries included in the analysis.\textsuperscript{13}

Altogether, 57% of all country-years are \textit{Parliamentary}, 20% are \textit{Presidential} and 23% are \textit{Mixed} democracies. The percentage of ‘pure’ parliamentary and presidential democracies, 77%, is higher than in recent studies that code constitutions as mixed whenever a directly elected president co-exists with an assembly-dependent prime minister (e.g., Samuels and Shugart 2010). Beyond the fact that some recent mixed democracies are not included because they have less than 15 years of democratic experience, this reflects a difference in theoretical emphasis, not a disagreement on rules. For the purpose of testing the predictions of the model proposed in this chapter, adding a directly elected president with neither veto nor dissolution power to an otherwise parliamentary system does not change the logic of redistributive politics. Thus, countries like Ireland are coded as parliamentary, not as mixed.\textsuperscript{14}

\textbf{Government Partisanship}

To capture the partisan composition of the executive and the legislature, I primarily use variables from Beck et al. (2001, updated Dec. 2010) that measure the stated ideological orientation of parties. There is no other data source with the same coverage. The variables focus on the brand name of parties - whether they lean toward the left or right on economic policy - rather than their actions once in office, mitigating concerns about coder-driven

\textsuperscript{13}The coding of executive-legislative institutions captures the formal rules spelled out in the constitution or basic laws for a particular country. The exception are cases where secondary sources indicate that the formal rules have been superseded by a commonly understood constitutional practice. This is often relevant for understanding the role of monarchs in executive-legislative relations. For example, according to a literal reading of the Commonwealth of Australia Constitution Act (sections 5 and 28), the Governor-General, appointed by the British monarch, can unilaterally dissolve the legislature. However, the constitutional convention is that only the prime minister can request a dissolution of parliament form the Governor-General, who proclaims the dissolution.

\textsuperscript{14}As discussed in the results section, the empirical findings are robust to using alternative measures of executive-legislative institutions.
endogeneity. I will separately introduce the specific measures used in the cross-sectional and the panel analysis when discussing the relevant statistical specification.

Cross-sectional analysis

To test the cross-sectional thrust of the partisan model, I estimate two different cross-national regression equations by ordinary least squares. In each specification, the dependent variable is the level of *Central government expenditures* averaged over the period between 1990 and 2008. The goal of the analysis is to evaluate to what degree executive-legislative institutions and the cumulative partisan composition of government going back to 1975 explain variation in the recent level of public spending, which is the result of numerous incremental policy decisions. More specifically, the first specification considers the impact of left partisanship on the reduced-form relationship between executive-legislative institutions and fiscal policies

\[
Y_i = \beta_1(Presidential)_i + \beta_2(Left\ chief\ executive)_i + X_i'\gamma + \epsilon_i \tag{2.4}
\]

where \(Y_i\) is average *Central government expenditures* in country \(i\) during the years 1990-2008, \(Presidential_i\) is the measure of presidential democracy introduced above (leaving *Parliamentary* and *Mixed* democracies as the comparison group), \(Left\ chief\ executive_i\) is the share of years during 1975-2008 in which the chief executive belongs to a left party and \(X_i\) is a vector of control variables (also including an intercept)\(^{15}\). The restricted version of the model excludes \(Left\ chief\ executive_i\). It essentially replicates the standard specification in the literature (Persson and Tabellini 2003) with an alternative measure of executive-legislative institutions in a different data set. Both the partisan model developed in this chapter and the opportunistic model (Persson, Roland and Tabellini 2000) imply that spending should be

\(^{15}\)Left chief executives includes all chief executives belonging to parties that label themselves communist, socialist, social-democratic, or centrist - rather than right - on economic policy. The underlying data from Beck et al. (2001, updated Dec. 2010) also contains some cases where the party of the chief executive does not have a clear ideology. Including a variable to capture those cases does not qualitatively change the results.
lower in presidential systems ($\beta_1 < 0$). The less restrictive version of the model includes left partisanship. The partisan model implies more spending in countries dominated by left than right governments ($\beta_2 > 0$). It also suggests that the effect of presidentialism on spending works through partisanship. If that is the case, the coefficient on presidentialism should be reduced once partisanship is entered into the analysis. It need not be zero, however, as the linear specification does not account for the possibility that the impact of partisanship varies across executive-legislative institutions.

The second specification allows for a constitution-dependent impact of partisanship by including the interaction between presidentialism and left chief executive

$$Y_i = \beta_1 (\text{Presidential})_i + \beta_2 (\text{Left chief executive})_i + \beta_3 (\text{Presidential})_i \times (\text{Left chief executive})_i + X_i' \gamma + \epsilon_i$$  \hspace{1cm} (2.5)

The partisan model implies that left chief executives tend to be in a stronger position to pursue their spending priorities in parliamentary democracies ($\beta_3 < 0$). Using the dissolution threat they should be able to extract concessions from veto players that would not be forthcoming in a presidential system (separation of survival effect). Moreover, the absence of a separate electoral contest for the chief executive should make left unified control more likely (separation of origin effect).

The theoretical predictions are derived holding the distribution of market income and left mobilization capacity constant. The empirical analysis uses the Gini index of inequality for pre-tax and transfer household income and voter turnout as proxies for those parameters. Turnout has been found to be a possible channel through which executive-legislative institutions affect fiscal policy (Fumagalli and Narciso 2012). Electoral rules for the legislature, which are fixed in the theoretical analysis, are perhaps the most important institutional variable used to explain redistribution in the literature (e.g., Iversen and Soskice 2006). Empirical variation in electoral rules is captured by a variable measuring whether the legislature
(lower house) is elected by plurality rule and by the mean district magnitude. In addition, there is a large number of potential confounding variables that do not feature in the theoretical model. Political institutions are not randomly distributed. The literature shows that presidential democracies are more frequent in younger and poorer democracies and is the predominant democratic constitutional type in Latin America. Hence, the analysis follows Persson and Tabellini (2003) section 3.2.1 and controls for a set of covariates that are commonly thought to influence public spending and may also be related to executive-legislative institutions and the partisan control of government. These standard controls include (the natural logarithm of) GDP per capita, trade openness, the age distribution of the population (measured by the percentage of population over 64 and between 15 and 64 years), federalism, membership in the OECD, the quality of democracy and (going beyond the core specification in Persson and Tabellini 2003) ethnic fractionalization and the age of democracy. Following Persson and Tabellini (2003), the analysis also examines whether the results are robust to including controls for geography and colonial history. For the definitions and sources of the control variables, see Table 2.5 in the Appendix.

**Cross-sectional results**

Table 2.1 presents the main cross-sectional estimation results. In the specification without left chief executives, central government spending is significantly lower in presidential democracies (columns 1 and 4). In the partisanship-free model with the full set of control variables (column 4), including colonial origin and continental location, the estimate suggests that spending is about 3.5 percentage points lower on average in presidential than in parliamentary and mixed democracies. The size of the coefficient is substantively important and close to previous studies (Persson and Tabellini 2003, section 6.2.1). Adding left chief executives (column 2 and 5) produces the result suggested by the partisan model that I have proposed. Left control of the chief executive is significantly associated with more public
spending. In the model with all controls (column 5), adding partisanship substantively reduces the coefficient on presidentialism, which is no longer statistically significant at the 10 percent level.[16]

This finding is consistent with partisanship being one important mechanism through which executive-legislative institutions affect spending - a mechanism that has been neglected by rent-seeking models. While the finding rules in partisanship as a possible institutional mechanism explaining why presidential spend less than parliamentary democracies, it does not rule out an institution-free omitted variables account where left government is exogenous to executive-legislative institutions. For some reason that is not captured by the control variables and that is unrelated to the workings of executive-legislative institutions, left governments may be less frequent in presidential systems. At this point, it is noteworthy to recall that the specification includes controls for the electoral rules of the legislature, ruling out the possibility that the finding is driven by the impact of electoral rules on government partisanship [Iversen and Soskice 2006]. The analysis also controls for ethnic fractionalization, which has been argued to be linked to the strength of left parties by shaping the opportunity of conservative politicians to appeal to ethnic divisions and thus diminish support for redistribution (e.g., Alesina and Glaeser 2004).

The results of the models including the presidentialism-partisanship interaction (columns 3 and 6 Table 2.1) shed more light on the plausibility of the two competing interpretations. They show that the relationship between left government and spending is significantly stronger in parliamentary than in presidential democracies. The interactive it robust to controlling for continental indicators and colonial origins. It increases the credibility of the partisan-institutional account, as it is in line with the argument that left chief executives are in a weaker bargaining position and are more likely to face opposing veto player in

---

[16] All analysis were performed using STATA 11.2. Observations with missing values were dropped from the analysis.
presidential than in parliamentary democracies. A simple omitted story does not account for why the impact of left chief executives varies across democratic constitutions.

What alternative explanations might there be for the interactive pattern observed in Table 2.1? The comparative politics literature suggests an alternative account based on the correlation between presidentialism and a legacy of military dictatorships that may explain the findings. Left executives governing in the “shadow of the military regime” pre-disposed to the interests of the rich have incentives to be cautious in their economic policies to avoid a coup (Stokes 2001, p. 33). There is evidence that legacies of military dictatorships are more frequent in presidential than in parliamentary democracies (Cheibub 2007, pp. 140-145). Military rulers involved in the drafting of constitutions leading up to a transition toward democracy have incentives to favor a constitutional design that protects the status quo policies chosen by them. Hence, the presidential-military nexus may account for the weaker association between left chief executives and public spending as well as lower overall spending under presidentialism. For the purpose of assessing the empirical robustness of the partisan-institutional explanation, it is not relevant whether the presidential-military nexus is accidental or reflects a preference of the military for presidential institutions.

To assess the possibility that the results are driven by the military-presidential nexus, I control for observables related to the military threat of overthrowing a leftist, pro-redistributive government. I take the military legacy variable from Cheibub (2007), which is an indicator for whether the previous non-democratic government was led by a retired or active military official. As the military threat may decline over democratic time, I allow for an interaction between military legacy and age of democracy. Table 2.2 shows that the results are robust to controlling for military legacy. The coefficients on the variables of in-

\footnote{This logic helps explain the choice of electoral rules for the president in Latin America (Negretto 2006). In a context where policy has a valence and a redistribute dimensions, the anticipation of a changing environment tempers the incentives to lock in the status quo (Londregan 2000).}
interest, presidential democracy and the partisanship of the chief executives, are substantively unchanged.

The remaining columns in Table 2.2 show that the results are also robust to excluding the richest democracies (columns 4-6) and using an alternative dependent variable (columns 7-9). Some studies find that the relationship between democratic constitutions and fiscal policies is weaker or even absent in less developed democracies (Blume et al., 2009). This may reflect different degrees of institutionalization of democratic constitutions, different levels of state capacity, lower levels of economic development or some other omitted variable. As a straightforward way to assess the robustness of the estimation results to the concern about heterogeneous effects, I exclude the richest democracies from the analysis. The analysis in columns 4-6 excludes the 19 richest countries in the data set, in terms of per capita GDP in 2008 US dollars. It excludes the advanced industrial democracies that are often the focus of studies on parties and redistribution. The pattern of estimated coefficients is the same as in the full data set.

Altogether, the cross-sectional evidence is remarkably consistent with the partisan model of presidentialism, parliamentarism, and redistribution. The findings are robust to a large set of control variables (going beyond the standard list of controls in the literature) and to dropping the usual suspects of rich democracies. Nonetheless, the nature of cross-sectional data makes it impossible to rule out the existence of unobserved confounders that may drive the results. Moreover, it does not shed light on the dynamics of fiscal policymaking and

\footnote{Additional robustness checks are reported in the Appendix (Table 2.6). They include using an alternative measure of institutions.}
the more subtle partisan effects that are implied by the model. I turn to the panel data to address these issues.

Table 2.1: Cross-sectional regression results for government spending

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presidential</td>
<td>-4.44**</td>
<td>-4.26**</td>
<td>0.04</td>
<td>-3.50*</td>
<td>-3.00</td>
<td>0.97</td>
</tr>
<tr>
<td></td>
<td>(1.70)</td>
<td>(1.78)</td>
<td>(2.59)</td>
<td>(1.99)</td>
<td>(2.07)</td>
<td>(2.73)</td>
</tr>
<tr>
<td>Left chief executive (CE)</td>
<td>4.99**</td>
<td>6.76**</td>
<td>5.67**</td>
<td>7.37**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.32)</td>
<td>(2.42)</td>
<td>(2.45)</td>
<td>(2.64)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presidential × Left CE</td>
<td>-10.98**</td>
<td>-10.07**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4.83)</td>
<td>(4.70)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continents &amp; origins</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>77</td>
<td>77</td>
<td>77</td>
<td>77</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.700</td>
<td>0.718</td>
<td>0.731</td>
<td>0.698</td>
<td>0.722</td>
<td>0.732</td>
</tr>
</tbody>
</table>

Note: Robust standard errors in parentheses. The dependent variable is central government expenditures (% of GDP), averaged over democratic years 1990-2008. All other time-varying variables are averaged over democratic years 1975 - 2008. All models include controls for turnout, plurality rule, district magnitude, federalism, FH democracy, age democracy, GDP per capita (log), market inequality, trade openness, population 15-64, population 65+, ethnic fractionalization, OECD member and an intercept.

* $p < 0.1$, ** $p < 0.05$ (two-tailed tests)
Table 2.2: Cross-sectional analysis: robustness

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<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
<th>(9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presidential</td>
<td>-4.20**</td>
<td>-3.77**</td>
<td>0.19</td>
<td>-3.52*</td>
<td>-2.81</td>
<td>0.81</td>
<td>-5.65**</td>
<td>-5.26**</td>
<td>-0.45</td>
</tr>
<tr>
<td></td>
<td>(1.76)</td>
<td>(1.81)</td>
<td>(2.41)</td>
<td>(1.94)</td>
<td>(1.93)</td>
<td>(2.26)</td>
<td>(2.39)</td>
<td>(2.49)</td>
<td>(3.42)</td>
</tr>
<tr>
<td>Left chief executive (CE)</td>
<td>6.27**</td>
<td>7.84**</td>
<td>5.98**</td>
<td>7.74**</td>
<td>3.66</td>
<td>5.69*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.44)</td>
<td>(2.57)</td>
<td>(2.58)</td>
<td>(2.53)</td>
<td>(2.90)</td>
<td>(3.03)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>(4.62)</td>
<td>(4.36)</td>
<td>(5.48)</td>
<td></td>
<td></td>
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</table>

Robustness

<table>
<thead>
<tr>
<th></th>
<th>Controlling for military legacy</th>
<th>Excluding richest&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Dependent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observations</td>
<td>77</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.713</td>
<td>0.744</td>
<td>0.753</td>
</tr>
</tbody>
</table>

Note: Robust standard errors in parentheses. The dependent variable is central government expenditures (% of GDP) in columns 1-6 and non-defense government expenditures (% of GDP) in columns 7-9, each averaged over democratic years 1990 - 2012. All other time-varying variables are averaged over democratic years 1975 - 2008. All models include controls for turnout, plurality rule, district magnitude, federalism, FH democracy, age democracy, GDP per capita (log), market inequality, trade openness, population 15-64, population 65+, ethnic fractionalization, OECD member, indicators for continents and colonial origin, plurality rule, district magnitude, federalism and an intercept.


* $p < 0.1$, ** $p < 0.05$ (two-tailed tests)
Panel analysis

In the panel analysis, I estimate how year-to-year changes in the partisan composition of government affect central government spending, allowing the partisan effects to vary by executive-legislative institutions. As there is practically no within-country variation in executive-legislative institutions, analyzing the panel version of the data set does not provide additional leverage in estimating the average effect of presidentialism on fiscal policies. Importantly, however, the panel data set provides a credible research design for testing the hypothesis of constitution-contingent partisan effects implied by the partisan model. Exploiting the time dimension of the data allows me to control for unobserved time-invariant country heterogeneity that may drive differences in partisan conflict over public spending, such as initial economic or political conditions that might shape constitutional design and party formation.\footnote{The panel analysis excludes countries with less than 15 years of democratic experience and less than 7 observations of fiscal policy. This reduces the sample to 64 countries.}

Dynamic specification

In the panel setting, it is possible to capture a fairly rich set of partisan-institutional configurations that are close to the theoretical model. Using the partisan variables from Beck et al. (2001, updated Dec. 2010), I construct four indicators measuring the partisan orientation and majority status of the party of the chief executive. Left majority indicates a chief executive belonging to a left party that has a majority of seats in the legislature (i.e., lower house in bicameral systems). Left minority indicates a chief executive belonging to a left or centrist party that has no legislative majority. Right majority indicates a chief executive belonging to a right party with a legislative majority. It is the baseline category in the analysis. Right minority indicates a chief executive belonging to a right party without a legislative majority.\footnote{As in the cross-sectional analysis, left chief executives includes those belonging to parties that label themselves communist, socialist, social-democratic, or centrist - rather than right - on economic policy. In}
left or right. It is taken from [Samuels and Shugart (2010)](https://www.jstor.org/stable/2951686), who have conducted a content analysis of the campaign promises of the party that obtains the position of the chief executive after the election as either security-oriented (i.e., left) or efficiency-oriented (i.e., right) on economic policy. The campaign-specific measure is only available for a shorter time period (1978-2002) and a smaller set of countries, but it nonetheless covers all democratic constitutions and continents and provides a useful complement to the measure focusing on parties’ broad ideological orientation. To test for constitution-varying partisan effects, the partisan indicators are interacted with indicators for presidential and mixed democratic constitutions (with parliamentary democracies as the baseline). Formally, the basic panel specification is as follows:

\[
Y_{it} = \theta Y_{i,t-1} + \beta_1 (\text{Left majority})_{it} + \beta_2 (\text{Left minority})_{it} + \beta_3 (\text{Right minority})_{it} + \\
\beta_4 (\text{Left majority})_{it} \times (\text{Presidential})_{it} + \beta_5 (\text{Left minority})_{it} \times (\text{Presidential})_{it} + \\
\beta_6 (\text{Right minority})_{it} \times (\text{Presidential})_{it} + \beta_7 (\text{Left majority})_{it} \times (\text{Mixed})_{it} + \\
\beta_8 (\text{Left minority})_{it} \times (\text{Mixed})_{it} + \beta_9 (\text{Right minority})_{it} \times (\text{Mixed})_{it} + \\
\beta_{10} (\text{Presidential})_{it} + \beta_{11} (\text{Mixed})_{it} + \alpha_i + \gamma_t + \epsilon_{it}
\]  

(2.6)

where \(Y_{it}\) is central government expenditures as a percentage of GDP in country \(i\) and year \(t\), \(Y_{i,t-1}\) is expenditures in the previous year, \(\alpha_i\) and \(\gamma_t\) are country-specific and year-specific intercepts, \(X_{it}\) is a vector of time-varying control variables, the remaining variables are the partisan-institutional indicators of interest introduced above, and \(\epsilon_{it}\) is an idiosyncratic error. The country fixed effects capture time-invariant country-specific confounders. The year fixed effects capture common trends such as oil prices or changes in international relations.

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Including a lagged dependent variable accounts for the persistence of overall government spending and proxies for the status quo policy.\(^{21}\)

The panel data allow me to distinguish between the two complementary mechanisms highlighted by the theoretical model. The novel prediction of the model is that holding constant the level of legislative support, left chief executives should spend less in presidential than in parliamentary democracies. This reflects what I have called the separation of survival effect in the theoretical part of the chapter. It arises from the difference between joint survival of the executive and the legislature under parliamentarism, where prime ministers may use their dissolution power to extract concessions from party members, coalition partners, or opposition parties, and the separation of survival under presidentialism. The separation of origin effect is the second mechanism. At the policymaking stage, it boils down to the classic veto player argument. It implies that holding differences in dissolution power constant, left majority governments should spend more than left minority governments. According to the theoretical model, then, left majority governments under parliamentarism should be able and willing to increase spending relative to right majority governments \((\beta_1 > 0)\). Left minority governments under parliamentarism also should have incentives to increase spending, but they are more constrained by their lack of a legislative majority \((\beta_1 > \beta_2)\). Crucially, according to the separation of survival effect, the effect of left majority and left minority governments should be weaker in presidential systems \((\beta_4 < 0, \beta_5 < 0)\). The model makes no theoretical predictions for mixed democracies. The interaction terms with mixed democracies are only included to obtain accurate estimates for the effects of theoretical interest.

The analysis includes all countries from the cross-sectional analysis for which there are at least 8 years of spending data. The resulting data set is an unbalanced panel of 64 countries between 1975 and 2008 (using the partisanship measure from Beck et al., 2001)\(^{21}\). A more complicated dynamic specification, such as an error-correction formulation (which is equivalent to an autoregressive distributed lag model that also includes lags of each explanatory variable), produces qualitatively the same results, but there is not sufficient evidence to reject the simpler specification used here for a more complicated one with a considerable number of additional parameters.

---

\(^{21}\) Beck et al., 2001
or of 53 countries between 1978 and 2002 (using the partisanship measure from Samuels and Shugart [2010]). There is no change from or to presidentialism in the data. So the indicator Presidential$_{it}$ is indistinguishable from the country fixed effect. Given the inclusion of country fixed effects, identification is driven by changes in the partisan composition of governments over time. In line with previous empirical studies, basic time-varying control variables are the level or quality of democracy, age of democracy in years, GDP per capita (logged), GDP growth, Gini index of market inequality, population between 15-64 years (% of total population), population 65+ years (% of total population), trade openness, and indicators for the electoral cycle.

Estimation issues

The most straightforward way of estimating the dynamic panel model in equation (2.6) is to use the common fixed effects or least-squares dummy variable (LSDV) estimator. The main concern with this approach is that the LSDV estimator is inconsistent for a fixed number of time periods and a large number of cross-sectional units. Even after controlling for country fixed effects, the lagged dependent variable remains correlated with the error term (Nickell, 1981). However, the asymptotic panel bias diminishes as the number as time periods increases. Monte Carlo studies show that the LSDV estimator behaves well for data sets with a structure similar to the one analyzed here, where the number of time periods is considerable larger and the number of cross-sectional units is much smaller than in most micro-level panel studies (Judson and Owen, 1999). In this context, the bias is small and the estimator performs at least as well or better than more complex generalized methods of moments (GMM) estimators. Accordingly, the LSDV estimator provides a useful starting point (Beck and Katz, 2011). I use clustered standard errors to allow for correlation of the errors within countries.

22 After listwise deletion of observations with missing values, the average number of observations per country is 21, the minimum is 5 and the maximum is 32.
23 For the definitions and sources of the control variables, see the Appendix.
I also estimate the bias corrected least-squared dummy variables (LSDVC) estimator, which has been extended to unbalanced panels by Bruno (2005). It relies on a two-step procedure that first estimates an approximation of the dynamic bias using GMM and then corrects the LSDV estimates. Theoretically, the LSDVC estimator is superior to LSDV and in Monte Carlo studies it also outperforms GMM estimators (Judson and Owen, 1999). Given the data structure with a relatively large number of time periods, the LSDVC estimates should be fairly similar to those obtained by LSDV.

Panel results

Table 2.3 presents the panel estimates. The LSDV estimates are close to the ones obtained by the bias-corrected LSDVC. In all columns, the coefficient on the variable left majority government has the predicted positive effect and is statistically significant at the five percent level. It indicates that in parliamentary democracies, central government spending increases significantly when left majority governments take office compared to the baseline of right majority governments. The magnitude of the coefficient is substantively important. The smallest estimate (column 2) suggests that the short-run increase in spending is about 0.8 percentage points. The coefficient on left minority governments is positive, but smaller and not statistically significant from zero. A statistical test shows that left minority governments spend significantly less than left majority governments under parliamentarism. The partisanship of the chief executive matters conditional on the distribution of veto power in the legislative arena.

The finding that variation in the partisan composition of government explains variation in spending within parliamentary democracies is puzzling from the rent-seeking perspective.

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24 Monte Carlo studies show that the asymptotic standard errors for the LSDVC do not perform well in finite samples. They tend to be too small. Hence, I follow the practice of computing standard errors using bootstrap methods (drawing 500 resamples) (Bruno, 2005a).

25 The F-test of the null hypothesis that the coefficients for left majority and left minority are equal in column 1 yields a p-value of 0.02.

26 There is no evidence of second-order autocorrelation. For the model in col. 1, the Arellano-Bond test for AR(2) in first differences clearly fails to reject the null of no serial correlation (p = 0.93).
Table 2.3: Panel estimates for government spending

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</tr>
</thead>
<tbody>
<tr>
<td>Spending in previous year</td>
<td>0.82**</td>
<td>0.89**</td>
<td>0.74**</td>
<td>0.80**</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.02)</td>
<td>(0.05)</td>
<td>(0.05)</td>
</tr>
<tr>
<td>Left majority</td>
<td>0.95**</td>
<td>0.90**</td>
<td>1.76**</td>
<td>1.72*</td>
</tr>
<tr>
<td></td>
<td>(0.45)</td>
<td>(0.43)</td>
<td>(0.54)</td>
<td>(0.98)</td>
</tr>
<tr>
<td>Left minority</td>
<td>0.17</td>
<td>0.15</td>
<td>0.62</td>
<td>0.54</td>
</tr>
<tr>
<td></td>
<td>(0.37)</td>
<td>(0.38)</td>
<td>(0.53)</td>
<td>(0.93)</td>
</tr>
<tr>
<td>Right minority</td>
<td>0.90**</td>
<td>0.83*</td>
<td>0.65</td>
<td>0.55</td>
</tr>
<tr>
<td></td>
<td>(0.41)</td>
<td>(0.47)</td>
<td>(0.55)</td>
<td>(0.83)</td>
</tr>
<tr>
<td>Presidential × Left majority</td>
<td>-1.76**</td>
<td>-1.75**</td>
<td>-1.88**</td>
<td>-1.85*</td>
</tr>
<tr>
<td></td>
<td>(0.58)</td>
<td>(0.63)</td>
<td>(0.58)</td>
<td>(1.11)</td>
</tr>
<tr>
<td>Presidential × Left minority</td>
<td>-0.97*</td>
<td>-0.98*</td>
<td>-1.63**</td>
<td>-1.57</td>
</tr>
<tr>
<td></td>
<td>(0.50)</td>
<td>(0.59)</td>
<td>(0.67)</td>
<td>(1.21)</td>
</tr>
<tr>
<td>Presidential × Right minority</td>
<td>-1.43**</td>
<td>-1.42**</td>
<td>-0.47</td>
<td>-0.38</td>
</tr>
<tr>
<td></td>
<td>(0.52)</td>
<td>(0.58)</td>
<td>(0.60)</td>
<td>(0.98)</td>
</tr>
<tr>
<td>Mixed × Left majority</td>
<td>-1.19**</td>
<td>-1.13</td>
<td>-2.05*</td>
<td>-1.94</td>
</tr>
<tr>
<td></td>
<td>(0.59)</td>
<td>(0.72)</td>
<td>(1.11)</td>
<td>(1.96)</td>
</tr>
<tr>
<td>Mixed × Left minority</td>
<td>-0.70</td>
<td>-0.68</td>
<td>-1.26</td>
<td>-1.12</td>
</tr>
<tr>
<td></td>
<td>(0.55)</td>
<td>(0.59)</td>
<td>(1.11)</td>
<td>(1.79)</td>
</tr>
<tr>
<td>Mixed × Right minority</td>
<td>-0.88</td>
<td>-0.83</td>
<td>-0.40</td>
<td>-0.33</td>
</tr>
<tr>
<td></td>
<td>(0.64)</td>
<td>(0.68)</td>
<td>(0.80)</td>
<td>(1.31)</td>
</tr>
<tr>
<td>Mixed</td>
<td>-0.40</td>
<td>-0.29</td>
<td>-0.92</td>
<td>-0.43</td>
</tr>
<tr>
<td></td>
<td>(1.05)</td>
<td>(0.69)</td>
<td>(1.81)</td>
<td>(1.75)</td>
</tr>
</tbody>
</table>

Measure of partisanship       Beck et al. Samuels and Shugart
Estimator                    LSDV   LSDVC LSDV   LSDVC
Obs. (countries)             1366 (64) 1366 (64) 833 (53) 833 (53)

Note: The dependent variable is central government spending (% of GDP). Standard errors are in parentheses. In col. (1) and (3), standard errors are clustered by country. In col. (2) and (4) standard errors are bootstrapped. All regressions include controls for FH democracy, age democracy, GDP per capita (log), GDP growth, market inequality, population 15-64, population 65+, trade openness and indicators for year and the electoral cycle.

* $p < 0.1$, ** $p < 0.05$ (two-tailed tests)
on the fiscal effect of political institutions, which implies a uniform impact of institutions on spending. It is in line with the prediction of the partisan model as well as partisan veto player approaches more generally. It does not rule out rent-seeking as a channel through which executive-legislative institutions influence policy, but it clearly runs counter to the notion of exchangeable politicians and reaffirms the relevance of partisan conflict over public spending.

A novel prediction of the model concerns the interaction terms between left majority government and presidential democracy and left minority government and presidential democracy. In line with the separation of survival effect, both interaction terms are negative and precisely estimated. The estimates indicate that left majority governments in presidential democracies spend significantly less than left majority governments in parliamentary democracies, and that left minority governments in presidential democracies spend significantly less than left minority governments in parliamentary democracies. These estimates are consistent with the argument that differences in dissolution power shape the bargaining power of chief executives so that, given the same legislative support, chief executives are in a stronger bargaining position in parliamentary than in presidential democracies. This finding does not follow from the standard veto player logic.

The main results about the constitution-varying impact of left chief executives are the same for both measures of partisanship. The results differ, however, on the fiscal impact of right minority governments. Using the broad ideology-based measure of partisanship from Beck et al. (2001) suggests that in parliamentary democracies, left majority governments and right minority governments have very similar spending patterns. This is puzzling from the perspective of partisan theory. The estimates using the campaign-specific partisanship measure of Samuels and Shugart (2010) suggest, instead, that right minority governments

\[27\] The coefficients for left majority and right minority governments are not statistically distinguishable. The F-test of the null hypothesis that the coefficients for left majority and right minority are equal in column 1 yields a p-value of 0.88.
do not spend significantly more than right majority governments and spend significantly less than left majority governments. This is in line with the predictions of the model. The difference in results not driven by the fact that the campaign-specific measure is only available for a subset of the data. Unsurprisingly, perhaps, the measure that is more sensitive to the context of specific elections produces results that are most in line with partisan theory. It is desirable to further examine this issue using alternative data on party ideologies. Perhaps a further extension of the data set collected by the Comparative Manifesto Project will make this possible.

The relatively large coefficient on the lagged dependent variable, typical for analyses of government spending, indicates that fiscal policymaking is relatively persistent. This suggests that changes in the partisan composition of government do not only have an immediate effect on spending, but also a lagged effect on future spending. It is also important to point out that the effect of left majority governments in presidential democracies is virtually null. This does not follow from a literal reading of the theoretical model, but is consistent with the logic behind dissolution bargaining when one thinks of parties as heterogeneous rather than unitary actors. In this context, chief executives also have incentives to use the dissolution procedure in situations of unified or single-party control of government to implement the party’s programmatic agenda against dissenters in their own party (e.g., Cox, 1987). The absence of dissolution power under presidentialism means that unified party government is no guarantee for coherent programmatic policy.

**Conclusion**

The fiscal consequences of democratic constitutions are an enduring concern in political science and economics. This chapter has examined how differences in the design of executive-

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28 The results are robust to a range of additional alternative specifications: excluding the richest democracies, using alternative indicators for executive-legislative institutions, or using non-military central government spending as dependent variable (see Table 2.7 in the Appendix).
legislative institutions between presidential and parliamentary democracies shape fiscal policymaking. Why do presidential democracies tend to have lower levels of public spending than parliamentary democracies? While the literature has made considerable progress in exploring the reduced form relationship between presidential versus parliamentary democracies and public spending, there has been surprisingly little theoretical guidance to motivate the investigation of the mechanisms behind the observed patterns. To address this shortcoming, this paper has developed and empirically evaluated a theoretical model that suggests that institutional differences between presidential and parliamentary democracies matter for fiscal policy because they shape the outcome of partisan conflict over redistribution. It highlights two mechanisms. Differences in the institutional separation of the executive and the legislature influence policy by shaping the distribution and bargaining power of partisan governments. The evidence discovered in the empirical analysis is consistent with key implications of the mechanisms. It bolsters the argument that an important reason for why we observe that presidential democracies tend to have smaller governments than parliamentary democracies is because they advantage partisan interests in favor of low redistribution.

Taken together, the theoretical and empirical results have important implications for the literature on the politics of fiscal policymaking in representative democracies. The partisan model of executive-legislative institutions and fiscal policy provides an alternative to the prevalent rent-seeking framework of institutions and fiscal policy. The empirical results are in line with the partisan perspective and are difficult to reconcile with a purely rent-seeking account. As in any macro-level empirical analysis, the inferences come with some caveats. Measuring partisanship across such a large set of cases requires a dose of pragmatism and the cross-sectional analysis cannot rule the existence of unobserved country-specific confounders. However, the cross-sectional analysis controls for a large set of possible confounders including variables that have been ignored in previous studies. And the results hold across a large set of different specifications, including alternative measures of fiscal policy and executive-
legislative institutions. Moreover, the panel analysis accounts for country heterogeneity using fixed effects, ruling out the possibility that time-invariant unobserved characteristics drive the constitution-varying partisan effects. Hence, the evidence lends considerable empirical credibility to the argument that institutional differences between presidential and parliamentary democracies shape public spending through government partisanship.

The argument also implies that the fiscal consequences of executive-legislative institutions cannot be reduced to the number and ideological distance of veto players. Veto power certainly matters, but the logic of veto bargaining differs across presidential and parliamentary democracies. The power to dissolve the government allows chief executives in parliamentary democracies to extract policy concessions from veto players that would not be forthcoming in a presidential system. In line with this logic, the empirical analysis has found constitution-varying partisan effects on public spending. Left chief executives with similar legislative support are associated with more public spending in parliamentary than in presidential democracies. To breathe some life into the regression results, consider an example from Denmark. Denmark is a theoretically relevant case because the prime minister has the power to dissolve the legislature at almost any time and in its fragmented multi-party system the problem of achieving consensus in policymaking is especially acute. In 1975 the Social Democratic minority government led by prime minister Anker Jørgensen proposed an expansionary policy package to counter the economic downturn. The bourgeois opposition parties, who had the votes to veto the government’s policies in parliament, initially opposed the stimulus measure. But the prime minister made it clear that a failure to pass it would trigger a new election. Opinion polls indicated that a new election would weaken the opposition and the policy was passed. The Financial Times considered this outcome a “triumph” for the Jørgensen government.\footnote{Hilary Barnes, “Widespread Approval for Danish Party Agreement,” Financial Times, September 10, 1975, p. 6.} In a complementary paper, I more systematically examine the use of dissolution threats in Denmark between 1974 and 2011\footnote{Becher}.
and Christiansen, 2013). Analyzing an original data set combining information on prime ministers’ use of dissolution threats and public opinion surveys, we find that prime ministers that have weak support in the legislature but a relatively strong standing in the opinion polls are most likely to use their dissolution power in legislative bargaining. This finding provides direct evidence consistent with the logic of executive-legislative bargaining in the shadow of dissolution power spelled out in the theoretical model.
Appendix

Solving the Theoretical Model

Preliminaries

Let me formalize two assumptions that are stated informally in the main text:

1. Poor citizens are a majority in the population. In particular, \( \delta > \frac{N+1}{2N} \). The assumption ensures that there is a positive probability of a left legislative majority.

2. Poor citizens are less likely to turn out to vote than rich citizens. In particular, \( \gamma_p > \frac{(2\delta-1)N+1}{(N-1)(1-\delta)} \). Given \( \gamma_r = 0 \), this assumption ensures that the economic turnout differential is sufficiently large so there is a positive probability of a right legislative majority.

To derive Proposition 1, the analysis first characterizes the equilibrium in the presidential and the parliamentary version of the game and then compares equilibrium policy across constitutions. Before proceeding to the analysis, it is useful to define some additional notation. First, where necessary the type of constitution (parliamentary or presidential), as reflected in the extensive form of the game, is indicated by the superscript \( CON \in \{\text{parl}, \text{pres}\} \). Second, for the analysis of the electoral stage it is convenient to define the number of voters supporting a particular party. In the parliamentary model, let \( v_J \) be the number of citizens voting for party \( J \in \{L, R\} \) in the legislative election. In the presidential model, let \( v^{C}_J \) be the number of votes received by party \( J \) in the legislative (“congressional”) election and let \( v^{P}_J \) be number of votes for candidate of party \( J \) in the presidential election. Third, for the comparison of equilibrium policies define the ex-ante (i.e., before electoral results are realized) probabilities that a particular partisan allocation of proposal and veto power emerges in the legislative arena. As spelled out in the text, there can be a left-unified, right-unified or a divided partisan control of proposal and veto power. In a situation of divided government, proposal power may be in the hands of the left or right. The probability that a left (right)
partisan wins the direct election for the chief executive is only defined for the presidential model. See the table below:

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>$P_{LU}^{CON}$</td>
<td>Probability of left-unified control of proposal and veto power</td>
</tr>
<tr>
<td>$P_{RU}^{CON}$</td>
<td>Probability of right-unified control of proposal and veto power</td>
</tr>
<tr>
<td>$P_{D}^{CON}$</td>
<td>Probability of divided control of proposal and veto power</td>
</tr>
<tr>
<td>$P_{LD}^{CON}$</td>
<td>Probability of divided control with a left proposer and at least 1 right veto player</td>
</tr>
<tr>
<td>$P_{RD}^{CON}$</td>
<td>Probability of divided control with a right proposer and at least 1 left veto player</td>
</tr>
<tr>
<td>$P_{LE}^{CON}$</td>
<td>Probability of left chief executive</td>
</tr>
<tr>
<td>$P_{RE}^{CON}$</td>
<td>Probability of right chief executive</td>
</tr>
</tbody>
</table>

As a final preliminary, a remark on voting behavior in the electoral stage of the models. The analysis takes for granted that voters vote for the party that represents their economic interest and focuses on the behavior of partisan politicians. Given the two group-set up, it is clearly a best-response for voters to do so. They are never better off giving their vote (or, in the presidential model, any of their two votes) to the party representing the other economic group. As there is a continuum of voters, they may not be strictly worse off doing so. But by elimination of strictly dominated strategies, voting strategies that involve such behavior are ruled out.

**Parliamentary model**

**Lemma 1.** *In the parliamentary model, the equilibrium is as follows:*

1. *Initial policymaking stage*
(a) Acceptance sets: a veto player, $V$, of partisan type $J$ accepts any proposed tax rate $b$ in

$$A^V_L(b, t_q) = [\hat{x}, 2t_L - \hat{x}]$$

$$A^V_R(b, t_q) = [0, \hat{x}]$$

where $\hat{x} \equiv P_{TL}^{ parl} t_L + P_{TR}^{ parl} t_q$.

(b) Optimal proposal: a prime minister, $PM$, of partisan type $J$ proposes tax rate

$$b^*_L(A^V_J) = \begin{cases} 
  t_L & \text{if } V = L \\
  \hat{x} & \text{if } V = R \land t_q \leq \left( \frac{P_{TL}^{ parl}}{P_{TL}^{ parl} + P_{TR}^{ parl}} \right) t_L \\
  t_q & \text{if } V = R \land t_q \geq \left( \frac{P_{TL}^{ parl}}{P_{TL}^{ parl} + P_{TR}^{ parl}} \right) t_L \\
  t_R & \text{if } V = R 
\end{cases}$$

$$b^*_R(A^V_J) = \begin{cases} 
  t_q & \text{if } V = L \land t_q \leq \left( \frac{P_{TL}^{ parl}}{P_{TL}^{ parl} + P_{TR}^{ parl}} \right) t_L \\
  \hat{x} & \text{if } V = L \land t_q \geq \left( \frac{P_{TL}^{ parl}}{P_{TL}^{ parl} + P_{TR}^{ parl}} \right) t_L 
\end{cases}$$

(c) Policy: equilibrium tax rate $t^*$ for a given partisan allocation of proposal and veto power
Case: \( t_q \leq \left( \frac{P_{L_{LU}}^{\text{part}}}{P_{L_{LU}}^{\text{part}} + P_{R_{RU}}^{\text{part}}} \right) t_L \)

Veto player with divergent type

<table>
<thead>
<tr>
<th>Type of PM</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>L</td>
<td>( t_L )</td>
<td>( \hat{x} )</td>
</tr>
<tr>
<td>R</td>
<td>( t_R )</td>
<td>( t_q )</td>
</tr>
</tbody>
</table>

Case: \( t_q \geq \left( \frac{P_{L_{LU}}^{\text{part}}}{P_{L_{LU}}^{\text{part}} + P_{R_{RU}}^{\text{part}}} \right) t_L \)

Veto player with divergent type

<table>
<thead>
<tr>
<th>Type of PM</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>L</td>
<td>( t_L )</td>
<td>( t_q )</td>
</tr>
<tr>
<td>R</td>
<td>( t_R )</td>
<td>( \hat{x} )</td>
</tr>
</tbody>
</table>

(d) The expected level of taxation before voting cost and electoral results are realized is

\[
E(t|\text{CON} = \text{parl}) = P_{L_{LU}}^{\text{part}} t_L + \frac{P_{R_{D}}^{\text{part}}}{2} \hat{x} + \frac{P_{R_{D}}^{\text{part}}}{2} t_L
\]

2. Policymaking after the new election

(a) Acceptance sets: a veto player, V, of partisan type J accepts any proposed tax rate \( z \) in

\[
A^V_L(z, t_q) = [t_q, 2t_L - t_q]
\]

\[
A^V_R(z, t_q) = [0, t_q]
\]

(b) Optimal proposal: a prime minister, PM, of partisan type J proposes tax rate

\[
z^*_L(A^V_J) = \begin{cases} 
  t_L & \text{if } V = L \\
  t_q \lor b \notin A^V_R & \text{if } V = R
\end{cases}
\]

\[
z^*_R(A^V_J) = \begin{cases} 
  t_R & \text{if } V = R \\
  t_q \lor b \notin A^V_L & \text{if } V = L
\end{cases}
\]
(c) Policy outcome: tax rate $t^*$ for a given partisan allocation of proposal and veto power

<table>
<thead>
<tr>
<th>Veto player with divergent partisan type</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$L$</td>
<td>$t_L$</td>
<td>$t_q$</td>
</tr>
<tr>
<td>$R$</td>
<td>$t_R$</td>
<td>$t_q$</td>
</tr>
</tbody>
</table>

(d) The expected level of taxation before voting cost and electoral results are realized is

$$E(t|CON = parl) = P_{r_{LU}} t_L + P_{r_{D}} t_q$$

3. Electoral outcomes

$$P_{r_{LU}} = F_{\phi_p} \left( \frac{(2\delta - 1)(N - 1)}{(N+1)(1-\delta)} \right), \quad P_{r_{RU}} = 1 - F_{\phi_p} \left( \frac{(2\delta - 1)(N+1)}{(N-1)(1-\delta)} \right), \quad \text{and} \quad P_{r_{D}} = 1 - P_{r_{LU}} - P_{r_{RU}}.$$

Proof:

The game is sequential. The analysis proceeds by backward induction. It first characterizes behavior and outcomes if a new election is called in the first round of bargaining and then solves the initial part of the game.

1. Consider policymaking after the new election. For a given partisan allocation of legislative seats, a utility-maximizing veto player ($V$) of partisan type $J \in \{L, R\}$ only accepts a proposal $z$ that makes him better off than the status quo policy, $t_q$. Given the spatial utility function (expression (2.1)) and partisan ideal points $t_L > t_R = 0$, accepting $z$ iff $u_J(b) \geq u_J(t_q)$ implies the familiar acceptance sets: $A^V_L(z, t_q) = [t_q, 2t_L - t_q]$ for the left ($L$) type and $A^V_R(z, t_q) = [0, t_q]$ for the right ($R$) type.
The prime minister (PM) chooses a proposal \( z \) for a given status quo, \( t_q \), to maximize her utility subject to the acceptance set of \( V \), \( A^V_J(z, t_q) \). Given this constraint the optimal proposal induces a tax rate that is as close as possible to \( V \)'s ideal policy. If \( PM \) prefers the status quo to any policy in \( A^V_J \), \( PM \) should endorse the status quo or make a proposal that will be rejected and thus maintain \( t_q \). Otherwise, \( PM \) proposes the policy in \( A^V_J \) that is closest to her ideal policy. In the case of a unified partisan control of proposal and veto power, \( PM \)'s optimal action is to propose her ideal policy. In the case of a divided partisan control proposal and veto power (i.e., coalition government), note that the status quo policy lies in the Pareto set between \( L \) and \( R \), \( t_q \in [t_R, t_L] \). \( V \) will not accept any policy change that moves policy toward \( PM \)'s ideal policy. In this case, \( t_q \) is the best outcome \( PM \) can achieve, either by endorsing the status quo, \( z = t_q \), or by proposing any bill that will be rejected. Thus,

\[
z^*_L(A^V_J) = \begin{cases} 
  t_L & \text{if } V = L \\
  t_q \lor b \notin A^V_R & \text{if } V = R
\end{cases}
\]

\[
z^*_R(A^V_J) = \begin{cases} 
  t_R & \text{if } V = R \\
  t_q \lor b \notin A^V_L & \text{if } V = L
\end{cases}
\]

For a given partisan allocation of proposal and veto power, equilibrium policy \( t^* \) directly follows from the acceptance sets, \( A^V_L(z, t_q) \) and \( A^V_R(z, t_q) \), and best-responding proposals, \( z^*_L(A^V_J) \) and \( z^*_R(A^V_J) \).

Turning to the electoral stage (after dissolution). Given the outcome of the legislative subgame for a given partisan composition of government, \( t^* \), the ex-ante (before voting cost are realized) expected level of redistributive taxation is

\[
E(t|CON = parl) = P^t_{UL} t_L + P^t_{DL} t_q + P^t_{RU} t_R
\]
where \( P_{LU}^{parl} \) and \( P_{RD}^{parl} \) are determined by voting behavior and turnout shocks and are derived below.

2. Consider the initial policymaking stage. \( V \) of partisan type \( J \in \{L, R\} \) accepts any proposal \( b \) that makes him at least weakly better off than rejecting \( b \) (triggering a new election): \( V \) accepts \( b \) iff \( u_J(b) \geq EU_J(t|\text{reject } b) \) and rejects \( b \) otherwise. Given the expected outcome of the game after a new election, the expected utility of rejecting \( b \) is

\[
EU_J(t|\text{reject } b) = P_{LU}^{parl} u_J(t_L) + P_{RD}^{parl} u_J(t_q) + P_{RD}^{parl} u_J(t_R).
\]

Given the spatial utility function (expression (2.1)) and \( t_R = 0 \), a left partisan type \( V = L \) accepts \( b \) iff

\[
-|b - t_L| \geq -P_{LU}^{parl}|t_L - t_L| - P_{RD}^{parl}|t_q - t_L| - P_{RD}^{parl}|t_R - t_L| = -P_{RD}^{parl}(t_L - t_q) - P_{RD}^{parl}t_L. \quad \text{If } b \leq t_L, \text{ the acceptance condition holds iff } b \geq P_{LU}^{parl}t_L + P_{RD}^{parl}t_q \equiv \hat{x}. \text{ (note that this is the expected policy after dissolution). If } b > t_L, \text{ the acceptance condition holds iff } b \leq 2t_L - \hat{x}. \text{ Therefore, } L's \text{ acceptance set is } A^V_L(b, t_q) = [\hat{x}, 2t_L - \hat{x}]. \text{ By the same logic, } R's \text{ acceptance set is } A^V_R(b, t_q) = [0, \hat{x}].
\]

The prime minister (PM) chooses a proposal \( b \) to maximize her expected utility subject to the acceptance set of \( V \), \( A^V_J(b, t_q) \). She faces a choice between endorsing the status quo, proposing the best policy \( V \) is willing to accept, or making an unacceptable proposal that leads to a new election. First, consider a left PM \( (PM = L) \). In the case of a left single-party majority government \( (V = L) \), it is straightforward that \( PM \) proposes her ideal policy, \( b^*_L = t_L \). If the left PM faces a right veto player \( (V = R) \), there is policy conflict \( (t_L \notin A^V_R) \). Note that \( \hat{x} \) is \( PM \)'s most preferred policy in \( A^V_R \). Proposing \( \hat{x} \) is a best response if it makes \( PM \) better off than endorsing the status quo or triggering a new election: \( b^*_L = \hat{x} \) iff \( 1 \) \( u_L(\hat{x}) \geq u_L(t_q) \) and \( 2 \) \( u_L(\hat{x}) \geq EU_L(t|\text{reject } b) \). \( 1 \) holds iff \( t_q \leq \left( \frac{P_{LU}^{parl}}{P_{LU}^{parl} + P_{RD}^{parl}} \right) t_L \). \( 2 \) always holds as \( u_L(\hat{x}) = EU_J(t|\text{reject } b) = -(P_{RD}^{parl} + P_{RD}^{parl})t_L + P_{RD}^{parl}t_q. \) PM prefers to maintain the
status quo, $b_L^* = t_q$, iff (1) $u_L(t_q) \geq u_L(\hat{x})$ and (2) $u_L(t_q) \geq EU_L(t|\text{reject } b)$. (1) and (2) jointly require $t_q \geq \left( \frac{Pr_{\text{parl}}^{\text{part}}}{Pr_{\text{parl}}^{\text{part}} + Pr_{\text{ru}}^{\text{part}}} \right) t_L$. Finally, note that $PM$ never has strict incentives to provoke a government dissolution (proposing $b \notin A^V_R$). She can obtain $\hat{x}$ for sure (by proposing $b = \hat{x}$) rather than in expectation by proposing any $b \notin A^V_R$. By the tie-breaking assumption, $PM$ prefers the certain outcome $\hat{x}$ over the lottery with the same expected tax rate induced by a new election. In sum, the optimal proposal strategy of a left $PM$ is

$$b_L^*(A^V_J) = \begin{cases} 
    t_L & \text{if } V = L \\
    \hat{x} & \text{if } V = R \land t_q \leq \left( \frac{Pr_{\text{parl}}^{\text{part}}}{Pr_{\text{parl}}^{\text{part}} + Pr_{\text{ru}}^{\text{part}}} \right) t_L \\
    t_q & \text{if } V = R \land t_q \geq \left( \frac{Pr_{\text{parl}}^{\text{part}}}{Pr_{\text{parl}}^{\text{part}} + Pr_{\text{ru}}^{\text{part}}} \right) t_L 
\end{cases}$$

Second, the argument for a right $PM$ ($PM = R$) is symmetric. Hence, the optimal proposal strategy of a right $PM$ is

$$b_R^*(A^V_J) = \begin{cases} 
    t_R & \text{if } V = R \\
    t_q & \text{if } V = L \land t_q \leq \left( \frac{Pr_{\text{parl}}^{\text{part}}}{Pr_{\text{parl}}^{\text{part}} + Pr_{\text{ru}}^{\text{part}}} \right) t_L \\
    \hat{x} & \text{if } V = L \land t_q \geq \left( \frac{Pr_{\text{parl}}^{\text{part}}}{Pr_{\text{parl}}^{\text{part}} + Pr_{\text{ru}}^{\text{part}}} \right) t_L 
\end{cases}$$

For a given partisan allocation of proposal and veto power, equilibrium policy $t^*$ directly follows from the acceptance sets, $A^V_L(b, t_q)$ and $A^V_R(b, t_q)$, and best-responding proposals, $b_L^*(A^V_J)$ and $b_R^*(A^V_J)$. There is no dissolution in equilibrium.

Consider the initial election. Given the outcome of the legislative subgame for a given partisan composition, $t^*$, the expected level of equilibrium redistributive taxation be-
fore the realization of turnout shocks is

\[ E(t|CON = \text{parl}) = \begin{cases} 
  P_{\text{parl}}^{\text{LU}} t_L + P_{\text{parl}}^{\text{LD}} t_q + P_{\text{parl}}^{\text{RU}} t_R & \text{if } t_q \leq \left( \frac{P_{\text{parl}}^{\text{parl}}}{P_{\text{parl}}^{\text{LU}} + P_{\text{parl}}^{\text{RU}}} \right) t_L \\
  P_{\text{parl}}^{\text{LU}} t_L + P_{\text{parl}}^{\text{LD}} t_q + P_{\text{parl}}^{\text{RD}} \hat{x} + P_{\text{parl}}^{\text{RU}} t_R & \text{if } t_q \geq \left( \frac{P_{\text{parl}}^{\text{parl}}}{P_{\text{parl}}^{\text{LU}} + P_{\text{parl}}^{\text{RU}}} \right) t_L 
\end{cases} \]

= P_{\text{parl}}^{\text{LU}} t_L + \frac{P_{\text{parl}}^{\text{parl}}}{2} \hat{x} + \frac{P_{\text{parl}}^{\text{parl}}}{2} t_q.

The probabilities are derived below.

3. Election outcomes. Given that voters (rationally) support the party representing their own economic group, party vote shares are a function of turnout. The group of voters supporting the left (right) party consists of poor (rich) citizens with negative voting cost \( c_{ij} \). For a fixed common shock \( \phi_p \geq 0 \) and given the distribution of \( c_{ij} \) (expression (2.2)) the size of the group of left party \( (L) \) voters is \( v_L = F(c_{ij} \leq 0) \delta = \frac{\delta}{1+\phi_p} \). The size of right party \( (R) \) voters is \( v_R = 1 - \delta \) because \( \phi_r = 0 \) by assumption.

A unified control of government by \( J \) partisans requires that they win an absolute majority of seats in the legislature, and a situation of divided control emerges if no party wins a majority of seats. Given a legislature with an even number of \( N \geq 2 \) seats and the proportional (i.e., simple quota) electoral rule, the left party obtains a majority of legislative seats if \( \frac{v_L}{v_L+v_R} > \left( \frac{N+1}{2N} \right) \) and the right party wins a legislative majority if \( \frac{v_R}{v_L+v_R} > \left( \frac{N+1}{2N} \right) \). Otherwise, no party wins a legislative majority and a divided parliament occurs. Vote shares are a function of \( \phi_p \), a continuous random variable. Hence, the probability that the left party wins a majority of seats is \( P_{\text{parl}}^{\text{LU}} = Pr \left( v_L > \left( \frac{N+1}{2N} \right) (v_L + v_R) \right) = F_{\phi_p} \left( \frac{(2\delta-1)N-1}{(N+1)(1-\delta)} \right) \). Given the uniform distribution of \( \phi_p \) (expression (2.3)), \( P_{\text{parl}}^{\text{LU}} = \left( \frac{(2\delta-1)N-1}{\gamma_p(N+1)(1-\delta)} \right) \). By the same logic, \( P_{\text{parl}}^{\text{RU}} = 1 - F_{\phi_p} \left( \frac{(2\delta-1)N+1}{(N+1)(1-\delta)} \right) = 1 - \left( \frac{(2\delta-1)N+1}{\gamma_p(N+1)(1-\delta)} \right) \). Note that \( P_{\text{parl}}^{\text{LU}} > 0 \) as \( \delta > \left( \frac{N+1}{2N} \right) \) and \( P_{\text{parl}}^{\text{RU}} > 0 \) as \( \gamma_p > \left( \frac{(2\delta-1)N+1}{(N+1)(1-\delta)} \right) \). By the random selection of the \( PM \) in the case of a divided legislature, \( P_{\text{parl}}^{\text{LD}} = P_{\text{parl}}^{\text{RD}} = \frac{1}{2} P_{\text{parl}}^{\text{parl}} \). □
Presidential model

Lemma 2. In the presidential model, the equilibrium is as follows:

1. Acceptance sets: veto players, $V$, accept any proposed tax rate $b$ in

$$A^V_L(b, t_q) = [t_q, 2t_L - t_q]$$
$$A^V_R(b, t_q) = [0, t_q]$$

2. Optimal proposal: president, $P$, of partisan type $J$ proposes tax rate

$$b^*_L (A^V_J) = \begin{cases} t_L & \text{if } \neg \exists \ V = R \\ t_q \lor b \notin A^V_R & \text{if } \exists \ V = R \end{cases}$$
$$b^*_R (A^V_J) = \begin{cases} t_R & \text{if } \neg \exists \ V = L \\ t_q \lor b \notin A^V_L & \text{if } \exists \ V = L \end{cases}$$

3. Policy: equilibrium tax rate $t^*$ for a given partisan allocation of proposal and veto power

<table>
<thead>
<tr>
<th>Veto player with divergent partisan type</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of president</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$L$</td>
<td>$t_L$</td>
<td>$t_q$</td>
</tr>
<tr>
<td>$R$</td>
<td>$t_R$</td>
<td>$t_q$</td>
</tr>
</tbody>
</table>
4. The expected level of taxation before voting cost and electoral results are realized is

\[
E(t|CON = pres) = P_{tL}^{pres} t_L + P_{tq}^{pres} t_q
\]

where \( P_{tL}^{pres} = F_{\phi_p} \left( \frac{2\delta-1}{1-\delta} \right) F_{\phi_p} \left( \frac{(2\delta-1)N-1}{(N+1)(1-\delta)} \right) \), \( P_{tq}^{pres} = \left[ 1 - F_{\phi_p} \left( \frac{2\delta-1}{1-\delta} \right) \right] \left[ 1 - F_{\phi_p} \left( \frac{(2\delta-1)N+1}{(N-1)(1-\delta)} \right) \right] \)

and \( P_{tR}^{pres} = 1 - P_{tL}^{pres} - P_{tq}^{pres} \).

Proof:

The proof of legislative bargaining is symmetric to the parliamentary model in the subgame after dissolution. Notationally, one simply has to replace \( PM \) by \( P \) and account for the possibility of that there are two distinct veto players in the legislature (in case of a divided legislature). The electoral process is different. Given the outcome of the legislative subgame for a given partisan allocation of veto and proposal power, \( t^* \), the ex-ante (before turnout shocks) expected level of redistributive taxation is

\[
E(t|CON = pres) = P_{tL}^{pres} t_L + P_{tq}^{pres} t_q + P_{tR}^{pres} t_R
\]

where \( P_{tL}^{parl} \) and \( P_{tR}^{parl} \) are determined by voting behavior and turnout shocks. As voters (rationally) support the party representing their economic group, the group of voters supporting the left (right) party and left (right) presidential candidate consists of poor (rich) citizens with negative voting cost. Accordingly, for a fixed common shock \( \phi^P \) and given the distribution of \( c_{ij} \) (expression (2.2)), the number of citizens voting for presidential candidate is \( v^P_L = F_c(c_{ij} \leq 0)\delta = \frac{\delta}{1+\phi^P} \). The number of voters supporting the right presidential candidate is \( v^P_R = 1 - \delta \) because \( \gamma_r = 0 \). By the same logic, for the legislative election \( v^C_L = \frac{\delta}{1+\phi^C} \) and \( v^C_R = 1 - \delta \).

A unified control of government by \( J \) partisans requires that they win an absolute majority of seats in the legislative election and a plurality of votes in the presidential election. A situation of divided control emerges if no party wins both control over the legislature and
the presidency. Given a legislature with an even number of \( N \geq 2 \) seats and the proportional (i.e., simple quota) translation of votes into seats for both the legislative and the presidential election, the probability that the left party wins a unified control of government is

\[
P_{\text{pres}}^{\text{LU}} = Pr(v_L^P > v_R^P)Pr \left( v_L^C > \left( \frac{N+1}{2N} \right) (v_L^C + v_R^C) \right)
\]

\[
= F_{\phi_p} \left( \frac{2\delta - 1}{1 - \delta} \right) F_{\phi_p} \left( \frac{(2\delta - 1)N - 1}{(N + 1)(1 - \delta)} \right)
\]

\[
= \left( \frac{2\delta - 1}{\gamma_p(1 - \delta)} \right) \left( \frac{(2\delta - 1)N - 1}{\gamma_p(N + 1)(1 - \delta)} \right)
\]

by the uniform distribution of \( \phi_p \).

By the same logic, the probability that the right party wins a unified control of government is

\[
P_{\text{pres}}^{\text{RU}} = Pr(v_L^P < v_R^P)Pr \left( v_R^C > \left( \frac{N+1}{2N} \right) (v_L^C + v_R^C) \right)
\]

\[
= \left[ 1 - F_{\phi_p} \left( \frac{2\delta - 1}{1 - \delta} \right) \right] \left[ 1 - F_{\phi_p} \left( \frac{(2\delta - 1)N + 1}{(N - 1)(1 - \delta)} \right) \right]
\]

\[
= \left[ 1 - \left( \frac{2\delta - 1}{\gamma_p(1 - \delta)} \right) \right] \left[ 1 - \left( \frac{(2\delta - 1)N + 1}{\gamma_p(N - 1)(1 - \delta)} \right) \right].
\]

Note that \( P_{\text{pres}}^{\text{LU}} > 0 \) and \( P_{\text{pres}}^{\text{RU}} > 0 \) as \( \delta > \left( \frac{N+1}{2N} \right) \) and \( \gamma_p > \frac{(2\delta-1)N+1}{(N-1)(1-\delta)} \). \( \Box \)
Institutional analysis: completing the proof of Proposition 1

Statement (1). The institutional effect follows directly from comparing expected policy in Lemma 2 and Lemma 1:

$$\beta_{CON} \equiv E[t|CON = parl] - E[t|CON = pres]$$

$$= \left( P_{LU}^{part} t_L + \frac{P_{D}^{part}}{2} \hat{x} + \frac{P_{D}^{part}}{2} t_q \right) - \left( P_{LU}^{pres} t_L + P_{D}^{pres} t_q \right)$$

by Lemma 2 and Lemma 1

After substituting $\hat{x} = P_{LU}^{part} t_L + P_{D}^{part} t_q$ and rearranging, it follows that

$$\beta_{CON} \begin{cases} \geq 0 & \text{if } t_q \leq \left[ \frac{P_{LU}^{part} (1 + \frac{1}{2} P_{D}^{part} - P_{D}^{pres})}{P_{LU}^{part} P_{R}^{pres} + P_{LU}^{pres} P_{D}^{pres} + \frac{1}{2} P_{D}^{part} (1 - P_{D}^{part})} \right] t_L \\ < 0 & \text{otherwise} \end{cases}$$

Statement (2). From (1),

$$\beta_{CON} = \left( P_{LU}^{part} t_L + \frac{P_{D}^{part}}{2} \hat{x} + \frac{P_{D}^{part}}{2} t_q \right) - \left( P_{LU}^{pres} t_L + P_{D}^{pres} t_q \right)$$

Adding $\left( P_{LU}^{part} t_L + P_{D}^{part} t_q \right) - \left( P_{LU}^{pres} t_L + P_{D}^{pres} t_q \right)$ to each side yields

$$\beta_{CON} = \left[ \left( P_{LU}^{part} t_L + P_{D}^{part} t_q \right) - \left( P_{LU}^{pres} t_L + P_{D}^{pres} t_q \right) \right] \text{ (i)}$$

$$+ \left[ \left( P_{LU}^{part} t_L + P_{D}^{part} \left( \frac{\hat{x}}{2} + \frac{t_q}{2} \right) \right) - \left( P_{LU}^{pres} t_L + P_{D}^{pres} t_q \right) \right] \text{ (ii)}$$
where (i) is the difference in expected policies given the probabilities of different partisan governments (i.e., left-unified, right-unified and divided) in the presidential and the parliamentary model while fixing bargaining outcomes for a given partisan constellation at those resulting in the presidential model (\textit{separation of origin effect}), and (ii) is the difference in expected policies given bargaining outcomes in the presidential and the parliamentary model, holding constant the probabilities of different partisan governments at those in the parliamentary model (\textit{separation of survival effect}). □
### Empirical Analysis

#### Data Appendix

Table 2.4: Coding of parliamentary, presidential and mixed constitutions

<table>
<thead>
<tr>
<th>Parliamentary</th>
<th>Presidential</th>
<th>Mixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania (since 1998), Australia, Austria, Bahamas, Bangladesh, Barbados, Belgium, Belize, Bulgaria, Canada, Cape Verde, Croatia, Denmark, Estonia, Finland (since 1991), Germany, Greece, Hungary, Iceland, India, Ireland, Israel (except 1996-2001), Italy, Jamaica, Japan, Luxembourg, Macedonia, Madagascar (1993-1998), Malta, Mauritius, Netherlands, New Zealand, Norway, Papua New Guinea, Romania, Slovakia, Slovenia, Spain, Sweden, Trinidad and Tobago, Turkey, United Kingdom</td>
<td>Argentina, Chile, Columbia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Ghana, Guatemala, Honduras, Panama, Philippines, South Korea, Ukraine, United States of America, Uruguay</td>
<td>Albania (1991-1997), Armenia, Benin, Bolivia, Brazil, Central African Republic, Cyprus, Finland (1975-1990), France, Israel (1996-2001), Latvia, Lithuania, Madagascar (since 1999), Moldova, Mongolia, Nicaragua, Paraguay, Peru, Poland, Portugal, Sri Lanka, Switzerland, Thailand, Venezuela</td>
</tr>
</tbody>
</table>

Notes: see text for definitions and principal sources.
Table 2.5: Control variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition and source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age democracy</td>
<td>Years since transition to democracy. Source: Cheibub, Gandhi and Vreeland (2010).</td>
</tr>
<tr>
<td>Ethnic fractionalization</td>
<td>Measures the probability that two randomly selected people from a given country will not belong to the same ethnolinguistic group (available until 2001). Source: calculated by Alesina et al. (2003) and retrieved from Teorell et al. (2011).</td>
</tr>
<tr>
<td>Federalism</td>
<td>Dummy equal to 1 for federal political structure. Source: Persson and Tabellini (2003) and, where missing, CCW (ongoing).</td>
</tr>
<tr>
<td>FH Democracy</td>
<td>Sum of Freedom House civil rights and civil liberties scores, varying between 2 (most free) and 14 (least free). Source: Teorell et al. (2011).</td>
</tr>
<tr>
<td>Market inequality</td>
<td>Estimated Gini coefficient for household income calculated before taxes and transfers (ranging from 0 to 100). Source: Solt (2009, Version 3.1).</td>
</tr>
<tr>
<td>Military legacy</td>
<td>Dummy equal to 1 if previous non-democratic regime was led by a military official, active or retired. Source: Cheibub (2007).</td>
</tr>
<tr>
<td>OECD member</td>
<td>Dummy equal to 1 if country was OECD member before 1993 (excluding Turkey). Source: Persson and Tabellini (2003).</td>
</tr>
<tr>
<td>Plurality rule</td>
<td>Dummy equal to 1 if a majority of legislative seats in lower house is elected using a first-past-the-post rule. Source: Beck et al. (2001, updated Dec. 2010) and, where missing, Adam Carr’s election archive.</td>
</tr>
<tr>
<td>Turnout</td>
<td>Voter turnout in legislative election (total votes cast as % of voting age population). Source: International IDEA (2012).</td>
</tr>
</tbody>
</table>
Table 2.5: Control variables (continued)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition and source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Colonies</strong></td>
<td></td>
</tr>
<tr>
<td>Portuguese/Spanish</td>
<td>Portuguese or Spanish colonial origin, weighted by years since independence as a fraction of 250 years prior to 1998 (following Persson and Tabellini (2003) p. 41). Source: colonial origin is coded according to Persson and Tabellini (2003) and, where missing, the CIA World Factbook. The year of independence is from Cheibub, Gandhi and Vreeland (2010).</td>
</tr>
<tr>
<td>Other</td>
<td>Other colonial origin, weighted by years since independence as a fraction of 250 years prior to 1998 (following Persson and Tabellini (2003) p. 41). Source: same as Portuguese/Spanish.</td>
</tr>
<tr>
<td><strong>Continents</strong></td>
<td></td>
</tr>
<tr>
<td>ASIAE</td>
<td>Dummy equal to 1 for countries in Eastern and Southern Asia (excluding Japan, which is included in OECD group). Source: same as AFRICA.</td>
</tr>
<tr>
<td>LAAM</td>
<td>Dummy equal to 1 for countries in South and Central America, including the Caribbean. Source: same as AFRICA.</td>
</tr>
<tr>
<td><strong>Electoral cycle (panel analysis only)</strong></td>
<td></td>
</tr>
<tr>
<td>Legislative election</td>
<td>Dummy equal to 1 if there is a legislative election in the current year. Source: Beck et al. (2001) updated Dec. 2010.</td>
</tr>
<tr>
<td>Executive election</td>
<td>Dummy equal to 1 if there is an election of the chief executive in the current year. Source: Beck et al. (2001) updated Dec. 2010.</td>
</tr>
</tbody>
</table>

Note: In the cross-section data set, time-varying variables are averages for 1975-2008 (democratic years only).
Additional Empirical Results

Table 2.6: Cross-sectional analysis with an alternative measure of presidentialism

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presidential</td>
<td>-3.30*</td>
<td>-2.54</td>
<td>0.81</td>
<td>-1.52</td>
<td>0.10</td>
<td>3.00</td>
</tr>
<tr>
<td></td>
<td>(1.85)</td>
<td>(1.94)</td>
<td>(2.57)</td>
<td>(1.72)</td>
<td>(1.84)</td>
<td>(2.49)</td>
</tr>
<tr>
<td>Left chief executive (CE)</td>
<td>4.63*</td>
<td>6.67**</td>
<td>6.12**</td>
<td>8.05**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.37)</td>
<td>(2.48)</td>
<td>(2.50)</td>
<td>(2.98)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presidential × Left CE</td>
<td>-9.19*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4.82)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continents &amp; origins</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>77</td>
<td>77</td>
<td>77</td>
<td>77</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.682</td>
<td>0.695</td>
<td>0.705</td>
<td>0.684</td>
<td>0.710</td>
<td>0.713</td>
</tr>
</tbody>
</table>

Note: Robust standard errors in parentheses. The dependent variable is central government spending (% of GDP), averaged over democratic year 1990-2008. All other time-varying variables are averaged over democratic years 1975-2008. All models include controls for turnout, plurality rule, district magnitude, federalism, FH democracy, age democracy, GDP per capita (log), market inequality, trade openness, population 15-64, population 65+, ethnic fractionalization, OECD member, plurality rule, district magnitude, federalism and an intercept. The measure of presidentialism is from [Samuels and Shugart (2010)].

* $p < 0.1$, ** $p < 0.05$ (two-tailed tests)
Table 2.7: Robustness of panel estimates

<table>
<thead>
<tr>
<th></th>
<th>(1) Spending</th>
<th>(2) Spending</th>
<th>(3) Spending</th>
<th>(4) Non-defense spending</th>
<th>(5) Spending</th>
<th>(6) Spending</th>
<th>(7) Spending</th>
<th>(8) Non-defense spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending in previous year</td>
<td>0.73**</td>
<td>0.71**</td>
<td>0.83**</td>
<td>0.80**</td>
<td>0.68**</td>
<td>0.66**</td>
<td>0.74**</td>
<td>0.73**</td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td>(0.04)</td>
<td>(0.03)</td>
<td>(0.04)</td>
<td>(0.06)</td>
<td>(0.08)</td>
<td>(0.05)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>Left majority</td>
<td>1.92**</td>
<td>2.20**</td>
<td>0.87*</td>
<td>0.88*</td>
<td>1.87**</td>
<td>2.41**</td>
<td>1.58**</td>
<td>1.99**</td>
</tr>
<tr>
<td></td>
<td>(0.51)</td>
<td>(0.59)</td>
<td>(0.45)</td>
<td>(0.51)</td>
<td>(0.28)</td>
<td>(0.89)</td>
<td>(0.54)</td>
<td>(0.80)</td>
</tr>
<tr>
<td>Left minority</td>
<td>0.59</td>
<td>0.76</td>
<td>0.14</td>
<td>0.30</td>
<td>0.53</td>
<td>0.42</td>
<td>0.30</td>
<td>0.64</td>
</tr>
<tr>
<td></td>
<td>(0.51)</td>
<td>(0.54)</td>
<td>(0.32)</td>
<td>(0.39)</td>
<td>(0.74)</td>
<td>(1.34)</td>
<td>(0.34)</td>
<td>(0.61)</td>
</tr>
<tr>
<td>Right minority</td>
<td>1.35*</td>
<td>1.83**</td>
<td>0.78**</td>
<td>1.02**</td>
<td>0.48</td>
<td>0.99</td>
<td>0.23</td>
<td>0.81</td>
</tr>
<tr>
<td></td>
<td>(0.71)</td>
<td>(0.80)</td>
<td>(0.33)</td>
<td>(0.46)</td>
<td>(0.23)</td>
<td>(1.05)</td>
<td>(0.36)</td>
<td>(0.58)</td>
</tr>
<tr>
<td>Presidential × Left majority</td>
<td>-2.83**</td>
<td>-2.77**</td>
<td>-1.44**</td>
<td>-1.45**</td>
<td>-1.83**</td>
<td>-1.68*</td>
<td>-1.42**</td>
<td>-2.31**</td>
</tr>
<tr>
<td></td>
<td>(0.67)</td>
<td>(0.94)</td>
<td>(0.56)</td>
<td>(0.61)</td>
<td>(0.50)</td>
<td>(0.56)</td>
<td>(0.67)</td>
<td>(0.82)</td>
</tr>
<tr>
<td>Presidential × Left minority</td>
<td>-1.61**</td>
<td>-1.78**</td>
<td>-0.82*</td>
<td>-0.98**</td>
<td>-1.33*</td>
<td>-1.50</td>
<td>-0.99*</td>
<td>-1.39*</td>
</tr>
<tr>
<td></td>
<td>(0.62)</td>
<td>(0.82)</td>
<td>(0.47)</td>
<td>(0.49)</td>
<td>(0.47)</td>
<td>(0.77)</td>
<td>(0.53)</td>
<td>(0.78)</td>
</tr>
<tr>
<td>Presidential × Right minority</td>
<td>-1.86**</td>
<td>-2.26**</td>
<td>-0.92*</td>
<td>-1.31**</td>
<td>-0.35</td>
<td>-1.32</td>
<td>0.41</td>
<td>-0.78</td>
</tr>
<tr>
<td></td>
<td>(0.73)</td>
<td>(0.85)</td>
<td>(0.50)</td>
<td>(0.54)</td>
<td>(0.40)</td>
<td>(0.81)</td>
<td>(0.50)</td>
<td>(0.65)</td>
</tr>
</tbody>
</table>

Measure of partisanship


<table>
<thead>
<tr>
<th>Sample</th>
<th>Excl. richest a</th>
<th>Excl. oldest b</th>
<th>Full c</th>
<th>Full</th>
<th>Excl. richest a</th>
<th>Excl. oldest b</th>
<th>Full c</th>
<th>Full</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observations</td>
<td>820</td>
<td>707</td>
<td>1366</td>
<td>1182</td>
<td>522</td>
<td>433</td>
<td>833</td>
<td>716</td>
</tr>
</tbody>
</table>

Note: Estimation is by LSDV. Standard errors in parentheses are clustered by country. All models include the same time-varying controls as those reported in the main text.


* p < 0.1, ** p < 0.05 (two-tailed tests)
Electoral Institutions, Credible Commitment, and Redistribution

Electoral institutions are a fundamental feature of democratic constitutions. They set the rules of the game for electoral competition for power and vary considerably across countries. A recent literature in political science and economics has shown that differences in electoral institutions are associated with different economic policies and outcomes. Two prominent and robust patterns discovered by this literature among advanced industrial democracies are that redistribution through taxes and transfers is higher and governments tend to be more left-leaning in democracies with proportional than in those with majoritarian electoral institutions (Iversen and Soskice, 2006). These patterns have also been documented at the subnational level (Funk and Gathmann, forthcoming). While there are several well-developed theoretical models that can explain the reduced-form relationship between electoral institutions and redistribution (for a review, see Persson and Tabellini, 2000; Rodden, 2009), there are two theoretical perspectives that explicitly account for the twin pattern of redistribution and government partisanship. One is based on commitment problems faced by political parties (Iversen and Soskice, 2006) and the other on political geography (Rodden, 2010 N.d.). Both views suggest that government partisanship is the mechanism through which
electoral institutions affect redistribution, consistent with the finding that government par-
tisanship is an important determinant of redistributive policy (e.g., Bradley et al. 2003;
Pettersson-Lidbom 2008), and both argue that there is an anti-left electoral bias in majori-
tarian electoral systems that leads to less left governments and thereby lower redistribution,
although they suggest different reasons for the partisan bias.1

In this chapter, I further examine the link between electoral institutions, government
partisanship, and redistribution. I develop and empirically evaluate the argument that the
credible commitment problem faced by political parties shapes the outcome of redistributive
conflict, which is central to democratic politics in many countries, differently than previously
claimed. It is commonplace to argue that parties competing for the power to set policy in
majoritarian electoral systems have strong centripetal incentives to take moderate positions
in order to win over pivotal voters – middle-income voters in the context of redistributive
politics. Given the absence of external enforcement of policy promises, however, the diffi-
culty faced by policy-motivated parties is to credibly commit to a redistributive platform
tailored to pivotal groups of voters. This time-inconsistency problem of electoral competition
is especially acute in majoritarian systems because they tend to induce few post-electoral
constraints on the winning party (Alesina 1988; Iversen and Soskice 2006). I argue that
political parties have incentives to use political recruitment to endogenously commit to mod-
erate policies that deviate from the preferred policy of their core constituency despite the
absence of external enforcement. More specifically, parties can solve the commitment prob-
lem if they do not only choose the party leader but also select candidates for the legislature,
as is the case in many democracies (e.g., Norris 1997). By selecting a sufficient number
of moderate candidates, parties can credibly commit to stick to their moderate platform

1Several theoretical models focus on the composition of public spending in terms of targeted versus
general programs (e.g., Milesi-Ferretti, Perotti and Rostagno 2002; Persson and Tabellini 2000), though
their empirical implications are closely related to redistribution. Examples of other economic policies and
outcomes that have been studied include consumer prices (Rogowski and Kayser 2002), corruption (Persson
and Tabellini 2003), and protectionism (Rickard 2012).
(and party leader) after the election, as their moderate legislators will not have incentives to pursue more extreme policies (such as soaking the middle class). In other words, credible commitment is endogenous to the strategic choices made by parties in electoral competition. This logic of endogenous commitment implies, among others, that left parties competing for the control of government in majoritarian systems should not be systematically less likely to win control of government than left parties in proportional systems, where coalition government mitigates commitment problems. They should credibly take more moderate positions concerning the extent of taxes and transfers, however, leading to less left-leaning governments and less redistribution.²

For readers skeptical of this logic of endogenous commitment, I analyze a simple game theoretical model to formally spell out the argument. In particular, I show that commitment emerges endogenously in the model that most clearly emphasizes the absence of credible commitment to explain the redistributive consequences of electoral institutions. I extend the canonical model of Iversen and Soskice (2006) to multiple districts and by allowing parties to nominate a candidate in each district (rather than only the party leader). This highlights the relevance of candidate selection as a commitment device and suggests novel empirical implications concerning the mechanism linking electoral institutions, government partisanship, and redistributive policy.

In line with key implications of the argument, an empirical analysis covering 17 countries in the years between 1946 and 2010 indicates that left parties are more centrist and equally likely to control the chief executive in majoritarian compared to proportional elec-

---

²The importance of candidate selection for party competition, while not part of standard spatial models in the tradition of Downs (1957), has long been recognized in political science. For example, Schattschneider (1942, p. 64) argues that it is “the most important activity of the party.” The argument that candidate selection can provide a microfoundation for endogenous commitment complements existing theoretical models based on punishment of deviations from the platform in repeated elections (e.g., Alesina 1988). This idea also underlies citizen-candidate models (e.g., Besley and Coate 1997). Different from these models, which focus on the decisions of citizens to run in a single district, this paper focuses on the selection decision of parties in a setting with multiple districts and post-electoral bargaining. In a similar setting, Morelli (2004) analyzes party formation as a way to achieve endogenous commitment.
toral systems. In other words, there is no general institutional bias in the ability of left parties to control the government. On average, left parties control the chief executives about 40 percent of the time, with little differences across electoral institutions. Consistent with previous studies (Iversen and Soskice 2006; Döring and Manow 2013), government ideology tends to be less left-leaning in majoritarian than in proportional systems. This appears to be driven to an important extent by the more centrist positions adopted by mainstream left parties rather than a systematic bias in the ability of the left to capture the chief executive. This is puzzling from the perspective of existing theoretical perspectives based on the absence of credible commitment or geography, which predict an anti-left electoral bias. It makes sense, however, from the perspective of endogenous commitment. To provide some initial direct evidence on the use of candidate selection as a commitment device, a complementary within-country study compares the candidates nominated by the main left party in the same electoral districts under alternative electoral systems. Consistent with the commitment mechanism, the natural experiment reveals that the candidates nominated in the proportional electoral system appear to be more left-wing than those nominated under the majoritarian system.

Taken together, the essay takes an analytical and an empirical step to unbundle and clarify the relationship between electoral institutions and government partisanship that reflects an important mechanism linking electoral institutions and redistribution. The theoretical model provides microfoundations for the ability of parties to make credible campaign promises despite the absence of external enforcement. The relevance of political recruitment as a commitment device has important implications for the economic effects of electoral competition beyond the debate on electoral institutions and redistribution. The argument based on endogenous commitment also sheds additional light on the consequences of political geography for government partisanship and redistribution. The left-skew in the distribution of partisan support (and presumably preferences for redistribution) across space is a striking
and consequential feature for the politics of redistribution in advanced industrialized democracies (Rodden, 2010). Taking the commitment problem into account suggests that left parties may have incentives to recruit more moderate candidates than would be predicted by geography alone.

**Existing Theories and a Puzzle**

The formal model of Iversen and Soskice (2006) has provided the first explicit account for the twin observations that governments are more left-leaning and redistribution is more pronounced under proportional than under majoritarian electoral institutions. It elegantly highlights the importance of commitment problems for party competition over redistribution and how they vary across electoral institutions, emphasizing the inability of left parties in majoritarian democracies to credibly commit to a moderate redistributive platform (or party leader) once they are elected. The argument is developed in a model with three economic groups (low-income, middle-income, high-income) and policy-motivated parties. The key assumptions are that political conflict is over the redistribution of income across the economic groups (financed through non-regressive taxation) and parties are unable to enter binding contracts with voters. Institutionally, proportional systems are characterized by coalition government between representative parties and majoritarian systems are characterized by competition between two leadership parties, with the winning party setting policy. In this setting, the middle income group is pivotal. The implications of these assumptions are clear-cut. Because there is no external enforcement of campaign promises, when the left party wins the election in majoritarian systems it may renege on its promised moderate policy and instead impose a policy of high taxes and little benefits for everybody but the poor, making the middle class a net loser of redistribution. Right parties may also renege, but the worst outcome for middle-class voters in this case is low taxes and no benefits. As a consequence, middle class voters in majoritarian systems tend to support right parties, leading to relatively
low levels of redistribution. This stands in contrast to proportional systems. Here coalition
government between a left and centrist party provides a credible mechanism that protects
the left from soaking the middle class, as this can be vetoed by the center, and elections
tend to produce center-left coalitions resulting in high levels of redistribution.

Jonathan Rodden suggests a different explanation based on political geography. The
argument is previewed in Rodden (2009), summarized in Rodden (2010) and developed
fully in Rodden (N.d.). The starting point is the observation that throughout the twentieth
century in advanced industrial democracies the potential supporters of left, pro-redistributive
parties were (and often still are) concentrated in urban and (former) mining areas whereas the
support for right parties was (and often still is) more evenly distributed. Given the winner-
take-all nature of majoritarian electoral systems, the unequal distribution of supporters
across districts causes mechanical losses for left parties in the translation from votes into
seats, as lopsided victories in districts with highly concentrated support are inefficient. In this
context, left parties face the dilemma of devising a platform that appeals to their traditional
constituencies and to moderate voters in swing districts, encouraging either losses in swing
districts or third party entrants on the left. As a consequence, given the same level of
support left parties are less likely to win control of government in majoritarian compared to
proportional electoral institutions.

The fundamental premise of the model of Iversen and Soskice (2006) that there is no
exogenous commitment is logically compelling, reflecting the well-understood time inconsis-
tency of electoral promises in the absence of external enforcement (Alesina, 1988). It is also
in line with efforts by parties to cast doubt on the credibility of their opponent’s commit-
ment to protect middle-class interests. Given the high stakes of the redistributive game,

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3Another view, which is discussed in the empirical section, is that post-war electoral institutions, par-
tisanship and redistribution are essentially the product of the previous mobilization of the working class
(Alesina and Glaeser, 2004).

4For example, during the campaign for the 1945 general election in Britain Winston Churchill, leader of
the Conservative party, famously suggested that the Labour party, if elected, would employ Gestapo-methods
to implement its socialist policies. This has been interpreted by some historians as a failed attempt to win
Table 3.1: Frequency of policy switches by electoral system

<table>
<thead>
<tr>
<th></th>
<th>Policy switch after the election</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Proportional</td>
<td>63</td>
</tr>
<tr>
<td>Majoritarian</td>
<td>47</td>
</tr>
</tbody>
</table>

Note: Data on switches (from Samuels and Shugart, 2010) cover the years 1978-2002 in the wealthy democracies listed in the Appendix except Austria. Electoral systems are coded following Bormann and Golder (2013).

however, it is puzzling that parties are unable to solve the commitment problem in equilibrium. Left parties in particular, who otherwise face high cost in terms of foregone policy and office benefits, should have incentives to devise a credible commitment mechanism, similar to the tale of Ulysses’ binding himself to the mast of his ship to avoid changing its course upon hearing the Sirens’ songs. Adding empirical weight to the puzzle, the literature on the fulfillment of campaign promises shows that there are few instances in advanced industrial democracies where parties pursue economic policies that blatantly break with their electoral program. Samuels and Shugart (2010) have constructed a comprehensive new data set on the link between electoral promises and post-electoral economic policy covering a global set of democracies between 1978 and 2002. They have coded what they call policy switches, instances where the economic policy implemented under a chief executive in the first six months after the relevant election deviates significantly from the public commitments made by the chief executive’s party during the campaign. Table 3.1 summarizes the frequency of policy switches in 115 elections in 16 of the 17 advanced industrial democracies analyzed by Iversen and Soskice (2006) and in the empirical part of this chapter. It shows that policy switches occurred in only 5 out of 115 elections (about 4 percent of the time), with practically

over centrist voters by scaring them with the prospect of a single-party majority Labour government (Toye 2010). More generally, mainstream left parties in Europe throughout the post-war period were sometimes depicted as crypto-Marxists (Sassoon 1996, p. 293).
The scarcity of policy switches even in majoritarian systems is difficult to reconcile with the inability of parties to credibly commit to their electoral platform, the key mechanism underlying the model of Iversen and Soskice (2006). Given that campaign promises are not enforced by the legal system (Manin, Przeworski and Stokes, 1999, p. 38), why do parties mostly stick to their commitments? And what does this imply for the effect of electoral rules for government partisanship and redistribution?

Addressing these questions, the argument developed in this chapter is that political parties can use candidate selection to endogenously commit to moderate policies that deviate from the preferred policy of their core constituency despite the absence of external enforcement.

**Theoretical Model**

The starting point for the theoretical analysis is the political commitment problem faced by policy-motivated parties competing for the power to set redistributive policy. The commitment problem is thought to be especially severe for parties in majoritarian electoral systems, because of their tendency to produce single-party governments that face few constraints in policymaking. The theoretical model of Iversen and Soskice (2006) highlights this. It implies that middle-class voters will be skeptical towards the electoral promises by left parties to pursue moderate tax-and-transfer policies that benefit both middle-class and poor voters. If they win a legislative majority, left politicians have strong incentives to walk away from their promises and do what they think is right - redistribute income to the poor at the expense of the middle class and the rich. The promises by right parties to pursue moderate policies

---

5 These data are likely a lower bound for policy reversals, but the qualitative pattern of few reversals is consistent with country studies that examine a larger time window after the election (e.g., Royed, 1996). While still the exception rather than the rule, policy reversals are more frequent in Latin America (Samuels and Shugart, 2010; Stokes, 2001). Explaining this difference is beyond the scope of this chapter, but see Samuels and Shugart (2010) and chapter 4 for an explanation based on executive-legislative institutions.

6 The model of Iversen and Soskice (2006) incorporates the idea that there are centripetal pressures in majoritarian systems and that some parties manage to credibly appeal to the middle class. But in their model a party’s credibility is an exogenous parameter. I extend their theoretical framework by allowing parties to take a larger set of actions (i.e., legislative recruitment) that may result in endogenous commitment.
are equally dubious, but the low-tax-and-transfer policy resulting from a right legislative majority is better for the middle class than high taxes without benefits. This commitment problem threatens to critically undermine the prospects for pro-redistributive governments. Given the high stakes of the redistributive game, however, the argument developed here is that it is unlikely that rational parties surrender to this dilemma. In particular, parties have incentives to use the candidate nomination process for the legislature to achieve endogenous commitment.

In most democracies, including those with majoritarian electoral institutions, political parties select the candidates running for legislative office. This means that left parties can credibly commit to not expropriating the middle class by nominating a sufficient number of moderate candidates to compete in the election. Moderate legislators have incentives to veto policies that hurt the middle class. They will be unwilling to replace a moderate party leader or to endorse tax-and-transfer laws that soak the middle class. For the left, assuaging the fears of the middle class by selecting a critical number of moderates is good politics as it promises to deliver some redistribution to the poor. This is clearly better than insisting on ideological purity and suffering electoral defeat against the right. Faced with a radicalized left party, the right party will get the support of the middle class and thus win the election even if it only nominates candidates that prefer no redistribution at all. Since left parties can credibly commit to a moderate platform in equilibrium, they are not per se less likely to win elections than right parties. But the credible commitment naturally entails a constraint on their ability to implement their most-preferred policy if in government.

Parties’ incentives to tie their hands when in government by nominating a critical number of moderate candidates is driven by the centripetal forces of electoral competition. The resulting policy outcome will be close to the interests of the middle-class. Nonetheless,

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7 Reviewing evidence on the recruitment process in nine advanced industrial democracies, Norris (1997, p. 12) writes that in all countries except the USA parties (not voters) “determine who can be nominated under their party label from among the pool of eligibles.”
the relatively poor are better off than in a world where left parties are unable to commit
endogenously. This argument qualifies the original account of credible commitment and re-
distribution under majoritarian electoral rules. It is consistent with the twin observation
that government ideology is further to the right and there is less redistribution in ma-
joritarian than in proportional democracies, but the mechanism is different. It is not that
anti-redistributive interests are especially advantaged by the absence of external enforcement
of electoral promises, but that left (and right) parties have incentives to credibly capture
the middle ground by nominating moderate candidates. This argument is in line with the
common argument about the centripetal incentives of majoritarian electoral systems based
on exogenously enforced platforms (Cox 1990), which holds even if politicians are policy-
motivated (Calvert 1985). Rather than assuming that electoral promises are exogenously
enforced, however, it provides a microfoundation for how commitment can occur endoge-
nously. Moreover, credible commitment does not require parties to only select moderate
candidates and centripetal incentives need not lead to full convergence. Thinking about the
selection of candidates in multiple districts also makes it natural to think about how the
geographic distribution of voters across districts shapes political competition. Before pro-
ceeding to discuss and confront empirical implications of the argument with some data, it is
useful spell to out its logic more explicitly.

Basic Framework

Building on a widely used framework, the model considers a political economy with three
economic groups, low-income \((L)\), middle-income \((M)\), and high-income \((H)\), of equal size
and indexed by \(J\) (e.g., Acemoglu and Robinson 2006, Persson and Tabellini 2000). Each
group cares about its disposable income and political conflict is over the choice of a possibly
group-specific tax rate and transfer payment. More specifically, the model follows the five
general assumptions of the model of Iversen and Soskice (2006) as it spells out most clearly
the importance of commitment problems in explaining differences in redistributive politics across electoral institutions:

\[ V^J(p^J) = y^J + p^J \] (3.1)

where \( y^J \) is the exogenous gross income and \( p^J \) is the net government transfer of \( J \). Each group has a maximum taxable capacity \( \bar{T}^J < y^J \) that is less than its exogenous income, capturing incentive effects of taxation. The net transfer to a group is constrained below

\[ p^J \geq -\bar{T}^J \] (3.2)

Taxable capacity increases in exogenous income,

\[ 0 = \bar{T}^L < \bar{T}^M < \bar{T}^H \] (3.3)

where the taxable capacity of the low-income group is normalized to zero. The total budget available for redistribution is \( \bar{T} \equiv \bar{T}^M + \bar{T}^H \). The budget is balanced

\[ \sum_j p^J = 0 \] (3.4)

The final assumption is that net transfers are non-regressive

\[ p^L \geq p^M \geq p^H \] (3.5)

The non-regressivity assumption is supported by evidence from the Luxembourg Income Study [Milanovic, 2000]. While it is not needed to analyze parties’ incentives to achieve endogenous commitment, it is maintained to keep in the spirit of the framework of Iversen
The policy setup is more general than the more common assumption of a linear income tax and a general lump sum payment. In sum, given assumptions (1) - (5) the most preferred transfer policies for group $J$, denoted by $\hat{p}^J = (p^J_L, p^J_M, p^J_R)$, are as follows:

$$\hat{p}^L = (\bar{T}, -\bar{T}^M, -\bar{T}^H)$$
$$\hat{p}^M = \left(\frac{\bar{T}^H}{2}, \frac{\bar{T}^H}{2}, -\bar{T}^H\right)$$
$$\hat{p}^H = (0, 0, 0)$$

Accordingly, low-income citizens would most prefer to tax the middle- and high-income group at their full capacity and receive all the transfers. Middle-income citizens would tax the high-income group at their full capacity and keep as much to themselves as allowed by the non-regressivity of the tax system, and high-income citizens prefer no redistribution.

**Majoritarian Institution**

Institutionally, the focus is on majoritarian electoral systems, in which commitment is especially problematic. Following Iversen and Soskice (2006), there are two parties, a center-left party, $LM$, and a center-right party, $MH$. This assumption captures Duverger’s Law, according to which majoritarian electoral rules lead to the emergence of a two-party system (Cox 1997; Duverger 1954). $LM$ consists of a majority faction of $L$ politicians, who represent the interests of the low-income group, and a minority faction of $M$ politicians, representing the middle-income group. $MH$ consists of a majority faction of $H$ politicians, who represent the interests of the high-income group, and a minority faction of $M$ politicians. Thus, the preferences of the median member in each party are more extreme than that of the median voter.\(^8\) In this setting, it is natural and without loss of generality to think of

\(^8\)Note that in equilibrium the middle-income group has no incentives to form its own party.
middle-income voters as independents or swing voters who may support either party, whereas low-income voters are partisan of LM and high-income voters are partisans of MH.\footnote{It is in line with models examining parties’ incentives to cater policy toward core or swing voters.}

There is no exogenous commitment, as emphasized by \cite{IversenSoskice2006} and the larger political economy literature. That is, parties are unable to make binding promises to voters. Platform commitment is problematic in the sense that the implementation of promises that deviate from the legislative majority’s most preferred policy are time inconsistent \cite{Alesina1988}. However, the strategic choice of parties should not be reduced to the selection of a platform or party leader because this assumes away the possibility that parties endogenously commit to a more moderate platform. To allow for this possibility, the model extends the choice set faced by parties during the campaign to include candidates for legislative office.\footnote{Both the center-left and the center-right party in the majoritarian model of \cite{IversenSoskice2006} are assumed to choose a moderate party leader. After the election there is the (exogenous) risk that the majority faction in each party removes the moderate leader or forces him to implement their desired policy. Parties are “leadership parties” in the sense that the party leader of the winning party implements policy, subject to the crucial commitment problem that the leader after the election may be different from the one before the election.}

Going beyond the party leader as the sole candidate and policymaker requires taking into account that redistributive policy is a collective choice taken in a multi-member legislature with \( N \geq 3 \) seats, where \( N \) is odd. In the electoral arena, parties face the task of choosing candidates for each single-member district. The electoral strategy of a party consists of a list of partisan candidates, one for each district. More precisely, the majority faction in each party selects candidates. The (pure) strategy of the \( L \) (\( H \)) majority faction in LM (MH) is denoted by \( s_L \) (\( s_H \)). This reflects the view, which is central to the argument of \cite{IversenSoskice2006}, that the LM party is dominated by \( L \) types and the MH party is dominated by \( H \) types. In the general election, each income group votes homogeneously across districts, either supporting LM or MH.
The winning party controls the legislative agenda and it selects a party leader to exercise this proposal power. Once a proposal is made, there are no exogenous restrictions on how legislators can vote. Initially, the party leader is a $M$-legislator unless no $M$-type is elected on the party’s ticket (in which case, trivially, an extreme type takes over the leadership). Reflecting the commitment problem, a majority of legislators within the winning party can replace the $M$-leader by the type that matches the interests of the party’s core constituency. In particular, legislators of the winning party simultaneously cast a vote for the party leadership. Hence, if $\textbf{LM}$ ($\textbf{MR}$) is the majority party each member votes $a_J \in \{L, M\}$ ($a_J \in \{M, H\}$) and the resulting majority determines the type of the party leader. In case of a tie, the incumbent party leader is retained. After the leadership election, the party leader of partisan type $J$ proposes a bill $b^J = \left(p_J^L, p_J^M, p_J^H\right)$ that satisfies assumptions (1) - (5). It becomes policy if a majority of all legislators support it, otherwise there is no redistribution.

To summarize, the sequence of events is as follows:

- **Candidate selection**: $\textbf{LM}$ and $\textbf{MH}$ simultaneously nominate legislative candidates for each district.

- **General election**: Income groups simultaneously vote for candidates.

- **Leadership election**: Legislators of the winning party simultaneously cast a vote for the party leadership.

- **Legislative proposal**: The leader of the winning party proposes a net transfer policy, $b^J = \left(p_J^L, p_J^M, p_J^H\right)$.

---

11 This is for consistency with Iversen and Soskice (2006) but not essential for the results.

12 The agenda-setting assumption captures the strong proposal powers of many parliamentary governments (Tsebelis, 2002) and related arguments about the ability of the majority party to set the agenda in the United States’ Congress (e.g., Cox and McCubbins, 2005). The leadership election by elected legislators is also consistent, for example, with the selection procedure that was in place throughout most of the twentieth century in the British Labour party as well as the rule formally adopted by the British Conservative party between 1967 and 1998 (Quinn, 2012, pp. 31-56).
- Legislative voting. If a majority supports \( b^J \), it becomes policy; else there is no redistribution.

It is worth highlighting the underlying informational assumption about what voters need to know about parties at the electoral stage. All that voters are required to know is a simple summary statistic on whether a party has nominated a sufficient number of \( M \)-candidates for legislative office to achieve endogenous commitment. This can be the fraction of \( M \) types, which is very similar in informational terms compared to the policy position in spatial models with exogenous commitment. More plausibly, this may be a simple binary signal, transmitted by a trusted news source, on whether a party’s candidates are predominantly from its centrist or radical wing. In other words, voters do not need to care or know a lot about individual candidates in order for legislative recruitment to serve as a commitment device.

**Equilibrium Candidates and Redistribution**

Proposition 1 summarizes the main features of equilibrium behavior and redistribution in the majoritarian model with legislative recruitment. This section provides an intuitive explanation of the solution with the help of an example, leaving the formal proof for the Appendix.\(^{13}\) There are multiple equilibria, but they all share the same basic features. Equilibrium policy corresponds to the ideal policy of the middle-income group. This outcome is driven by the centripetal forces of electoral competition in the winner-take-all system. While electoral promises are not binding, reflecting the well-understood time inconsistency problem that elected partisan policymakers will be tempted to implement the policies they prefer rather than those they announced before the election, parties can nominate a sufficient number of moderate candidates for the legislature to endogenously bind their hands in the post-electoral policymaking stage. In particular, party \( \text{LM} \) finds it optimal to always

\(^{13}\)The analysis focuses on pure-strategy subgame perfect Nash equilibria and eliminates weakly dominated strategies in voting for party leaders, policy proposals, candidates.
nominate a sufficiently large number of moderate candidates that, if elected, have incentives to select a moderate party leader and veto any policies that will make the middle-income group worse off. If $LM$ does not nominate a critical number of moderates, commitment fails and middle-income voters ensure the victory of $MH$ even if it does not moderate, resulting in the low-redistribution outcome preferred by the high-income group.

**Proposition 1.** In all equilibria in the majoritarian electoral system, (1) $LM$ always nominates a sufficient number of at least $\frac{N+1}{2}$ $M$-candidates, (2) if $LM$ wins the election at least half of its elected legislators are $M$ types, and (3) equilibrium policy corresponds to the ideal point of the middle-income group, $p^* = \left( \bar{T}_H^M, \bar{T}_H^M, -\bar{T}_H^H \right)$. (4) There is no electoral bias against $LM$.

Table 3.2 provides an example for a 5-member legislature. That is, there are five single-member districts with the same composition of voters (an assumption that is relaxed in the next section) and parties nominate one candidate for each district. The left side of the table (columns (a)) illustrates a candidate selection strategy by party $LM$ that does not endogenously solve the commitment problem. This is not an equilibrium. Suppose that party $MH$ nominates $H$-candidates in each district and party $LM$ nominates $L$-candidates in all except one district, where it nominates a $M$-candidate. The single $M$-candidate may be thought of a moderate party leader that aims to appeal to the pivotal middle-income group. However, middle-income voters anticipate that promises of $LM$ to tailor redistributive policy to their interests are not credible given the dominance of $L$-candidates, even if the party leader is a moderate. If the middle-income group supports $LM$, the party wins control over the legislature and there are no external constraints that prevent the $L$-majority faction in the $LM$ parliamentary party from selecting a new party leader that shares its policy preferences and proposes its most preferred policy, leading to a policy that imposes high taxes on the middle- and high-income group and redistributes all the revenues to the low-income group, $p = (\bar{T}, -\bar{T}_M, -\bar{T}_H)$. Anticipating this, the middle-income group is better off supporting
party MH, even though it has not nominated any M-candidate. After the election, this will lead to the selection of a H-proposer and no redistribution. While this is not the preferred outcome of the middle-income group, it is strictly better than being a net loser of the redistributive game. This outcome resembles the commitment problem highlighted in the literature. It cannot be an equilibrium in the model with legislative recruitment, however, because party LM can benefit from a unilateral deviation by nominating a sufficient number of M-candidates to commit itself to a moderate redistributive policy despite the absence of external enforcement. In this example, three M-candidates are sufficient to achieve such a commitment. This is shown in the right side of the table (columns (b)). Given that LM nominates M-candidates in three out of the five districts, the support of the middle-income group for LM results in the selection of a M-proposer after the election and the policy most preferred by the middle-income group, $p = \left( \frac{T^H}{2}, \frac{T^H}{2}, -T^H \right)$. Neither party can gain from a unilateral change in its candidate selection strategy.

This example also illustrates that in order for the recruitment-based commitment to be credible, parties need not pursue a fully moderate candidate selection strategy. In a large legislature, the sufficient fraction of moderate candidates for endogenous commitment is one-half. Thus, in almost all equilibria parties’ candidates and legislators are heterogeneous, consisting of both moderate and more extreme types. The ability of parties to commit endogenously also implies that in equilibrium there is no generic electoral bias against LM. In the example, LM nominates a sufficient number of moderates but MH does not. In this case, the middle-income group strictly prefers a majority for LM. There are also equilibria in which both parties commit endogenously to moderate policy, making the middle-income group indifferent between supporting a credibly moderate LM or MH party.

It is instructive to compare the outcome of the redistributive game in the setting with majoritarian institutions with that in proportional electoral institutions, where each economic group is represented by its own party and, because each party represents less than
Table 3.2: Example of candidate selection in a 5-member legislature

<table>
<thead>
<tr>
<th>District</th>
<th>LM candidate</th>
<th>MH candidate</th>
<th>Winner</th>
<th>LM candidate</th>
<th>MH candidate</th>
<th>Winner</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) M pivotal</td>
<td>L</td>
<td>H</td>
<td>MH</td>
<td>L</td>
<td>H</td>
<td>LM</td>
</tr>
<tr>
<td>(2) M pivotal</td>
<td>L</td>
<td>H</td>
<td>MH</td>
<td>L</td>
<td>H</td>
<td>LM</td>
</tr>
<tr>
<td>(3) M pivotal</td>
<td>L</td>
<td>H</td>
<td>MH</td>
<td>M</td>
<td>H</td>
<td>LM</td>
</tr>
<tr>
<td>(4) M pivotal</td>
<td>M</td>
<td>H</td>
<td>MH</td>
<td>M</td>
<td>H</td>
<td>LM</td>
</tr>
<tr>
<td>(5) M pivotal</td>
<td>L</td>
<td>H</td>
<td>MH</td>
<td>M</td>
<td>H</td>
<td>LM</td>
</tr>
</tbody>
</table>

Majority party: MH, LM
Proposer type: H, M
Policy: $p = (0, 0, 0)$, $p = (\bar{T}^H, \bar{T}^H, -\bar{T}^H)$

one-half of the electorate, post-electoral coalition bargaining determines redistributive policy. Iversen and Soskice (2006) show that in this alternative institutional setting, the most likely outcome is a coalition between the left party (representing the low-income group) and the centrist party (representing the middle-income group) that will choose a policy that splits the difference between the parties’ ideal points. As a consequence, overall taxation and transfers as well as transfers to the low-income group will be higher in the proportional than in the majoritarian model (Proposition 2). Thus, extending the majoritarian model to allow for legislative recruitment recovers the common reduced-form prediction concerning the impact of electoral rules on fiscal policy. But it is driven by a different partisan mechanism. Rather than the left being unable to commit to not expropriating the middle-class and thus being condemned to spending most of its time in the opposition under majoritarian rules, it can commit effectively through candidate selection. The commitment entails that left parties and the policies they pursue are more centrist than in the proportional model. If the center-left party wins the election, at least one-half of its elected legislators will be moderate types.
Proposition 2. Equilibrium policy is characterized by less transfers to the poor and lower overall spending under majoritarian compared to proportional electoral institutions.

Political Geography

There is considerable evidence, reviewed by Rodden (2010), that throughout the twentieth century the support for left parties in today’s most affluent democracies has been concentrated in (former) industrial areas and that a similar pattern appears to hold for policy preferences rather than vote choice. Rodden (2010) refers to this remarkable feature of political geography as left skew. In this section, I extend the basic theoretical model of endogenous commitment to relax the assumption that voters are distributed evenly across districts and incorporate the left skew. Doing so reveals that the commitment problems may induce LM to select more moderate candidates than predicted by political geography alone.

To capture the left skew in the distribution of voters across districts, suppose that there is a number of districts in which the low-income group constitutes a majority of voters, denoted by $N_L$, and a smaller number of districts in which the high-income group constitutes a majority of voters, denoted by $N_H$. These are safe districts from the perspective of party LM and MH, respectively. Realistically, a party cannot win a majority of seats in the legislature by only winning its safe districts ($\frac{N+1}{2} > N_L > N_H > 0$). In the remaining swing districts, denoted by $N_M$, the middle-income group is pivotal ($N_M = N - N_L - N_H$).

To illustrate the incentives for candidate selection that result from geography and the absence of external enforcement in the majoritarian institutional setting, Table 3.3 provides an example of a 7-member legislature and a skewed distribution of voters across districts. In particular, there are three districts where the low-income group constitutes a majority, two districts where the high-income group constitutes a majority, and two swing districts where the middle-income group is pivotal, occupying the median position regardless of whether it constitutes a majority. This means that the swing districts alone do not constitute a majority.
Table 3.3: Example of candidate selection in a 7-member legislature and a skewed distribution of voters across districts

<table>
<thead>
<tr>
<th>District</th>
<th>LM candidate</th>
<th>MH candidate</th>
<th>Winner</th>
<th>LM candidate</th>
<th>MH candidate</th>
<th>Winner</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) H-majority</td>
<td>L</td>
<td>H</td>
<td>MH</td>
<td>L</td>
<td>H</td>
<td>MH</td>
</tr>
<tr>
<td>(2) H-majority</td>
<td>L</td>
<td>H</td>
<td>MH</td>
<td>L</td>
<td>H</td>
<td>MH</td>
</tr>
<tr>
<td>(3) M pivotal</td>
<td>M</td>
<td>M</td>
<td>MH</td>
<td>M</td>
<td>M</td>
<td>LM</td>
</tr>
<tr>
<td>(4) M pivotal</td>
<td>M</td>
<td>M</td>
<td>MH</td>
<td>M</td>
<td>M</td>
<td>LM</td>
</tr>
<tr>
<td>(5) L-majority</td>
<td>L</td>
<td>H</td>
<td>LM</td>
<td>M</td>
<td>H</td>
<td>LM</td>
</tr>
<tr>
<td>(6) L-majority</td>
<td>L</td>
<td>H</td>
<td>LM</td>
<td>L</td>
<td>H</td>
<td>LM</td>
</tr>
<tr>
<td>(7) L-majority</td>
<td>L</td>
<td>H</td>
<td>LM</td>
<td>L</td>
<td>H</td>
<td>LM</td>
</tr>
</tbody>
</table>

Majority party: MH
Proposer type: M
Policy: \( p = (\bar{T}_H, \bar{T}_H, -\bar{T}_H) \)  
\( p = (\bar{T}_H, \bar{T}_H, -\bar{T}_H) \)

of districts. The left side of the table (columns (a)) depicts the outcome of the game when both parties nominate \( M \)-candidates in the two swing districts and candidates representing their core constituency in the other districts. Given parties’ candidates, the middle-income group maximizes its utility by supporting the candidates of party MH in the swing districts. This leads to a narrow legislative majority of 4 out of 7 seats for MH. Importantly, the intra-party balance of legislators in MH is such that \( M \) types are strong enough to ensure the selection of a \( M \)-proposer. The resulting policy is the most preferred outcome of the middle-income group, \( p = (\bar{T}_H, \bar{T}_H, -\bar{T}_H) \). In contrast, supporting the candidates of party LM in the swing districts would make the middle-income group strictly worse off. It would lead to a legislative majority for a LM party that is dominated by \( L \) legislators elected in its safe \( L \)-majority districts, implementing a policy that will not redistribute any benefits to the middle-income group, \( p = (\bar{T}_H, 0, -\bar{T}_H) \). Hence, the middle-income group has no incentives to support LM. Given that LM has not endogenously committed to a policy that benefits the middle-income group, however, MH has incentives to change its nomination strategy to include less \( M \)-candidates, thereby moving the expected policy closer to the low
redistribution outcome preferred by the high-income group. In this example, there is no equilibrium where both parties only moderate in the swing districts. As illustrated on the right side of Table 3.3 (columns (b)), there are equilibria in which LM also nominates a M-candidate in at least one of its safe districts, where a candidate closer to the preferences of the low-income group could obtain a majority. By doing so, LM achieves endogenous commitment: any feasible legislative majority will ensure that the policy will be in line with the interests of the middle-income group. This illustrates that in order to make a real bid for the control of government and the associated power to move policy toward its preferred outcome, the dominant faction in the LM party may have incentives to endogenously commit to a moderate platform by recruiting a sufficient number of moderate candidates even in safe districts.

**Empirical Analysis**

The empirical analysis consists of two parts. The first part conducts a cross-national statistical analysis to unbundle the relationship between electoral rules and government partisanship. It evaluates an empirical implication of the theoretical model concerning the electoral bias in the partisan control of government that distinguishes the theoretical model from alternative explanations. The second part exploits a natural experiment in Britain to compare candidate selection in the same constituencies under alternative electoral rules. It confronts with data the implication that differences in electoral institutions should entail a different selection of left-party candidates despite similar background conditions.

**Electoral Systems and Government Partisanship**

It is a well-established fact in the literature that on average the ideological composition of governments is tilted to the right in majoritarian compared to proportional electoral sys-
tems among advanced industrial democracies (Iversen and Soskice 2006; Döring and Manow 2013). The argument I have developed suggests that this robust relationship is driven by the centripetal incentives of electoral competition and the ability of parties to find solutions to the commitment problem that electoral promises as such are not externally enforced. Accordingly, left parties should take more moderate positions concerning redistributive policy in majoritarian compared to proportional electoral systems. By using political recruitment to endogenously commit to moderate positions, left parties competing for office under majoritarian rules should not be systematically less likely to win executive office than left parties competing under proportional electoral rules. This is a key difference to partisan models of electoral institutions and redistribution based on lack of commitment (Iversen and Soskice 2006) or political geography (Rodden 2010). Both suggest, for different reasons, that left parties are less likely to govern under majoritarian than under proportional systems. They may make centrist appeals during the campaign, which may or may not be credible.

In particular, I examine whether there are long-run differences across electoral institutions for three distinct aspects of partisanship: the left-right position of the chief executive, the relative frequency with which left parties controls the chief executive, and the left-right position of the main left party. To do so, I follow Iversen and Soskice (2006) and use data covering the 17 advanced industrial democracies that have been democracies since the Second World War. Switzerland is excluded because it has a collective executive whose partisan composition had been fixed through an inter-party agreement during most of the period under study, which covers the largest range of years for which there exists the required data (1946-2010).[14]

**Main Variables of Interest**

In terms of government partisanship, I focus on partisan control of the chief executive. The chief executive is the main electoral prize and the most salient government portfolio

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[14]The countries included are listed in the Appendix.
in representative democracies. Focusing on the chief executive is a straightforward way to unbundle and clarify the link between electoral systems and government partisanship. It allows me to distinguish two key aspects of how electoral rules may shape the partisan outlook of the government: the ideological position of the party of the chief executive (regardless of the party label) and the frequency with which the main left party (regardless of its ideological position) controls the chief executive. This matters because the position taken by left parties and their ability to control the executive are analytically distinct channels through which electoral rule may shape government partisanship. Reflecting the absence of external enforcement of electoral promises, the model of Iversen and Soskice (2006) suggests that strategic voting by middle income groups leads to a systematic anti-left bias in majoritarian relative to proportional electoral systems. This means that left parties, because their efforts to moderate are not necessarily credible, should be less likely to control the chief executive in majoritarian than in proportional systems. Arguments based on political geography tend to generate the same prediction (Rodden, 2010). Given the geographic concentration of left supporters in urban and (former) mining areas, left parties almost inevitably suffer in the translation of votes into legislative seats, which means that they are less likely to win a majority of seats and their seat share is lower than it would be in a proportional system, making it less likely that they control the chief executive. Taking seriously the credible commitment problem highlighted by Iversen and Soskice (2006) but extending their framework to allow for endogenous commitment, I have argued in the theoretical part of the chapter that left parties can credibly commit themselves to a moderate platform in

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15 The chief executive refers to the prime minister in parliamentary democracies and the president in the United States. Chief executives in parliamentary systems have important institutional powers, such as the confidence procedure, that balances their accountability to parliament and gives them an important advantage in bargaining with coalition partners, backbenchers, or opposition parties (Huber, 1996). In the theoretical model, this is captured by the proposal power of the chief executive. In the United States, the president has informal proposal and formal veto power. In the semi-presidential system of the French Fifth Republic, the prime minister is treated as the chief executive as it is the main actor in charge of domestic politics. Moreover, for most years the president and the prime minister were from the same party, exceptions being periods of divided government (1986-8, 1993-5, 1997-2002).
majoritarian systems by recruiting a sufficient number of moderate legislative candidates (rather than a moderate party leader only). As a consequence, left parties should not be systematically less likely to win the chief executive in majoritarian systems. Previous research on the link between electoral rules and government partisanship has measured government partisanship using the weighted average of the left-right position of all government parties with each party’s share of cabinet seats as weights (Iversen and Soskice 2006; Döring and Manow 2013). This approach treats each cabinet portfolio equally. I will show that the previously documented relationship between electoral rules and government partisanship holds when one focuses on the chief executive. Importantly, considering chief executives allows me to disentangle this relationship.

I use a new database on parties and the partisan composition of governments (Döring and Manow 2012) to identify the party of the chief executive for each government. Given this information, the Left-Right Position of the Chief Executive is measured, using a variable from Döring and Manow (2012), as the average left-right position from four expert surveys. The measure goes from left to right and varies between 0 and 10. As the focus is on long-run differences in government partisanship, following Iversen and Soskice (2006), the variable is calculated as the average over the period of observation (1946-2010), weighted by the fraction of years each chief executive was in office. The second dependent variable is the Left-Right Position of the Main Left Party, where the position is the average left-right position from four expert surveys combined by Döring and Manow (2012). I follow Pontusson and Rueda (2010) and focus on the main left party, which is the left party with the largest share of the vote. What matters to identify the main left party is not the absolute left-right position of each party, as the theoretical expectation is that they differ across electoral rules, but the

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relative position in the party system. In a given country, this is generally the same party.\footnote{Concretely, left party refers to the labor parties of Australia, Britain, Ireland, the Netherlands, New Zealand and Norway, the social democratic parties of Austria, Denmark, Finland, Germany, and Sweden, the socialist parties in Belgium, Italy, France and Japan, the liberal party in Canada and the Democratic Party in the United States. In the case of Italy and France, communist parties had the largest vote share until the 1970s, though after the unity governments in the wake of the Second World War they were systematically excluded from government during that period. In these two cases, the left-right position of the left party is the weighted average of the socialist and the communist party, with vote share as weights.}

Finally, to capture whether the left controls the chief executive I calculate the \textit{Fraction of Years with a Left Chief Executive}, where left refers to the main left party.\footnote{This is without loss of generality, as smaller left parties have not captured the chief executive.}

The electoral system is the key explanatory variable of theoretical interest. I measure \textit{Proportional Representation} as the exposure (in terms of the fraction of all national elections for the legislature) of a country to an electoral system of proportional representation, where 1 means that the electoral system has continuously employed proportional representation and 0 means that the electoral system was majoritarian throughout. While fundamental reforms of electoral rules are rare events, a few countries have experienced considerable reforms.\footnote{France employed a single-member district system with a majority runoff during most of the post-war period. However, it used proportional representation until the 1956 election and for the 1986 election. New Zealand adopted (mixed member) proportional representation in 1993 and it was first used in the 1996 election. Japan changed from single nontransferable vote to a mixed independent system in the 1990s. Italy used list proportional in most but switched to mixed member proportional representation in some elections. The last two reforms do not affect the coding as majoritarian or proportional, respectively.}

Measuring exposure captures this better than relying on an arbitrary cutoff, although the results still hold if the electoral system is coded based on the system that was in place for most years. The coding of an electoral system as proportional (or majoritarian) in a given year follows the extensive literature on electoral institutions and is largely uncontroversial and in line with \cite{Iversen and Soskice 2006}. In particular, I rely on the recently updated dataset from \cite{Bormann and Golder 2013}. In contrast to \cite{Iversen and Soskice 2006} but consistent with previous literature \cite{Lijphart 1999}, the single transferable vote in Ireland is considered a proportional system. While not based on party lists, it is a quota-based system with multi-member districts. It is also characterized by a relatively large proportionality of votes and legislative seats. Coding Ireland as non-proportional, however, does not change...
the conclusions from the analysis. Mixed systems with a strong proportional element, such as Germany and New Zealand since 1993, are also considered proportional. In the United States, both the election for the chief executive and that of legislators in Congress are based on winner-take-all electoral rules. This combination is thought to underpin the pure two-party system (Cox, 1997). Table 3.7 in the Appendix summarizes the measure of proportional representation for the countries included in the analysis.

Control Variables

I also control for variables that are commonly thought to affect the partisan control of government and to be related to the electoral system.

Unionization. Power resource theory (e.g., Korpi, 1983) suggests that the organizational strength of trade unions is an important determinant of the ability of left parties to win office by shaping the mobilization and perhaps also the preferences of potential voters. It may also influence the policy positions left parties take, though the direction of this effect is ambiguous and depends on additional assumptions. To capture the influence of unions, I control for union membership as a percentage of wage and salary earners in employment using data from Visser (2011), averaging over the available years.

Voter Turnout. Low turnout is often argued to hurt the electoral prospects of left parties, as it is thought to be concentrated among the relatively poor, and several studies show that turnout is higher in electoral systems with proportional representation among advanced industrial democracies (for a review, see Blais, 2006). This relationship may be coincidental or be driven by the incentives that electoral systems provide for citizens to participate or elites to mobilize them in the first place. For the purpose of this analysis, it is appropriate to control for voter turnout even if it is a consequence of electoral systems, as the empirical implications to be evaluated reflect a theoretical mechanism that is not based on electoral
participation. The data on voter turnout are from the International Institute for Democracy and Electoral Assistance (2012). It is averaged over the post-war period.

Public Support for Redistribution. A view inherent in several theories of policymaking in democracies is that cross-national differences in government partisanship reflect differences in citizens’ support for redistributive policies, regardless of whether public preferences are based on a more or less egalitarian culture, beliefs about the proper role of government, or economic variables such as inequality or economic institutions. Hence any relationship with electoral systems and the partisan control of government may be spurious. To address this concern, I control for public support for redistribution as measured by the mean response to a World Values Survey item on whether the government should take more responsibility to ensure that people are provided for. The variable is from Lindqvist and Östling (2010). It varies between 0 (little agreement) to 10 (full agreement that government should take more responsibility).

Skew of Earnings Inequality. Lupu and Pontusson (2011) find that the structure of income inequality is an important determinant of government partisanship that may account for the previously documented relationship between electoral rules and government partisanship. The argument is that middle class voters are more likely to empathize with the poor (rich) and support parties in favor of (against) redistribution if they are closer (more distant), in terms of income, to the poor than to the rich. Following Lupu and Pontusson (2011), I calculate what they call the skew of the income distribution with data on wage inequality for full-time employees from the OECD. It is the ratio of the wage dispersion in the upper decile.

Alesina and Glaeser (2004) argue that public support for redistribution is only a proximate determinant of the outcome of redistributive conflict. Accordingly, it reflects the prior strength of left parties, which among others use the education system to foster egalitarian preferences. To the degree that electoral systems shape government partisanship, public support for redistribution may at least be in part a consequence of electoral institutions. This is possible, especially as the public opinion data is from the years between 1995-2000, reflecting the absence of comparable data in the middle of twentieth century. Reassuringly, the results hold both with and without the inclusion of public support for redistribution.

21 The decile ratios of gross earnings based on national labor force surveys are available via the OECD’s online library, http://stats.oecd.org/
half of the earnings distribution (measured by the ratio of the 9th-to-5th income decile) to
the wage dispersion in the lower half of the earnings distribution (measured by the ratio of
the 5th-to-1st income decile). For most countries the data is only available since the 1970s.
To the extent that left governments pursue policies that boost wages especially in the lower
part of the income distribution, as found for the United States by Bartels (2008), the skew
may be a consequence of government partisanship (and electoral systems) rather than vice
versa. Lupu and Pontusson (2011) argue that this effect is counter-balanced by the fondness
of left governments for progressive taxation.

While electoral systems set the rules of the game for party competition, in the long-run
they themselves are an outcome of the political process. Given the argument that electoral
institutions influence partisan conflict over redistribution, it is plausible to take the next
logical step and argue that political parties have induced preferences over institutions and
will engage in higher order partisan conflict over the choice of electoral systems. This view
has been eloquently stated, for example, by Alesina and Glaeser (2004, pp. 97-106). Accord-
ingly, the adoption of proportional representation in Western Europe early in the twentieth
century has been the consequence of a relatively strong left movement that was trying to
cement its political fortune through the design of electoral rules. Hence, there is the ap-
parent concern that the relationship between electoral systems and government partisanship
observed during the last 60 years is mainly driven by the anterior strength of the left during
the period of institutional choice. The political science literature is largely skeptical about
the strong endogeneity argument that electoral systems chosen early in the twentieth cen-
tury are reflections of class interest (Kreuzer 2010, p. 382; Rodden 2009). Among others,
electoral rules were chosen under high uncertainty even about their short-run electoral ef-
facts (Andrews and Jackman 2005). Moreover, while there is no consensus on what explains
the choice of electoral rules in Western Europe and the British settler colonies, otherwise
competing explanations emphasize the fact that the adoption of proportional representation
was often supported by right parties (Boix 1999; Cusack, Iversen and Soskice 2007; Rodden N.d.), which is at odds with accounts based on the redistributive interests of the poor. Nonetheless, the absence of conclusive evidence for this endogeneity argument is not evidence of its irrelevance. Hence, it is prudent to take seriously the concern that the post-war relationship between electoral systems and partisanship merely reflects the previous partisan balance between left and right. For this purpose, I use the three variables capturing the strength of left and right parties during the period of suffrage expansion and/or institutional choice initially calculated by Boix (1999) and, in a few cases, corrected by Kreuzer (2010).

Left Electoral Strength is the percentage of socialist votes and the Effective Number of Old Parties measures the effective number of non-socialist parties in the first half of the twentieth century. Threat is the multiplicative interaction of both variables, capturing the argument that defensive adoptions of proportional representation by the old parties were most likely when they faced a strong socialist party and the right camp was divided internally.

Results

Table 3.4 shows the results of a series of cross-sectional regressions that, in turn, regresses each of the three partisan outcome variables on proportional representation, sequentially adding contemporaneous controls. Descriptively, without any control variables, proportional representation is associated with more left-leaning chief executives (Model 1) and more left-leaning left parties (Model 7), but there is no strong or significant association with the fraction of years with a left chief executive (Model 4). The positive association between proportional representation and the left-right position of the chief executives replicates the finding in the literature that government ideology is further to the right in countries with

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As explained in more detail by Boix (1999, p. 617), for countries that maintained their majoritarian institutions these variables refer to the first election under universal suffrage. Otherwise they refer to the last election under the old electoral rules (if there was universal suffrage) or to the first election under the new rules (if universal suffrage and proportional representation were introduced together). In the countries where electoral rules were changed right after the Second World War, this logic is applied to the early post-war period.
majoritarian than in those with proportional electoral systems (Iversen and Soskice 2006; Döring and Manow 2013). To unbundle this relationship and evaluate possible explanations for why it has emerged, it is useful to also consider the position of the main left party and the extent to which it has managed to control the chief executive. It may not appear surprising that the main left party is less centrist in countries with a high exposure to proportional rather than majoritarian electoral institutions. This is consistent with the common notion that there are centripetal incentives in majoritarian systems, though the theoretical political economy literature highlights that one should not take for granted that left parties will be able to credibly claim to pursue centrist tax-and-transfer policies (Alesina 1988; Iversen and Soskice 2006). Because parties have strong incentives to find a commitment device such as political recruitment, however, they may ultimately be able to do so. Explanations based on political geography are also consistent with this pattern, at least under the additional assumption that the party leadership is able and willing to move beyond its core constituency (Rodden N.d.). From the perspective of the two main partisan accounts of electoral institutions and redistribution in the literature, however, the absence of a systematic association between proportional representation and the fraction of years with a left chief executive is puzzling. On average, left parties control the chief executives about 40 percent of the time, with little substantive and no statistically significant difference across electoral systems. Both explanations based on the inability of left parties to solve the commitment problem (Iversen and Soskice 2006) and those based on political geography (Rodden 2010) predict an anti-left bias in the partisan control of government in majoritarian systems. Considering the chief executive as a crucial facet of government, the evidence does not support this prediction. The absence of a systematic electoral disadvantage of left parties is consistent, however, with the model of endogenous commitment that extends the framework of Iversen and Soskice (2006).
The patterns from the bivariate analysis hold when the contemporaneous controls are added. As Table 3.4 shows, the relationship between proportional representation and the left-right position of the chief executive is attenuated somewhat but remains substantively large and precisely estimated once unionization, public support for redistribution, skew of earnings inequality and voter turnout are added (Models 2-3). Conditional on the controls, the relationship between proportional representation and the left-right position of the main left party actually becomes somewhat stronger (Models 8-9). There is still no significant difference with regard to the fraction of years with a left chief executive (Models 4-5). If anything, the coefficient on proportional representation in the models with controls is negative, though not precisely estimated. The impact of unionization is as suggested by the literature, higher unionization being associated with more years of left chief executives, but not per se with more left-leaning left parties. Conditional on proportional representation and unionization, higher public support for redistribution and a higher earnings skew are associated with more left-leaning left parties but with less years of left chief executives. The latter is surprising, though in the case of public opinion it may reflect survey respondents voicing more demand for redistribution when the status quo level of redistribution (presumably in countries with less leftist governments) is relatively low. Given the other covariates, voter turnout makes no difference.

Are these results driven by the previous strength of parties in the first half of the twentieth century? The estimation results in Table 3.5 show that this clearly is not the case. While the historical strength of left parties is significantly associated with the left-right position of post-war left parties, the partisan variables that have been shown to predict the choice of electoral system (Boix, 1999; Kreuzer, 2010) do not drive the subsequent relationship between the electoral system and three partisan variables of interest in the 60 years after the Second World War.

\footnote{For parsimony, given the small number of observations, the contemporaneous control variables from the previous table are summarized by a factor score.}
Table 3.4: Electoral rules and left chief executives in 17 affluent democracies, 1946-2010

<table>
<thead>
<tr>
<th>Left-right position of chief executive</th>
<th>Fraction of years with left chief executives</th>
<th>Left-right position of main left party</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Proportional representation</td>
<td>-1.223**</td>
<td>-0.916**</td>
</tr>
<tr>
<td></td>
<td>(0.284)</td>
<td>(0.370)</td>
</tr>
<tr>
<td>Unionization</td>
<td>-0.013</td>
<td>-0.012</td>
</tr>
<tr>
<td></td>
<td>(0.010)</td>
<td>(0.010)</td>
</tr>
<tr>
<td>Public support for redistribution</td>
<td>0.032</td>
<td>0.058</td>
</tr>
<tr>
<td></td>
<td>(0.225)</td>
<td>(0.219)</td>
</tr>
<tr>
<td>Skew of earnings for inequality</td>
<td>-0.548</td>
<td>-1.286*</td>
</tr>
<tr>
<td></td>
<td>(1.979)</td>
<td>(0.609)</td>
</tr>
<tr>
<td>Voter turnout</td>
<td>-0.014</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>Constant</td>
<td>6.143**</td>
<td>6.954**</td>
</tr>
<tr>
<td></td>
<td>(0.219)</td>
<td>(2.469)</td>
</tr>
<tr>
<td>Observations</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.523</td>
<td>0.486</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$ (two-tailed tests)
<table>
<thead>
<tr>
<th></th>
<th>Left-right position of chief executive</th>
<th>Fraction of years with left chief executives</th>
<th>Left-right position of main left party</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Contemporaneous variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportional representation</td>
<td>-1.075**</td>
<td>-1.076**</td>
<td>-0.178</td>
</tr>
<tr>
<td></td>
<td>(0.419)</td>
<td>(0.430)</td>
<td>(0.178)</td>
</tr>
<tr>
<td>Controls</td>
<td>-0.022</td>
<td>-0.020</td>
<td>0.012</td>
</tr>
<tr>
<td>(Factor Score)</td>
<td>(0.016)</td>
<td>(0.016)</td>
<td>(0.007)</td>
</tr>
<tr>
<td><strong>Previous period of institutional choice</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Left electoral strength</td>
<td>0.010</td>
<td>0.017</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.017)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>Effective number of old parties</td>
<td>0.122</td>
<td>0.268</td>
<td>0.054</td>
</tr>
<tr>
<td></td>
<td>(0.191)</td>
<td>(0.304)</td>
<td>(0.081)</td>
</tr>
<tr>
<td>Threat</td>
<td>-0.003</td>
<td>0.002</td>
<td>0.008</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.002)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>Constant</td>
<td>6.773**</td>
<td>6.290**</td>
<td>-0.399</td>
</tr>
<tr>
<td></td>
<td>(1.132)</td>
<td>(1.394)</td>
<td>(0.482)</td>
</tr>
<tr>
<td>Observations</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.544</td>
<td>0.520</td>
<td>-0.042</td>
</tr>
</tbody>
</table>

Note: Standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$ (two-tailed tests)
In short, the analysis shows that the ideological position of chief-executives is more tilted to the right in majoritarian than in proportional electoral systems. This does not appear to be driven by a systematic disadvantage of left parties to win the chief executive, but by their incentives to adopt and their ability to credibly commit to a more centrist platform. Taken together, this is consistent with the theoretical model based on endogenous commitment. While alternative accounts can also make sense of differences in the left-right position of chief executives and parties across electoral systems, they cannot explain why there is no anti-left bias in the partisan control of the chief executive in majoritarian systems.

A Natural Experiment in Candidate Selection

The second part of the empirical analysis exploits variation in electoral institutions in a single country to compare candidate selection by the same mainstream left party across electoral institutions. More specifically, I compare the socio-demographic profile of Labour candidates in Scotland competing in the same electoral districts under alternative electoral systems. The analysis exploits the fact that during the years between 1997 and 2005 the elections for the lower house of the British parliament (House of Commons) and the new subnational Scottish parliament were held in the same constituencies but under different electoral systems. The established majoritarian “first past the post” system was maintained for the House of Commons, while mixed-member proportional representation was adopted for the unicameral Scottish parliament, created by the Labour government after its landslide victory in the 1997 general election. This design controls for cross-national differences that

---

24 One advantage of within-country comparisons of electoral rules is to control for macro-level confounders (Rodden, 2009). Recent examples of this empirical strategy include Funk and Gathmann (forthcoming) and Gagliarducci, Nannicini and Naticchioni (2011). One of its obvious limitation concerns external validity, though it is perhaps best seen as a complement to comparisons with a larger geographical scope (e.g., Diamond and Robinson, 2010).

25 The basic institutional design of the Scottish parliament, including the electoral system, was drafted by a constitutional convention in which Labour did not have a majority. Labour leaders accepted proportional representation to obtain the support of the Liberal Party. Some Labour politicians also considered it a longer term bargain to prevent the Scottish National Party from winning a majority of seats with a minority of votes (Taylor, 2002, pp. 53-56, 64).
may shape candidate selection strategies. It also controls for observable and unobservable
district characteristics, such as the socio-economic structure, partisan attachments, or pref-
ferences for redistribution, that are likely to shape the party’s candidate nomination calculus
(for a review of theoretical models of party competition with heterogeneous districts, see
Rodden, 2010).26

The theoretical model predicts that, on average, the profile of Labour candidates for the
Scottish parliament should be more leftist than that of the candidates competing for the
British lower house. This is because the incentives to achieve endogenous commitment for
Labour should be less pronounced in the election for the Scottish parliament. Its propor-
tional electoral system was widely expected to lead to a minority situation in which Labour,
predicted to be the largest party, needed to compromise with at least one other party to form
a government and make policy.27 This is precisely what happened after the first election in
1999, when Labour formed a coalition government with the Liberal Democrats. This stands
in contrast with elections for the House of Commons, in which the majoritarian electoral
system has regularly produced single-party majority governments.

Institutional Background

The Scotland Act of 1998 established a unicameral parliament with the power to make laws
for Scotland in a wide range of policy areas, including the power to vary the income tax, and
with a government responsible to parliament, mirroring the executive-legislative institutions
in Westminster.28 In contrast to the majoritarian electoral system in place for the House of
Commons, the electoral system used to elect the 129 members of the Scottish parliament

26 The focus is on the main center-left party because the theoretical prediction about the candidate selection
strategy of the center-right party is ambiguous.

27 Given the proportional electoral rules governing the Scottish parliament, even achieving the same high
support as in the 1997 Westminster election would not have been sufficient for Labour to win a majority in
the Scottish parliament (Brown et al., 1999, p. 13). For a survey-based prediction of seats before the 1999
election, see “Letting Go,” The Economist, March 6, 1999, 37.

28 The Scottish parliament has the power to legislate in all areas that are not explicitly (in the Scotland
Act 1998) retained by (reserved for) the British Parliament (which has the right to nullify acts of the
Scottish parliament and to change the balance of power). Devolved matters include, among others, health,
is a mixed member proportional representation system known as the additional member system. It gives voters two votes, one for the familiar single member constituency, where the candidate with a plurality of votes wins, and a second vote for a larger multi-member district (called region) where voters choose between closed party lists. The second vote is used to allocate additional seats to parties that have received the least single member districts seats relative to their total votes in the region, thereby increasing the proportionality in the translation of votes into seats. The Scottish parliament has 73 constituency and 56 regional seats. Until the redrawing of the district boundaries for the House of Commons in 2005, all but two constituencies for the Scottish parliament were identical to the constituencies for the House of Commons. The analysis focuses on the 71 constituencies that were the same across electoral systems. Labour faced the same competitors in both elections: the Conservatives, the Liberal Democrats and the Scottish National Party.

In the period under study, the formal candidate selection procedure in the Labour party involved the national party executive vetting and interviewing prospective candidates before putting an approved list up to a vote, in which each party member has one vote, to determine the candidate for each constituency. The party executive also retains the power to veto selected candidates (for more details, see Biezen and Hopkin, 2006; Hopkin, 2001). This procedure was used to select candidates for the House of Commons and candidates for the Scottish parliament. The literature shows that during the leadership of Tony Blair the party education, local government, transportation, home affairs, environment, agriculture, sports and arts. For more background on the Scottish parliament, see McFadden and Lazarowicz (2010).

29 The allocation of seats works roughly as follows. Votes for constituencies are counted first and candidates with a majority of votes win the constituency seat. Once constituency seats have been allocated, regional votes are counted. The regional seats are allocated in a way that corrects for possible deviations between vote share and district seats.

30 The exception are the Orkney Islands and the Shetland Islands, which form separate constituencies for the Scottish parliament and one for Westminster.

31 The right to vote is almost identical in both cases with the exception that for the Scottish parliament it extends to all those who are eligible to vote in local elections, including non-British citizens of EU member states.
executive used the vetting procedure to influence the nomination process, excluding a large number of candidates “on purely political grounds” (Biezen and Hopkin 2006, p. 27).

Data and Measurement

The analysis compares Labour candidates for the House of Commons in 1997 with Labour candidates nominated in the same constituencies for the Scottish parliament in 1999. This exploits the fact that while the overall effect of the electoral system for the Scottish parliament is proportional, leading to a high correlation between votes and seats, it also gives voters the ability to directly elect a representative in their district. This feature allows me to exactly match constituencies across the two elections and thereby control for district-specific characteristics.

I have relied on multiple data sources to measure candidates’ socio-demographic profile (i.e., age, gender, education, occupation, membership in professional organizations). For the House of Commons, the standard source is *The Times Guide to the House of Commons* (Times Newspapers, 1997). It contains biographical information on all candidates, including those who did not win a seat, and has been used by previous studies of candidates in British politics (e.g., Eggers and Hainmueller 2009). For the Scottish parliament, the main sources are the electronic archive of candidate materials collected by the University of Strathclyde (ASPECT) and the biographical statements of winning candidates on the (archived) website of the

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Strategic political recruitment does not presume that candidate selection is centralized and each candidate is hand-picked by the party leadership. What is needed is that pivotal party members (officials) share some common goals (such as policy). This point is illustrated by the theoretical model but has been made before in the empirical literature (e.g., Gallagher 1988). Nonetheless, studies of the candidate selection process in the Labour party during the Blair years indicate that the party executive made significant use of its procedural powers to influence the political orientation of candidates (Biezen and Hopkin 2006; Bradbury et al. 2000; Hopkin 2001; Shaw 2001).

The analysis excludes the 56 regional members for the Scottish parliament, as they have no counterpart in Westminster. The elections were not held simultaneously, but took place within two years of each other with little change in the national economic outlook and holding constant long-run changes such as deindustrialization and economic integration. Both took place before the terrorist attack of September 11, 2001, and the subsequent political debate over the war in Iraq.

The ASPECT archive is available at [http://gdl.cdlr.strath.ac.uk/aspect/](http://gdl.cdlr.strath.ac.uk/aspect/)
Scottish parliament. When information was missing, I also consulted candidates’ personal websites.

The publicly stated trade union membership of candidates is used as a proxy for their economic policy orientation, with union members being considered more left-leaning than non-members, that is, more supportive of government intervention in the economy and redistribution. Admittedly, this is a noisy proxy. Nonetheless, it is the best available measure at the moment.  

Unions have consistently supported redistributive policy. This is true in Britain as well as most other economically advanced democracies (e.g., Mares 2006). Moreover, a robust finding of studies analyzing mass opinion surveys is that union members are more supportive of redistribution and social insurance than non-members even when controlling for income and occupation (e.g., Iversen and Soskice 2001; Stegmueller 2013).

In line with these general patterns, unions in Britain took a more skeptical stance towards the centrist brand of ‘new’ Labour adopted in the 1990s. The party leadership was often eager to remain at arm’s length from unions and unions were seen as a lobby within the party for the selection of leftist candidates. An added advantage is that union membership is not restricted to working class occupations, which are a small and shrinking part of the labor force. Many union members are teachers, social workers, and public sector employees (Sneade 2001). Hence, I test empirically whether Labour candidates for the Scottish parliament are more likely to be union members than Labour candidates for the House of Commons. For this purpose, it is not important whether the correlation between union membership and preferences is driven by self-selection or union effects on preferences.

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35 In future research, I aim to develop an alternative measure of the left-right orientation of candidates that combines separate surveys of candidates for the House of Commons and the Scottish parliament.

36 When Tony Blair was elected as the leader of the Labour party in 1994, no union backed him publicly and barely a majority of the party’s union members voted for him. The centrist new Labour stance he was representing included a programmatic and organizational departure from ‘old’ Labour’s union policies (Alderman and Carter 1995). An example of a party-union conflict that featured in the 1999 election for the Scottish parliament concerns the use of public-private partnerships to finance new hospitals and schools. While public-private partnerships were endorsed by new Labour, they were publicly opposed by prominent union activists in the Labour party. See James Buxton, “Private Finance and Public Unease in Scottish Poll,” The Financial Times (London, England), April 20, 1999, 13.
Analysis and Results

The analysis exactly matches candidates on the constituency they represent and calculates the difference in union membership for each pair of candidates running for the same district under alternative electoral systems. Two main issues complicate the analysis relative to an ideal experiment where the experimenter has full control. First, the creation of the Scottish parliament led to intra-party tensions between the Labour party leadership in London and the Labour party in Scotland. Studies of the candidate nomination process in the Labour party for the first election of the Scottish parliament in 1999 suggest that the national party leadership was concerned with maintaining a unified party image of ‘new’ Labour in Scotland, even at the cost of alienating some voters in the more left-leaning (relative to national median) Scottish electorate\(^\text{37}\) and probably also in order to avoid giving more radical critics in their own ranks a foothold in the new parliament (Biezen and Hopkin 2006; Bradbury et al. 2000; Shaw 2001)\(^\text{38}\). This reflects the fact that political competition in different levels of a multi-level political systems is never fully independent, even when elections and policymaking in one level are institutionally separate from elections and policymaking in another, as is the case in Scotland. In particular, the literature on federalism and political decentralization emphasizes that the objectives and strategies of party leaders are linked across levels (e.g., Beramendi 2012; Biezen and Hopkin 2006). In the context of this study, however, the countervailing incentives of the Labour leadership to maintain a unified brand

\(^{37}\)The common perception that the post-war Scottish electorate is more left-wing than the English electorate stems in part from the stark decline of support for the Conservative party and the high levels of support for Labour even during the Thatcher administration. It is also backed up by survey evidence showing that, on average, Scots are more supportive of policies to redistribute income, reduce poverty and the minimum wage than their English neighbors, though they have similar views on other issues (Brown et al. 1999, ch. 5).

\(^{38}\)There was the widespread perception of “heavy central party manipulation to promote candidates loyal to the New Labour project and to screen out dissidents” (Bradbury et al. 2000, p. 58). Biezen and Hopkin (2006) argue that party officials used the formal vetting process for candidates to exclude a large number of candidates because they were seen as not sufficiently in line with the centrist stance of new Labour. In one instance the party executive used its ex-post veto to reject a prospective candidate and sitting member of the House of Commons, Dennis Canavan, for his left-wing views after he had been endorsed though the membership vote (Shaw 2001).
should make it less likely to find differences in candidates across electoral systems. The Scottish comparison constitutes a hard test for the hypothesis.

The second complication arises because in the 1999 election Labour implemented a policy of gender parity in candidate selection. The party nominated an equal number of male and female candidates in winnable seats.\(^{39}\) This may have changed the pool of available candidates in a way that systematically affects the nomination of union members. In particular, historically union membership in Great Britain has always been higher among men than women. By the end of the 1990s, however, the differences had diminished and union membership among both men and women was about 30 percent (Sneade, 2001).

Table 3.6: Comparing the profile of Labour candidates in Scottish constituencies

<table>
<thead>
<tr>
<th></th>
<th>House of Commons: Mean</th>
<th>Scottish parliament: Mean</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union member</td>
<td>0.52</td>
<td>0.65</td>
<td>-0.12</td>
</tr>
<tr>
<td>Female</td>
<td>0.21</td>
<td>0.48</td>
<td>-0.27</td>
</tr>
<tr>
<td>Age (years)</td>
<td>48</td>
<td>42</td>
<td>6</td>
</tr>
<tr>
<td>University</td>
<td>0.88</td>
<td>0.90</td>
<td>-0.02</td>
</tr>
<tr>
<td>Oxford/Cambridge</td>
<td>0.05</td>
<td>0.02</td>
<td>-0.03</td>
</tr>
<tr>
<td>Teacher</td>
<td>0.41</td>
<td>0.39</td>
<td>0.02</td>
</tr>
<tr>
<td>Lawyer</td>
<td>0.12</td>
<td>0.09</td>
<td>0.03</td>
</tr>
<tr>
<td>Journalist</td>
<td>0.08</td>
<td>0.08</td>
<td>0.00</td>
</tr>
<tr>
<td>Social worker</td>
<td>0.09</td>
<td>0.18</td>
<td>-0.09</td>
</tr>
<tr>
<td>Blue collar</td>
<td>0.15</td>
<td>0.06</td>
<td>-0.09</td>
</tr>
</tbody>
</table>

\(^{39}\)The party also introduced a gender quota in the 1997 Westminster election, in the form of all-women short-lists in 50 percent of all open winnable constituencies. The large number of incumbents in Westminster meant that the impact of the policy was smaller than in the new Scottish parliament. Moreover, its full implementation was abandoned after a successful legal challenge.
Table 3.6 summarizes the empirical results.\textsuperscript{40} For each variable, it displays the mean for each group of Labour party candidates, those competing for the House of Commons and those competing for the Scottish parliament, and the difference in means. Consistent with the theoretical expectation, Labour candidates for the Scottish parliament are more likely to be union members than candidates for the House of Commons in Westminster. Across electoral institutions, the union density of parliamentary candidates is considerably higher than the union density in the population at that time, which was about 30 percent. This is not surprising given Labour’s historical and organizational links to the trade union movement. But union membership is considerably lower, by about 12 percentage points, among those candidates nominated to compete for the British rather than the Scottish parliament.\textsuperscript{41} This substantive difference does not appear to be driven by differences in the educational and occupational profile of the candidates. The percentage of candidates with higher education is practically the same across electoral systems and there are little differences in the attendance of the elite universities in Cambridge and Oxford. Candidates for the Scottish parliament are not systematically less educated than those for the national parliament. Similarly, candidates for both parliaments are drawn from similar professions. The share of lawyers, teachers and journalists is almost identical in the two groups.

A couple of other differences stand out. Reflecting Labour’s institutionalized commitment to gender equality in the election for the Scottish parliament, the percentage of women was more than twice as high in the election for the Scottish parliament than for Westminster. The candidates for the Scottish parliament are also younger than those for Westminster. There were no incumbents in the first election for the Scottish parliament, whereas incumbent legislators in Westminster were likely to be re-nominated. Given the decline in union membership over time, this makes all the more striking that unionization is higher among

\textsuperscript{40}The preliminary data set covers 65 of the 71 constituencies common to both parliaments, excluding those with missing observations on at least one of the two candidates.

\textsuperscript{41}The p-value for the one-sided test is 0.08.
candidates for the Scottish parliament, who on average entered the labor force eight years after their Westminster colleagues. The difference in blue collar background is most plausibly explained by the gender and age gap. Women are less likely to have a blue collar background and deindustrialization has dramatically reduced the industrial work force, making it less likely for later cohorts to be employed in blue collar jobs.\footnote{Note that most candidates with a blue collar background started their career as a worker but later moved on to obtain more formal education, often university degrees, and taking white collar jobs. Hence, in this context blue collar background is not a very meaningful proxy for occupation and, by extension, candidates’ occupation-based ideological orientation. In addition, treating it as a proxy for preferences would give an implausibly low estimate of the fraction of left-wing candidates, including most of the prominent candidates identified as left-wing by the media.} Interestingly, the lower share of blue collar backgrounds among the younger candidates for the Scottish parliament goes together with a higher share of careers in social work.

The results are not consistent with the view that nominations mainly reflect districts’ characteristics. The systematic differences in the union membership of Labour candidates in the same constituencies across different elections suggest otherwise. One question is whether it can be ruled out that observed differences in candidate selection reflect variation in the preferences of the median voter rather than the electoral system. Even if the Scottish parliament were to be elected under the same majoritarian system as the Westminster parliament, Labour should be able and willing to move to the left, as the median voter in Scotland is thought to be more left-leaning than the median voter in the United Kingdom. Note that this interpretation is in line with the logic of endogenous commitment, though it is not based on variation in institutions. I think it is unlikely but possible that the differences in candidates are only accounted for by relatively small differences in preferences \cite{Brown et al. 1999, ch. 5}. One way to adjudicate between these two interpretations might be to also compare the profiles of Conservative candidates.

Summing up, the comparative analysis shows that on average Labour candidates for the House of Commons were less left-leaning, as indicated by their declared union membership, than Labour candidates running in the same constituencies for the Scottish parliament.
This is consistent with the view that the proportional element of the electoral system for the Scottish parliament mitigates concerns about credible commitment and made the party more willing to respond to a regional electorate that is to the left of the national median. Despite countervailing incentives for the national Labour party to maintain a unified centrist brand, the party nominated approximately 12 percent more union members in the first election for the Scottish parliament than for the previous national election. This is consistent with journalistic assessments at the time according to which the Labour candidates for the Scottish parliament exhibited a “leftwing bias” compared to their Westminster colleagues. In line with this view, a survey of the candidates for the Scottish parliament found that a majority of the Labour candidates opposed the public-private partnerships favored by Labour leaders in London as a means to finance public investment (Bennie et al. 2001, p. 42). This is not to argue that the differences in candidate profiles across elections represent a radical break from the carefully crafted centrist image and platform of new Labour. Rather, they indicate a Scottish adaptation of new Labour. Following the new Labour playbook, major policy promises during the 1999 election campaign included increased spending on public services, a tough stance on law and order, a commitment to not increase the part of the income tax controlled by the Scottish parliament as well as support of devolution but not Scottish independence (Biezen and Hopkin 2006, pp. 29-32). Yet the leader of the Scottish Labour party, Donald Dewar, was balancing his commitment to new Labour with more traditional left-wing appeals, such as large-scale investments in education beyond the national level, the reform of landownership, and fighting poverty.


Conclusion

The partisan control of government is an important mechanism through which electoral institutions are thought to influence economic policy. In this essay, I have taken a theoretical and an empirical step to unpack the anti-left bias of majoritarian electoral systems documented in the comparative political economy literature, which is associated with less redistribution compared to proportional electoral systems. The argument I have put forward is that the bias does not reflect a systematic disadvantage in the ability of left parties in majoritarian systems to win elections and control the chief executive, as is implied by prominent theoretical perspectives based on the absence of exogenous commitment or political geography. Rather, it reflects the centripetal incentives of political competition when the rules of the game exhibit a strong winner-take-all element. This account of the consequences of electoral institutions for redistributive politics takes seriously the well-understood time-inconsistency problem faced by policy motivated parties that make electoral appeals to centrist voters, which is especially acute in majoritarian systems as they induce little post-electoral constraints in policymaking on the winning party, but argues that parties that want to make a real bid for policymaking power have strong incentives to solve it. The recruitment of candidates for the legislature allows parties to endogenously commit to a centrist redistributive platform that deviates from the most-preferred policy of their core constituency. The logic of endogenous commitment can make sense of the empirical finding discovered by the chapter that while the ideology of the chief executive and the position of the main left party are, on average, less left-leaning in majoritarian than in proportional electoral systems, there is no difference in the partisan control of the chief executive across electoral systems.

The theoretical model proposed in the chapter also suggests that it is fruitful to analyze the interaction of commitment problems and political geography, which have been typically treated as alternative accounts in the literature so far (but see Jusko 2011). Thus, the skewed geographic distribution of support for left parties may exacerbate the commitment
problem faced by left parties and entails incentives to nominate moderate candidates in safe
districts that could be won with candidates closer to the parties’ core constituency.

Any empirical analysis of the political and economic impact of electoral institutions has
to contend with the fact that electoral institutions are endogenous to the political process, at
least in the long run. The main concern for the purpose of the chapter is that the post-war
relationship between electoral institutions and government partisanship is endogenous to the
previous balance of partisan forces, especially the strength of the left (Alesina and Glaeser,
2004). Fortunately, the literature on the choice of electoral institutions in Europe and former
British settler colonies early in the twentieth century has developed measures of the balance of
partisan forces at the time when most electoral systems were reformed (Boix, 1999; Kreuzer,
2010). The empirical results are robust to controlling for them. Hence, I am confident
that the post-war relationship between electoral institutions, party positions and partisan
control of government is not merely a reflection of prior working class mobilization. This
is consistent with most studies of the choice of electoral rules, whether they emphasize the
short-run interests of political parties and incumbent legislators (Boix, 1999; Rodden, 2010),
the uncertainty surrounding the choice of electoral rules (Andrews and Jackman, 2005), or
cross-class alliances (Cusack, Iversen and Soskice, 2007). While in line with key implications
of the argument, the cross-national evidence does not shed direct light on candidate selection
as a commitment device. A complementary comparative analysis has exploited variation in
electoral systems in Scotland and found that, in line with theoretical expectations, Labour
party candidates nominated in the purely majoritarian system in place for the House of
Commons were less likely to be declared union members than candidates in the same district
competing in the more proportional system used for the Scottish parliament.

The commitment mechanism based on political recruitment does not require voters or
politicians to have especially long time horizons, to use punishment strategies that may not
be in their interests or (in the case of voters) to have detailed knowledge about individual
candidates. All that voters need to know at the electoral stage is whether a party’s legislative candidates are mostly from its moderate or radical wing. The importance of candidate selection is consistent with efforts by party leaders in mainstream left parties to encourage the selection of moderate legislators. While this is often a behind the scenes affair, there are instances when the nomination of candidates that are deemed too extreme is blocked.\footnote{As discussed earlier, the Labour party in the United Kingdom under Tony Blair is a vivid example of a party executive that pays a lot of attention to the nomination of legislative candidates that fit the centrist profile of new Labour. However, the recruitment of moderate candidates is not a new phenomenon. Almost from its inception, the Labour party made efforts to recruit non-working class politicians (Pugh 2010). The first time it won a legislative majority, in the 1945 election, a majority of its legislators in Westminster did not have a working-class background and about one-third was university-educated, making for a socioeconomic profile that was quite distinct from its core constituency (Rush and Cromwell 2000 p. 482).} The logic of endogenous commitment through recruitment is not tied to a particular theory of the formation of individual policy preferences. What matters is that parties have incentives to back up their electoral program and the public promises of their party leader with the recruitment of candidates for the legislature that are likely to act according to them despite the absence of external enforcement. This logic should also apply to political competition beyond redistributive policy.
Appendix

Theoretical Model

Proof of Proposition 1

Following the logic of backward induction, start by considering legislative voting for a given proposal $b$. Eliminating weakly dominated strategies, legislators of type $J$ accept any proposal $b$ that specifies a (weakly) positive net transfer to their group $J$, $p^J \geq 0$. The optimal proposal by the agenda setter (the leader of the majority party) maximizes the net transfer to the leader’s group subject to legislators’ acceptance constraints and the policy constraints captured by assumptions (3.2) - (3.5). First, consider a $M$ agenda setter. If there is no majority of $H$ types, $|H| < \frac{N+1}{2}$, $M$’s optimal proposal is its most-preferred policy, $b^M* = (\frac{T_H}{2}, \frac{T_H}{2}, -T^H)$, as it will be accepted by both $M$ and $L$ legislators. Else, $H$ legislators will veto any redistributive bill so any proposal is a best response. Second, suppose there is a $L$ agenda setter. If there is a majority of $L$ legislators, by the same logic, $|L| \geq \frac{N+1}{2}$, $b^L* = (\bar{T}, -\bar{T}^M, -\bar{T}^H)$. If $|L| < \frac{N+1}{2}$ and $|L| + |M| \geq \frac{N+1}{2}$, $b^L* = (\bar{T}^H, 0, -\bar{T}^H)$. Else, $|H| \geq \frac{N+1}{2}$, $H$ legislators will veto any redistributive bill so any proposal is a best response. Third, $H$ agenda setter. $H$ proposes the ideal policy of the high-income group, $b^H* = (0, 0, 0)$. Taken together, the legislative outcome for a given type of agenda-setter and composition of the legislature is as follows:

<table>
<thead>
<tr>
<th>Seat allocation in legislature</th>
<th>Agenda setter</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>$M$</td>
</tr>
<tr>
<td></td>
<td>$H$</td>
</tr>
<tr>
<td>$(\bar{T}, -\bar{T}^M, -\bar{T}^H)$</td>
<td>$(\frac{T_H}{2}, \frac{T_H}{2}, -\bar{T}H)$</td>
</tr>
<tr>
<td>$</td>
<td>L</td>
</tr>
<tr>
<td>$</td>
<td>R</td>
</tr>
</tbody>
</table>

Leadership election. Given the outcome of the legislative stage, consider the election of the majority party leader, who will set the legislative agenda. As legislators anticipate the outcome of the legislative subgame, the majority faction in the winning party will select a
leader that shares its preferences. Thus, the agenda setter is of type $L$ if $LM$ is the majority party and less than half of its elected members are $M$ types. It is of type $H$ if $MH$ is the majority party and less than half of its elected members are $M$ types. Otherwise, the agenda setter is of type $M$.

General election. The middle-income group is the swing voter group that determines the outcome of the election. So the focus is on its best-response given the candidates nominated by $LM$ and $MH$, $s_{LM}$ and $s_{MH}$. Define the commitment threshold $K \equiv \frac{N+1}{2}$. If a party wins the election, then $K$ is the minimum number of $M$-legislators in the winning party that is needed to ensure survival of a type-$M$ party leader. There are four cases. First, $|M \in s_{LM}| < K$ and $|M \in s_{MH}| < K$. In this case, the number of $M$ candidates in both parties is too small to be able to prevent the selection of a non-$M$ party leader and the implementation of the policy preferred by the party’s core constituency, $\hat{p}_L$ or $\hat{p}_R$. As neither party credibly commits to the policy most preferred by the middle-income group, $\hat{p}^M$, the best outcome for the middle-income group is a victory of $MH$, which entails no redistribution but prevents expropriation by $L$ legislators. Formally, given expression (3.1): $V^M(\text{support } MH) = y^M > V^M(\text{support } LM) = y^M - \bar{T}^M$. Hence, the optimal voting strategy is to support $MH$. Second, $|M \in s_{LM}| < K$ and $|M \in s_{MH}| \geq K$. In this case, $MH$ has nominated a sufficient number of candidates to enable the adoption of $M$’s ideal policy, $\hat{p}^M$, whereas $LM$ does not commit endogenously to $\hat{p}^M$. Supporting $MH$ makes the middle-income group strictly better off than switching its support to $LM$ (i.e., $y^M + \frac{\bar{T}^M}{2} > y^M - \bar{T}^M$). Third, $|M \in s_{LM}| \geq K$ and $|M \in s_{MH}| < K$. This is the flip-side of the previous case. The best response for the middle-income group is to support $LM$ as this ensures the implementation of its most-preferred policy, $\hat{p}^M$. Fourth, $|M \in s_{LM}| \geq K$ and $|M \in s_{MH}| \geq K$. Now the middle-income group is indifferent between the victory of $LM$ and $MH$, as both have endogenously committed to implement $\hat{p}^M$ after the election, and the group randomizes between the two actions.
Candidate selection. Given best-responding voting behavior in the general election and
the outcomes of the legislative process, the candidate selection stage can be reduced to a
normal-form game between the $L$-majority faction of $LM$ and the $H$-majority faction of $MH$.
Each cell in the table below lists the utilities for the $L$ faction (left entry) and $H$ faction
(right entry), respectively, for the number of $M$ candidates nominated for the legislative
election by each party.

<table>
<thead>
<tr>
<th>Number of $M$ candidates nominated by $LM$</th>
<th>Number of $M$ candidates nominated by $MH$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>M</td>
</tr>
<tr>
<td>$y^L + \frac{\bar{T}^H}{2}, y^H - \bar{T}^H$</td>
<td>$y^L, y^H$</td>
</tr>
<tr>
<td>$</td>
<td>M</td>
</tr>
<tr>
<td>$y^L + \frac{\bar{T}^H}{2}, y^H - \bar{T}^H$</td>
<td>$y^L + \frac{\bar{T}^H}{2}, y^H - \bar{T}^H$</td>
</tr>
</tbody>
</table>

The normal form representation makes it apparent that there are two type of equilibria.
In one type, both parties endogenously commit to the policy preferred by the middle-income
group, $\hat{p}^M$. In particular, both parties nominate at least a number of $K M$-candidates (lower
left-hand cell). The equilibrium policy will be $\hat{p}^M$. In this situation, there is no beneficial
deviation for either majority faction as a deviation does not change the equilibrium policy.
In the second type of equilibrium, only $LM$ commits endogenously to $\hat{p}^M$ (lower right-hand
cell). Specifically, $LM$ offers at least least $K M$-candidates and $MH$ offers less than $K$.
Again, this results in policy $\hat{p}^M$ and no faction can benefit from a unilateral deviation. The
$L$ faction would be strictly worse off by nominating less than $K M$-candidates and the $R$
faction no better off by nominating more than $K M$-candidates.

There is no equilibrium where $LM$ nominates less than $K M$-candidates. Suppose it
would be the case and $MH$ also nominates less than $K M$-candidates so that neither party
commits to $\hat{p}^M$. $MH$ wins for sure and implements the policy favored by the high-income
group, $\hat{p}^H$. Thus, the $L$-faction in $LM$ is clearly better off by nominating a sufficient number
of $M$-candidates, resulting in an electoral victory and policy $\hat{p}^L$ that entails positive net
transfers to the low-income group. Consider the other possible case where $MH$ nominates
at least $K M$-candidates while $LM$ nominates less than $K M$-candidates. In this case, the
**H-faction** is strictly better off reducing the number of $M$-candidates below the commitment threshold $K$, as the middle-income would still support it given the lack of commitment by $LM$, leading to policy $\hat{p}^H$.

Altogether, the analysis shows that in equilibrium $LM$ nominates a sufficient number $K$ of $M$-candidates to achieve commitment to not expropriate the middle-income group (Proposition 1 (1)). Best-responding voting behavior implies that if $LM$ wins the election, at least half of its legislators will be $M$ types (Proposition 1 (2)). The resulting equilibrium policy corresponds to the ideal point of the middle-income group (Proposition 1 (3)). In the first type of equilibrium, in which both parties commit to the policy preferred by the middle-income group, parties are equally likely to win the election. In the second type, in which only $LM$ commits, it wins for sure. Hence, there is no anti-left electoral bias (Proposition 1 (4)). □

**Proof of Proposition 2**

The result directly follows from comparing the equilibrium policy described in Proposition 1 with the equilibrium policy of the proportional model derived by Iversen and Soskice (2006, Proposition 2). The equilibrium policy in the proportional model (with $M$ as formateur) is

$$p^*_{\text{prop}} = \left(\frac{T}{2}, -\frac{T_M}{2} - \frac{T_H}{2}, -\frac{T_H}{2}\right),$$

where $\bar{T} = T_M + T_H$. Clearly, $p^*_{\text{prop}} = \frac{T}{2} > \frac{T_H}{2} = p^*_m$. The total tax burden (size of the redistributive budget) in the proportional model, $\bar{T}$, is strictly larger than that in the majoritarian model, $\bar{T}^H$. □
Empirical Analysis

Table 3.7: Exposure to proportional representation between 1946-2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Proportional Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>0</td>
</tr>
<tr>
<td>Austria</td>
<td>1</td>
</tr>
<tr>
<td>Belgium</td>
<td>1</td>
</tr>
<tr>
<td>Canada</td>
<td>0</td>
</tr>
<tr>
<td>Denmark</td>
<td>1</td>
</tr>
<tr>
<td>Finland</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>0.28</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
</tr>
<tr>
<td>Ireland</td>
<td>1</td>
</tr>
<tr>
<td>Italy</td>
<td>1</td>
</tr>
<tr>
<td>Japan</td>
<td>0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1</td>
</tr>
<tr>
<td>New Zealand</td>
<td>0.06</td>
</tr>
<tr>
<td>Norway</td>
<td>1</td>
</tr>
<tr>
<td>Sweden</td>
<td>1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0</td>
</tr>
<tr>
<td>United States</td>
<td>0</td>
</tr>
</tbody>
</table>
Chapter 4

Democratic Constitutions, Economic Crises, and Mandates

Does the design of democratic constitutions influence whether elected policymakers make laws that are in the best interest of a majority of citizens? Mandate theories of elections maintain that representative democracy can work if citizens vote for the political party whose policy program they prefer and the resulting government implements its electoral mandate (e.g., Budge and Hofferbert [1990]). While many studies in political science have examined the linkage between electoral programs and policies, the literature has paid relatively little attention to how differences in the design of democratic constitutions shape mandate representation. To improve our understanding about the consequences of constitutions, I develop and test a theory of how differences in constitutions influence when governments carry out their mandate and under which conditions a failure to do so actually hurts the interest of the majority. Democratic constitutions differ among various dimensions. As in chapter 2, the fundamental institutional difference examined in this chapter is whether a democracy is parliamentary or presidential. Focusing on economic policymaking, the theoretical model I develop emphasizes that executive-legislative institutions and economic conditions interact to influence mandate representation. Parliamentary and presidential democracies do not
generally produce the same policies and they may fail to represent the interests of a majority of citizens for different reasons. In addition, economic conditions shape the ability of governments to implement their electoral mandates. I argue that economic conditions matter across democratic constitutions. When the room for maneuver in policymaking declines, the mandate-policy link becomes weaker in both parliamentary and presidential democracies.

It is easy to see why governments might not implement the economic policies they have announced during the electoral campaign \cite{Manin, Przeworski and Stokes, 1999}. Policymakers may not share the policy preferences of the voters that elected them and so they will be tempted to pursue policies at odds with their electoral promises. Because the preferences of politicians cannot be perfectly observed by voters, this scenario of adverse selection is a fundamental problem of representative democracy. But not all instances of policy deviations from the electoral mandate are against the interest of voters that brought the government to power. When post-electoral conditions turn out to be different than expected, the promised policy may be no longer optimal and even politicians that share the majority’s preferences will want to break with their mandate.

How do differences between presidential and parliamentary democracies influence the linkage between mandates and policies? A key feature of parliamentary constitutions is that the chief executive (i.e., prime minister) is accountable to the legislature \cite{Strøm, 2000}. Presidential constitutions are characterized by the absence of accountability of the chief executive (i.e., president) to the legislature. In the theoretical part of the chapter, I show that this difference in executive-legislative institutions implies that presidents are more likely than prime ministers to break their electoral mandate. This does not mean that mandates are always implemented or that citizens’ interests are always served better under parliamentarism. If economic conditions change considerably, governments have incentives to collectively choose a policy that differs from the electoral mandate under both presidential and parliamentary constitutions. Furthermore, agency losses caused by chief executives pur-
suing policies that depart from their mandate despite an economic environment conducive to implementing the mandate will occur under both constitutions. On balance, however, they are less likely to occur under parliamentarism. This important institutional effect is driven by the ability of legislative majorities to replace the chief executive in parliamentary but not in presidential democracies. The theoretical model also highlights that the consequences of executive-legislative institutions for mandate representation depend on the state of the economy. Economic conditions constrain the ability of governments to redistribute resources to the majority. International or domestic economic shocks may lead, for example, to an unexpected drop in revenue, an increase in borrowing cost or a rise in capital mobility, all of which decrease a government’s room for maneuver. As the room for maneuver declines, deviations from the mandate become more likely. In times of adverse economic conditions, policymakers in presidential and parliamentary democracies alike have incentives to switch policy away from campaign promises of redistribution toward efficiency-oriented reforms.

Relation to the Literature

The economic-institutional argument goes beyond existing accounts in the political science literature on mandates and democracy and provides new testable implications, some of which are evaluated in the empirical part of the chapter. Through a cumulative effort at data collection and analysis that spans a large number of countries and years, the literature has shown that on average there is a fairly tight link between electoral programs and policies, but that mandate deviations on important policy issues do occur and that their frequency varies considerably across and within countries (e.g., Campello forthcoming, Klingemann, Hofferbert and Budge 1994, Royed 1996, Samuels and Shugart 2010, Stokes 2001, Thomas et al. 2012). There is little consensus on the factors that explain why governments sometimes deviate from their electoral mandate. Some studies emphasize the importance of economic conditions and beliefs (Campello forthcoming, Stokes 2001), while others find
no effect of the economy on mandate consistency (Samuels and Shugart, 2010). Recent comparative studies have started to examine how different institutional conditions affect the mandate-policy link within parliamentary (Moury, 2011; Thomson et al., 2012) or within presidential democracies (Campello, forthcoming). But despite the theoretical and normative importance of constitutional design for democratic governance, there is scarce theoretical and empirical work on how differences between the constitutional design of presidential and parliamentary democracies affect mandate representation. This may reflect the fact that most studies have focused on cases with a similar constitutional structure.

I build on and extend the theoretical framework of Samuels and Shugart (2010). By analyzing the interaction of strategic politicians under different economic conditions and alternative constitutions, the theoretical analysis clarifies how constitutions influence mandate representation. It shows that constitutions and the economy interact to influence policy and mandate consistency and suggests clear testable implications that distinguish the unified model of democratic constitutions and economic conditions from pure institutional and pure economic accounts. The theoretical analysis also captures the fact that the making

\[1\] Initial studies focused on individual countries, holding the constitutional structure constant (e.g., Budge and Hofferbert, 1990). To prominent observers, the results from these studies suggested that broad constitutional differences are not very important (Hofferbert and Budge, 1992, p. 181), although subsequent research found some evidence that veto players reduce the fulfillment of electoral pledges (Royed, 1996). Most cross-national studies have examined parliamentary democracies in affluent Western democracies and the United States (Klingemann, Hofferbert and Budge, 1994; Thomson et al., 2012) or presidential democracies in Latin America (Campello, forthcoming; Johnson and Crisp, 2003; Stokes, 2001). As already mentioned in chapter 2, there is a large literature comparing presidential and parliamentary democracies. For example, see the literature on democratic survival (e.g., Cheibub, 2007). But there is little work that examines mandate representation.
of policy typically requires the compromise of multiple actors. In doing so, it shows that a government’s failure to implement its mandate may be due to gridlock or a full policy reversal. Lastly, the theoretical analysis identifies conditions under which deviations from the mandate indicate a failure of representation rather than changing economic conditions. This stands in contrast to pure institutionalist accounts, which implicitly or explicitly tend to view all deviations from the mandate as problematic.\footnote{The theoretical framework employed in this chapter is also related to models analyzing under which conditions elected policymakers choose the policy that is in the best interest of the pivotal voter rather than some other policy the incumbent finds desirable for ideological or electoral reasons (e.g., \cite{Canes-Wrone2001, Herron2001, Maskin2004}. Most models in this literature focus on the importance of expertise and there is no account of how executive-legislative matter for mandate representation.}

In line with a key implication of the model, the empirical part of the chapter shows that post-electoral economic conditions predict variation in mandate consistency within countries. As inflation increases, deviations from the mandate are more likely to occur in both parliamentary and presidential democracies. The finding bolsters the idea that it is important to consider constitutions and economic conditions as important and related determinants of mandate representation. It is also consistent with recent evidence on the impact of currency crises on policy switches in Latin America \cite{Campello2019} and shows that the relevance of economic conditions is not restricted to developing countries.

### Theoretical Considerations

The theoretical argument is based on the following general assumptions, which will be formalized in a simple model:

- \textit{Citizens have heterogeneous preferences over economic policy.} The underlying economic problem is that of redistributing scarce resources among competing groups. Most economic policies have a redistributive component. In particular, political competition involves a conflict between those who favor and those who oppose economic conditions.

2
policies that redistribute resources toward the relatively poor at the expense of the relatively rich.

- The economy conditions policymakers’ room for maneuver. The mapping between policies and citizens’ well-being depends on the state of the economy. The relevant state of the world is uncertain at the beginning of the policymaking process. Redistributive policies based on transfer payments, social insurance, public goods provision, public employment or spending aimed at boosting private employment require revenues or the ability to borrow and are more effective in some conditions than in others. For example, in the context of high borrowing costs, expanding or maintaining spending programs may be too costly. Similarly, a shortfall in revenues limits governments’ ability to spend as desired. This may occur for a variety of reasons, such as a decline in commodity prices, a rise in capital mobility or overoptimistic budget forecasts of the incumbent government. Moreover, adverse macroeconomic conditions such as high inflation may also limit the room for maneuver.

- Democracy is representative. Citizens do not directly make policy, elected representatives do. This entails the well-known principal agent problem that representatives may not act in the interests of those that have elected them. In particular, representatives may collectively choose a policy that would not be directly chosen by a majority of (well-informed) citizens. The theoretical model focuses on divergent preferences between voters and their representatives as a source of agency loss. In modern democracies, political parties are the most important collective agents of representation. Parties that represent distinct economic interests mitigate the principle agent problem by screening candidates for office. While the policy preferences of politicians are their private information, parties can learn a great deal about poten-

\[^{3}\text{Another problem, which is not analyzed here, concerns the competence of policymakers (e.g., Canes-Wrone, Herron and Shotts 2001).}\]
tial candidates by screening them through years of work for the party in lower offices or carefully vetting their background. Some uncertainty, however, about the true type of each politician remains.

- **There is no exogenous commitment.** Democracies do not legally bind politicians to fulfill their electoral promises (Manin, Przeworski and Stokes [1999]). Hence, politicians may say one thing to get elected and do another when in office. Not assuming that promises are enforced exogenously reflects the well-understood time-consistency problem that elected politicians will have incentives to choose the policy they most prefer regardless of what they have promised during the campaign (Alesina [1988] Iversen and Soskice [2006]). Moreover, given that conditions can change voters may not want to punish representatives that renege on their electoral promises for good reasons.

- **The rules of the game vary across parliamentary and presidential democracies.** There is large variation in the institutional structure of representative democracies. As research in comparative politics has documented, one fundamental component of democratic constitutions is the design of executive-legislative institutions (Lijphart [1999]). The theoretical model focuses on an important difference in executive-legislative institutions that distinguishes presidential from parliamentary democracies, namely, that the chief executive is accountable to a majority in the legislature in parliamentary but not in presidential democracies (Strom [2000]).

In this framework, the party (or bloc of parties) that is perceived to be most likely to implement the policy that is ex-ante preferred by a majority of citizens wins the election. The ex-ante majority-preferred policy that the government is expected to pursue after the election is called the mandate (Stokes [2001], p. 4). There are two different reasons for why the policy collectively chosen by the representatives after the election may deviate from the mandate. First, because electoral promises are not binding and the screening of candidates by parties is not perfect, the chief executive may turn out to have preferences that diverge
from the mandate. Second, economic conditions may turn out differently than expected, in which case the ex-ante majority-preferred policy may not be optimal for the majority ex-post. In this case, even politicians that faithfully represent the interest of the majority will want to deviate from their mandate. The theoretical analysis shows how these possibilities play out in a stylized presidential and a stylized parliamentary setting.

**Basic Model**

To simplify, suppose there are two groups of citizens that differ in their preferences over policy, which are thought to arise from socio-economic primitives such as income, labor market risks, or wealth, but may also reflect other considerations. There is a majority group, whose share of the population is $\delta$, and a minority group, whose population share is $1 - \delta$. It is easiest to think of the minority group as the relatively prosperous part of society, and I will refer to its members as the *rich* (R), and the majority group as the relatively poor part of society, and I will refer to its members as the *poor* (P).

In line with a large literature in political economy as well as with previous chapters, the policy problem is one of redistribution. What is important is that the preferred policy of the majority group depends on the post-electoral state of the world. The specific set-up builds on existing models (e.g., Canes-Wrone, Herron and Shotts 2001; Maskin and Tirole 2004). The state of the world is denoted by $\omega \in \{A, B\}$, where $\omega = A$ captures a state of the economy in which there is room for maneuver for the government to pursue economic policies that benefit the majority group at the expense of the minority group. In contrast, $\omega = B$ captures a state of the economy in which the room for maneuver is severely constrained. This does not mean that redistributive policies are technically unfeasible, but that their cost outweigh their benefits for the majority. The policy chosen by the government is $x \in \{A, B, Q\}$.

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4Another possibility is that a party or candidate believes that a particular program is best for a majority of citizens but anticipates that voters will not support it and therefore decides to run on a more popular platform and switches policy once in office.
For concreteness and in line with the comparative politics literature on mandates, policy $A$ is called *security-oriented* (it is based on state intervention), $B$ is called *efficiency-oriented* (aimed at reducing the role of the state) and policy $Q$ denotes the *status quo*. The optimal policy for the majority group matches the state of the world. The poor prefer the security-oriented policy $A$ when there is room for maneuver and the efficiency-oriented policy $B$ otherwise. Capturing the possibility of legislative gridlock, the government may also fail to agree on enacting either $A$ or $B$, in which case the status quo policy ($Q$) remains in place.

There is uncertainty about the state of the world and policy is set before the state of the world is realized. After the election and before policy is set, players receive an unbiased report, $p$, about the state of the world, where $p$ is the post-electoral probability that the state of the world is $B$ and $1 - p$ is the probability that it is $A$. Hence, $p$ is a continuous summary statistic of the post-electoral condition that indicates the best expected economic policy from the perspective of the majority. It can be thought as a consensus forecast. After policy is set, the state of the world is realized. While $p$ is not known before the election, its distribution is common knowledge. For simplicity, suppose that $p$ is uniformly drawn from the interval $[0, k]$ with $1 > k > 0$. The report $p$ may change the preference ranking of the majority. Before the election, the probability that the state of the world will be $B$ is less than $1/2$ (as $E(p) < 1/2$). Hence, $A$ is the policy that is initially preferred by the majority. A report of $p > 1/2$ means that preferences change and $B$ is the most-preferred policy. The minority group always prefers policy $B$, as it dislikes paying the bill for policies aimed at the majority regardless of the state of the economy.

Citizens are interested in maximizing their expected utility. Formally, the utility of the poor majority group ($P$) for a given state of the world and policy is

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5The terminology is from Elster (1995) and has been adopted by previous research on mandates (Manin, Przeworski and Stokes [1999], Stokes [2001]). It is not meant to suggest that security-oriented policies always come at the cost of aggregate efficiency. For instance, Boix (1998) argues that political parties can pursue two alternative growth-promoting strategies with different distributional implications, high-tax and public investment (favoring low incomes) versus low-tax and private investment (favoring high incomes). The first strategy is contingent, among others, on the ability to raise revenues, which is subject to economic shocks.
\[ u_P(\omega, x) = \begin{cases} 0 & \text{if } x = \omega \\ -c & \text{if } x = Q \\ -\beta & \text{else} \end{cases} \]  \hspace{1cm} (4.1)

where \( \beta > 0 \) measures the loss from a policy that conflicts with the economic conditions and \( c \) measures the cost associated with maintaining the status quo. Maintaining the status quo is always costly ex-post (in the sense that there is always a better policy once the state of the world is known), but it may be better than the worst alternative (reflecting incentives to prefer the status quo to some reforms given their distributional implication). To capture these properties, suppose that the cost of maintaining the status quo are known ex-ante and can take any value on the interval \((\frac{\beta}{2}, \infty)\). The utility of the rich minority group (R) is

\[ u_R(\omega, x) = \begin{cases} 0 & \text{if } x = B \\ -c & \text{if } x = Q \\ -\beta & \text{if } x = A \end{cases} \]  \hspace{1cm} (4.2)

Capturing the prevalence of political parties as agents of representation in modern democracies, suppose that there are two parties (or blocs of parties), Left (\(L\)) and Conservative (\(C\)), that compete for office. The constituency of party \(L\) is the majority group, and the constituency of party \(C\) the minority group. Parties organize candidates for office that are a true subset of the population. Realistically, the policy preferences of politicians are their private information. But parties screen potential candidates for office through years of apprenticeship in party or lower office or vetting their background. The screening is not perfect, however, so some uncertainty about the true type of each politician remains. The ability
of parties to screen their candidates is captured by the parameter $\pi$ with $1 > \pi > 1/2$.

There is no exogenous enforcement of electoral promises. Hence, the majority group will always decide the electoral outcome and, in the basic model, party $L$ will win the election. This does not mean, however, that the outcome of the policymaking process is a foregone conclusion or that it will necessarily reflect the interest of the majority.

**Presidentialism**

Although a variety of presidential systems exists, they share the important feature that executive-legislative relations are characterized by institutional separation. While both the chief executive (i.e., president) and the legislature are powerful actors in the policymaking process whose agreement is needed to pass laws, their electoral survival is distinct (e.g., [Samuels and Shugart 2010; Strøm 2000]). That is, the president and legislators are elected for fixed terms. Unlike in parliamentary systems, a legislative majority does not have the power to remove the president and the president may not unilaterally dissolve the legislature. In this sense, there is a separation of executive-legislative institutions. Overall, the sequence of interactions in the presidential version of the game is as follows (it is summarized by Figure 4.1 (a)).

1. Groups vote for party $L$ or party $C$.

2. Nature randomly selects a chief executive from the largest party in the legislature and sends a report about the state of the world ($p$).

3. The chief executive proposes a bill $g$, containing either policy $A$ or $B$.

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$^6$The restriction is without loss of generality. The case $\pi < 1/2$ merely reverses the interpretation of the party labels.

$^7$In this setting, it is inconsequential to also allow for a separation of electoral origin of the president and the legislature. This only becomes interesting when there is a second policy dimension (or valence) that may give the majority group incentives to split its vote for the president and the legislature.
4. The legislature votes on the bill $g$. A proposal passes and becomes policy ($x$) if it receives a majority of votes. Otherwise, the status quo policy $Q$ remains in force.

5. The state of the world ($\omega$) is realized according to the probability distribution $Pr(\omega = A) = 1 - p$ and $Pr(\omega = B) = p$.

The allocation of legislative seats is proportional to votes. This means that the majority group is pivotal in determining the partisan composition of the legislature. In equilibrium, party $L$ will obtain a majority of seats. Given the inability of parties to perfectly screen presidential candidates for office, this does not guarantee that the outcome of the policymaking process is in the interests of the majority group.

Parliamentarism

Real-world parliamentary democracies are not uniform, but they are characterized by the central constitutional feature that a legislative majority may remove the chief executive (i.e., prime minister) (e.g., Strom, 2000). Accordingly, an important difference with respect to presidentialism is that the chief executive under parliamentarism is accountable to the legislature and may be removed through a censure vote. Consequently, legislative voting fuses the decision of whether a bill passes and whether the chief executive survives in office (e.g., Huber, 1996; Diermeier and Feddersen, 1998). In that sense, parliamentarism is characterized by a fusion of executive-legislative institutions.

The accountability of the executive to the legislature is not equivalent to dominance of the legislature in lawmaking. In line with the literature, the executive is assumed to have a strong grip on the legislative agenda, reflecting a host of prerogatives that include but are not limited to the ability to draw on the resources of the executive to draft bills, the power to shape the plenary agenda of the legislature or the right to restrict amendments and debate (Tsebelis, 2002, pp. 99-105). Moreover, the ability of the legislative majority to replace the executive is constrained by several factors. In practice, the pool of suitable prime ministerial candidates is
bound to be limited and agreeing on a new candidate that is more likely to be a faithful agent of the majority requires successful coordination among factions or parties of the government. There also may be an opportunity cost (legislative time is scarce) to repeated replacements of the executive. The model captures these constraints by assuming that the legislature can replace the executive only once during its term. Nonetheless, executives in parliamentary democracies ultimately serve “at the pleasure of the parliamentary majority” (Strøm, Müller and Smith 2010, p. 518).  

Capturing this core feature of parliamentarism, the sequence of interactions in the parliamentary version of the game is as follows (summarized by Figure 4.1 (b)):

1. Groups vote for party $L$ or party $C$.

2. Nature randomly selects a chief executive from the largest party in the legislature and sends a report about the state of the world ($p$).

3. The chief executive proposes a bill $g$, containing either policy $A$ or $B$.

4. The legislature votes on bill $g$. A proposal passes and becomes policy ($x$) if it receives a majority of votes. If there is no majority in favor, there is a government crisis and the chief executive is removed.

   *If the chief executive is removed:*

5. Nature randomly selects a chief executive from the largest party in the legislature.

6. The chief executive proposes a bill $g'$, containing either policy $A$ or $B$.

7. The legislature votes on the bill $g'$. A proposal passes and becomes policy ($x$) if it receives a majority of votes. Otherwise, the status quo policy $Q$ remains in force.

---

8For example, British prime minister Margaret Thatcher and Australian prime minister Julia Gillard were replaced by their party and German chancellor Helmut Schmidt was toppled with the support of his coalition partner. As Quinn (2012) has documented carefully for Britain, most if not all post-war chief executives have faced muffled or open efforts to replace them, often by members of their own party.
8. Once policy \( x \) has been determined, the state of the world \( (\omega) \) is realized according to the probability distribution \( \Pr(\omega = A) = 1 - p \) and \( \Pr(\omega = B) = p \).

Comparison of Institutions

A comparison of the equilibrium across the stylized presidential and parliamentary version of the basic model highlights that democratic constitutions and economic shocks interactively shape mandate representation. The results are proven formally in the Appendix to this chapter. The analysis proceeds in two steps. First, the game is solved separately for the parliamentary and the presidential version of the game. Second, equilibrium policies are compared across constitutional structures. This section provides an intuitive explanation of the institutional analysis and spells out its empirical implications.\(^9\)

**Proposition 1.** On average, the probability that governments elected on a mandate to implement policy \( A \) deviate from their mandate, implementing \( B \) or maintaining the status quo \( (Q) \), is higher under presidentialism than under parliamentarism. When post-electoral conditions are such that policy \( A \) preferred by the majority group before the election is still optimal after the election \((p < 1/2)\), mandate deviations are more likely under presidentialism. When post-electoral conditions imply that policy \( A \) is no longer optimal for the majority group \((p > 1/2)\), governments under both constitutions deviate from their mandate.

Proposition 1 summarizes the main comparative results. The results are illustrated by Figure 4.2. Both democratic constitutions (presidential or parliamentary) and economic conditions determine the collective policy choice \( (x) \). In Figure 4.2 economic conditions are parameterized by the probability \((p)\) that the state of the world is \( B \). The policy may be in line with the electoral mandate \((x = A)\) or it may deviate from it due to a full-blown policy reversal \((x = B)\) or gridlock \((x = Q)\). As post-electoral economic conditions deteriorate \((p\)

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\(^{9}\)The solution concept is subgame-perfect Nash equilibrium in weakly undominated (voting) strategies in the electoral and legislative stage.
Figure 4.1: Sequence of interactions in the (a) presidential and (b) parliamentary version of the game.
increases), indicating less room for maneuver for the government, the probability of mandate deviations increases under both presidentialism and parliamentarism. Changing conditions lead to a change of the policy preferences of the majority group and the politicians representing them faithfully. In a situation where security-oriented policies are likely to make the majority group worse off relative to efficiency-oriented policies ($p > 1/2$), a government’s deviation from its mandate to implement the ex-ante less preferred policy $B$ clearly does not indicate a failure of representation from the perspective of the majority.\footnote{Representation of the majority preferences requires that the policy $x$ maximizes the expected utility of the majority group given the available information ($p$).} Not all deviations from the mandate, however, are in the interest of the majority group. Deviations may also arise if the chief executive has preferences that diverge from those of the majority. When economic conditions indicate that there is room for maneuver to implement security-oriented policies ($p < 1/2$), then mandate deviations indicate a failure of representation.

Holding economic conditions constant, the probability that the elected government fulfills its mandate is higher under parliamentarism than under presidentialism. The implementation of the electoral mandate is more likely under parliamentarism, as a legislative majority may replace chief executives pursuing a policy agenda at odds with the majority view. Accordingly, the size of the (white) rectangle, which indicates the choice of policy $x = A$, in Figure 4.2 (a) is strictly smaller than that in Figure 4.2 (b). Under presidentialism, chief executives that turn out to have preferences that diverge from the majority group cannot be replaced by a majority in the legislature representing the majority view in the population. Executives are unable to set policy without legislative approval. This means that the legislature may veto a full reversal from the mandate, leading to legislative gridlock ($x = Q$). A reversal ($x = B$) occurs only if both the president and a legislative majority agree on it. In the case where conditions are conducive to implementing the mandate ($p < 1/2$), reversal can nonetheless occur when the status quo is sufficiently unattractive. This occurs with
probability $1 - \phi$. In this situation, chief executives with divergent preferences can exploit the undesirable status quo policy to their advantage.

![Diagram](a) Presidential Probability of policy

(a) Parliamentary Probability of policy

Figure 4.2: Probability of equilibrium policy ($x$) in (a) the presidential and (b) parliamentary version of the game for varying post-electoral economic conditions in the case of relatively low cost of maintaining the status quo ($c < \beta$). Post-electoral conditions are summarized by the probability ($p$) that policy $A$, which is ex-ante preferred by a majority of citizens, is ex-post inferior to policy $B$.

**Discussion**

The presidential version of the basic model captures the common real-world scenario that presidents cannot legislate alone. In some presidential democracies, however, chief executives have the (delegated or constitutionally granted) power to make policies by executive degree in place of legislation approved by the legislature (Carey and Shugart, 1998). It is easy to see that in the theoretical framework, granting presidents decree power exacerbates the underlying principal agent problem and thereby increases constitutional differences with
respect to parliamentarism. Taking away the veto power of the legislature makes it easier for chief executives to break their electoral promises even when a majority of voters would prefer their implementation.

The parliamentary version of the basic model emphasizes that the chief executive is accountable to the legislative majority. The institutional counterpart to the censure power of the legislature is that chief executives have the power to fuse voting over the policy with the vote over whether they retain the confidence of the legislative majority. The key feature is that legislative conflicts over policy are de facto conflicts over the survival of the government. In line with the literature (e.g., Diermeier and Feddersen 1998), the model captures this key feature of parliamentary government by assuming that a rejection of the policy proposed by the chief executive triggers a government crisis and the formation of a new government. A related but distinct power of many chief executives in parliamentary democracies is the ability to dissolve the legislature and call a new election (Cox 1987). In contrast to confidence procedures as they are typically modeled in the literature, a new election does not merely reallocate proposal power within the legislature, but reallocates the partisan distribution of legislative seats. Consequently, chief executives with good electoral prospects may use their dissolution power to extract policy concessions from veto players in legislative bargaining (chapter 2). Applying this logic to the framework of this chapter suggests that it would be chief executives representing the majority group that would be able to credibly use their dissolution power in legislative bargaining. Chief executives representing the minority group do not face good re-election prospects and thus should not be able to extract significant policy concessions using dissolution power beyond those captured in the baseline model. This means that considering dissolution power as an additional feature of parliamentary democracies does not alter the logic of the argument.

The basic theoretical model focuses on the impact of executive-legislative institutions on representation in a context where voters select the government without exercising effective
ex-post control. Other than building on the large class of theories of party competition pioneered by [Downs (1957)], there are good theoretical and empirical reasons for taking such a perspective as the point of departure to analyze the program/policy link. As politicians are mortals, their time horizons are likely to be limited. This tendency is amplified by institutional (e.g., term limits) and informational (e.g., voters’ rational ignorance) constraints. Hence, it is relevant to analyze how differences in the design of democratic constitutions affect representation when the shadow of the future is not overwhelmingly powerful. Nonetheless, I take seriously the possibility that democracy should work better and constitutional differences in mandate representation may diminish once we consider the case where politicians care enough about their future or voters are informed enough to hold them accountable ex-post. One way to take this into account is to extend the basic model by adding a second period consisting of another election and a final round of policymaking. This introduces an information transmission problem between the chief executive and voters into the strategic interactions. In particular, chief executives (whose policy preferences are their private information) in the first round of policymaking may have incentives to conceal their true policy preferences in the hope of winning re-election and determining policy in the second round. In other words, chief executives may propose the majority-preferred policy even if they do not favor it to signal that they are a majority type. If such pooling equilibria exist, first-period representation will work better across both presidential and parliamentary constitutions. There will be no mandate reversals unless economic conditions have changed. However, this does not imply that all agency problems are solved. In the second period, re-elected chief executives have incentives to follow their true policy preferences - even if they deviate from the preferences of the majority. This means that the principal agent

11 Summarizing the large literature on economic voting, [Anderson (2007)] finds that the strength of the relationship between economic performance and the vote is highly contingent on informational and institutional factors.

12 Related signaling models have been analyzed in the literature on pandering (e.g., [Maskin and Tirole (2004)]) and blame game bargaining (e.g., [Groseclose and McCarty (2001)]).
problem does not disappear. Moreover, introducing a longer time horizon does not elimi-
nate the constitutional difference in mandate representation. There are two reasons for this. First, in the second period the accountability (or lack thereof) of the chief executive to the legislature still matters. It will reduce mandate reversals not warranted by economic condi-
tions in parliamentary systems. Second, legislative accountability also affects the logic of information transmission in the first period.

Empirical Analysis

In this empirical section, I evaluate two hypotheses. First, the theoretical model implies that post-electoral economic conditions predict within country variation in mandate/policy consistency. As the room for maneuver concerning redistributive policies declines, policy switches from a security-oriented electoral program to efficiency-oriented policy should be-
come more likely. Previous research has shown that democratic constitutions account for an important part of the cross-national variation in the program/policy link. Collecting and analyzing the largest available data set that covers a global set of democracies, Samuels and Shugart (2010, pp. 218-248) document that policy switches are more likely under presidential than parliamentary democracies. In contrast to pure institutionalist approaches, however, the theoretical model also suggests that while the baseline probability of mandate consist-
tency varies across constitutions, economic conditions shape the policymaking incentives of chief executives and their parties under both presidential and parliamentary constitutions. Samuels and Shugart (2010) find no effect of economic pre-electoral conditions on mandate consistency in their data. They do not examine, however, the effect of post-electoral condi-
tions implied by the theoretical model. Second, I examine the possibility that the impact of economic conditions varies across presidential and parliamentary democracies. I test these hypotheses using the data set gathered by Samuels and Shugart (2010), complemented with data on constitutions and economic conditions.
Data and Methods

The dependent variable is an indicator for whether the economic policies set in the first six months after a new government takes power deviate substantively from the policy priorities spelled out in the electoral program of the party of the chief executive. The variable is called Policy switch and it takes the value 1 when there is a switch and 0 otherwise. It was coded by Samuels and Shugart (2010) for a global set of democracies in the years 1978-2002 following the scheme developed by Stokes (2001). Consistent with the theoretical model, the analysis focuses on policy switches from security-oriented campaigns emphasizing economic policies based on state intervention (e.g., redistributive tax and transfer policies and expansionary microeconomic policy) to efficiency-oriented policies that reduce state intervention. This includes 26 out of the 27 switches identified by Samuels and Shugart (2010).

Parliamentary and presidential constitutions are measured in line with the theoretical argument, which emphasizes the importance of whether the chief executive is accountable to a legislative majority. Using the classification of Cheibub, Gandhi and Vreeland (2010), a democracy is coded as Presidential when the chief executive is responsible to the legislative assembly. This means that the assembly does not have the power to remove chief executives during the constitutional term of office. In contrast, a democracy is coded as Parliamentary when the chief executive is responsible to the legislative assembly, meaning that a legislative majority can remove the chief executive. This includes systems, like the French Fifth Republic, where next to the assembly-dependent chief executive there also is a head of state elected for a fixed term of office.

I use inflation to capture economic conditions. Inflation is measured as the annual percentage change in consumer prices, and is taken from the World Bank (WDI, 2011). It captures an important aspect of the state of the economy, is comparable across countries and years and has been used by previous studies such as Stokes (2001). As the variable
is heavily skewed to the right, it is log-transformed\textsuperscript{13} The theoretical model implies that post-electoral conditions matter for whether governments deviate from their mandate. It assumes that economic conditions are such that ex-ante security-oriented policies are preferred by a majority. However, real world conditions might be such that pre-electoral economic conditions suggest otherwise. Hence, it is necessary to control for pre-electoral conditions. Moreover, previous studies have included pre-electoral conditions (e.g., Stokes, 2001). If the election relevant for the selection of the chief executive takes place in the first half of the year, post-electoral inflation is from the same year. If the election takes place in the last half of the year, it is from the year after the election. Similarly, pre-electoral inflation is measured in the pre-election year if the election takes place in the first half of the year and in the election year when the election takes place in the second half of the year.

When inflation is high, governments adhering to Keynesian and governments adhering to a neo-liberal policy paradigm have a rationale to focus on controlling inflation at the cost of pursuing policies of taxation and spending to boost the disposable income of the poor. During most of the years included in the study (especially the 1980s and 1990s), the dominant policy paradigm, which is sometimes summarized under the label “Washington consensus,” indeed emphasized the importance of controlling inflation as a prerequisite to achieve other goals, including redistribution. As a consequence, an increase in post-electoral inflation should unambiguously increase the likelihood of a policy switch\textsuperscript{14} The statistical specification to test the hypothesis that post-electoral inflation positively predicts policy

\textsuperscript{13}Most observations of inflation are between 0 and 10 percent (the median is 7.6), but there are several episodes of high inflation with an annual rate above 100 percent (as a consequence, the mean is 62.3 and the 95th percentile is 1058). Because there are also a few deflationary episodes, the transformation consists of taking the natural logarithm of \(10 + \text{Inflation}\).

\textsuperscript{14}The case is less clear for economic growth. There is no question that, everything else equal, in times of high economic growth there are more resources available for redistribution than in times of low growth. It is not apparent, however, that low economic growth per se calls for efficiency-oriented policies. Governments may want to pursue demand-stimulating policies or at least smooth out the drop in incomes for their constituency.
switches is as follows:

\[ Pr(Switch_{it} = 1|X) = G(\beta_1 \text{Pre-electoral inflation}_{it} + \beta_2 \text{Post-electoral inflation}_{it} + x_{it}' \gamma + c_i) \]  

(4.3)

where \( i \) indexes countries and \( t \) years where there is an election that directly (presidential elections in presidential democracies) or indirectly (legislative elections in parliamentary democracies) leads to the selection of a chief executive. The main parameter of interest is \( \beta_2 \) and the theoretical expectation is that \( \beta_2 > 0 \). Time-varying control variables are summarized by the vector \( x_{it} \) and \( c_i \) denotes a country-specific intercept. The latter reflects the common concern in cross-national research that there are unmeasured country-specific confounders that may be related to, in this case, both post-electoral inflation and policy switches. Estimation issues concerning the functional form of \( G \) and whether \( c_i \) is thought to be correlated with the dependent variable are discussed below.

I also consider the possibility that the impact of economic conditions on the program/policy link varies across presidential and parliamentary democracies. While economic conditions should influence mandate consistency in both presidential and parliamentary democracies, their impact may vary across constitutions for reasons internal or external to the logic of the theoretical model. Drawing on the theoretical model, one may suspect that there may be a constitution-varying impact of inflation. The reasoning follows from the difficulty of directly measuring one of the parameters of the theoretical model: the probability \( (p) \) that the state of the world favors efficiency-oriented over security-oriented policies. Inflation is a rather noisy proxy in that it does not indicate whether a policy switch is driven by economic conditions or chief executives’ use of economic conditions to justify a policy that they prefer regardless of economic conditions, perhaps claiming that there is no alternative. The theoretical model suggests that deviations from the mandate that fall in the latter category are more likely under presidentialism than under parliamentarism. Hence,
chief executives in presidential systems might be more sensitive to economic conditions because they are more likely to be of a type that is eager to implement efficiency-oriented policies but may use economic conditions to justify mandate deviations. This logic suggests that the impact of economic conditions on policy switches should be more pronounced in presidential than in parliamentary democracies. Testing it requires an interactive statistical specification:

\[
Pr(\text{Switch}_{it} = 1|X) = G(\beta_1 \text{Pre-electoral inflation}_{it} + \beta_2 \text{Post-electoral inflation}_{it} + \beta_3 \text{Post-electoral inflation}_{it} \times \text{Parliamentary}_{it} + \beta_4 \text{Parliamentary}_{it} + x'_it\gamma + c_i)
\]

where \text{Parliamentary} is the indicator of parliamentary democracy introduced above (presidential democracy is the baseline category) and \(\beta_3\) captures the possibility that the effect of post-electoral inflation is different in parliamentary than in presidential democracies, with the expectation that \(\beta_3 < 0\).

Time-varying control variables include GDP per capita, measured as the natural logarithm of per capita GDP in constant 2000 US$. It captures differences in governments’ ability, reflecting national income and its correlates (such as state capacity), to implement security-oriented campaign promises. It is also related to the distribution of democratic constitutions (presidentialism is less frequent among rich countries). Additional controls are the Age of democracy (in years, from Cheibub, Gandhi and Vreeland 2010), an indicator for whether the last non-democratic regime was a military dictatorship (Military legacy, from Cheibub 2007) and the interaction of age of democracy and military legacy. Elected policymakers governing in the “shadow of the military regime” may be cautious in implementing security-

\[^{15}\text{Going beyond the theoretical model, it is useful to check whether there is heterogeneity in the effects. It would be puzzling to find, for example, that economic conditions matter in one but not in another system.}\]
oriented mandates in order to avoid a coup (Stokes 2001, p. 33). Historically, legacies of military dictatorships are more frequent in presidential than in parliamentary democracies (Cheibub 2007 pp. 140-145), which may lead to spuriously attributing differences in the impact of economic conditions on mandate consistency to democratic constitutions. While the mere existence of military legacies is captured by country fixed effects, their impact on the mandates-to-policy link may decline as democratic rule free of military interference becomes more secure over time. This possibility is captured by the multiplicative interaction of age of democracy and military legacy.

The most plausible assumption is that the country-specific effects ($c_i$) may be correlated with the variables of interest. Among others, it reflects the common concern in the literature that history, culture, institutions, or geography shape economic conditions as well as democratic politics. Estimating the binary response models with policy switches as the dependent variable and including country indicators to capture $c_i$ using standard probit or logit models leads to inconsistent results due to the incidental parameter problem. However, a fixed effects linear probability model (FE LPM) - which means applying the OLS fixed effects estimator - is useful as it yields consistent parameter estimates controlling for unobserved time-invariant country characteristics and allows for the calculation of marginal effects (e.g., see Wooldridge 2002, pp. 482-493). It also mitigates concerns about measurement error in economic conditions due to country-specific definitions in the economic measures. There is hardly any within-country variation in parliamentary versus presidential constitutions. For the interaction specification, this means that the main effect of parliamentary constitutions

\[ 151 \]

\[ 16 \] In the panel context, the linear probability model comes with the same limitations as in the cross-section case. First, predicted probabilities may lie outside the unit interval. However, the results show that given the data this is not the case for common values on the covariates. A large majority of predicted values (above 70 percent) using the observed values of the explanatory variables lie between 0 and 1. Second, the standard errors will be heteroskedastic. This is addressed by calculating robust standard errors. In addition, the panel setting implies a restriction on the unobserved effects (Wooldridge 2002, p. 482) Altogether, the linear probability model provides a useful tool to estimate the (possibly constitution-varying) marginal effect of economic conditions on mandate consistency that addresses the prevalent concern that unobserved country heterogeneity drives the results.
is essentially absorbed by the country fixed effects. For robustness, I also report results from a random effects logistic regression (RE Logit) model. In contrast to the linear fixed effects estimator, this estimator treats country-specific errors as uncorrelated with the dependent variable. But it more appropriately models the binary nature of the dependent variable. Finally, I also estimate the equations with the conditional logistic regression, sometimes also referred to as the logit fixed-effects estimator (see Chamberlain [1980]). As the model is inestimable for countries in which there is no election with a policy switch, it effectively drops more than 75 percent of the observations. Because it does not estimate the country fixed-effects, it also does not allow us to compute meaningful marginal effects. But it provides a useful robustness check on the results obtained by the linear probability model.\[17\]

Results

Table 4.1 reports the estimation results. There are two main findings. First, post-electoral inflation matters for within-country variation in policy switches. As inflation increases, policy switches become more likely. In all specifications, the coefficient for post-electoral inflation is positive and fairly precisely estimated. This finding is in line with a key prediction of the theoretical model. Second, there is no robust evidence that the impact of inflation varies by democratic constitutions. Throughout, the interaction term has the predicted sign indicating that post-electoral inflation has a lower impact in parliamentary democracies, but it is not precisely enough estimated to be statistically significant at conventional levels. This underscores that inflation shapes incentives for policymakers in both presidential and parliamentary democracies. The results provide no clear evidence that chief executives in presidential democracies are more sensitive to inflation.

The results from the fixed effects linear probability model suggest that the impact of post-electoral inflation is substantively important. According to model (1), a one standard

\[17\] For a critical discussion of the merits and pitfalls of the estimator in macro-level studies of politics, see King (2001).
Table 4.1: Regression estimates of the impact of inflation on policy switches

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<td>-0.564</td>
<td>-0.588</td>
<td>-2.135*</td>
<td>-3.084**</td>
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<td>(0.029)</td>
<td>(0.531)</td>
<td>(0.542)</td>
<td>(1.095)</td>
<td>(1.457)</td>
</tr>
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<td>0.119**</td>
<td>1.281**</td>
<td>1.320**</td>
<td>4.290*</td>
<td>7.066**</td>
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<td></td>
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<td>(0.046)</td>
<td>(0.591)</td>
<td>(0.616)</td>
<td>(2.364)</td>
<td>(3.569)</td>
</tr>
<tr>
<td>Parliamentary × Post-electoral inflation</td>
<td>-0.055</td>
<td></td>
<td>-0.084</td>
<td></td>
<td></td>
<td>-2.540</td>
</tr>
<tr>
<td></td>
<td>(0.049)</td>
<td></td>
<td>(0.237)</td>
<td></td>
<td></td>
<td>(2.177)</td>
</tr>
<tr>
<td>Log of GDP per capita</td>
<td>0.087</td>
<td>0.037</td>
<td>-0.590</td>
<td>-0.582</td>
<td>2.958</td>
<td>-1.815</td>
</tr>
<tr>
<td></td>
<td>(0.190)</td>
<td>(0.188)</td>
<td>(0.532)</td>
<td>(0.541)</td>
<td>(3.331)</td>
<td>(5.333)</td>
</tr>
<tr>
<td>Age democracy</td>
<td>-0.002</td>
<td>-0.002</td>
<td>0.010</td>
<td>0.010</td>
<td>-0.060</td>
<td>0.048</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.004)</td>
<td>(0.017)</td>
<td>(0.017)</td>
<td>(0.073)</td>
<td>(0.121)</td>
</tr>
<tr>
<td>Military legacy</td>
<td>-0.201</td>
<td>-0.128</td>
<td>1.272</td>
<td>1.230</td>
<td>-0.248</td>
<td>5.882</td>
</tr>
<tr>
<td></td>
<td>(0.169)</td>
<td>(0.174)</td>
<td>(1.183)</td>
<td>(1.199)</td>
<td>(2.888)</td>
<td>(6.096)</td>
</tr>
<tr>
<td>Age × Military legacy</td>
<td>-0.004</td>
<td>-0.003</td>
<td>-0.077</td>
<td>-0.077</td>
<td>-0.167</td>
<td>-0.217</td>
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<tr>
<td></td>
<td>(0.007)</td>
<td>(0.008)</td>
<td>(0.082)</td>
<td>(0.082)</td>
<td>(0.141)</td>
<td>(0.149)</td>
</tr>
</tbody>
</table>

| Estimator                      | FE       | FE       | RE       | RE       | Cond. Logit | Cond. Logit |
|                                | LPM      | LPM      | Logit    | Logit    |             |             |
| Observations                   | 276      | 276      | 276      | 276      | 68          | 68          |

The dependent variable is an indicator for a policy switch from a security-oriented campaign by the party of the chief executive to efficiency-oriented policies (from Samuels and Shugart (2010)). Standard errors in parentheses. FE LPM = linear probability model with country fixed effects, RE Logit = random effects logit, Cond. Logit = Conditional logit. * $p < 0.1$, ** $p < 0.05$ (two-tailed tests)
deviation increase in inflation increases the probably of a policy switch by about 10 percentage points. The coefficient on the interaction terms in model (2) is negative and moderately large, but not precisely enough estimated to allow for a meaningful interpretation. The random effects logit regressions (models (3) - (4)) and the conditional logit regressions (models (5) - (6)) yield the same pattern of results. Given the varying assumptions underlying these different statistical models, it is striking that the qualitative estimation results are the same. While this does not exhaust all possible robustness tests, it considerably strengthens the credibility of the results.

Consistent with the previous study of Samuels and Shugart (2010) using the same dependent variable, pre-electoral inflation is not statistically significant in most specifications. The exception are the results from the conditional logit regression. They suggest a negative impact. Given the robust positive impact of post-electoral inflation on switches, a possible interpretation of the negative impact of pre-electoral inflation is that high pre-electoral inflation reduces the ability of politicians to justify deviations from their mandate with reference to adverse changes in economic conditions, as there already was high inflation before the election.

Altogether, the findings are consistent with the argument that post-electoral economic conditions shape the link between mandates and policies. Governments elected on a security-oriented mandate to increase the role of the government in the economy respond to economic conditions once they take office. When economic conditions leave policymakers less room for maneuver to fulfill security-oriented mandates, deviations from the mandate become more likely across parliamentary and presidential democracies. The theoretical model highlights that deviations from the mandate may occur for two different reasons. The normatively desirable reason is that economic conditions are such that voters that brought the incumbent government to power on a security-oriented agenda are better off if the government changes course. Normatively less appealing is the possibility that politicians pursue policies that
they prefer (for whatever reason), but that are odds with their electoral promises and voters’ interests. In this case, politicians may of course nonetheless use economic conditions as a rationale for deviation from their mandate. The empirical analysis cannot directly disentangle these two different scenarios as there is no hard cut-off for when economic conditions call for one policy or the other.

Conclusion

This chapter has developed the argument that the design of democratic constitutions and economic conditions jointly influence whether elected policymakers make laws that are in the interest of a majority of citizens. The delegation entailed in representative democracy is inherently risky. There is the danger that representatives, motivated by divergent policy preferences or private desires, choose policies that conflict with the interests of the voters that have elected them. This danger is inherent in both presidential and parliamentary democracies, but differences in the design of executive-legislative institutions imply that it is more or less contained. Chief executives in parliamentary systems can be held accountable by a legislative majority, thereby making it more likely that government policy corresponds to the electoral mandate that brought them to power. While electoral mandates are not fully specified and enforceable contracts, they do provide useful information to voters. On average, the link between mandates and government policy is stronger in parliamentary than in presidential systems. Economic conditions also shape the implementation of mandates. As the room for maneuver to implement interventionist policies declines, the probability that governments deviate from their mandate increases. While intuitive, the importance of the economy has been ignored by previous institutional accounts of mandate representation. The argument fleshed out with the help of a formal model in this chapter highlights that both democratic constitutions and post-electoral conditions shape whether governments fulfill their electoral mandates. Consistent with an important implication of the theoretical model,
the preliminary empirical finding is that post-electoral economic conditions predict deviations from the mandate in both presidential and parliamentary democracies.

In the next iteration of this chapter, I aim to revise the empirical analysis in at least a couple of ways. One avenue for improvement is to use additional measures of economic conditions. A measure that more directly captures the ability of governments to pursue spending policies would be better suited to evaluate the theoretical argument. The yield on government bonds is a candidate measure. Another avenue concerns extending the scope of the data set. While the empirical analysis relies on the largest available comparative data set on mandate fulfillment to date, it would be desirable to extend its coverage beyond 2002 to include the financial crisis 2008 and its aftermath. In this period, many democratically elected policymakers faced especially hard choices. Extending the coverage to include these cases would significantly increase the leverage of the analysis because the crisis was pronounced in many relatively affluent parliamentary democracies, which had previously experienced a couple decades of relative calm. In several well-publicized cases, such as Greece in 2009, this included the government deviating from its campaign pledge on how to respond to the crises: pursing austerity rather than maintaining or even extending the social safety net.

\[18\]

Against the backdrop of the recession and simmering sovereign debt crisis, the mainstream left party, PASOK, won the election of October 2009 on a clear security-oriented platform. This included a pledge to increase spending on public investment and raises of public sector salaries, unemployment benefits and pensions, as well as effort to renegotiate deficit targets with the European Union. During the campaign the leader of PASOK, George Papandreou, became famous for saying in an interview that the money to implement his program exists. Within half a year of taken office, however, Papandreou started to implement austerity measures rather the promised expansionary policies. Initial reforms in February and March 2010 included tax increases and public sector pay cuts, and new rounds of cuts and tax hikes followed. Amidst popular protests against austerity, the government called early elections in 2011.
Appendix

Proof of Proposition 1

The proof first solves the presidential version of the game. Then it solves the parliamentary version of the game. Finally, it compares equilibrium outcomes (i.e., policy and mandate consistency) across constitutions. For the analysis, it is convenient to define some additional notation. Let $E(p|p < 1/2) = p_a$ and $E(p|p > 1/2) = p_b$. Given the assumption that $p$ is uniformly distributed on $[0,k]$ with $1 > k > 0$, $p_a = \frac{1}{4}$ and $p_b = \frac{1}{4} + \frac{k}{2}$. Furthermore, let $Pr(p \leq 1 - \frac{c}{\beta} | p < \frac{1}{2}) = \phi$ and let $Pr(p \geq 1 - \frac{c}{\beta} | p < \frac{1}{2}) = 1 - \phi$. Given the distribution of $p$, $\phi = 2(1 - p_a)$ and $1 - \phi = 1 - 2(1 - p_a)$. Finally, denote any $c \in (\frac{\beta}{2}, (1-p)\beta)$ by $c_1$.

Equilibrium under Presidentialism

By backward induction, start by considering the proposal $g \in \{A, B\}$ that legislators are willing to accept for given parameters $c$ and $p$. The interesting case has policy conflict ($p < 1/2$), where the most preferred policy of $P$ ($R$) types is $A$ ($B$). Excluding weakly dominated strategies, legislators will accept any policy they (weakly) prefer to the status quo. For $P$ types (with a utility function described by expression (4.1)), the expected utility for the feasible actions are as follows: $EU_P(accept\ g = A) = -p_a\beta$, $EU_P(accept\ g = B) = -(1 - p_a)\beta$, $EU_P(reject\ g) = -c$. Hence, for sufficiently small costs of maintaining the status quo (i.e., $c < (1 - p_a)\beta$), $P$ types will only accept $g = A$ as they they prefer policy $A$ to $Q$ and $Q$ to $B$. For high costs of maintaining the status quo (i.e., $c \geq (1 - p_a)\beta$), $P$ types accept any proposal $g \in \{A, B\}$ as they make them better off than the status quo. Similarly, for $R$ types (with a utility function described by expression (4.2)) the expected utility for the feasible actions are: $EU_R(accept\ g = A) = -\beta$, $EU_R(accept\ g = B) = 0$, $EU_P(reject\ g) = -c$. Therefore, they will only accept $g = B$ when $c < \beta$ and accept any proposal $g \in \{A, B\}$ otherwise.
Given the optimal acceptance strategies, consider the best-responding proposal of the chief executive. In the legislature, depending on the outcome of the previous election, there may be a majority of $P$ types (if party $L$ won) or a majority of $R$ types (if party $C$ won). For a $R$-executive, it is a dominant strategy to propose R’s ideal policy, $g^*_R = B$. If there is a $R$-majority, the proposal will be accepted, leading to the chief executive’s most preferred outcome. If there is a $P$-majority, there are two cases. First, $c \geq (1-p_a)\beta$. In this case, the proposal will be accepted ($x = B$), maximizing the chief executive’s utility. Second, $c < (1-p_a)\beta$. The proposal will be rejected, maintaining the status quo ($x = Q$). This makes R strictly better off than the alternative proposal $g_R = A$, which leads to $x = A$, the least-preferred outcome given $c$. Next suppose a $P$ type becomes the chief executive. The optimal proposal depends on the legislative majority and the cost of maintaining the status quo. When party $C$ has won a legislative majority and $\beta > c \geq (1-p_a)\beta$, then $g^*_P = B$ is the best-response as proposing $g_P = A$ would be rejected, leading to a strictly worse outcome ($x = Q$). Otherwise, $g^*_P = A$ is the optimal proposal. If there is a $P$-majority or $c \geq \beta$, it ensures the most-preferred outcome ($x = A$). When there is a majority of $R$-types and $c < (1-p_a)\beta$, it entails the status quo ($x = Q$), which in this case makes a $P$-executive strictly better off than proposing $g_P = B$. Combining the best-responding acceptance and proposal strategies shows that the policy resulting from the legislative process for a given type of the chief executive, partisan majority in the legislature and cost of maintaining the
status quo is as follows:

\[ x = \begin{cases} 
A & \text{if P-executive & P-majority} \\
A & \text{if P-executive & R-majority & } c \geq \beta \\
B & \text{if P-executive & R-majority & } \beta > c \geq (1 - p_a) \beta \\
Q & \text{if P-executive & R-majority & } c < (1 - p_a) \beta \\
B & \text{if R-executive & R-majority} \\
B & \text{if R-executive & P-majority & } c \geq (1 - p_a) \beta \\
Q & \text{if R-executive & P-majority & } c < (1 - p_a) \beta 
\end{cases} \quad (4.5) \]

Trivially, the outcome in the case of preference convergence \((p > 1/2)\) is the policy preferred by all players \((x = B)\). In the knife-edged case of \(p = 1/2\) (which occurs with probability zero), P types are indifferent between \(x = A\) and \(x = B\) and the policy will either be \(A\) or \(B\).

Given the outcome of the legislative process (equation (4.5)), consider the optimal voting decision of the majority group, which is pivotal in determining the composition of the legislature and thereby also the selection of the chief executive. Anticipating the outcome of the legislative process, the poor majority group will vote for party L rather than party C. To see this, compare the expected utility from either action. There are two cases. First, \(c \geq \beta\). In this case, there are two possible policy outcomes, \(x = A\) or \(x = B\). Using the basic utility function described by expression (4.1), expectations are taken with respect to \(p\) and taking
into account the independent screening probability \( \pi \):

\[
EU_P(\text{vote L}) = -P(p < 1/2) \left[ \pi p_a \beta + (1 - \pi) (1 - p_a) \beta \right] - P(p > 1/2) (1 - p_b) \beta \\
= -\frac{1}{2k} \left[ \frac{1}{4} \pi \beta + \frac{3}{4} (1 - \pi) \beta \right] - \left( 1 - \frac{1}{2k} \right) \left( \frac{3}{4} - \frac{k}{2} \right) \beta
\]

\[
EU_P(\text{vote C}) = -P(p < 1/2) \left[ \pi (1 - p_a) \beta + (1 - \pi) p_a \beta \right] - P(p > 1/2) (1 - p_b) \beta \\
= -\frac{1}{2k} \left[ \frac{3}{4} \pi \beta + \frac{1}{4} (1 - \pi) \beta \right] - \left( 1 - \frac{1}{2k} \right) \left( \frac{3}{4} - \frac{k}{2} \right) \beta
\]

Voting for L is a best-response as \( \Delta \equiv EU_P(\text{vote L}) - EU_P(\text{vote R}) = \frac{1}{4k} (2\pi - 1) \beta > 0 \) as \( \pi > 1/2 \). Second, \( c < \beta \). In this case, there can be three policy outcomes, \( x = A \), \( x = B \), or \( x = Q \), and expected utilities are:

\[
EU_P(\text{vote L}) = -P(p < 1/2) \left[ \pi p_a \beta + (1 - \pi) (\phi c_1 + (1 - \phi)(1 - p_a) \beta) \right] - P(p > 1/2) (1 - p_b) \beta \\
= -\frac{1}{2k} \left[ \frac{1}{4} \pi \beta + (1 - \pi) (\phi c_1 + \frac{3}{4} (1 - \phi) \beta) \right] - \left( 1 - \frac{1}{2k} \right) \left( \frac{3}{4} - \frac{k}{2} \right) \beta
\]

\[
EU_P(\text{vote C}) = -P(p < 1/2) \left[ \pi (1 - p_a) \beta + (1 - \pi) (\phi c_1 + (1 - \phi)(1 - p_a) \beta) \right] - P(p > 1/2) (1 - p_b) \beta \\
= -\frac{1}{2k} \left[ \frac{3}{4} \pi \beta + (1 - \pi) (\phi c_1 + \frac{3}{4} (1 - \phi) \beta) \right] - \left( 1 - \frac{1}{2k} \right) \left( \frac{3}{4} - \frac{k}{2} \right) \beta
\]

Voting for L is a best-response as \( \Delta \equiv EU_P(\text{vote L}) - EU_P(\text{vote R}) = \frac{1}{4k} \pi \beta > 0 \). Hence, party L wins the election on a mandate to implement policy \( x = A \) that is ex-ante preferred by the majority group. Lemma 1 below summarizes the probability that a particular policy is chosen in equilibrium. Panel (a) of Figure 4.2 provides a graphical representation for a given \( p \) in the case of \( c < \beta \).

**Lemma 1.** The expected policy in the presidential game is as follows:
1. \( c \geq \beta \):

\[
E(x) = P(p < 1/2)\pi A + (P(p < 1/2)(1 - \pi) + P(p > 1/2))B
= \frac{1}{2k}\pi A + \left(1 - \frac{\pi}{2k}\right)B
\]

2. \( c < \beta \):

\[
E(x) = P(p < 1/2)\pi A + (P(p < 1/2)(1 - \pi)(1 - \phi) + P(p > 1/2))B + P(p < 1/2)(1 - \pi)\phi Q
= \frac{1}{2k}\pi A + \left(1 - \frac{1}{2k}(1 - (1 - \pi)(1 - \phi))\right)B + \left(\frac{1}{2k}(1 - \pi)\phi\right)Q
\]

**Equilibrium under Parliamentarism**

The second round of legislative bargaining (starting with \( g' \)), which is only reached if the initial proposal \( g \) is rejected and a new chief executive is selected, is identical to policy-making in the presidential version of the game. Given the outcomes in this final legislative subgame (recall equation (4.5)), turn to the first round of bargaining starting with proposal \( g \). Consider the non-trivial case of policy conflict \( (p < 1/2) \), where the most preferred policy of \( P \) (\( R \)) types is \( A \) (\( B \)). The key difference relative to the presidential game is that the consequence of rejecting \( g \) is not the maintenance of the status quo but the begin of another round of bargaining with a new proposer. The optimal acceptance strategy of the pivotal legislative group in the first stage (type \( P \) or type \( R \) legislators) is to only accept their most preferred policy. To see this, proceed by cases.

First, suppose there is a majority of \( P \) types in the legislature. In this case, the \( P \)-majority optimally accepts \( g = A \) and rejects \( g = B \) (leading to a replacement of the executive and a final round of bargaining). Accepting \( g = A \) maximizes the expected utility of \( P \) types. Rejecting \( g = B \) (or \( g = A \)) entails the possibility that the new executive will be a \( P \) type
or a R type. This event depends on the screening capability (\( \pi \)) of parties, which is common knowledge. Given a P-majority, with probability \( \pi \) a new executive would be a P type and with \((1 - \pi)\) a R type. Hence the expected utilities associated with each action are (recall expression (4.1)): 

\[
EU_P(\text{accept } g = A) = -p_a \beta, \quad EU_P(\text{accept } g = B) = -(1 - p_a) \beta, \\
EU_P(\text{reject } g; c \geq (1 - p_a) \beta) = -\pi p_a \beta - (1 - \pi)(1 - p_a) \beta, \quad \text{and } EU_P(\text{reject } g; c < (1 - p_a) \beta) = -\pi p_a \beta - (1 - \pi)(1 - p_a) c_1.
\]

Given \( p < 1/2, EU_P(\text{accept } g = A) > EU_P(\text{reject } g; c) \) and \( EU_P(\text{reject } g; c) > EU_P(\text{accept } g = B) \). Second, suppose there is a R-majority. By the same logic, in this case the R group optimally accepts \( g = B \) and rejects \( g = A \) (leading to a replacement of the executive). This follows from the expected utility of R types (recall expression (4.2)). 

\[
EU_R(\text{accept } g = A) = -\beta, \quad EU_R(\text{accept } g = B) = 0, \quad EU_R(\text{reject } g; c \geq \beta) = -(1 - \pi) \beta, \quad EU_R(\text{reject } g; \beta > c \geq (1 - p_a) \beta) = 0, \quad EU_R(\text{reject } g; c < (1 - p_a) \beta) = -(1 - \pi) c_1.
\]

Note that \( EU_R(\text{accept } g = B) \geq EU_P(\text{reject } g; c) \) and \( EU_P(\text{reject } g; c) > EU_R(\text{accept } g = A) \).

Next, consider the best-responding proposal of the chief executive. Given the optimal acceptance strategies, the utility-maximizing proposal of P-executives is to propose their most-preferred policy, \( s^*_P = A \). The exception is the case where there is a R-majority and \( \beta > c \geq (1 - p_a) \beta \). In this case, P-executives are indifferent between proposing \( A \) and \( B \) as both proposals entail the same policy \((x = B)\). When there is a P-majority, \( s_P = A \) will be accepted as this yields the best possible outcome and makes P-executives strictly better off than proposing \( g = B \). When there is a R-majority and \( c < (1 - p_a) \beta, s_P = A \) will be rejected and the expected policy in the next round is \( \pi B + (1 - \pi) Q \). Given \( c \), this is better than proposing \( g = B \), which yields \( x = B \) for certain. When there is a R-majority and \( c \geq \beta \), \( s_P = A \) will be rejected and the expected policy in the next round is \( \pi B + (1 - \pi) A \). Again, this is better than proposing \( g = B \), which yields \( x = B \) for certain. By the same logic, the best-response of R-executives is to propose their most-preferred policy, \( g_R = B \), unless there is a R-majority and \( \beta > c \geq (1 - p_a) \beta \). In this case, R-executives are indifferent.
between proposing $A$ and $B$ because both lead to the same policy ($x = B$). At the beginning of the legislative stage, for a given post-electoral distribution of types in the legislature and chief executive and parameters $c$ and $p$, the acceptance and proposal strategies yield the following expected policy:

$$E(x) = \begin{cases} 
A & \text{if P-executive \& P-majority} \\
(1 - \pi)A + \pi B & \text{if P-executive \& R-majority \& } c \geq \beta \\
B & \text{if P-executive \& R-majority \& } \beta > c \geq (1 - p_a)\beta \\
(1 - \pi)Q + \pi B & \text{if P-executive \& R-majority \& } c < (1 - p_a)\beta \\
B & \text{if R-executive \& R-majority} \\
\pi A + (1 - \pi)B & \text{if R-executive \& P-majority \& } c \geq (1 - p_a)\beta \\
\pi A + (1 - \pi)Q & \text{if R-executive \& P-majority \& } c < (1 - p_a)\beta 
\end{cases}$$

Note that the policy outcome in the case of preference convergence ($p > 1/2$) is the policy preferred by all players ($x = B$). In this case, legislators will only accept and executives only propose $B$. In the knife-edged case of $p = 1/2$ (which occurs with zero probability), $P$ types are indifferent between $x = A$ and $x = B$ and either policy may emerge in the legislative stage.

Given the outcome of the legislative process (equation (4.6)), consider the optimal voting decision of the majority group, which is pivotal in determining the composition of the legislature and thereby also the selection of the chief executive. As in the presidential game, the poor majority group is anticipating the outcome of the legislative process and is maximizing its expected utility by voting for party $L$ rather than $C$ party. There are two cases. First,
As $\pi > 1/2$, voting for L is a best-response as $\Delta \equiv EU_P(\text{vote L}) - EU_P(\text{vote R}) = \frac{1}{4k} [\pi(2 - \pi) - (1 - \pi)^2] \beta > 0$. Second, $c < \beta$. In this case, there can be three policy outcomes, $x = A$, $x = B$, or $x = Q$:

$$EU_P(\text{vote L}) = -P(p < 1/2) [\pi p_a \beta + (1 - \pi)(\pi p_a \beta + (1 - \pi)(1 - p_a)\beta)]$$

$$- P(p > 1/2)(1 - p_b) \beta$$

$$= -\frac{1}{2k} \left[ \frac{1}{4} \pi (2 - \pi) \beta + \frac{3}{4} (1 - \pi)^2 \beta \right] - \left( 1 - \frac{1}{2k} \right) \left( \frac{3}{4} - k \right) \beta$$

$$EU_P(\text{vote C}) = -P(p < 1/2) [\pi (1 - p_a) \beta + (1 - \pi)(\pi (1 - p_a) \beta + (1 - \pi)p_a \beta)]$$

$$- P(p > 1/2)(1 - p_b) \beta$$

$$= -\frac{1}{2k} \left[ \frac{3}{4} \pi (2 - \pi) \beta + \frac{1}{4} (1 - \pi)^2 \beta \right] - \left( 1 - \frac{1}{2k} \right) \left( \frac{3}{4} - k \right) \beta$$

As $\pi > 1/2$, voting for L is a best-response as $\Delta \equiv EU_P(\text{vote L}) - EU_P(\text{vote R}) = \frac{1}{4k} \pi (2 - \pi) \beta > 0$. Therefore, party L wins the election on a mandate to implement policy $x = A$ that is ex-ante preferred by the majority group. Lemma 2 summarizes the probability that
a particular policy is chosen in equilibrium. Panel (b) of Figure 4.2 provides a graphical representation for a given report of p in the case of $c < \beta$.

Lemma 2. The expected policy in the parliamentary game is as follows:

1. $c \geq \beta$:

$$E(x) = P(p < 1/2)\pi(2 - \pi)A + (P(p < 1/2)(1 - \pi)^2 + P(p > 1/2))B$$
$$= \frac{1}{2k}\pi(2 - \pi)A + \left(1 - \frac{1}{2k}(1 - (1 - \pi)^2)\right)B$$

2. $c < \beta$:

$$E(x) = P(p < 1/2)\pi(2 - \pi)A + (P(p < 1/2)(1 - \pi)^2(1 - \phi) + P(p > 1/2))B + P(p < 1/2)(1 - \pi)^2\phi Q$$
$$= \frac{1}{2k}\pi(2 - \pi)A + \left(1 - \frac{1}{2k}(1 - (1 - \pi)^2(1 - \phi))\right)B + \left(\frac{1}{2k}(1 - \pi)^2\phi\right)Q$$

Comparing Equilibria Across Constitutions

Proposition 1 directly follows from Lemma 1 and Lemma 2. The probability that the policy is $x = A$, which means that it matches the electoral mandate of the government to implement the ex-ante preferred policy of the majority group, is strictly larger in the parliamentary than in the presidential version of the game: $\frac{1}{2k}\pi(2 - \pi) > \frac{1}{2k}\pi$ (given $\pi < 1$). This effect is driven by differences in policymaking when $p < 1/2$ (i.e., there is preference divergence). In this case, both the probability of a full mandate reversal and the probability gridlock are lower in the parliamentary than in the presidential game. When $p > 1/2$, the policy outcome under both constitutions is $x = B$. □
Chapter 5

Conclusion

Why do some democracies redistribute more than others? I have argued that differences in the design of democratic constitutions have important consequences for the politics of income redistribution. In particular, differences in executive-legislative institutions between presidential and parliamentary democracies and differences in electoral rules influence redistributive policy by shaping the outcome of partisan conflict over redistribution. This view has been made more precise with the help of three distinct analytical models and confronted with evidence from multiple data sets, including both cross-national and within-country comparisons. The theoretical models developed in chapters 2 - 4 highlight several partisan-institutional mechanisms that may generate the well-documented macro-level relationships between political institutions and redistributive policy (e.g., Iversen and Soskice 2006; Persson and Tabellini 2003). The empirical analyses focus on evaluating the empirical implications of the theoretical models and mostly go beyond examining the reduced-form cross-national relationships between institutions and policy. I want to use the final chapter to briefly spell out three avenues for future research that are suggested by this dissertation. The main results of the three essays and their implications for the literature have already been summarized in chapter 4 and specific limitations are discussed in each substantive chapter.
The first remark concerns research design and data collection. Testing important implications of the theoretical models that are distinct from alternative explanations requires collecting data concerning the mechanisms, which are not easily available. For example, chapter 3 argues that candidate selection can serve as an endogenous commitment device for parties. Parties competing for the power to set redistributive policy in majoritarian electoral systems can use legislative recruitment to make credible appeals to pivotal middle-class voters despite the absence of external commitment. Parties’ incentives to recruit moderate candidates for the legislature are less pronounced in proportional electoral systems, where coalition government serves as a commitment device. To provide some initial evidence on the relevance of candidate selection, I have collected data on the background of parliamentary candidates nominated by the Labour party in Scotland under alternative electoral rules. The analysis finds that on average Labour candidates competing under the traditional majoritarian electoral rules in place for the British House of Commons were less left-leaning, as indicated by their declared union membership, than Labour candidates running in the same constituencies under the proportional electoral system in place for the Scottish parliament. The analysis also illustrates that exploiting within-country variation in political institutions can provide a research design that addresses concerns about endogenous institutions (e.g., Rodden, 2009). Collecting more data on candidates is evidently desirable to broaden the scope of the analysis.

Similarly, the theoretical model proposed in chapter 2 emphasizes the importance of dissolution power in legislative bargaining. The power of chief executives to dissolve the government and call a new election increases their leverage over policy. The empirical analysis tests an important implication of the existence of dissolution power in parliamentary and its absence presidential democracies. In line with the dissolution power mechanism, the regression analysis finds constitution-varying partisan effects on public spending. The findings suggest that governments are in a stronger position to pursue their redistributive agenda
in parliamentary than presidential democracies. But the panel analysis does not directly examine the use of dissolution power in legislative bargaining. This is because there is no systematic data on dissolution threats by chief executives in policymaking. To address this, in a related paper I have collected data on dissolution threats based on a content analysis of news sources for a single parliamentary democracy over time (Becher and Christiansen, 2013). Analyzing a quarterly times-series of dissolution threats covering four decades, we find that prime ministers that have weak legislative but strong public support in opinion polls are most likely to use dissolution threats in legislative bargaining. Prime ministers with strong legislative support are least likely to invoke an early dissolution regardless of their standing in the polls. This is in line with the logic of dissolution bargaining formalized in chapter 2. Going beyond the theoretical model, the data also allow us to examine the role of legislative time, namely, whether dissolution power is more valuable when there is more time before the constitution requires a new election. This question that has been discussed but not studied systematically in the literature (Cox, 1987). While quite labor intensive, this approach can be extended to other countries. It promises to shed new light on legislative bargaining in parliamentary democracies, and is likely to travel across policy areas, transcending redistributive politics.

The second remark is theoretical. Democratic constitutions are bundles of political institutions, but the theoretical models developed in the dissertation separately analyze the fiscal impact of electoral rules and executive-legislative institutions. The same holds for the larger political economy literature (e.g., Persson and Tabellini, 2000). Focusing on one key aspect of democratic constitutions, such as electoral systems, is a necessary first step that isolates plausible mechanisms underlying the macro-level patterns and helps organize the empirical analysis. A next step is to analyze the interaction of electoral rule and executive-legislative institutions. Some empirical studies explore interactive effects, but they lack a clear theoretical foundation (Persson and Tabellini, 2003). Hence, one worthwhile theoretical effort is
to analyze how partisan conflict over redistribution plays out in four distinct constitutional settings, capturing variation in executive-legislative institutions (presidential or parliamentary) and electoral rules (majoritarian or proportional). The goal would be to examine how different mechanisms interact.

The final remark concerns the comparison of democratic and non-democratic regimes. In both popular and academic discourse, democracy entails the expectation that it will redistribute resources toward the relatively poor, making them better off in the short-run (e.g., by providing income assistance) and in the long-run (e.g., by improving health care and access to education) compared to non-democratic forms of government. This logic has been formalized by standard models of democracy and redistribution and a large number of studies has examined whether the expectation holds up to systematic empirical scrutiny. The empirical findings are mixed and several recent studies come to the pessimistic conclusion that the democratic promise has been largely unfulfilled (e.g., Ross 2006). This dissertation suggests, as does other work in the institutional literature, that the constitutional counterfactual that is relevant for politicians and citizens has to take account of the variety of democratic constitutions. In other words, it may well be that the answer to the question of whether democracy is good for the poor is: it depends on the type of democratic constitution. While this point may seem apparent, it is not generally reflected in the statistical analyses used to examine this important question.

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1For a concise review of the empirical literature, see Haggard and Kaufman (2008, Appendix 1).
Bibliography


Przeworski, Adam, Michael E. Alvarez, José Antonio Cheibub and Fernando Limongi. 2000.


