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Platforms, Portfolios, Policy:

How Audience Costs Affect Social Welfare Policy in Multiparty Cabinets

Forthcoming at Political Science Research and Methods

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Abstract

When and why do electoral commitments enhance parties’ ability to implement their preferred policy in multiparty governments? We propose an audience costs theory whereby strong platform commitments enhance parties’ negotiating positions in multiparty cabinets but only when they are on a salient policy issue for core voters and the party controls the policy-relevant portfolio. Utilizing new data on portfolio allocations in eight parliamentary democracies over 40 years, we show that absent a strong platform commitment, control of the portfolio of social affairs by social democrats, alone, is not associated with changes in welfare generosity. Notably, our findings are independent of party size and hold in most multiparty legislative systems not dominated by three parties.

1 We are grateful to Jude Hays, Sona Golder, Rob Franzese, Ken Kollman, James Morrow, Margit Tavits, Seki Katsunori, Daniela Donno, Julia Gray, Jon Woon, the PSRM editor and the two anonymous reviewers for their excellent comments and advise. We also thank Darina Dintcheva for ensuring the replicability of our empirical results. Replication files are deposited at dataverse.harvard.edu/dataverse/PSRM
Electoral commitments\(^2\) are at the heart of multiparty competition. In the run-up to elections, political parties lay out their policy positions and promises in an attempt to win votes and, ultimately, claim office (Austen-Smith and Banks 1988; Baron 1993). Pledges that dominate newspaper headlines—such as “Lib Dems would end austerity in three years” (Wintour and Watt 2015)—and policy commitments found in electoral manifests—such as “Under Labour, the NHS will remain a universal health service” (Labour 2010)—provide crucial information to voters regarding the specifics of parties’ policy positions and the importance they assign to them. However, strong electoral commitments potentially ‘tie the hands’ of political parties once in government, to the extent that failing to act upon them could result in voter disapproval (Armingeon and Giger 2008; Hillebrand and Irwin 1999; Thomson 2011).\(^3\)

Yet, when and how strong electoral commitments affect policy outcomes in multiparty cabinets is, as yet, poorly understood. Some scholars find that the control of ministerial portfolios and coalition agreements are critical for effectively influencing policy in multiparty cabinets (Thomson et al. 2014; Schermann and Ennser-Jedenastik 2015; Mansergh and Thomson 2007; Laver and Shepsle 1996; Back, Debus, and Tosun 2015). Others instead, find that policy is decided by cabinets collectively and reflects parties’ ideology weighted by their size, independently of the distribution of portfolios (Austen-Smith and Banks 1988; Martín and Vanberg 2014).

\(^2\)Electoral commitments include both ‘specific’ and ‘detailed’ pledges that stipulate a precise course of action regarding a policy as well as more ‘vague’ and ‘general’ pledges that stipulate a commitment to a course of action (Bara 2005).

\(^3\) For example, the British Liberal Democrats suffered a major electoral defeat in the 2015 elections for breaking their pledge to defend low tuition fees (Weaver 2015).
Focusing on social welfare policy, this article asks: *once a political party enters a coalition government, do its electoral commitments constrain or enable it to formulate policy?* Do electoral promises matter for policy or are they ‘cheap talk’? Under what conditions? We develop a theory of policymaking in multiparty cabinets that provides the conditions under which electoral promises strengthen parties’ negotiating position. Drawing from models of bargaining with pre-negotiation commitment (Leventoglu and Tarar 2005), we argue that the party with the highest audience costs\(^4\) attached to the policy in question has the greatest leverage. We identify three necessary conditions that increase parties’ audience costs while in government: they have agenda setting power through the control of portfolios, and they have made a strong electoral commitment on a salient policy for party voters.

We test our theoretical expectations on social welfare policy. This is an area about which voters care deeply (Pierson 1996; Commission 2009), particularly in rich European countries where the costs and benefits of welfare are highly visible (Gingrich 2014). Nonetheless, even in the UK, known for its ‘minimal welfare state’ (Esping-Andersen 1990), social welfare policy has been found to be the second most important electoral issue after the economy (Bara 2005). The political significance of social welfare policy in western European countries is also explained by the fact that tax and social welfare policies constitute the majority of legislative bills (Martin and Vanberg 2014). The recent financial crisis has revived the heated debates of the eighties and the nineties over austerity, making it all the more important to understand

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\(^4\) The term ‘audience costs’ is broader than electoral costs (Fearon 1994; Jensen 2003). In our case audience costs refer to loss in voter support as measured by polls and which can have direct electoral consequences but also to party audience costs such as declining party membership, support by the party base, and even intra-party defeat by more policy-oriented challengers (Bowler, Farrell, and Katz 1999).
the political conditions under which the welfare state can be protected. Unsurprisingly, the politics of welfare state reform have been central in the literature of comparative political economy and have been hotly debated (Pierson 1996; Korpi and Palme 2003; Allan and Scruggs 2004; Horn and Jensen Forthcoming; Giger and Nelson 2011).  

Utilizing three new datasets across eight multiparty parliamentary democracies over 40 years, we find strong support for our expectations. Controlling the portfolio of social affairs is a necessary condition for social democratic parties to defend welfare generosity, but only when they made strong pro-welfare commitments. Their impact on policy further increases when they control the portfolio of finance, which directly disperses funds to individual spending departments, and independently of the total number of seats the party controls. Importantly, in the absence of such commitments, portfolio control alone has no policy effect. Taken together, then, these findings suggest a revised understanding of the conditions that lead to welfare policy reform in multiparty cabinets.

We make three important contributions. First, counter to most existing work on welfare state reform (Esping-Andersen 1990; Korpi and Palme 2003; Allan and Scruggs 2004; Iversen and Stephens 2008) we explicitly account for parties’ pro-welfare promises on changes in welfare generosity in multiparty cabinets. We maintain that strong pro-welfare platform commitments do not necessarily translate into more generous welfare benefits but neither are they cheap talk. Strong pro-welfare commitments can be effective when made by a traditionally pro-welfare party,

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5 For an extensive review on the politics of welfare state reform see Kersbergen and Vis (2014).
6 but see also Schumacher (2011) and Horn and Jensen (Forthcoming) for recent contributions on the role of parties’ electoral promises in social welfare reform.
namely by social democrats and when that party is in charge of the social affairs portfolio, irrespective of the number of seats they control in the cabinet.

Second, we contribute to the important debate in the literature of policymaking in multiparty cabinets. Understanding how electoral promises affect social welfare policy lies at the heart of scholarly inquiry regarding governance and representation, and contributes to long-standing debates regarding the policymaking process in multiparty cabinets (Back, Debus, and Tosun 2015; Goodhart 2013; Franzese 2002; Tsebelis 2002; Laver and Shepsle 1996; Martin and Vanberg 2014; Budge and Hofferbert 1990; Hofferbert and Budge 1992; Allan and Scruggs 2004; Clark 2003).

Third, we provide scope conditions for competing models of policymaking. We go beyond adjudicating on models of policymaking by providing the conditions under which alternative models of policymaking are more likely to prevail. We do that by explicitly taking into account the role of legislative complexity in party competition with the aid of a new dataset (Laver and Benoit 2015). We show that portfolio control enhances the agenda-setting role of social democratic parties primarily in more complex and decentralized legislative systems. In contrast, in triangular legislative systems, changes in welfare generosity are best explained by the cabinet’s weighted average commitments as predicted by ‘coalition compromise theories’ (Austen-Smith and Banks 1988; Baron 1993; Martin and Vanberg 2014).

**Welfare State Reform and Models of Policymaking**

It is often assumed that parties are held accountable by voters, and fearing electoral punishment, they seek to fulfill their electoral promises (Hofferbert and Budge 1992; Baron 1993). Yet, many theoretical and empirical analyses of welfare state reform fail
to include parties’ expected political costs as well as parties’ agenda-setting power in the policymaking process.

With few notable exceptions (Schumacher 2011; Horn and Jensen Forthcoming), scholars of welfare states have mostly employed measures of parties’ left-right ideology (as determined by party families or by experts’ assessments) weighted by the proportion of party seats in the cabinet to predict policy (Allan and Scruggs 2004; Franzese 2002; Korpi and Palme 2003). While this expectation is both theoretically and empirically informed (Korpi and Palme 2003) it ignores the potential electoral costs for failing to follow through with specific electoral promises (Giger and Nelson 2011). Unlike measures of party ideology, which are rather stable over time, electoral platforms vary across elections, revealing the saliency of specific issues and signaling different levels of commitment to policies (Benoit and Laver 2006; Hofferbert and Budge 1992; Budge and Hofferbert 1990; Schumacher 2011).^7

Furthermore, the dominant approaches within the comparative study of welfare states mostly ignore the agenda-setting power of parties through the control of ministerial portfolios, despite otherwise assumptions often made by scholars of government formation (Carroll and Cox 2007; Huber and Martinez-Gallardo 2008). Laver and Shepsle (1996), in particular, argue that parties dictate policy by being in charge of ministerial portfolios. Yet research on the role of cabinet ministers in welfare state reform is still limited (Becher 2010; Martin and Vanberg 2014; Goodhart 2013; Alexiadou 2015). In what follows we provide a theory and the conditions for ministerial agenda-setting power in multiparty cabinets.

^7 Platform commitments are more directly affected by party competition and changes in public opinion than party ideology (Adams, Haupt, and Stoll 2009; Hofferbert and Budge 1992).
Theory

Audience Costs and Policy Negotiation in Minimal-Winning Coalitions

How does accounting for parties’ audience costs alter our understanding of the process of social welfare reform in coalition cabinets? After the government has formed and portfolios have been agreed on, when should we expect parties to stand firmer on their policy positions?  

Let us assume that parties (and by extension their ministers) have three goals. First, they want to minimize the distance between the policy outcome and their party’s ideal point, which is a function of its ideology, broadly defined by its party family. Second, parties fear future electoral and broader political costs for proposing or accepting a policy that clearly contradicts their electoral promises, particularly so when their promises are on issues their voters feel strongly about. Third, parties value office so they generally prefer compromise to walking away when a policy dispute in the coalition arises. However, some parties are more office-seeking than others (Schumacher, Vries, and Vis 2013; Adams et al. 2006).

With the aid of a formal bargaining model provided in Section A of the Appendix, we identify the conditions that lead to policy stability and change. We predict that in a situation where a social affairs minister is presented with a proposal

8 There is a large formal (Diermeier 2006) and empirical (Glasgow, Golder, and Golder 2011; Golder, Golder, and Siegel 2012) literature on government formation. It is beyond the scope of our paper to predict how electoral platforms affect government formation. Moreover, our model does not endogenously predict parties’ electoral commitments or portfolio allocation, thus it differs from the seminal works of Laver and Shepsle (1996) and Austen-Smith and Banks (1988) or Baron (1993). Also, unlike these works we assume that parties cannot perfectly predict future coalition governments and that coalition policy agreements are not perfectly enforceable.
to cut social welfare benefits, she is able to block the proposal *only when* her party has made a sufficiently strong policy commitment to defend welfare benefits, social welfare policy is a salient policy⁹ for the party’s core voters, and all parties in the coalition are moderately office-seeking. If, on the other hand, her party made only a weak pledge while the party of the finance minister made a strong commitment to cut spending, then the social affairs minister cannot block finance’s proposed cuts. In the absence of pledges from both parties, there is no policy change.

The intuition here is that the higher the expected electoral penalty from diverging from the party’s promised policy is, the closer the final policy outcome will be to the ideal point of the two agenda-setter ministers. This is because voters assign responsibility to the ministers with agenda setting power (Duch and Stevenson 2013; Angelova, König, and Proksch Forthcoming). The ministers of finance and social affairs are both significant agenda setters with respect to social welfare policy, because it is an electorally salient policy and it accounts for a large percentage of the government’s budget. Thus the model predicts the direction of policy change on the basis of the expected audience costs of these ministers’ respective parties, which in turn is a function of party ideology and their pro- or anti-welfare commitments.

A direct implication of the model is that the partisan control of cabinet seats and even of the portfolio of social affairs cannot alone predict policy change. If social democrats control the portfolio of social affairs but have made no commitments to increase welfare benefits, we do not expect positive changes in benefits. Similarly, if finance is controlled by a right of center party, she/he will not be able to cut benefits

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⁹ While scholars use electoral statements to identify shifts in parties’ ideal policy, we assume that parties have fixed policy preferences, as revealed by their party family, and that their electoral pledges raise the saliency of these fixed policy preferences.
unless her party has made a strong pledge to cut benefits while the party of the social affairs minister has made a weak pledge to defend welfare benefits.

Thus we expect changes in welfare generosity to be best predicted by the partisan control of the portfolios of social affairs and finance, conditional on their specific pro and anti-welfare commitments. This prediction differs significantly from the compromise coalition theories (Austen-Smith and Banks 1988) for which changes in welfare generosity reflect parties’ welfare commitments conditional on their size. Our predictions also differ from the predictions of ministerial government theories (Laver and Shepsle 1996) under which ministers are policy dictators unconditionally.

These predictions rest on two central assumptions; that voters punish parties for reneging on their promises, especially when these promises are on a salient issue for party core voters and that voters attribute policy responsibility to the party that formally sets the policy agenda. There is growing evidence that informed voters and party core voters, alike, are attentive of parties’ electoral promises and policy shifts (Thomson 2011; Adams, Ezrow, and Somer-Topcu 2014).

Even though our predictions are in line with historical cases, there is no large-n empirical evidence that voters punish the party that controls the portfolio of social affairs for welfare cuts. We fill this gap with our own preliminary analysis provided in Section B in the Appendix. We combined our data with comparative electoral data (CSES) to directly test whether voters are attentive of social democrat’s

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10Both the Irish Labour party and the Dutch Social-democrats, PvdA, experienced first-hand the effects of voter disapproval for perceived failures to follow through with their electoral promises while in charge of social affairs (Hillebrand and Irwin 1999; Marsh and Mitchell 1999).
social welfare effort when they control the portfolio of social affairs. The results, presented in Table 2 in the online Appendix are clear: voters are more likely to vote for social democratic parties when the social democrats raise welfare generosity, having promised to do so. Importantly, voters who casted their ballot for social democrats in the previous election, are a lot more likely to vote for social democrats again if they raised welfare generosity while being in charge of the portfolio of social affairs.

**Electoral Commitments, Party Ideology and the Welfare State**

There is an extensive literature on the historical roots and the political determinants of reforming the welfare state (for an extensive review of the literature see Kersbergen and Vis (2014)). Generally, scholars agree that liberal and conservative parties favor a slimmer welfare state while social democrats and Christian democrats have supported a more generous welfare state (Esping-Andersen 1990; Korpi and Palme 2003; Manow and Kersberger 2009; Baldwin 1992; Huber, Ragin, and Stephens 1993; Korpi 1983). At the same time, Christian democrats have historically appealed to religious and more affluent voters (Lipset and Rokkan 1967; Dalton 2008). As a result, social welfare policy has been more salient for social democratic parties and their voters than for Christian democrats, even though both parties have been instrumental in the development of welfare states in Europe.

Also, social democrats tend to ‘own’ the issue of welfare state policy compared to Christian democrats (Blomquist and Green-Pedersen 2004). Thus, when it comes to social welfare policy, social democrats should have a hard time justifying

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11 In these models we predict the individual level vote choice for 17 elections. See Section B in the online Appendix.
cuts in welfare benefits to their core voters and party activists, particularly when they promised to defend and uphold them in the campaign trail. This is more so when they are in charge of the portfolio of social affairs. No social democrat minister would want to present legislation that negates the party’s electoral promises on a policy that defines the party’s, and its core voters’ policy priorities.12

These important differences among parties’ support bases allow us to derive testable hypotheses. We expect social democrats to best defend welfare benefits generosity when they control the portfolio of social affairs and have committed electorally to do so. (H1a). This conditional pro-welfare effect should be stronger when social democrats also control the portfolio of finance (H1b) or, when the party of the finance minister has not pledged to cut benefits (H1c). 13

Empirics

DV and Empirical strategy

Our data cover eight European parliamentary democracies that are overwhelmingly governed by multiparty governments and where both social and Christian democrats have held the portfolio of social affairs.14 We restrict the analysis to the period between 1972-2010 due to data availability for the dependent variable. We include only minimum winning, minority multiparty and oversized cabinets that would lose their majority if the social democratic party left the coalition. We do not

12 Unless she is an ideologue (see Alexiadou (2016)).
13 Hypothesis H1a is somewhat ‘naïve’ since it only accounts for the pledge of the social affairs minister. Hypotheses H1b and H1c instead also account for the veto role of the finance minister.
14 Austria, Belgium, Germany, Ireland, Italy, Netherlands, Norway, Sweden.
include oversized coalitions due to the central assumption in our theoretical model that ministers’ negotiating power rests on their ability to walk out and threaten the life of the coalition. In oversized cabinets, any individual party has less negotiating power if there are alternative majorities (Volden and Carrubba 2004).¹⁵

The dependent variable is Total Welfare State Generosity, constructed by Scruggs, Detlef, and Kuitto (2013). It codes welfare generosity accounting for benefit replacement rates, qualifying conditions and coverage rates for public pensions, unemployment and sickness insurance. It is the most comprehensive and updated measure for welfare state generosity, which does not rely on actual spending. Aggregate spending measures are problematic because they vary with GDP and they fail to capture the generosity of benefits in terms of the actual replacements rates, the qualifying conditions and the coverage rates (Korpi and Palme 2003; Scruggs 2006; Mares 2006).

Our empirical strategy involves the estimation of an Autoregressive Distributed Lag model (ADL) that excludes the contemporaneous regressors. ADL models are appropriate when the time series are strongly auto-regressive and near integrated (Keele, Linn, and Webb 2016; Grant and Lebo 2016).¹⁶ All the regressors are lagged by one year, which is a common practice for these types of empirical models, as political decisions take time before they become policy (Franzese 2002). All policy models include country fixed effects to remove unobserved country heterogeneity:

\[ Y_t = a_i + a_t Y_{t-1} + b_t X_{t-1} + \varepsilon_t \quad (1) \]

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¹⁵ See Section D in the online Appendix for robustness checks.

¹⁶ According to the Im-Pesaran-Shin unit root test for finite T and N, we can reject the null that our DV has a unit root in all the panels at the 10% level.
IVs: Pro-welfare pledges & Partisan Portfolios

To measure pro-welfare pledge, we employ data on social welfare platform statements from the Comparative Manifesto Project (CMP). While measures of party ideology are more or less fixed over time, parties’ electoral platforms vary across elections, revealing the saliency of specific issues and signaling different levels of commitment to specific policies (Benoit and Laver 2006; Hofferbert and Budge 1992; Budge and Hofferbert 1990; Schumacher 2011).

We use two indicators to measure the strength of the pledge. To test H1a we employ the indicator *left welfare commitments*, which is coded as social democratic favorable mentions minus negative mentions of the need to introduce, maintain or expand public social service or social security, and includes healthcare, child-care, pensions and housing. This variable is constructed by subtracting the code 505 from the code 504 in the Manifesto Data Project (Budge et al. 2001; Klingemann et al. 2006). However, this measure is somewhat ‘naïve’ in that it does not take into

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17 This variable ranges from zero to 22 and is set to zero when the left is in opposition.
18 The CMP data counts statements- referred to as quasi-sentences- found in parties’ manifestos, which are then designated to one of 56 categories. We use category ‘504’ and ‘505’, which are devoted to statements on welfare state expansion and limitation, respectively. These statements vary from being specific and detailed such as “the net replacement rate for unemployed persons will be raised” (Austrian Social Democrats, 2008 election) to vague and general such as “we want people with disabilities to take advantage of available benefits and services” (SPD 2009). While the CMP data have been critiqued by several authors, no other publicly available dataset provides comparable coverage and comparability. Also, the majority of criticisms concentrate on the indicator ‘rile’, which measures parties’ left-right position (Benoit and Laver 2007; Molder Forthcoming; Franzmann and Kaiser 2006) and not on individual CMP categories (Lowe et al. 2011). Finally, a study finds that although all of the methods
account the negative pledges made by the party of the finance minister. According to
the predictions of the model and H1c, we must account for the commitments of both
cabinet ministers involved in the policymaking process. Thus we also code net
welfare commitments. To construct this alternative indicator we set to zero left welfare
commitments every time a right of center party controls finance and has made a
commitment in its manifesto to cut benefits. The reason we do that instead of
subtracting finance’s negative pledges from the pledges the social affairs minister is
that parties rarely made pledges to cut benefits. Typically when they intend to cut
benefits they avoid raising the issue altogether. This explains why the mean value of
finance’s anti-welfare commitments is only 0.3 while the mean value of left pro-
welfare commitments is 7.8, when they control social affairs 19

To create the indicator left and right welfare pledges, we identify the major
center-left and center-right political parties in the countries in our sample. We used
the largest party (in terms of vote share) from party families that are located in the left
and the center-right of the ideological scale. The largest social democratic party in
each country is coded as left. Under center-right we coded either the largest
conservative or the largest Christian-democratic party in the country. 20

carry issues they are most pronounced in extreme parties, which are not included in
this study (Marks et al. 2007).

19 There are only 20 such country/year instances, mostly concentrated in Ireland in the
eighties and the Netherlands in the nineties. See the online Appendix for descriptives.

20 Our coding decision was informed by the size of the largest party families in the
countries we study. The current classification allows us to compare the Christian
democrats with the ‘conservatives’ in countries such as Sweden or Norway where are
small. The list of the parties coded is provided in the online Appendix.
Our second main predictor is social democratic social affairs portfolio. All the countries in the sample have had a ministry of social affairs for over half a century. In some cases the ministry is independent of other ministries while in other cases it is merged with the ministry of labor or health. We have constructed a unique dataset that codes the party that is in charge of social affairs, both at the start but also during the government’s life. Our dataset first identifies the ministerial department responsible for social welfare policy, second tracks changes in ministerial jurisdictions over time and across space, and third codes cabinet and ministerial reshuffles. It codes all ministerial reshuffles, as long as a minister remained in his or her post for at least 2 calendar months. In addition we use the average social democratic control of the social affairs and finance portfolios to test H1b. Given the important role of the minister of finance in social welfare policy, it is possible that we are overestimating the policy effect of social affairs ministers when we do not account for the partisan control of the portfolio of finance. Furthermore, utilizing this additional indicator we can compare whether the partisan control of finance (H1b) or finance’s anti-welfare pledges matter the most for blocking the minister of social affairs (H1c).

We test our hypotheses against two alternative models of policymaking. One that predicts policy to be an outcome of the policy preferences of inner cabinets (Thiebault 1993), here coded as the average control of the portfolios of the prime minister, finance, social affairs and employment by social democrats, and a second that predicts that policy reflects the cabinet’s weighted average net welfare commitment (Austen-Smith and Banks 1988).

\[\text{\footnotesize 21 Summary statistics are provided in the online Data Appendix.}\]
All the empirical models include the following control variables: *left cabinet seats* and *economic growth.* We include *left cabinet seats* to control for party size and economic growth to address the possibility that social democrats make strong pro-growth pledges and control the portfolio of social affairs when the economy is strong.

The data have been modified from government level to country/year observations. Portfolios are assigned a party family and a pro-welfare commitment score. If a ministry changed hands during a calendar year or if there were multiple elections in a year, the value assigned in that year is the value of the last election. We assume that if there is more than one election in one year, the government(s) that form and lead the country to new elections within a calendar year would have no time to initiate and implement new policies within the brief period of holding office.

**Findings**

Equations 1-6 of Table 1 strongly support our theoretical expectations as derived from the bargaining model. Neither a strong pro-welfare pledge nor the control of the relevant portfolios alone is associated with higher welfare benefit generosity. Social democrats cannot increase welfare generosity when they control the department of social affairs but have made no commitment to expand social welfare. Similarly, when social democrats are in government but do not control the department

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22 In the online Appendix, Section D, we provide additional models that include the controls of *unemployment* and *wage bargaining coordination.* We expect long-term high *unemployment* to negatively affect social benefits as it puts pressure on state finances. Wage bargaining has been instrumental in the formation and preservation of the welfare state, particularly under social democrats (Katzenstein 1985; Esping-Andersen 1990; Korpi and Palme 2003). The index codes the levels at which wages are set, where 1 is the least and 5 is the most centralized level (Visser 2013).
of social affairs, their commitment to expand social welfare has a small negative
effect on welfare state generosity. Perhaps even more surprising is that larger
representation of left parties in the cabinet does not increase welfare generosity.
Instead and in line with our expectations, the left is associated with higher welfare
generosity only when it has made a strong electoral commitment to defend benefits
and controls the portfolio of social affairs (H1a), particularly if the party of the
finance minister has not pledged to cut benefits (H1c).

In Equation 1 of Table 1, we see that the interactive term Social Democratic
Welfare Pledge*Social Democratic Ministry of Social Affairs is positive and
statistically significant, even after controlling for the left’s electoral strength and for
the cabinet’s weighted average pro-welfare pledge. This effect is stronger when the
left also controls the portfolio of finance as predicted by H1b and shown in Equation
2. However, controlling more portfolios on top of social affairs and finance does not
deliver any further benefits, according to Equation 3.

The conditional positive effect of controlling social affairs is considerably
stronger when we account for the negative pledges made by finance’s party (H1c). These results are reported in Equation 4. Overall, the largest conditional effects are
observed either when the left controls both social affairs and finance, assuming strong
pro-welfare commitment, or when the minister of finance has not made a pledge to
cut benefits. In fact, the additive effects are stronger when the social affairs minister
deals with a ‘friendly’ right of center finance minister than when she deals with a
social democrat finance minister. Controlling the portfolio of finance per se is not
required or even helpful for increasing welfare benefits, as long as the party that
controls finance has not pledged to cut benefits.
Table 1: Welfare generosity, pro-welfare electoral commitments and social democrats

<table>
<thead>
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<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
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<tr>
<td>Welfare Generosity (H1a)</td>
<td>0.9557***</td>
<td>0.9466***</td>
<td>0.9477***</td>
<td>0.9446***</td>
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<td>Generosity Lag (H1b)</td>
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<td>(0.034)</td>
<td>(0.036)</td>
<td>(0.033)</td>
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<td>Econ. Growth (H1c)</td>
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<td>0.0704*</td>
<td>0.0783</td>
<td>0.0807**</td>
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<td>(0.044)</td>
<td>(0.036)</td>
<td>(0.043)</td>
<td>(0.033)</td>
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<td>Left cabinet seats %</td>
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<td>0.0060</td>
<td>0.0070</td>
<td>0.0030</td>
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<td>(0.005)</td>
<td>(0.005)</td>
<td>(0.006)</td>
<td>(0.004)</td>
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<td>Ave Cabinet Pledge</td>
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<td>-0.0017</td>
<td>-0.0069</td>
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<td>(0.015)</td>
<td>(0.017)</td>
<td>(0.015)</td>
<td>(0.021)</td>
<td></td>
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<tr>
<td>Left Pledge</td>
<td>-0.0540</td>
<td>-0.0722**</td>
<td>-0.0635**</td>
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<tr>
<td>(0.031)</td>
<td>(0.028)</td>
<td>(0.026)</td>
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<td>SD S. Affairs</td>
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<td></td>
<td>-0.5437**</td>
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<td>(0.148)</td>
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<td>(0.175)</td>
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<tr>
<td>Left Pledge*SD Affairs</td>
<td>0.0531*</td>
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<tr>
<td>(0.027)</td>
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<tr>
<td>Ave SD Affairs/Finance</td>
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<td>-0.6431***</td>
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<td></td>
<td></td>
<td>(0.175)</td>
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<tr>
<td>Left Pledge*SD Aff/Fin</td>
<td>0.1102**</td>
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<td></td>
<td></td>
<td>(0.041)</td>
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<tr>
<td>SD Inner Cabinet</td>
<td></td>
<td>-0.6739**</td>
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<td>0.0868**</td>
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<tr>
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<tr>
<td>Net Pledge</td>
<td></td>
<td>-0.0638**</td>
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<tr>
<td>Net Pledge*SD Affairs</td>
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</tbody>
</table>

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

All models include country fixed effects
We should further note that the added benefit of controlling the portfolio of finance is not as important as it might at first appear. In our sample, the left has controlled the department of social affairs more than three quarters of the time and the portfolio of finance half the time, when in government. Crucially, only half of the time the left has controlled social affairs it has also controlled finance, but when it has controlled finance it almost always has controlled social affairs (89% of the time). Thus, even though being in charge of both the social affairs and finance portfolios increases the left’s policy impact, the effect of controlling the social affairs portfolio alone has significant policy effects, given strong pro-welfare commitments.

One might ask how far away from the cabinet average policy position can the social affairs minister’s party push policy? To answer this question we need to investigate the policy effects of the social democrat minister when her party’s pledge is higher than the average cabinet pledge. Indeed, this is the case in more than fifty percent of all cases in our sample. Our empirical model informs us that if the social democrat minister acts as a perfect agent of the cabinet with an average welfare score of about 6.5, she would increase social welfare benefits by about 0.2 units in the short-run and by 3 units in the long-run, which is equivalent to just under 13 percent increase. If, on the other hand, the social affairs minister follows her party’s pro-welfare commitment (after modifying for finance’s negative commitment) at the average level of 9, she would increase welfare generosity by 0.44 units in the short-run and by 7.3 units in the long-run which is equivalent to about 30 percent increase in welfare generosity.24

23 For summary statistics, see Table 14 in the online Appendix
24 The derivation of these estimates can be found in the log file: log_replication_psrn_ppp_main.log.
Figure 1 makes clear that controlling the portfolio of social affairs bears no positive changes in welfare generosity unless the net pro-welfare pledge is at average or higher values. Importantly for making inferences, half of the time social democrats controlled social affairs in multiparty cabinets they made strong pro-welfare commitments (on average a value of about 9), while the other half of the time their pro-welfare commitments were on average 3.\textsuperscript{25} To conclude, when the social democrats make a pledge stronger than that of the cabinet and they are not confronted with a hostile finance minister (H1c),\textsuperscript{26} they moved policy away from what it would be under the cabinet’s weighted pledge, independently of party size or the partisan control of the portfolio of finance.\textsuperscript{27}

Party ideology, platform commitments and portfolio control are all necessary conditions for policy influence in multiparty cabinets. These effects hold despite controlling for the cabinet’s weighted average pro-welfare commitments. In fact the cabinet’s average pro-welfare commitment has a negative coefficient.\textsuperscript{28} Moreover, these results do not hold for Christian democratic parties, as shown in Section D in the online Appendix. We believe that this finding further supports our expectation that electoral promises are binding only for highly salient policy issues, when controlling the policy agenda.

\textsuperscript{25} See Table 14 in the online Appendix.

\textsuperscript{26} Graphs for H1a and H1b are provided in the online Appendix, Section D.

\textsuperscript{27} While we explicitly account for parties’ strategic pledges by modeling legislative complexity, we might fail to account for unobservable factors that drive parties’ welfare effort, for example, due to intra-party conflict. To address this potential endogeneity we utilize control function estimators to predict the conditional policy effects of pledges and portfolios, while controlling for un-observables (Wooldridge 2002). See Section D in the Appendix

\textsuperscript{28} For alternative specifications see Section D in the online Appendix.
Figure 1: Marginal effects of Partisan Portfolio Control as Welfare Commitment Varies

Graph based on equation four, table one
Confidence intervals at the 95% level
Identifying scope conditions

How generalizable are the findings of Table 1? To what extent are pledges endogenous to parties’ expectations of fulfilling them, and thus not an outcome of intra-ministerial bargaining?

Our central predictions and findings, that parties’ policy influence is a function of them having agenda control and having made strong electoral commitments have direct implications for parties’ incentives to form strong pro-welfare commitments and control the portfolio of social affairs. Chronologically, parties make electoral commitments, then negotiate over policy and portfolios and finally renegotiate over policy during the life of government. If parties had perfect foresight regarding the government formation process and the state of the economy, they would only make strong pro-welfare commitments and wish to control the portfolio of social affairs when they expect to be in government and, once in government, to follow through with their commitments.

Indeed, the assumptions of perfect foresight are made by Austen-Smith and Banks (1988) and Baron (1993) in their seminal works of government formation and policy outcomes in multiparty governments. Yet, voters’ and parties’ perfect foresight is justified by the fact that only three parties compete and any two parties can form a majority coalition. The government that forms consists of the parties with the most and the least votes, hence the final policy outcome is either center-left or center-right. In these models, the final policy outcome is a compromise among the coalition partners, with the largest party having the most policy influence (Austen-Smith and Banks 1988). Empirically, this means that policy outcomes reflect the cabinet’s weighted average commitments.
Germany met these criteria during the seventies whereby the three main parties, the Christian democrats (CDU), the social democrats (SPD) and the smaller liberals (FDP) could form two-party majority coalitions. Under these conditions parties should be able to predict fairly accurately their ‘ideal’ pledge given the pledges of the other two parties. Moreover, in such stable coalitional environments parties should predict reasonably accurately their policy leverage as well as the ministerial portfolio allocation, especially in the presence of strong norms on portfolio allocation. Laver and Benoit (2015) call these triangular legislative systems, Top-Three Party System legislatures.

Nonetheless only a subset of parliamentary legislatures are triangular (Laver and Benoit 2015). Pledge formation is less predictable outside well-defined coalitional environments (Laver and Benoit 2015). In most legislative systems, parties’ chances of entering a coalition might be too hard to predict due to high levels of legislative fragmentation and complexity or due to the presence of a dominant party (Laver and Benoit 2015). Thus, outside triangular systems, the assumptions that parties have perfect foresight and can freely choose their post-electoral coalition partners have to be relaxed. If parties are less able to predict the post-electoral government formation process, then they might be less likely to tailor their electoral pledges to their expectations. In these situations parties’ optimal strategy is to formulate electoral pledges that are primarily vote maximizing instead of office or policy maximizing.\textsuperscript{29} Therefore, outside triangular systems we can reasonably assume that parties’ pro-welfare pledges are at least partly orthogonal to their ability to influence policy in the future.

\textsuperscript{29} For a formal intuition of parties’ utility function of forming a bold electoral commitment, see Section C in the online Appendix
If the legislative environment matters for policymaking processes, then we should find that coalition compromise theories are more prevalent in triangular systems whereas our theory is more prevalent outside triangular systems. We test this expectation in Table 2, where we split our sample to triangular and non-triangular legislative systems. According to Table 2 our findings are replicated outside triangular systems. This is clearly shown in Equations 1 and 2 of Table 2, where we re-estimate Equations 1 and 4 of Table 1. However, and in line with the coalition compromise theories, in triangular systems, the cabinet’s weighted average pledge best explains changes in welfare generosity.
Table 2: Cabinet commitments and portfolio control across legislative systems

<table>
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<th>(2)</th>
<th>(3)</th>
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<td>(0.030)</td>
<td>(0.051)</td>
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<td>0.0030</td>
<td>-0.0039*</td>
<td>-0.0048**</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.004)</td>
<td>(0.002)</td>
<td>(0.001)</td>
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<tr>
<td>Ave Cabinet Pledge</td>
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<td>-0.0035</td>
<td><strong>0.1602</strong>*</td>
<td><strong>0.1627</strong>**</td>
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<tr>
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<td>(0.022)</td>
<td><strong>0.039</strong></td>
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<tr>
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<td>(0.016)</td>
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<tr>
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<td>-0.0633***</td>
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<td>(0.017)</td>
<td>(0.047)</td>
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<tr>
<td>R-squared</td>
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</table>

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

All models include country fixed effects
**Discussion**

In this paper we argue and illustrate that electoral commitments potentially have important policy implications. Specifically, we predict that in a situation where two parties bargain over social welfare policy through their cabinet ministers, the party with the highest audience costs will have the largest policy influence. In turn, parties’ electoral costs are determined by the level of their public commitment made on welfare policy, the saliency of welfare policy to their voters, and whether the party controls the portfolio of social affairs. We test our predictions in eight parliamentary democracies over 40 years and find strong support for our argument. Social democratic parties have been more successful in increasing welfare generosity when they have made a strong pro-social welfare electoral commitment and they controlled the portfolios of social affairs and/or finance. In contrast, party size, portfolio control or strong electoral pledges alone fail to predict policy.

The findings of this paper make a number of important contributions. First, they provide evidence in support of the argument that words matter. Some argue that electoral promises are cheap talk (Schattschneider 1942). Yet others have shown that parties in fact follow through with many of their electoral promises (Petry and Collete 2009; Mansergh and Thomson 2007). Our theory identifies the conditions under which parties’ electoral platforms are more likely to matter for policy outcomes in multiparty cabinets. By doing that, we address a cornerstone question of democratic governance, whether electoral commitments matter for policy outcomes and when.

Second, we provide the necessary theoretical tools to understand how and why parties can affect policy. Specifically, existing literature does not provide satisfactory answers as to whether and why the control of specific portfolios enables parties to
successfully redeem electoral pledges (Thomson 2001; Mansergh and Thomson 2007; Thomson et al. 2014). We offer an explanation for the lack of consensus in the existing literature about the policy effects of partisan ministerial portfolios (Goodhart 2013; Becher 2010; Laver and Shepsle 1996; Martin and Vanberg 2014). We show that controlling the social affairs portfolio is a necessary but by no means a sufficient condition for implementing preferred reforms. Third, by providing a model of policymaking in multiparty cabinets and by putting it to test against existing models of policymaking, we contribute to current research, which, as Strom, Muller, and Bergman (2008) point out, has “barely scratched the surface of the issue of coalition governance”.

Our findings suggest that parties are accountable to voters in multiparty cabinets but under certain conditions. Accountability increases when parties control portfolios that deal with salient policies for their core voters. Consequently, parties’ electoral costs also increase when party core voters perceive parties as being responsible for adopting policies that go against their electoral promises on salient issues. Thus, diffusion of responsibility and blame sharing (Powell and Whitten 1993) does not have to be as successful as often thought in multiparty cabinets.

Importantly, we reconcile the conflicting findings in the literature regarding the best model of policymaking in multiparty cabinets. We show that coalition compromise theories are the best model of policy making in triangular party systems but not in the more complex decentralized legislative systems or in systems strongly dominated by one party. Thus, our findings complement recent findings by Martin and Vanberg (2014). Finally, our results have important implications for the study of strategic portfolio allocation (Fernandes, Meinfelder, and Moury 2016) as well as the strategic delegation of cabinet ministers in multiparty cabinets (Alexiadou 2016).
References


Molder, Martin. Forthcoming. The validity of the RILE left-right index as a measure of party policy. *Party Politics.*


