CONTEXT AND COALITION-BARGAINING

Comparing Portfolio Allocation in Eastern and Western Europe

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ABSTRACT

Eastern European countries have adopted parliamentary institutions that resemble those in the West. This enables researchers to evaluate the effects of institutions in contrasting contexts. In this article, we study the impact of context on the allocation of government portfolios. We find that the distinct economic and cultural situation in *less advanced* Eastern European countries has a pronounced effect on coalition-bargaining over portfolios. In contrast, *more advanced* Eastern European countries exhibit patterns of allocation that match those found in the West. We discuss the implications of our results for studies of institutions and coalition theory.

Do institutions produce the same outcomes in new democracies as they do in advanced democracies? Or do historical, cultural and economic differences lead to variations in the impact of institutions? These questions are of obvious importance for constitutional designers and scholars who hope to understand how institutions function. Yet, they have proven difficult to address, because they require agreement on how to measure outcomes as well as a sufficient number of cases to compare.

In this article, we meet these requirements by studying coalition behavior in Western and Eastern Europe. These two regions share common parliamentary institutions but differ substantially in terms of context. Eastern Europe is distinguished by its lack of experience with parliamentary norms, its communist heritage, and its economic difficulties. Substantively, we focus

on the allocation of government ministries. This topic has the advantage that it is easily measurable and has been well documented in Western Europe.

Our results offer clear evidence about the impact of institutions in contrasting circumstances. We find that among *less advanced* Eastern European countries, those whose context differs most from Western Europe, portfolio allocation follows distinctive dynamics. In contrast to the proportionality of portfolio allocation in Western Europe and the more advanced countries of Eastern Europe, these countries over-compensate the largest parties. We attribute this to the specific historical, cultural and economic circumstances these countries face. Our results thus represent a challenge to coalition theories that purportedly apply across contexts.

Theories of Portfolio Allocation in Parliamentary Democracies

In parliamentary democracies, the legislature chooses the executive, and the executive survives only if a majority of the legislature supports it. More often than not, no single party controls a majority of legislative seats, and thus multiple parties come together to form an executive coalition.

In negotiating to form a coalition, parties spend much of their time deciding how to distribute the resources under their command. One of the most important of these resources is control over government portfolios (e.g. the prime ministership, the foreign ministry, and so on). Control over a ministry ensures substantial policy power in that area and access to a 'glittering array of prizes which ambitious politicians may crave . . . [Portfolio] payoffs represent the bottom line of the political process' (Laver and Schofield, 1990: 164–5).

Gamson (1961: 376) was the first to put forth a hypothesis about portfolio distribution. He argued that any 'participant will expect others to demand from a coalition a share of the payoff proportional to the amount of resources which they contribute to a coalition' [sic]. This essentially means that parties receive the same percentage of portfolios as the percentage of seats they contribute to the coalition. We call this the *proportional payoff conjecture*. Most attribute this dynamic to a *norm* of fairness or justice to which parties adhere (e.g. Browne and Frendreis, 1980; Laver and Schofield, 1990: 169; Müller and Strøm, 2000: 22).

A stream of formal models, most notably Baron and Ferejohn's (1989) bargaining model, challenges the proportionality prediction (cf. Harrington, 1990). In the basic Baron and Ferejohn model, multiple parties bargain over how to distribute ministerial portfolios in parliamentary systems (Baron and Ferejohn, 1989: 1193–4). Each party is instrumental with the goal of maximizing its share of these benefits, subject to a discount factor. The game begins with the recognition of one party as proposer or formateur. That

party then proposes a government coalition and a way to distribute the portfolios among parties in the coalition. The parties vote on the proposal using majority rule. If it passes, the game ends and the parties receive the proposed distribution. If the proposal fails, the process repeats. One of the model's key results is that the formateur always receives a disproportionately large share of portfolios. In other words, the formateur is over-compensated relative to the proportionality standard, and thus we should not expect payoffs to be proportional to each party's seat contribution to the coalition. There is instead a *formateur bonus*.[1]

Morelli (1999) offers a different model of instrumental bargaining. Like Baron and Ferejohn's model, multiple parties that want to maximize their share of benefits must decide how to form a majority coalition and distribute benefits. Instead of making a precise proposal about how portfolios should be distributed, however, the formateur chooses an order in which all parties make demands for a certain share of the portfolios. The parties do not vote on the formateur's proposal; rather, they demand a given share in light of the demands that precede them. A majority coalition forms when the sum of benefits demanded by a sequence of parties that together holds a majority of seats does not exceed the total amount of available benefits.[2] The sequential demand dynamic strips the formateur of its agenda-setting power. The result is a prediction of payoffs 'approximately proportional to the distribution of seats in the winning coalition, consistent with Gamson's Law' (Morelli, 1999: 810). Morelli's model (1999: 810) also predicts a slight small party bias in certain situations.

In sum, models of portfolio allocation deliver two contradictory predictions. While Gamson and Morelli predict proportionality in payoffs due to either norms of fairness or a demand instrumental bargaining process, Baron and Ferejohn argue that the agenda-setter (formateur) is able to capitalize on its role to achieve greater payoffs.

Empirical Evidence

The initial evidence on portfolio allocation came from Browne and Franklin (1973). Examining data from Western European parliamentary governments from 1945 to 1969, they found striking support for Gamson's proportional payoff conjecture. There was a nearly one-to-one correspondence ($r = 0.926$) between a party's seat contribution to the coalition and the number of portfolios it received. They also discovered that the slight deviation from proportionality reflects a small party bias; small parties received slightly more than their fair share of portfolios. While various others built on their results by exploring methodological and measurement issues, Browne and Franklin's main finding of proportional allocation, with a slight small party bias à la Gamson or Morelli, remained in tact (see, e.g., Browne and Franklin, 1973; Bueno de Mesquita, 1979; Mershon, 2001; Schofield and Laver, 1985).

More recently, Warwick and Druckman (2001) tested the proportionality conjecture against the formateur bonus prediction by directly looking at the formateur's payoff, which prior work had not done. They used a dataset that included 12 Western European countries from the resumption of normal politics after the Second World War until the end of 1989. They also incorporated the possibility that portfolios vary in their importance or value (e.g. the prime ministership is more valuable than the finance ministry). They found that, unless parties place inordinate value on the prime ministership (i.e. 4.19 times greater than the value of the average other portfolio), portfolio allocation closely adheres to *proportionality*, with a slight deviation of formateur *under-compensation*. The under-compensation is equivalent to the aforementioned small party bias, since the formateur party is almost always the largest party (Warwick and Druckman, 2001: 629). Presumably the formateur party is willing to receive a bit less than its share to ensure support from smaller parties (Browne and Franklin, 1973: 461–73). Empirical tests, thus, consistently support the proportionality hypothesis, as suggested by both Gamson's norm and Morelli's sequential bargaining process (see Warwick and Druckman, n.d.).

What is behind these results? Has the norm or bargaining process developed as an inherent result of parliamentary institutions or does it stem from cultural predispositions and/or economic conditions? Addressing this question is of fundamental importance for an understanding of how institutions shape political processes and outcomes. Yet, it has been impossible to answer since Western European parliamentary countries, which for many years constituted the near universe of possible cases, share broadly similar cultural and economic conditions. Most other democracies were presidential and thus there was not enough variance to test these propositions. This is no longer the case, since, starting in 1989, numerous Eastern European countries adopted democratic parliamentary systems, and over the past 14 years they have seen a sizable set of coalition governments.

The Importance of Incorporating Eastern Europe

In terms of basic structure, Eastern European parliamentary governments resemble those in the West. Indeed, the Eastern countries borrowed many elements of their constitutions directly from Western Europe and, in many cases, with advice from Western European constitutional lawyers. Blondel explains that:

> [T]he national executive in East-Central Europe and in the Balkans has come to resemble, at least in its general configuration, what it is in Western Europe, where . . . the government is linked to the legislature, in contrast to the presidential system which prevails in the United States and Latin America.
>
> (2001: 2)

He continues, 'the constitution setting is broadly similar . . .' (2001: 7) (also, see, e.g., Amorim and Samuels, 2003; Amorim and Strøm, 2002).

Of course, just as is the case in Western Europe, there are some institutional differences between Eastern European countries that undoubtedly affect coalition-formation and -termination (see Martin and Stevenson, 2001; Strøm et al., 1994). Yet, portfolio allocation research, in contrast to work on formation and termination, has neither theorized nor offered evidence that these variations matter. As discussed, the exclusive focus is on the relationship between seat share, portfolio share and formateur status within the confines of *general parliamentary institutions*. Moreover, even if institutional variables, yet to be identified, matter, there do not appear to be systematic differences *between* the Eastern and Western countries (e.g. Amorim and Strøm, 2002; Roberts, 2003).

For these reasons, portfolio allocation offers an excellent testing ground to evaluate the relative role of parliamentary institutions and alternative contextual factors. While institutions are basically the same, the nature and sequence of historical, cultural and economic events in Eastern Europe substantially differ from those in the West.

A number of contextual differences are salient. First, in the West, parliamentary practices evolved 'over decades and sometimes over one or two centuries . . . [whereas] Eastern European cabinets are . . . in a state of "development"' (Blondel, 2001: 8, 10; see also Bunce and Csanádi, 1993). Second, Eastern countries face the daunting task of restructuring their entire economic systems while simultaneously adapting to new political systems (Blondel, 2001: 11; Offe, 1991). Third, the communist legacy in Eastern countries undoubtedly influences the practice of politics (e.g. Geddes, 1996; Jowitt, 1992). One particularly noteworthy feature is the presence of the successors to the old ruling parties in governments. We refer to these parties as communist successor parties. In line with previous research, we might expect them to behave differently from other parties and/or to be treated differently.[3] In contrast, Western parliamentary practices developed without a communist legacy and also largely without communist parties which were not invited to join governments in the 1940s and 1950s (Mershon, 2002: 41; Strøm et al., 1994: 319).

In sum, if patterns of allocation in the East do not significantly differ from those in the West, this would be evidence that parliamentary institutions determine the outcome, even in the face of distinct historical, cultural and economic forces (see Geddes, 1996: 34). In contrast, differences would suggest that institutional effects are contingent on contextual conditions such as economic and cultural variations. Common institutions do not lead to common outcomes. One important caveat is that the Eastern countries themselves differ in terms of the conditions they face. We will account for these within region variations.

In addition to offering an acute test of the impact of institutions, studying allocation in the two regions allows us to evaluate coalition

Table 1. Description of Eastern European data

Country	No. of govs	No. of parties (cases)	Years of first and last government	No. of govs. that include CSP*	Advanced or less advanced democracy
Albania	8	33	1992–2002	6	Less advanced
Bulgaria	4	12	1990–2001	4	Less advanced
Croatia	2	11	2000–2001	2	Less advanced
Czechoslovakia	2	5	1990–1992	0	Advanced
Czech Republic	3	9	1993–2002	0	Advanced
Estonia	6	15	1992–2002	0	Advanced
Hungary	5	14	1990–2002	2	Advanced
Latvia	9	35	1993–2000	0	Advanced
Lithuania	5	12	1996–2001	0	Advanced
Macedonia	4	13	1994–2000	2	Less advanced
Poland	9	32	1989–2001	4	Advanced
Romania	9	31	1991–2000	6	Less advanced
Serbia	1	2	1998	1	Less advanced
Slovakia	4	14	1993–1998	2	Less advanced
Slovenia	5	18	1993–2000	0	Advanced
All countries	76	256	1989–2002	29	–

Note: CSP – Communist successor party.

theory. Theorists have long been at odds with country specialists who question the possibility of cross-national theories (Laver and Schofield, 1990: 195–215). While theorists have addressed this by focusing on institutional differences between countries, there continues to be little appreciation of the historical, cultural and economic distinctions that we discussed. If we find regional differences stemming from these forces, it suggests that coalition theory needs to be broadened to take context into account.

Why Eastern European Portfolio Allocation Might Differ

We suspect that the novelty of parliamentary practices, the salience of the economic challenges and the communist legacy will result in distinct patterns of portfolio allocation in Eastern Europe. First, insofar as proportionality reflects a norm, as Gamson suggests, Eastern European countries will be less likely to adopt it quickly, since norms typically evolve over time (e.g. Geddes, 1996: 35–6).

Second, in the absence of a norm of proportionality, parties will attempt to structure the bargaining process so as to maximize their power. This is especially true in Eastern Europe, given the particular circumstances of the transition. Blondel explains:

> [T]he need for economic restructuring . . . forced cabinets to be involved in more fundamental decisions than most Western European

> cabinets. . . . On the whole, the cabinet meeting has maintained greater importance in Eastern Europe than in the West.
>
> (2001: 8, 12)

To name just two examples, governments are creating economic institutions almost from scratch and privatizing large amounts of state property. Because there is so much at stake, parties in a position to do so might structure the bargaining process to exploit their power, rather than following a norm of fairness or processes that limit their payoffs.

Since the formateur party, as the 'bargaining coordinator', often has the opportunity to structure the process (Müller and Strøm, 2000: 14–15; see also Martin and Stevenson, 2002), it will be more likely to do so in a way akin to the Baron and Ferejohn model, where the formateur makes an all or nothing proposal, rather than sequencing demands (Morelli's model). This would allow the formateur to capitalize on its power, taking more than its share of portfolios, and to play as large a role as possible in making such important decisions. Though we do not have evidence on the bargaining process *per se*, in future work we plan to look at which portfolios are most highly valued in order to determine whether they are sought out by formateurs.

Third, the communist legacy has two implications. It means that most elites were socialized in a system where all directives came from above, with one party (i.e. the communists) claiming nearly all political payoffs. As a result, these politicians have little experience with bargaining and compromise (Bunce and Csanádi, 1993: 258; Holmes, 1997: 16), they are accustomed to an 'us versus them' way of thinking and winner-take-all norms (Sztompka, 1993: 27) and they may see the world in strict moral terms (Schöpflin, 1994). This would reinforce the institutionalization of a bargaining process where one party – the formateur – is advantaged.

The other implication concerns what Kitschelt et al. (1999: 89) call a regime divide: the 'deep affective dislikes between political parties that grow out of experiences with the communist regime'. This dislike mainly extends from parties with roots in the opposition towards parties associated with the old regime, which, as mentioned, we call communist successor parties (CSPs). The regime divide could affect the process of coalition-formation in several ways. Parties may avoid coalescing with CSPs (e.g. Gryzmala-Busse, 2001), and, when forced to do so due to a lack of better alternatives, they may be resistant to giving successor parties their full share of portfolios. A CSP penalty would reflect the 'affective dislike' as well as a desire to limit communist power in restructuring the economy. The successor parties, for their part, may have little choice but to accept what they can get (see Blondel, 2001: 8; Gryzmala-Busse, 2001; Tucker, 1999).[4] The excess portfolios may then be redistributed, perhaps going to the formateur who, again, exploits its bargaining power.[5]

In sum, norms of fairness have had little time to develop, and, given the economic salience of their decisions, leading Eastern European parties have an incentive to structure the bargaining process to maximize their payoffs.

They may be able to do so in light of their history of single party rule. We thus expect a bargaining process in line with the Baron and Ferejohn model where formateur parties receive more than their proportional share of portfolios. Eastern European countries should display a significant formateur advantage, all else constant. Since prior evidence shows that this is not the case in Western Europe (where there is formateur under-compensation), a corollary is that formateur parties in Eastern countries will receive significantly more portfolios than formateurs in Western countries, *ceteris paribus*.

Advanced and Less Advanced Eastern European Countries

In addition to comparing Eastern and Western Europe, we can also gain leverage on our research question by comparing Eastern European countries with each other. Eastern European countries differ from one another in terms of their closeness to the West, the economic challenges they face and their communist legacies. In examining these various dimensions, we find a fairly sharp break between two groups of countries: advanced countries and less advanced countries (see King, 2000; Vachudova and Snyder, 1997).[6] The eight advanced and seven advanced Eastern European countries are distinguished in Table 1.

The main factor we used to place these countries in the two groups was whether they joined the European Union in May 2004. All of the advanced countries were in the first wave of accession. Because of their closer political and economic ties to the EU, these countries should find it easier to import the norms or habits of Western European countries.[7] Of the less advanced countries, only Slovakia, which experienced a difficult political transition, joined the EU. Our results reported below are robust to including Slovakia as a less advanced country.[8]

This division, however, is also collinear with a large number of additional variables which should have similar effects on portfolio allocation. The advanced countries endured smoother economic and political transitions, thereby lessening the salience of holding portfolios used to restructure the economy and making proportional allocation more palatable.[9] For example, all the countries in the more advanced group have consistently been rated 'free' by Freedom House since 1993. In contrast, all the less advanced countries (with the exception of Bulgaria) have experienced at least some years in the category of 'partially free'. The advanced countries also display considerably higher levels of GDP per capita, score better on the World Bank's Human Development Index, and have been more successful in reforming their economies. All of these factors should give formateurs fewer incentives and fewer opportunities to structure bargaining in their own favor.[10]

The less advanced countries also exhibit stronger communist legacies, as

exemplified by the substantially greater presence of communist successor parties in government. Seventy-two percent (23/32) of governments in less advanced countries included a communist successor party, while only 14 percent (6/44) did so in more advanced countries ($z = 5.13$; $p \leq 0.01$ for a two-tailed difference of proportions test). Table 1 displays the number for each country.[11] This may reflect the continuing culture of one party rule and less negative attitudes towards the communist past (see Geddes, 1996: 34).

The forces that we expect to generate a formateur advantage are much stronger in the less advanced Eastern European countries, and therefore we expect that these countries will exhibit a significantly greater formateur advantage than more advanced Eastern European countries and than Western European countries, all else constant.[12]

Before describing the data, we point out that our tests follow all prior work in looking at the outcomes of portfolio allocation. We do not produce evidence on how Eastern European parties structure the actual allocation process. Like past research, we will not know if a proportionality result reflects something akin to Gamson's norm or Morelli's sequential demand process, or if a formateur advantage reflects the exact proposer process in Baron and Ferejohn's model. There is virtually no research on the adoption of a given bargaining process or how bargaining actually proceeds.[13] Müller and Strøm (2000: 13) explain, 'the fine detail of coalition bargaining and formation is notoriously difficult to pin down'. We thus infer that certain circumstances lend themselves to the development of one process over another. For similar reasons, our inferences about the impact of context on the allocation process are analogously indirect. As we will discuss, exploring actual processes is an important area for future research.

Portfolio Data

We test our hypotheses with a new dataset that includes portfolio allocation decisions in Western and Eastern Europe. The Eastern European data come from nearly all coalitions in the 15 Eastern European countries listed in Table 1, starting with the first democratically elected government in each country and continuing through 2002.[14] This sample thus includes all of the parliamentary democracies in Eastern Europe for the lifetime of their existence. We collected the bulk of these data from *Keesing's Contemporary Archives*, although in a few instances we drew on country-specific sources, including data directly from the country's legislative archives. We add analogous data from 14 Western European countries, from the resumption of democratic politics after the Second World War to 2000.[15] These latter data were originally collected by Druckman and Warwick (2005) based also on *Keesing's* and a few country-specific sources.

For each government, we identified each party's seat share (an independent variable), the formateur's party (an independent dummy variable; as

noted in *Keesing's*), and the partisan affiliation of each minister (in order to compute each party's portfolio share; the dependent variable).[16] These are the *universe* of variables used in prior analyses of portfolio allocation (e.g. Warwick and Druckman, 2001). In the Eastern European data, we also identified CSPs and distinguished the advanced and less advanced countries (as noted in Table 1). Following prior work, our unit of analysis is the party, since we are interested in explaining the proportion of portfolios each party receives. In total, there are 351 coalition governments (76 from the East and 275 from the West) and 1,084 parties (256 from the East and 76 from the West). In Table 1, we report, for each Eastern European country, the number of governments, the number of parties and the years of the first and most recent governments.

Portfolio Allocation in Western and Eastern Europe

Our dependent variable is the proportion of portfolios held by each party in a coalition.[17] The key independent variable to test the proportionality hypothesis (i.e. a party's 'resources') is the percentage of legislative seats that the party contributes to the coalition. We call this 'seat contribution' (e.g. Browne and Franklin, 1973; Warwick and Druckman, 2001). We follow Warwick and Druckman (2001) by using OLS regression without an intercept. We do so for the empirical reasons put forth by Warwick and Druckman (2001: 638–42) and because it makes theoretical sense; a party that contributes 0 seats to the coalition could not possibly receive a portfolio (since it would not be in the coalition) and restricting the intercept term to 0 ensures this (Snedecor and Cochran, 1989: 174). A slope coefficient of 1 indicates perfect proportionality between seat contribution and portfolio allocation. In using OLS without the intercept, the R^2 term is not informative, as it is highly inflated; thus, we do not report it. Also, we do not include main effect dummy variables such as a main effect formateur variable since this is akin to including an intercept term.

To evaluate the formateur bonus hypotheses, we include an interaction between the dummy formateur variable and seat contribution (Warwick and Druckman, 2001). If this interaction is significant and positive, it suggests that the formateur is advantaged beyond its proportional seat share (see Warwick and Druckman, 2001: 643). If this interaction is significant and negative, it suggests formateur under-compensation (as is the case in Western Europe).

We begin with model 1 in Table 2, which replicates Warwick and Druckman's (2001: 642) result for Western Europe: highly proportional allocation (with a seat contribution coefficient close to 1) and formateur under-compensation, consistent with the aforementioned small party bias. In model 2, we test the hypothesis that Eastern European countries will display a significant formateur advantage.[18] The hypothesis is *not* supported. Rather, in Eastern Europe the formateur is neither over- nor under-compensated (i.e.

Table 2. Portfolio allocation in Western and Eastern Europe

	(1) Western European (W.E.) data	(2) Eastern European (E.E.) data	(3) W.E. & E.E.
Dependent variable: party's share of portfolios			
Seat contribution	1.04** (0.01)	0.92** (0.04)	1.04** (0.01)
Formateur status × seat contribution	−0.15** (0.02)	0.03 (0.04)	−0.15** (0.02)
E. Europe × seat contribution			−0.12** (0.03)
E. Europe × formateur status × seat contribution			0.18** (0.04)
N	828	256	1084

Entries are OLS unstandardized slope coefficients, with intercepts set equal to zero, with standard errors in parentheses. ** $p \leq 0.01$; * $p \leq 0.05$, two-tailed tests.

the formateur status and seat contribution interaction is nowhere near significant). This suggests that, across Eastern European countries, the leading parties have not successfully structured the bargaining process in a way that gives them a relative advantage. The result comes close to supporting the proportionality norm, although not perfectly so, since the 0.92 coefficient is significantly smaller than 1.0 ($t_{255} = 32.0$; $p \leq 0.01$).

In model 3, we statistically compare models 1 and 2 by pooling the data and adding interactions between a dummy variable for Eastern Europe and each of the two independent variables.[19] The significance of both these interactions shows that Eastern Europe differs from Western Europe. Consistent with our corollary, Eastern formateurs do substantially better than their Western counterparts. Formateurs and non-formateurs in the East are treated the same, whereas formateurs are under-compensated in the West. This suggests that the regional dynamics affect bargaining even if they are not strong enough to generate over-compensation. Historical, cultural and economic legacies seem to matter, even if their impact is not as strong as we hypothesized.

Portfolio Allocation in Less Advanced and Advanced Eastern European Countries

The lack of a formateur advantage in Eastern Europe may stem from inter-regional distinctions. We hypothesized that less advanced Eastern European

countries would exhibit a significantly greater formateur advantage than advanced Eastern European countries (and than Western European countries). We test this in Table 3 by running separate analyses on the less advanced and more advanced countries, and then by comparing the countries with a pooled interaction. The significant positive interaction between formateur status and seat contribution in model 4 shows that in *less advanced* Eastern European countries there is a formateur bonus. Formateurs receive about their proportional share (0.71 + 0.25 = 0.96) and non-formateurs receive substantially less (0.71). In contrast, the significant negative interaction in model 5 reveals formateur under-compensation in advanced Eastern European countries. In advanced countries, non-formateurs receive close to their proportional share (1.03) while formateurs receive less (1.03 − 0.10 = 0.93) – in line with the Western European result.[20] Consistent with our hypothesis, the significant interactions in model 6 show that the two sets of countries significantly differ from one another.

In model 7, we merge the Eastern and Western European data and add interactions that compare less advanced and more advanced Eastern European countries with Western European countries. The significant

Table 3. Portfolio allocation in less advanced and advanced Eastern European countries

	(4) Less advanced E.E.	(5) Advanced E.E.	(6) E.E.	(7) W.E. & E.E.
Dependent variable: party's share of portfolios				
Seat contribution	0.71** (0.06)	1.03** (0.04)	1.03** (0.05)	1.04** (0.01)
Formateur status × seat contribution	0.25** (0.07)	–0.10* (0.05)	–0.10* (0.05)	–0.15** (0.02)
Less advanced × seat contribution			–0.32** (0.08)	–0.32** (0.05)
Less advanced × formateur status × seat contribution			0.35** (0.09)	0.40** (0.06)
Advanced × seat contribution				–0.01 (0.04)
Advanced × formateur status × seat contribution				0.05 (0.05)
N	116	140	256	1084

Entries are OLS unstandardized slope coefficients, with intercepts set equal to zero, with standard errors in parentheses. **$p \leq 0.01$; *$p \leq 0.05$, two-tailed tests.

interactions for the less advanced countries show that these countries significantly differ from Western European countries (as hypothesized), whereas the non-significant interactions with advanced countries show that advanced Eastern European countries mimic Western Europe. The fact that model 5 closely resembles model 1 accentuates this latter finding.

In sum, despite their unique evolution and contemporary circumstances, portfolio allocation patterns in advanced Eastern European countries match those in Western Europe. They have institutionalized either a norm of fairness or a bargaining process that constrains the leading party (Morelli, 1999). However, presumably, the historical, cultural and economic experiences in less advanced Eastern European countries have led parties to resist proportionality norms and rather opt for bargaining procedures consistent with Baron and Ferejohn's model: the formateur takes more than its share. Not only do these results reveal the potential power of non-institutional variables in structuring political outcomes, but they also highlight the importance of considering the distinct situations facing different countries within a single region.

Portfolio Allocation and Communist Successor Parties

We suggested that the Eastern European formateur advantage could stem from communist successor parties (CSPs) receiving less than their proportional share, with the formateur capturing the surplus. We examine this possibility, focusing on the less advanced countries since these countries exhibit both a formateur advantage and a strong CSP presence in government (see Table 1).[21]

We begin by investigating if, relative to other parties, CSPs receive less than their share of portfolios. In model 8 of Table 4, we add an interaction between a dummy variable that identifies CSPs and seat contribution to the basic less advanced model (see model 4). The significant negative coefficient on this term shows that CSPs receive less than non-CSPs, about 25 percent less, all else constant.

In the next three models we try to determine whether the formateur advantage is a consequence of the CSP penalty. To do this we divide the data based on three scenarios: governments that do not include a CSP, governments where the CSP is the formateur and governments that include a CSP but have a non-CSP formateur, respectively. Model 9 shows that formateurs enjoy an advantage even if the government does not include a CSP from which a surplus can be taken. Moreover, comparing the formateur advantage coefficients in models 9 and 10 reveals that the advantage is virtually the same regardless of the presence of a CSP (i.e. 0.31 compared to 0.34, which are not statistically distinct). Put another way, the formateur advantage is *not* a consequence of the CSP penalty. Rather, the larger seat contribution coefficient in model 10 (i.e. 1.04 compared to 0.78) suggests

Table 4. Communist successor parties in less advanced Eastern European countries

	(8) All	(9) No CSP in gov.	(10) CSP in gov., not formateur	(11) CSP in gov., formateur
Dependent variable: party's share of portfolios				
Seat contribution	0.78**	0.78**	1.04**	0.63**
	(0.06)	(0.14)	(0.15)	(0.08)
Formateur status × seat contribution	0.34**	0.31*	0.34*	0.23**
	(0.07)	(0.15)	(0.18)	(0.09)
CSP × seat contribution	−0.25**		−0.41*	
	(0.05)		(0.19)	
N	116	25	27	64

Entries are OLS unstandardized slope coefficients, with intercepts set equal to zero, with standard errors in parentheses. $**p \leq 0.01$; $*p \leq 0.07$, two-tailed tests.

that the CSP penalty is redistributed among all of the other parties and not just to the formateur (although the difference between the coefficients is only marginally significant, $p \leq 0.21$ for a two-tailed test). Model 11 shows that CSP formateurs receive a bit less than non-CSP formateurs.

In sum, CSPs receive less than other parties, but this penalty does not directly translate into the formateur advantage in less advanced countries. The advantage presumably reflects broader historical, cultural and economic forces. Less advanced countries thus exhibit a CSP penalty and formateur over-compensation which are independent of each other.

Conclusion

Eastern European countries have adopted parliamentary institutions that mimic those in the West. This enables researchers to evaluate the effects of institutions in contrasting contexts. To date, there have been almost no studies of coalition-formation beyond Western Europe. This potentially introduces serious selection biases which can only be overcome by looking at other regions of the world.[22]

In this article, we studied the impact of context on the allocation of port-folios – one of the most critical decisions new governments make. We found that in certain cases context matters. While portfolio allocation in advanced Eastern European countries almost exactly mimicked Western Europe, less advanced countries behaved very differently. Though we do not have direct evidence on the causes of these differences, we believe that salient economic circumstances combined with a communist legacy give parties in less

advanced Eastern European countries an incentive to exploit their power to the greatest extent possible. The result is the institutionalization of a unique bargaining process where the formateur party is over-compensated.

One obvious question is whether patterns of allocation in less advanced countries will change over time as economies stabilize and legacies fade (see Geddes, 1996). We explored this possibility but found no evidence, so far, that patterns of allocation changed from one government to the next. More recent governments do not differ from initial governments in these countries.[23] This raises an intriguing question about the resiliency of established patterns of behavior. More generally, context seems to matter only for large contextual differences. Future work is needed to pinpoint more carefully when and how context matters.

A related question concerns our results for the advanced countries. The context in these countries certainly differs from that found in Western Europe, yet bargaining did not differ. A possible explanation is that the advanced results stem not from institutions but rather from strong international pressure on these countries, especially from the EU. However, we do not find any evidence that the EU intervened in the bargaining process or even had a conception of the correct outcome to bargaining. While preferences were sometimes expressed over the composition of the government, none were expressed over the division of portfolios. It appears that these countries mimicked the West for entirely domestic reasons. This may be the result of institutions, the smoothness of the transition or because these countries decisively broke with the old communist culture (or never adopted it in the first place).

Also, as mentioned, an important area for future research involves unpacking the allocation process. We explained that our evidence is indirect in the sense that, like all prior work, we do not have information on how parties actually bargain. Are norms at work, or are processes akin to Morelli's or Baron and Ferejohn's model operating? How do distinct processes become 'institutionalized' (if they do)? Once we know more about the process of allocation, we will be able to study the impact of specific contextual and institutional variables more directly.

Overall, the results suggest that institutions – while clearly of great importance – do not operate independently of contextual forces. Interestingly, recent work in experimental economics echoes this point. In cross-cultural experiments that resemble the type of bargaining processes put forth by Baron and Ferejohn's model, experimenters find that 'a culture's experience with the market conditions the fairness of [proposers'] offers' (Siegfried, 2004).

This is a particularly important lesson for coalition theory. The past 15 years of work on parliamentary coalition has seen an increasing sensitivity to contextual conditions as represented in alternative institutions that shape party behavior (e.g. Martin and Stevenson, 2001; Strøm, 1990; Strøm et al., 1994; Strøm and Swindle, 2002). This work has started to close the gap

between coalition theory and country-specific studies. However, there has been little attention to the cultural and economic plights of different countries and regions that affect behavior. We do not mean to imply that unmeasurable cultural differences drive coalition behavior. Rather, we see our results as suggesting that historical path dependency affects behavior and can be incorporated in what might be called informal institutions (see Mershon, 1994). As more varied countries adopt similar formal institutions, theorists need to attend to cultural and economic forces that can also systematically shape politicians' behaviors.

Notes

1 The result stems from the principle of majority rule combined with the formateur's agenda-setting power. Majority rule entails that some parties will be excluded from the coalition as unnecessary for its survival; as a result, the parties in the coalition have access to extra benefits that would have gone to the excluded parties had the coalition been all-inclusive. This means that the formateur can successfully make a proposal in which it keeps these extra benefits for itself because the other potential coalition members will still receive as much as their expected payoff from rejecting the proposal (and allowing the game to go to another round).

2 If no coalition forms after all parties have made their demands, the head of state chooses another formateur and the sequential demand game repeats. If no coalition is formed after a finite number of rounds, then a caretaker government forms and no portfolios are distributed.

3 The legacies of communism and especially the role of communist successor parties have been among the most heavily theorized and studied aspects of the transformation. See, for example, Evans and Whitehead (1995), Ishiyama (1995), Gryzmala-Busse (2001).

4 Gryzmala-Busse (2001) finds that parties in coalitions that include communist successor parties fared less well in subsequent elections than parties in other coalitions. In the eyes of reform-minded voters, they were overly associated with the old regime. The fact that parties, in general, will thus be hesitant to include communist successor parties might mean that communist successor parties have little choice but to accept a non-proportional allocation if they hope to be included in a cabinet.

5 This dynamic differs from what is suggested by Baron and Ferejohn (1989), where the formateur's advantage comes from all other parties in the coalition. We discuss the relationship between allocation outcomes and actual processes below.

6 While we acknowledge that movement towards being an advanced democracy may lie on a theoretical continuum, we follow related work on democratization by using a dichotomous classification (e.g. Huntington, 1991; Powell, 1982).

7 For a powerful argument that geographic proximity has significant effects in the region, see Kopstein and Reilly (2000).

8 We included Slovakia as a less advanced country because most of our data cover a period when Slovakia was experiencing political troubles.

9 Also, less advanced countries typically exhibit a higher degree of clientelism which further raises the stakes of ministerial allocation.

10 Similarly, the Freedom House average political rights and civil liberties score (again on a 7-point scale, with lower scores representing increased rights and liberties) for advanced countries is 1.78 (0.47; 140) compared to 3.16 (1.04; 116) for less advanced countries ($t_{254} = 14.17$, $p \leq 0.01$). Note that Freedom House reports scores for overlapping two-year intervals, such as 1989–90 and then 1990–91. We use scores where the given year is listed first (e.g. for 1990, we use the 1990–91 score). The results are robust to using alternative approaches.

11 We coded the following parties as communist successor parties: Socialist Party of Albania (PSS), Bulgarian Socialist Party (BSP), Croatian Social Democratic Party (SPH), Hungarian Socialist Party (MSzP), Macedonian Social Democratic Alliance (SDSM), Polish Democratic Left Alliance (SLD), Romanian Democratic Socialists (PDSR), Romanian National Salvation Front (FSN/SDP), Serbian Socialist Party and United Left (SPS/JUL) and Slovakian Party of the Democratic Left (SDL). (We do not include CSPs that did not participate in at least one government.) See Bozóki and Ishiyama (2002).

12 Some readers may argue that the less advanced countries are not stable democracies and thus bargaining in them is necessarily constrained. Our response is twofold. First, the literature on portfolio allocation has not specified the universe of cases to which it applies. We believe that we are providing a service by determining how far this theory extends. Second, it is not clear to what extent flaws in democracy – which usually pertain to elections and free speech – affect the bargaining process of elites. In short, our priors tell us that it is better to include too many cases than too few.

13 For an initial attempt to unpack these processes, see De Winter (1995).

14 We exclude caretaker governments, technocratic (non-partisan) governments and single-party governments (see Warwick and Druckman, 2001: 633). We include only governments that passed an investiture vote (if one was held). We define a government as ending and another one beginning when an election occurs, the head of government changes, the party membership of the government changes or the government resigns (Warwick and Druckman, 2001: 633). Also, we say 'nearly all' coalition governments because in a few cases we were unable to uncover the partisan affiliations of the ministers (despite exploring *Keesing's Contemporary Archives* and country-specific sources, and directly contacting the given parliaments). Data details are available from the authors.

15 The countries include Austria, Belgium, Denmark, Finland, France (V), Germany, Iceland, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal and Sweden.

16 We follow most prior empirical work (e.g. Warwick and Druckman, 2001) by using a seat share measure and not a distinct bargaining power measure. Schofield and Laver (1985: 154–8) find that seat share performs better than their bargaining power measure in predicting overall portfolio allocation (see also Mershon, 2001). Morelli (1999: 810) notes that seat share and bargaining power measures are often highly related. Also, we do not include salience weights (as in Warwick and Druckman's 2001 Western European analysis), since such weights are not available for Eastern Europe. We are currently undertaking work

to develop such weights. Finally, note that in the Serbian government there was explicitly no formateur.

17 We compute this proportion out of the total number of portfolios held by the parties in government (see Warwick and Druckman, 2001: 634). Thus, the proportion excludes portfolios held by non-partisans (e.g. technocrats). In several Eastern European countries, the number of non-partisan portfolios is significant, with an overall average of 2.25 non-partisan ministers per cabinet and a range of an average of 0 (in the Czech Republic and Macedonia) to an average of 3.84 (in Romania). However, the correlation between the proportion of portfolios held out of partisan only portfolios and the proportion of portfolios held out of all portfolios (including independents) is an impressive 0.97. If we rerun the analyses using the latter dependent variable, the results are robust, albeit a bit weaker in places. Details are available from the authors. We opt for the partisan only proportion because we suspect that the appointment of non-partisans reflects a distinct process that may be separate from the decision of how to divide the fixed pie of partisan portfolios (see Amorim and Samuels, 2003).

18 The Western European results differ slightly from Warwick and Druckman (2001: 642) due to our use of a more extensive dataset (through 2000 rather than 1989).

19 We do not include a lower level interaction between Eastern Europe and formateur status because this would be akin to including an intercept. This is the case for all analyses – that is, we always exclude interactions between dummy variables.

20 The average proportion of parliamentary seats held by Eastern European formateur parties is 0.36 (std. dev. = 0.16; N = 75) compared to 0.11 (0.10; 181) for non-formateur parties (t_{254} = 14.87, $p \leq 0.01$). Alternatively, the average seat contribution (to the coalition) from the formateur party is 0.59 (0.21; 75), while it is 0.18 (0.14; 181) for non-formateur parties (t_{254} = 18.06, $p \leq 0.01$). In our Western European data, the analogous statistics are 0.58 (0.20; 266) and 0.21 (0.16; 562) (t_{826} = 28.67, $p \leq 0.01$).

21 Not surprisingly given the small number of cases, including advanced Eastern European countries does not change the results (e.g. there continues to be a CSP penalty).

22 Huber (2003: 1) explains: 'Systematic cross-regional comparison is neither widely practiced nor written about . . . However, the potential payoffs are significant in terms of . . . (1) They can increase confidence in the usefulness of our concepts and theories if we find similar processes in widely different contexts. (2) They can force us to modify concepts and better specify theories with regard to contextual variables . . .'.

23 We created a timing variable that tags the first two coalition governments in each country. It was insignificant in all of our specifications.

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