# POLITICAL PARTIES AND THE MARKET

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# Towards a Comparable Assessment of Market Liberalism

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**Acknowledgements**

Before turning to the introduction, I would like to acknowledge my gratitude to those people who have been key to the successful parts of the dissertation and of course did their best to prevent me from my stubborn resistance to keep making mistakes. The unavoidable shortcomings in this dissertation are exclusively caused by my part-time reluctance to accept those advices.

There are two scientific mentors whose impact on my dissertation is substantial and definitely causal. A couple of years ago my supervisor André Kaiser asked me to return to the University of Cologne to write a dissertation instead of doing impact evaluation of electrification projects in Rwanda. It was not difficult to convince me because some aspects of the political economy in established democracies deeply concerned me and they still do. What made the move even more worth wile was his commitment to establish a flourishing research environment where I was given the opportunity to follow my interests, exchange with brilliant colleagues and turn my thoughts into something scientific. André Kaiser's approach was to maximize my degrees of freedom and to convey a high amount of trust, even though my first proposal in written English, and probably also my late proposals, were hard to read. At the same time, he minimized my administrative burdens and other obligations to a degree that I have to admit, I was really given the opportunity to plunge into the things I was interested in. I was encouraged to participate in international exchange and conferences from which I benefitted a lot. The 'high freedom low burden approach' was probably picture-perfect for me and turned the dissertation period, which many consider to be a terrible stressful time, into a terrible stressful time which I actually enjoyed. Additionally, his analytical clarity, broad oversight of research developments and his 'coolness' to care only about things which are really pressing, are helpful qualities. Useful qualities to keep focussed on the necessary in a hectic international scenery of researchers. Hence, I am deeply grateful to André Kaiser for the opportunity he has given to me, his advices, the scientific collaboration and the seemingly endless degrees of freedom.

My second supervisor, Ingo Rohlfing, always seemed to tweet more than he talked. I was in the lucky position to be his teaching assistant for case study and mixed method courses in several summer and winter schools. In circumstances where he was obliged to talk (the teaching hours) he said so many useful things that my whole approach to social science is still heavily shaped by his mind. What still strikes me is his overwhelming integrity towards science and people. I never had the chance to catch him making things up. He always delivered his degrees of uncertainty voluntarily. In fact, I think he is the most honest scientist I ever met. This in turn was creating such a pile of trust in his approach and advices that I will always come back to him when it comes to the core questions of methodology, methods or science in general.

The research environment I was exposed to was inspiring and full of coffee. It happens that many people crossed and shared my ways at whatever place where coffee was available. Many of them I consider today my friends. The most enduring exchange of ideas and trivia was reserved to Jörg Peters, Julian Garritzmann, Holger Reinermann and Christina Zuber. Jörg send me to Ruanda before I moved back to the University of Cologne and he was so well socialized into modern econometric identification that I never ever considered talking to him before having thoughtfully applied counterfactual reasoning and ruled out self-selection into treatment. Counterfactually, it proved to be very inspiring to have the same drive for the abstract well-being of societies while at the same time often very different views on how to get there. I consider him a true friend that he will always remain, because even ideological differences – often a very important source of social deterioration – does not refute any of my sympathy for him and I hope vice versa.

Julian Garritzmann is a good friend and scientist with a weakness for weird sports such as playing with shuttlecocks or flow balls. However, hanging out, talking and working with him is always a pleasure. He is goal oriented in any scientific discussion or collaboration. At the same time, he always comes with a good portion of motivating humour and encouragement. He is a role

model in keeping the balance between the necessary sharp mindedness and the pleasure to enjoy other aspects of life.

Holger Reinermann is my most faithful conference travel partner. The ingenuity of our conference and post-conference travel symbiosis is rooted in the way we approach things. He is like a parking brake telling you jokes while he is preventing you from crashing into things. A parking brake is may be not the most appreciated characterization of a friend, but a deeply sarcastic and humorous parking brake with the tendency to cast into doubt everything I propose should come in serial-production for people like me. So, I enjoyed your company a lot and one day we will see you dancing.

Christina Zuber wrote her dissertation in time and made a position at the Chair of André Kaiser available. More importantly, she influenced me a lot in the time we shared the same working place and she is still influencing me. Even though I developed some of the mayor ideas of my PHD throughout our conversations, combined with the fact that our research focus is very similar in some aspects, surprisingly we never wrote something together. This is a pity, because the way she works seemed always pretty ideal to me. She is one of the best and sharpest commenters I ever encountered and she is so focussed and efficient at work that I often felt ashamed with my windy attention span. Additionally, she is getting things done with a remarkable balance between working, climbing, hiking and skiing.

There are so many others which deserve a brighter spotlight in these acknowledgements and I know I cannot do justice to them by listing them as those who helped me to make my dissertation an exciting episode. However, I will still do it and thank those who kept my mood high on a daily basis: Sarah Berens, Paul Beckmann, Florian Fastenrath Simon Franzmann, Philip Gross, Nawid Hoshmand, Leon Kanthak, Hannah Pflanzelt, Stephan Vogel, Saskia Ruth, Jan Sauermann, Michael Schwan, Valeria Smirnova, Dennis Spies and Gregor Zons.

As it turned out that besides my genuine dissertation I was supposed to help managing a DFG funded research grant, some student assistants were in the unlucky position to help me getting skilled in what we call human resource management these days. To be honest, in the beginning I was overstrained and I apologize for the weeks and months where I struggled to keep up with the management of myself and giving you advices and tasks at the same time. However, at least from my side it felt like turning into something which was one of the best experiences throughout the last years. Observing how quickly you learned and how engaged you fulfilled the tasks was impressive and also scary because it gave me a glimpse of how extraordinary the next generation of researchers will be. With some of the assistants I still work together, others are unfortunately no more part of the team. I am deeply grateful for the work you have done and the experiences with all of you. Many thanks to Lea Kaftan, Çağan Varol, Kristina Orphey, Kristina Kittel, Daniel Gonzatti Saldivia, Benedict Stefani, Marcel Buchwald and Keno Röller-Siedenburg.

Others rarely visited my office and I am very happy about it. A list of true friends realized that writing a PHD can work detrimental to the time spend in a bar. I request all those for forgiveness who were subject of disregard or those which realized that my mind was sometimes hardly accessible because a whole day of statistics turned me into an emotional zombie. I even feel guiltier towards those I always promised improvement after the next article but what came was another article and no improvement.

The same experience was probably shared by my family which is key to me. My lovely patchwork family is scattered all over the place and never stops moving, splitting and reuniting. That's how many families are these days and I think we manged well to make the best out of it. It sounds like a conservative core claim, but my family proofed to be an emotional anchor throughout the last years. Less conservative is my opinion, that emotional anchorage is independent of core or patchy families. My parents, the partners of my parents, my sisters and brothers as well as my nephew and my niece enriched my perspective and my emotional well-being a lot through all these years.

The best for the last. The one who supported me in every aspect during the entire dissertation project was my partner Sally Müller. She experienced the time constraints and obvious alienation of long working hours in such close detail that I was happy for every day she decided to stay with me. I think without her I would have developed a rather strange relation to the world I study. I owe her an immeasurable amount of gratitude to shallowly turn me into a person with a sustainable balance between different elements of life. We also shared many of my thoughts and it was pure enrichment to observe her curatorial perspective on projects and reply to her ongoing interest in my ideas. There remain plenty of thoughts to be developed and discussed for us in the years to come. However, these thoughts are at best secondary since we turned into parents. The last words and corrections on this thesis were written when I faced a lovely distraction. Carrying my son Jón around became my favourite occupation. I am deeply grateful to my little family to give me a supersonic boost of orientation to care about the essential. I mean it seriously, parents should stop reading here and spend time with their children, supervisor-parents excluded.

**Collaboration with co-authors**

Chapters of this dissertation are based on articles originated in collaboration with co-authors. Before I precisely describe their impact on the pieces, I would like to thank them. In many departments, collaborative work as a part of dissertations is not encouraged. My experience leads me to advice the contrary. Working with more experienced colleagues helped me a lot to develop key skills like framing, writing, strategic decisions of journal selection or determining and addressing specific audiences.

Some of these collaborations made it into this dissertation. Chapter 3.4 is based on an article co-authored with Dennis Spies and Alexandre Afonso which is published in *European Political Science Review* (2017). I proposed the research design of a mixed-method approach and mainly dealt with

the quantitative section as well as the intersection of case selection for the qualitative part. Dennis Spies predominantly wrote the theoretical part in collaboration with Alexandre Afonso. Additionally, Alexandre was in charge of the case studies.

Çağan Varol played an indispensable part in coding the Kurdish party manifestos, in the provision of case material and important sources. Uğur Sadioğlu complemented the study with a fine-grained coding of Turkish party manifestos. He added as well an important sense for sensibilities concerning language and the meaning of concepts in the Turkish context. The paper is published in *Swiss Political Science Review* (2016). The argument exemplified in the Turkish contexts travelled well to many other constellation where territorially concentrated minorities claimed political self-determination.

In a third article, André Kaiser and I proved the generalizability of the argument. The article depicts our general findings on asymmetric decentralization from the first project phase "decentralization and electoral geographies" funded by the Deutsche Forschungsgemeinschaft (GZ: KA 1741/10-1). André Kaiser was key to the revision of different versions of the article and the specification and refinement of the arguments in the theoretical section. Additionally, we benefitted from excellent feedback in the review process of the *American Political Science Review* and *American Journal of Political Science*. This article closely resembles Chapter 4.2. I am thankful for all these collaborations, any remaining errors and obscurities in the co-authored and single authored parts of the dissertation are of course my own.

## Introduction

Modern societies are market societies – a social order where "a whole society [is] embedded in the mechanisms of its own economy" (Polanyi 1977, 9). Markets became the most prominent, maybe already the only assertive, response to questions of social coordination (Crouch 2013; Kriesi et al 2006, 924). "Imagining alternatives can be difficult given the density and obviousness of an apparently endless market present" (Slater and Tonkiss 2001, 4). Market societies have been extensively studied by various disciplines. Anthropologists, sociologists and historians have expounded on the different origins and processes of the market idea and its triumph to become a structuring principle of modern societies (Polanyi 1957; Wilson and Skinner 1976; Braudel 1982; Jameson 1991; Carrier 1997; Slater and Tonkiss 2001; Lindblom 2002; Aldrich 2005; Foucault et al. 2008; Aspers 2009; Herzog 2013). The discourse about the interpretation of the market society is often highly normative as the different disciplines usually take market embracing or dismissive stances. Markets as institutions of social coordination are indeed politically divisive because they became an image of society, adjusting the timeless balance between individual and collective economic responsibility as well as legitimizing individual and economic rational practices (Simmel 2008 [1900]). Though, shifting responsibility from the community to the individual always came with a promise. Proponents of the free market have since Adam Smith persistently made the pledge of wealth. To keep this pledge in perspective is the aim of this thesis.

One of the most effective actors deciding upon the role of markets in societies are governments. In democracies, people usually select either market embracing or more market sceptical political majorities, and thereby the pledge of wealth transforms into a chain of accountability between governments and citizens. Governments consist of political parties and of course these parties have a highly normative and ideologically biased perspective on their achievements too. Their policies are always presented as an improvement to wealth whereas the legacies of opponents are portrayed as deteriorations. Additionally, opponents or sceptics of market mechanisms have early on based

their caveat on more communitarian ideals and usually highlighted the distributional consequences of the market order. Claims for equality in its various conceptual peculiarities have accompanied market sceptic demands for intervention since the beginning of this political debate. These claims relate directly to the distribution of chances for different groups in society and naturally they have an emotive character too. Since many scholars, politicians and citizens have a very emotional perspective on the relation between ideology and wealth, this thesis fulfils a genuine scientific task: To ask a very simple question in a sober manner.

*Do market liberal governments augment or simply redistribute the wealth of societies by effectively empowering markets as means of social coordination?*

There are two arguments shared by many scholars which are, for different reasons, very sceptical that ideologies of governments can induce any systematic effect on wealth related policies. The first type of scepticism shares the conviction that policy change and performance is predominantly subject to structural trends. For a subgroup of those, the social order itself creates tendencies with inevitable consequences for political actors. The market society is such an order, and often is referred to as capitalism. The Marxist and Neo-Marxist traditions of thought have brought forward a broad array of arguments why governments are in fact mediators in the reproduction of market societies independent of their ideological signals. Marxism lacked a theory of the state but Neo-Marxists filled the gap with a list of ideas. Governments always form varying power blocks of different classes in order to reproduce the market order (Poulantzas 1973), provide an ideological superstructure (Gramsci 1971) and always struggle with the resulting fiscal contradictions (O'Connor 1973; Streeck 2014). Ignoring the important differences of the arguments above, governments are portrayed as epiphenomenal to the underlying class-structure and finally sustain capital interests in market societies (Hacker and Pierson 2010). Some constellations of power blocks might have achieved the installation of market cushioning institutions like the welfare state (Hicks and Misra 1993; Korpi and Palme 2003; Korpi 2006) or regulatory frameworks with a

curbing character on business power (Panitch and Konings 2009; Mizruchi 2013), however, even policies intending to limit market mechanism will drift towards capital interest in the long run (Hacker and Pierson 2010).

It is a slippery slope from this first set of arguments highlighting the inevitable structural constraints of governments in market societies to those who argue for ideational shifts, the second rationale of scepticism. The ideational shift argument basically states that hegemonic ideas about the role of markets have changed. The predominant narrative in this perspective is to portray history as a disruptive shift from legitimized state-intervention until the late 1960s to a succeeding legitimization phase of the free-market (Ruggie 1982; Somers and Block 2005; Harvey 2007; Prechel and Harms 2007; Swank and Steinmo 2002; Pierson 1996). Market societies have always been portrayed as traversing different phases with rising or falling market approval. From free market fundamentalism in the era of Manchester capitalism and the backslash through the empowerment of the working class over the early 20th century dominance of controlled economies, and the retreat of market liberalism in the Second World War to the Keynesian consensus as the dominant post-war order and finally to the era of neoliberalism. These master narratives are highly attractive because they facilitate the understanding of historical processes. They are as well the foundation of many dominant political science perspectives on the interplay of ideology, policies and performance (for the general perspective Blyth 2013; Swank and Steinmo 2002 on taxation; Blyth 2001 on economic regulation or Pierson 1996 on the welfare state).

However, there exists a mayor difference between arguments of inevitable capitalist tendencies and the ideational shift arguments. The latter allows for governments to make a difference. However, the dominant reading of the ideational shift argument is that government ideology has mattered until the latest ideational shift to neoliberalism and fades to matter thereafter. There is an increasing number of studies supporting the thesis of fading partisan impacts whereas still others present evidence for persistent partisan effects. A meta-study of Imbeau et al. (2001) compares

both types of studies with a sobering summary. Overall, partisan differences cannot be ruled out to be different from null-findings.

Whereas the political economy literature and the political science literature leave a disappointing impression on governments' abilities to make a difference in market societies, economists have been more optimistic. Economists predominantly believe that market liberal governments have a better economic performance at least in the long run. However, there is hardly any systematic prove to back that optimism because the existing empirical attempts relating government ideology to growth are highly problematic (see Chapter 3.3.1 for a discussion of the most influential studies). Despite the alleged inability of governments to systematically influence performance, the economic voting literature indicates that voters clearly reward the economic performance of governments nonetheless (see Lewis-Beck and Stegmaier 2007 for an overview).

Here, we arrive at a confusing summary of the literature. The political economy literature has usually not paid much attention to government ideology and highlights structural tendencies and class-based power blocks. The political science literature has predominantly given up the faith that parties matter besides very contextual consteallations and has collected an impressive empirical body of literature to back that claim. Economists more believe than empirically prove that market liberal governments are superior in terms of economic performance. Political parties themselves persistently argue to make a difference and thereby establish a chain of accountability. Voters seem to take up this accountability invitation and reward differences in performance from which we should evidently assume that they are beyond control of governments.

Acknowledging the confusing state of the art, I think there are important gaps in the academic discourse and empirical assessment of the impact of governments in modern market societies. The first gap is the omission of an appropriate ideology and its measurement in the discourse of market societies, policies and performance. Markets do not establish themselves but are in part dependent on political actors to legitimize their mechanisms and outcomes and thereby increase their

importance. I deem the concept of market liberalism to precisely capture the willingness of political actors to enlarge the effectiveness of market mechanisms in societies. Surprisingly, none of the standard textbooks of ideologies include a concept like market liberalism and none of the existent data-sets includes a valid measure of the government ideology of market liberalism. At the same time, conventionally used ideologies of political parties such as left and right, libertarianism or neoliberalism are deeply dissatisfying because they are not precisely capturing the positions of political actors' intentions to increase or curb the effectiveness of market processes. The first two parts of this thesis are simply the consequence of this unfortunate omission.

In Part I, I present the architecture and anatomy of the ideology of market liberalism. Architecture and anatomy are terms borrowed by Michael Freeden and his morphological approach to ideologies (2013). I consider this approach very helpful because it delineates between philosophical, scholarly and such discourses with ubiquitous political value for political parties. Accordingly, I distinguish between the core elements of market liberalism, centred around the prerequisites of a market as such and the post-fix *liberalism*, indicating the degree to which actors deem markets as appreciable and self-sustaining institutions (Chapter 1.1). The main lesson from the core elements is that the definition of a market as such is very clear and in turn creates denotational anchorage. This anchorage is of great value and the main advantage in comparison to many other conventionally applied political ideologies because stability in meaning creates comparability.

The second layer, or adjacent elements of the ideology of market liberalism are defined by a set of behavioural assumptions (Chapter 1.2). Based on the extension of negative rights of freedom and individual property right, market people can follow an individualistic and economic rational pursuit in order to exert exchanges. The legitimation of such a behaviour incentivises competition and increase the amount of choice which in turn further increase the likelihood of individuals to be motivated by an economic calculus. The behaviours on markets are strongly self-reinforcing and

this is the main reason why markets became a politically divisive institution. Markets have the tendency to undermine alternative norms and values. The majority of existing political ideologies like Marxism, socialism, Christian political approaches, liberalism, neoliberalism and libertarianism all gravitate around the approval or repudiation of this set of behaviours. Acknowledging that the listed ideologies all include different factions with very different approaches to economic questions, the ideology of market liberalism helps to sort these as well as the factions of these ideologies into a comparable dimension.

The straight forward way to achieve such a positioning is looking at the peripheral elements of market liberalism (see Chapter 1.5), the peripheral elements as concrete policy positions, signalled in daily political discourses. The most revealing policy positions for the ideology of market liberalism are stances towards the regulation of the economy, the welfare state and the tax system. However, Chapter 1.5, in the conceptual part is admittedly short since policy proposals and their relation to the ideology of market liberalism is discussed at great detail in Part II.

To relate signalled policy preferences into ideological dimensions has a long tradition in political science. Accordingly, Part II initially provides a review of existing approaches guiding through various measurement decisions and ultimately formulates a generalized framework for the measurement of partisan ideology. Applying the generalized framework on the ideology of market liberalism leads to valid party positions. Several alternative measurement approaches are demonstrated to have limitations capturing socio-economic preferences of political parties.

Besides the genuine importance of the measure of market liberalism to answer the question of this thesis, the conceptual part indicates a remarkable stability in meaning for market liberalism. This property is a valuable attribute in order to compare preferences across time and countries. This claim is empirically validated in Chapter 2.9 and 2.10. In the language of statistics, comparability means measurement invariance or equivalence. Applying standards of equivalence from disciplines like psychology yield mixed results. The existing indicators of political ideology

are far away from appropriate benchmarks of equivalence. In fact, a huge body of literature from political science, drawing inferences on party position shifts, stand on vary shaky ground because based on applied measurements they cannot rule out that partisan moves are simply based on varying item functions. However, since equivalence is a matter of degree it is worthwhile to acknowledge relative improvements. Accordingly, I discuss the cross-sectional and longitudinal benchmarks for equivalence on the market liberalism indicator in comparison to the conventional left-right approaches.

Part II concludes with a discussion of the link between party and government ideology. Chapter 2.11 recaps existing approaches, discusses important analytical distinctions and concludes by pointing to the observation that the progress made in the party position measurement literature has not yet trickled down to the measurement of government positions. In order to build a reliable foundation for the core assessment of the thesis it is, however, important to construct valid positions of government ideology. I contrast various approaches and select four typical applications of government preferences, subsequently tested in Part III.

Part III examines the impact of government ideology on three selected policy areas. In line with the conceptual part, government positions on regulation the welfare state and tax policies are portrayed as straight forward derivatives of the ideology of market liberalism. To analyse these three policy domains serves as a bridge before arriving at the initial question of the thesis. Economic performance is an abstract concept and the causal chain between ideology and the creation of wealth is still very unclear. Therefore, the three policy domains fulfil two purposes. First, to test how the different government indicators perform on indicators with a more simple causal chain. Basically, a validation of the government ideology indicator of market liberalism in comparison to other approaches. Second, the selected policy domains are also the most prominent causal mechanism between ideology and performance. Specific tax regimes, lower government

spending and less regulation are all prominent pathways seen to improve the productivity and wealth of nations.

Accordingly, a necessary condition for the link between ideology and wealth to be effective is the existence of systematic policy differences on those supposed mediators. That leads to the familiar territory of standard partisan theory. However, as mentioned above, standard partisan theory is not in fashion and different scholars have brought forward plausible arguments why the ideology of governments has never made a difference, faded to make a difference or only make a difference in very peculiar circumstances. In Chapter 3.1, I review this debate and conclude that structural tendencies, changing international environments and the empirical findings of meta-analysts do not rule out systematic partisan differences. The structural and ideational shift arguments are encountered with an argument of complementarity. Discourses and alleged consensuses are evidently existent which does not exclude ideologies of governments to be effective as well. The results of meta-analysts are encountered with a measurement argument. Using dichotomous distinctions of left and right as proxies for government ideology in comparative studies necessarily create a lot of null-findings. On theoretical grounds alone, left and right has a very low reach in terms of comparability. Accordingly, the longer the time frame and the more countries included, the lower the likelihood of partisan findings using left-right indicators. As time progresses and data availability improves, studies have increased their observations and thereby overstretched the travelling capacities of the left-right dichotomy.

This should not to be confused with null-findings being an artefact of measurement. Left and right only matters contextually because the concept means different things in different places. However, finding that a left-right dimension does not systematically matter does not mean that partisan ideology is not of importance. Left-right is simply not the most revealing dimension in terms of preferences on socio-economic issues. Market liberalism in contrast is a meaningful dimension for ideological differences across long time frames and multiple countries. This is

demonstrated in Chapter 3.2 comparing more than 1.500 government years and the impact of different government ideology measures within the three selected policy domains.

As mentioned above, only systematic policy differences of government ideologies can claim effective differences in performance. The effective policy chains are identified in Chapter 3.2 and are related via path modelling to the indicators of performance in the succeeding part. Performance is measured as the level of wealth as well as its distribution in terms of top income shares. I distinguish between short term and long term effects in order to do justice to a widespread argument of market liberals: short-term pain for long-term gain. Since a long time, market liberals have argued that reforms of austerity might be painful in the short term but pay off in the long run.

The causal identification of the short and long-term effects of ideology on performance are difficult and for good reason readers should remain sceptical about findings between indicators of government ideology and aggregated measures such as growth or inequality. However, methodologically I strictly rely on the generalized framework of causal identification laid out by Judea Pearl (2009). The analyses on policy domains, and the path models linking ideology over policy to performance are all estimated with the aim to close causal back-door paths. In Chapter 3.2.0, I provide a general discussion of this procedure. This procedure ultimately helps to efficiently focus on useful controls and avoids statistical models overburdened with useless and potentially harmful control variables. Remaining doubts on causal identification have to be addressed on the grounds of omitted variables alone. Admittedly, there might be several plausible omitted variables. However, the most wide-spread arguments from the literature are either ruled out ex-ante or they are incorporated as controls if necessary.

The results appear surprisingly systematically. On the policy level, I find that market liberals substantially deregulate the economy, reduce public and welfare spending as well as the generosity of welfare entitlements and reduce the progressivity as well as the level of taxation. As these are in line with the theoretical expectations, I can conclude that the degree of market liberalism is a very

effective way to explain socio-economic policy differences. In comparison, there are predominantly null-findings in the same models when government ideology is measured in categorical distinctions of left and right and substantially weaker when government ideology is measured with continuous left and right indicators.

The policy differences are related to the indicators of performance in structural equation models. Evidently, some of the policies preferred by market liberals have positive and others have negative growth effects. The overall short-term effect on growth and productivity are negative. However, short term deterioration seem to be succeeded by long term wealth. Growth trajectories of market liberal governments are significantly higher than the ones of their interventionist counterparts in the long run. Interestingly, these growth trajectories are not explained by productivity growth but only by the amount of economic activity. Accordingly, only a subset of the market liberal wealth promise is materialized. Societies under market liberal rule become not necessarily more efficient but they create an environment for increased economic activity.

In contrast to the mixed evidence for growth inducing effects, the policies of market liberals have consistent effects on the distribution of wealth. Some policies have no effect on inequality but the majority of them has a positive and substantial impact on inequality. The top one percent of income earners, and to a lesser degree the top ten percent, earn substantially and significantly more after the legacies of market liberals in short as well as in the long run. Whereas distributional consequences are substantial in a sense that a significant part of the changing income distribution can be associated with policies of market liberal governments, the association of ideology and growth comes with a lot of uncertainty. The growth effects of market liberals in the long run have huge confidence intervals and turn insignificant after three government periods. Additionally, only a small amount of growth in relation to the average growth rates can be explained by government ideology. In line with these findings, the growth effects of regulative, welfare as well as tax policies are rather marginal. Overall, the ideology of market liberalism, once carried into state-wide

governments via market liberal parties with sufficient majorities, has a lasting and substantial impact on the distribution of income. In contrast, the pledge of wealth is only marginally fulfilled in the long term.

The thesis might have ended here. However, I add two aspects which are closely related to the impacts of market liberal governments. The first is the analysis of a special government configuration which has increased with an unpredicted pace. At least unpredicted following Max Weber's thesis of the rationalization of modern societies (Weber 1930). The rationalization thesis is seen to be massively under attack by the rise of the radical right. The radical right evidently mobilize their voters over nativist identity issues, which, following Weber, should have been extinct by now. The rise of the radical right, however, challenges not only the expectations of Max Weber about the economic rationality of voters but also the general importance of the market dimension for party competition. This resonates with more recent arguments in the literature describing a decline of importance for the market dimension (Kriesi et al. 2006, Kriesi 2010). There is evidence for a rather moderate increase of non-economic issues on the partisan level, but the market dimension has and still dominates the party competition in Western European democracies (Stoll 2010).

In Chapter 3.4, I present a co-authored[1] analysis of the socio-economic policy implication of governments with formal or informal radical right party coalition partners. The added value of such an analysis is to take the peculiar position of radical right parties towards the market into account. A market liberal faction, based on the various populist anti-state actors within these parties, have to deal with a growing voter base of workers and pensioners with an interventionist attitude. The result is a kind of selective market liberalism which will predominantly put pressure on public

[1] I would like to thank Dennis Spies and Alexandre Afonso for this appreciated collaboration. The chapter almost entirely resembles an article we published together in European Political Science Review (2017).

budgets by combining fiscal austerity with a defence of costly and traditional welfare compensation schemes for natives.

Finally, this thesis entails a Part IV. This part is the results of a DFG funded research project (GZ: KA 1741/10-1) headed by André Kaiser. I was in the fortunate position to work on this project and research in the intersection of ideology and territorial politics. The project was informed by the question of partisan preferences on the territorial distribution of authority. Together, we developed an approach which put ideology at the centre stage. According to this approach, territorial preferences are highly entrenched in the ideological position on major dimensions, such as the market dimension. Only in cases where majorities with proximate ideological positions prevail in specific sub-national areas, state-wide governments are willing to extend the authority of this area. Chapter 4.1 almost entirely resembles a co-authored article we published in the Swiss Political Science Review (2016).[2] This chapter introduces the general theory of ideological authority insulation by elaborating on the conflict between Turkish parties in the centre and the Kurdish minority parties in the periphery. Chapter 4.2 is an article co-authored by André Kaiser and puts the core argument from Chapter 4.1 to a broader test.[3] Building on a sample of around 4300 yearly relationships between state-wide governments and regions, we demonstrate that market liberalism systematically superimposes genuine territorial concerns. Accordingly, centralization and decentralization in democracies hinges to a great extent on the calculus of state-wide governments to increase the powerbase of the ideologically like-minded and impedes the prospects of authority for minorities with deviant ideological positions.

[2] I am grateful to André Kaiser, Çağan Varol and Uğur Sadioğlu for this collaboration.

[3] It is currently in a state of revise and resubmit at the *European Journal of Political Research*.

## References introduction


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# PART I | THE CONCEPT OF MARKET LIBERALISM

## 1. The conceptual foundation – political parties and the ideology of market liberalism

Market liberalism is missing in the standard textbooks of modern ideologies. This omission demands rectification since market liberalism fulfils every criterion to be met with a kind reception in those lists. This chapter starts by defining market liberalism and subsequently provides a discussion of why it deserves to be considered an ideology. An ideology which early started to subsume variegated political issues and proposed to solve them with market solutions. This ideology became so powerful because the market turned into a symbol for one of the most fundamental question of societies; the timeless adjustment between economic individual freedom and collective responsibility (Simmel 2008 [1900], 509–529). This correspondence to a core question of social coordination sustains the market's ability to mobilize as well as divide the people politically for more than 250 years.[4]

Such a long time can have many effects on the meaning and the ways of contestation of a concept. Some studies have highlighted the ambiguity of market liberalism in the political practice (Jabko 2006) and as well within the scholarly debate (Carrier 1997). However, the majority of scholars accredit the market a remarkable stability in meaning. Even representatives of the constructivist and post-modern approaches, usually inclined to highlight the fugacity of meaning, define market liberalism as a conceptual constant in the 20th century (Jameson 1991, Foucault et al. 2008). If post-modernist thinkers argue for the denotational stability of market liberalism, we should take it as an incident which is not likely to occur. Or the other way around, market liberalism is likely to be a concept with a high stability in meaning over time and space. This is noteworthy in

[4] I roughly determine the 9th March of 1776 as the starting point when Adam Smith published the Wealth of Nations.

particular in comparison to other concepts, conventionally applied to carry political preferences. The meaning of left and right has always been contested (Bobbio 1996; Laponce 1981; Franzmann 2009). Equivalently, the cultural dimension of political conflict received dozens of different definitions (Van der Brug and Van Spanje 2009; Kriesi et al. 2006; 2008; Hooghe et al. 2004) and evidently combines issues across countries very differently (Marks et al. 2006). Without a shared meaning of a concept for political preferences various problems of comparability arise. We simply cannot assume that preferences on these dimensions describe the same ideological background or more concrete policy intentions. Thus, the denotational stability of market liberalism is a valuable attribute because it allows us to arrive at comparable political preferences across long time-frames and cultural contexts.

The meaning of concepts is typically discussed and defined on different analytical levels. Concepts are debated by citizens, political actors, intellectuals or philosophers. Usually, the discourses about the same concept across those groups differ enormously. Whereas in the political domain market liberalism is typically discussed in reference to concrete policies such as a leaner state, taxation or deregulation. Intellectuals discuss the virtues of competition, economic rationalism or individualism. Philosophers in turn focus on the consistency of elements within the core of ideologies.

In the following chapters, I borrow the morphological approach to analyse the ideology of market liberalism. The morphological approach takes the discourses on different levels into account (Freeden 1996). The approach demands to distinguish core, adjacent and peripheral elements in order to define the architecture of an ideology. The threefold distinction proves to be helpful. It shows that the indispensable core concepts of market liberalism build indeed a very stable web of relations. I argue, *property rights*, *concentration of supply and demand*, *negative rights of freedom* and *scarcity* to be necessary conditions for a market to be existent (Chapter 1.1). Although these core concepts are sometimes contested in terms of political or normative disapproval, they are

hardly ever challenged as constituent parts of the market and they are hardly ever challenged in terms of their meaning. Consistency and stability in meaning decline by moving on with the adjacent concepts such as *individualism* or *economic rationality*. Adjacent concepts are typically the domain of scholarly debates about market liberalism (Chapter 1.2). Discourses about adjacent elements of ideologies are also closely connected to the well-known political ideologies like liberalism, conservatism or Marxism. These ideologies are the building blocks of party families and party families still dominate the debate about political preferences.

In Chapter 1.3, I relate market liberalism to the ideologies of party families. The historical development is instructive as it sets the ground for fundamental differences in approaching the market as a means to solve problems of social coordination. So far, market liberalism is an ideal type of social coordination and political actors could be conceptualized as approaching to this ideal. Political actors would gravitate around this ideal type as long as we do not define a conceptual opposite. This conceptual opposite is conventionally the intervening state.

In Chapter 1.4, I illustrate the tensions within the camp of supporters and those who disapprove the market. The major problem with a state-market dimension is that political actors can approve as well as reject both principles of social order. Drawing on this observation, I borrow the distinction of Oakeshott between the politics of faith and the politics of scepticism (1996). The distinction helps to relate the policies of market liberals and their counterparts to a polity dimension. Faith refers to the trust in the human abilities to ascertain the good whereas scepticism connects to the trust in civil associations. Trust in the state is a form of scepticism whereas politics of faith resonates with the more autonomous pursuit of coordination in the market. Such a glance on the politics dimension dissolves the contradictions within the camp of market supporters and advocates of the state by sorting parties into a two-dimensional space of market liberalism. The two-dimensional perspective clarifies the role of the new right as well as the new left parties in the

more recent constellations of party competition on a market dimension (see also Chapter 3.4 for the implications of the new right parties).

Finally, the more concrete policy positions are presented as peripheral elements, the most visible manifestations of market liberalism in the political arena (Chapter 1.5). Specific preferences on policy areas such as regulation, the welfare state or tax policies are tangible manifestations of the abstract notions of market liberalism in the level of core and adjacent elements. The peripheral elements are ideal and observable indicators for the measurement of party positions on a market dimension. In order to avoid a twofold discussion of peripheral elements or policy position, I only briefly discuss them in the conceptual part and deliver a more profound discussion in Part II.

Chapter 1.6 recaps the conceptualization of market liberalism and simplifies the way the concept was taken up by political parties. Those who believe in the general capacity of the state can combine their politics of faith with a market making approach, drawing on the liberal tradition of political thought. Those who believe in the state and distrust the market follow the socialist and Marxist tradition to different degrees. Those who distrust the state and believe in markets follow the conservative and the new right line of thought. Finally, those who distrust the state as well as the market follow the grassroots approach of the new left.

To situate party families on a market dimension reveals another important strength of the concept of market liberalism. The ideologies like conservatism, liberalism as well as neoliberalism or socialism, they all have substantial internal differences over economic preferences. For example, variants of neoliberalism can be found in modern social democracy, in conservative parties and of course in liberal parties. Equivalently, Marxists in all their manifold expressions occupy a broad range on a market dimension too. In fact, the conventional political ideologies or party families do not provide a precise description of preferences towards the economic coordination of societies. The ambiguity becomes even more evident in comparisons over time (see Figure 1). Neither conservatives nor social democrats are pinned to positions they had in the 1940s. In fact, none of

the party families have kept a stable position towards the market over time. The concept of market liberalism helps to reveal these changing positions and accordingly, market liberalism is not only an ideology in itself, it is a meta-ideology, situating the manifold ideologies of political parties in a consistent and comparable way.

### 1.1 The core elements of market liberalism

The morphological approach to ideologies starts with a description of the conceptual architecture of an ideology. This architecture has two axes. The first is vertical and distinguishes three tiers: the micro-components, the macro-components and the conceptual components in the middle (see Freeden 2013). Ideologies can have different architectures on the macro- and micro level. The middle part refers to the scholarly and conceptual level of analysis. This is where a deductive approach to ideologies starts and this is where the discussion of the concept of market liberalism begins.

Within every level of the analysis of ideologies there is a second axis. An axis which puts the arrangement of concepts as well as their relationship at the centre. This is what Freeden calls the anatomy of an ideology and he distinguishes between core, adjacent and peripheral concepts (Freeden 2013, 124-5). The core concepts are indispensable to holding the ideology together. Core concepts should be present in all known cases of the ideology. Market liberalism entails two terms, a reference to the market and the post-fix term liberalism. First, the anatomy of the market is exemplified before the market is related to the post-fix liberalism.

What is actually a market? The functioning of markets relies on the acceptance of certain rules which is usually referred to as the legal framework. This framework entails two basic ingredients: *negative rights of freedom* and the *protection of individual property rights* (Carruthers and Ariovich 2004, 30). Once both ingredients being present, individuals can set out exchange of legally owned things. However, legal exchange as such does not constitute a market. Inherited from the market as a

bound place, the market always refers to a concentration of sellers and buyers. This concentration allows the comparative assessment of offers and demands and leads to the actor constellation of competition under the assumption of scarcity (Simmel, 2010 [1922]). Without scarcity there is no need for comparative assessments on a market and the mechanism of competition. Competition ensures a specific matching of supply and demand and is seen to broaden the supply as well as to drive the supply side to efficiency via innovation. The mentioned properties are reflected in the definition of Patrick Aspers: "A market is a social structure for the exchange of rights in which offers are evaluated and priced, and compete with one another, which is shorthand for the fact that actors – individuals and [corporate actors] – compete with one another via offers" (Aspers, 2011, 4).[5]

A market entails four indispensable concepts: negative rights of freedom, individual property rights, the *spatial* [6] concentration of supply and demand as well as scarcity. Given, all necessary conditions are present, a market is expected to fulfil at least two functions: increase in supply and increase in efficiency via innovation. The mechanism which relates conditions and the two envisaged functions is competition. The advantages of such a simple coordination principle are obvious. Markets broaden the overall supply and increase the match of desires from the demand side and the variety of offers. Efficiency reduces scarcity and further increases the overall capacities of supply. The most straight forward impact of markets should be an overall increase in the amount of choice. This might further lead to an increase in the overall amount of welfare (Smith, 1991 [1776], 264). Classical liberals, as early supporters of the market order have primarily stressed the efficiency aspect and explained the raise in efficiency by the division of labour. Interestingly,

[5] I replaced *firms* with *corporate actors* in the definition because firms are only a special case of corporate actors engaging in market exchange.

[6] Sellers and buyers need to be a plurality as well as accessible. For a long time accessibility was a spatial phenomenon. Accessibility has supersede the importance of space more and more (see Porter 1998 for a discussion of space and competition).

neoliberals as a later manifestation of market supporters, have stressed the efficiency of markets to relate dispersed desire and knowledge to a supply-side (Hayek 1945).

Indispensability is a requirement of core elements of an ideology. Indeed, it is very difficult to defend the existence of a market in case where one of the four elements are absent. Indispensability includes the post-fix of market liberalism. Liberalism is one of the most multifaceted and controversially discussed ideologies (see for example Freeden 1986; Vincent 2009, 23-56). For the concept of market liberalism, liberalism simply refers to the degree to which the market is left to its own device. The faith in the self-preservation of markets or the idea of the free market. Market liberals strive for the liberation of market exchange from any sort of restriction. To summarize, market liberalism has four core and necessary elements related to the faith in how far these four concepts build an appreciable interplay which left to its own device, work for the good of individuals and societies.

### 1.2 Adjacent elements of market liberalism

Increased *choice* is the first adjacent element and a direct result of market exchange. The concept of choice is contested. Contested for example because choice on markets is related to purchasing power and hence unequally distributed. Additionally, marketing is often seen to influence our desires and choices. In this spirit some authors portray markets less as a choice improving institutions but in contrast as a coercive structure (Bourdieu 1998; 2003; see also Lindblom 1982 for a view, portraying the market as a prison).

As choice is an immediate consequence of the market as such, the way to deal with choices is strongly connected to the core element of negative rights of freedom. Individualism is the second adjacent element. Individualism exceeds the meaning of negative rights of freedom as it exceeds the meaning of a negative right. It is an ontological assumption and also seen as an effect of market

interactions which in turn triggered extensive discussions on its own (for example Beck 2002; Schwartz 1994; Macpherson 1962; Hayek 1948). Individualism is a specific way of exercising negative rights on choices.

A subset of an individualized choice to exert negative rights of freedom is *economic rationalism*, the third adjacent element. Economic rationalism is contested in terms of meaning and endorsement. Some argue that economic rationalism resembles the homo economics with a self-fish orientation, the maximization of utility. To challenge this assumption is a frequently chosen path to prove or disprove the benefits or foundations of market liberalism. Various studies have empirically evaluated the degree of economic rationalism, often showing that solidarity and fairness norms interfere with a purely economic calculi (Sauermann and Kaiser 2010; Nozick 1994). Market liberals embrace an economic pursuit in behaviour whereas market sceptics have for a long time now discredited purely economic rationales, in the words of Marx and Engels "the icy water of egoistical calculation" (2009 [1848], 43).

*Competition* is the result of the actors exerting their choices in individual and economic rational ways. Competition is closely linked to the core elements of scarcity as well as to the concentration of supply and demand. Without scarcity and the concentration of sellers and buyers there would be no need to compete on markets via offers of exchange. Competition on the demand and even more so on the supply-side is seen to have two important effects. As discussed already in the chapter 1.1 of the core elements, *efficiency* should increase the amount of choice due to a better matching of supply and demand. This is not the freedom of choice which the Friedmanns (1990) described. Freedom of choice and market liberalism are a tautology, because negative rights of freedom are a prerequisite of markets and equivalent to the freedom to exert choices. The second effect of competition is to increase efficiency via various forms of innovation and thereby increasing the amount of choice even further. As we will later see, it is important to keep both

effects separate. Societies can increase their amount of choice without increasing efficiency and societies can reduce their amount of choice while increasing efficiency.

However, competition is contested at least for two reasons. First, the free market might have accumulative tendencies and undermine competition over time (De Angelis 2001; 2000). Second, at a certain point competition can be seen as decreasing efficiency because it undermines stability or planning reliability and thereby blocks individual motivations and the engagement in long-term endeavours. Efficiency is not only substantially contested, it is also contested in meaning. There is for example macro-efficiency which describes the overall input-output ratio irrespective of the distribution of benefits. Alternatively, Pareto-efficiency describes efficiency gains under circumstances where nobody is in a worse position than in a counterfactual world where the exchange would have been omitted.

The first three adjacent elements can be perceived as derivatives from the core element of negative rights of freedom and individual property rights. Based on these core elements, market participants are legitimized to exert their choices in an individualistic and economic rational way. Thereby, the unhampered market triggers the legitimation of an important set of behaviours. Under conditions of scarcity and the concentration of supply and demand, these behaviours turn into competition and create an increased amount of choice which in turn triggers even further individualistic and economic rational pursuits. The free market not only legitimizes individualistic behaviour but creates also strong feedback effects which might lock-in this set of behavioural norms. Thereby, the orientation of market participants is withdrawn from communitarian concerns.

Since market liberals promote individualistic and economic rational attitudes, it is not surprising that the justification of markets early tended to gravitate around the consequentialist tradition of moral philosophy – the promise of the common good by selfishness (Fourcade and Healy 2007). In contrast, market sceptics early based their caveat against the market on a deontological

foundation – the notion of collective orientations which encourage emphatic and solidarity norms (Hirschmann 1997). Early socialists usually guided by Christian morals, conservative communitarians or romantic traditionalist, all of them focused on the fundamental difference between economic rationalism and the proper orientation on the community. The critics of early socialists like Saint-Simon, communists like Marx or many sociologists like Weber or Habermas share a basic plea – the necessity to adjust common aims, common values, or more abstract, common claims to validity (Habermas 1981). The market became the symbol of individuality and the state the symbol of collectivism. The latter symbol was seen to preserve and encourage values which are not associated to the market - norms such as equality.

All these debates about adjacent elements of market liberalism are at best superficially reproduced in this chapter. However, my aim is to illustrate that scholars start to the challenge the meaning and normative implications of market liberalism primarily on the adjacent elements and rarely attack the core. Debates about the consistency of the anatomy of market liberalism as well as about the nature of its effects. There are countless publications and treatises discussing these adjacent concepts in close detail. Those publications are the foundation of a more scholarly discourse about market liberalism. A debate trying to overthrow or enforce the very first pillars around the core of the ideology of market liberalism. This is a typical role of adjacent elements as Freeden describes them as "second-ranking in the pervasiveness and breadth of meanings they impart to the core concepts which they surround" (Freeden 2013, 125).

### 1.3 Party families and market liberalism

Before I turn to peripheral elements, I shortly discuss the role of party families because party families form a link between the adjacent and peripheral elements. Party families reflect the conflict over the normative embracement of the adjacent concepts as well as more concrete policy proposals as discussed in the part on peripheral elements. The major existing political ideologies

like liberalism, conservatism or Marxism are the analytical basis for the conception of party families. It is instructive to reveal the relationship between party families and the concept of market liberalism because market liberalism is an ideal concept to compare and sort party families over time and countries.

For example, actors' capacities to exert choices based on their negative rights of freedom follow a simple weighting scheme. On the demand side, desires are weighted by purchasing power and on the supply side by market share. Purchasing power is not the main problem of the historically bourgeois supporters of the market mechanism, it is rather the concentration of supply. What Marx and Engels tried to scientifically proof as the laws of accumulation was for many liberals the reason to approve a certain degree of regulation, to ensure the beneficial constellation of competition. Within the camp of the strongest advocates of this coordination principle, we observe a fundamental disagreement about the self-sustaining properties of markets. This liberal plea points to the post-fix of the concept of market liberalism. In this context liberalism refers to the self-sustaining capacities of markets.

The following example from Germany exemplifies the difference between liberals and conservatives. During the Wilhelminic Germany and Weimar Republic, the German social liberals like Friedrich Naumann or Walter Rathenau attempted to integrate the Social Democrats into the ruling structure of the political system in order to broaden the support of the social liberal vision of a Gemeinwirtschaft (Ptak 2015, 108-109). From a Rokkanian perspective, Liberals where closely linked to an emerging and competitive chemical and electronics industrial sector. In contrast, steel and coal industries, mainly monopolistically organized, was the power base of the reactionary right-wing parties. Accordingly, political battles at that time brought liberals in a position to demand price control and regulation for the big trusts, whereas reactionary right-wing parties defended an unregulated market (Opitz 1973).

Other supporters of the free market were so called Ricardians, such as Hand Gestrich or Otto Veit that were representatives of the Verein Deutscher Maschinenbau-Anstalten (VDMA), an export-oriented engineering industry (Ptak 2015, 109). In the aftermath of the great depression, Eucken, Rüstow, Röpke and Müller-Armack wrote several essays about the importance of the economic crisis as a turning point for economic liberalism in Germany and the quest for a new liberalism (Rüstow 1932, 172). These proponents of Ordoliberalism had a rather aggressive element in the beginning. In opposition to Maxists and the major economic and political ideas of their time but also against the Keynesian economic theory, they were ready to suspend democracy in defence of the legitimacy of competition and the market (Ptak 2015, 112). However, these scholars developed a core argument of the new liberalism: "Approaching a state of full competition was made possible by relying on an economic policy formulated by the state to destroy economic concentrations of power and the resulting dysplasia of the free economy" (Ptak 2015, 114; Ptak 2004). This proposed role of the state in the provision of order for full competition would lead to serious conflicts among neoliberals with regard to the question of monopoly until today. Positions to anti-trust policies are still one of the most effective ways to separate free-marketers from neoliberals in favour of regulation.

This liberal plea was differently pronounced by classical liberals. Authors like John Stuart Mill or Adam Ferguson not only had genuine efficiency concerns arising from the unhampered market but also referred to other norms potentially in conflict with the market. Norms beside efficiency are seen to be quite necessary to preserve interactions on the market itself. In the tradition of Durkheim, Polanyi and the Frankfurt School, various intellectuals highlighted the social foundations of the legal framework which ensures markets' proper functioning. The markets functioning is not only reliant on various forms of social trust, the function of markets is also mediated by various contexts of social embeddedness (Polanyi 1973 [1944]; Granovetter and Swedberg 2001; Beckert 2009). To highlight a plurality of moral benchmarks beside efficiency has

a long tradition and is reflected in the philosophy from Durkheim over Hegel up to the more practical applications in the General Theory of John Maynard Keynes (see Herzog and Honnet 2014 for a great summary). The moderate Socialist approach either aims for a synthesis of market advantages with social values or strives for a dialectic revocation with labels such as the third way (Giddens 2013; Bastow and Martin 2003). To highlight and defend the embeddedness of markets is a delineation towards advocates of the free market and also to new liberals, but as well a commitment to markets in general. The manifold specifications of these reservations describe the typical stance of almost all political applied ideologies from moderate socialists and social democrats to moderate versions of neoliberalism.

Neoliberals have emancipated themselves from their classical ancestors by simplifying the question of morality which has forced classical liberals into complex discourses about values beside efficiency (Fourcade-Gourinchas and Babb 2002). The market is a quasi-sacred institution for neoliberals (Mudge 2008) whereas classical liberals kept worshipping other gods. As neoliberals believe to have proven the superiority of the market mechanism in comparison to other forms of social coordination, their ad-hoc approach to social problems is market making. This means strong preferences for individual property rights and negative rights of freedom, a strong emphasis on the constraints of scarcity and also state intervention in order to ensure the plurality of supply and demand. The ideological foundation of this tradition is a merger of different traditions of economic thought in Germany, Austria, France and the United Kingdom (see Mirowski and Plewe 2015 for the different origins of neoliberalism). Instructive are the ideas of Mises and Hayek, two of the most visible advocates representing a view which defends the market as the only form of coordination, able to cope with the complexity of modern societies (Hayek 1945; 1991; Mises 1981).

Whereas, the early socialists as well as the modern social democrats tried to integrate equality norms into the market system, the entire renunciation of the market mechanism is a phenomenon

strongly associated to Marxism. Marxism advocates a strong control of markets as well as central steering of allocative and distributional mechanisms (Marx 1971[1867]). Marxism is the greatest enemy to market liberalism because Marxists contest almost every core and adjacent concept of market liberals. The nationalization of the means of production challenge individual rights to property, the laws of accumulation challenge the self-sustaining property of sellers and buyers to remain a plurality and negative rights of freedom are negated because people live in a state of dependency determined by their economic conditions. Markets alienate people from their *real* self-fulfilment and markets expropriate people without capital from their *real* share of surplus. Finally, scarcity is argued to be overcome in a world of collective production. The debate continues on the level of adjacent concepts. Individualism is contested, economic rationalism is challenged, the mode of competition rejected and efficiency impeached. Marxism is a fundamental opposition to market liberalism because there is very little overlap between values attached to the core and adjacent concepts of market liberalism. Consequently, even the modern varieties of Marxism such as analytical Marxism defend their place on the most market hostile end of the continuum until today (Tarrit 2006).

Coalitions between parties and interest groups organized around social cleavages had a lasting impact on the formation of party systems (Rokkan 1999; Mair 2001). In the formation phase of party system, party families arose out of the cleavage constellations in the 19th and early 20th century (Rokkan 1999). Based on the experience of the interwar and war periods until 1945, communists and social democrats remained very sceptical about the market order which at that time was seen to be responsible for the greatest disaster in modern history (Polanyi 1973[1944]). Conservatives, although already very market liberal, had difficulties to communicate their true intentions in such a climate where interventionism and electoral majorities for workers dominated the political discourse. For example, the pretext of the 'Ahlener Programm' – the basic program from 1947 of the Christian Democratic Party (CDU) in Germany - serves as an emblematic

example. One of the first statements of the program emphasized that Capitalism as well as Marxism have failed to serve the need of the German people (CDU 1947).

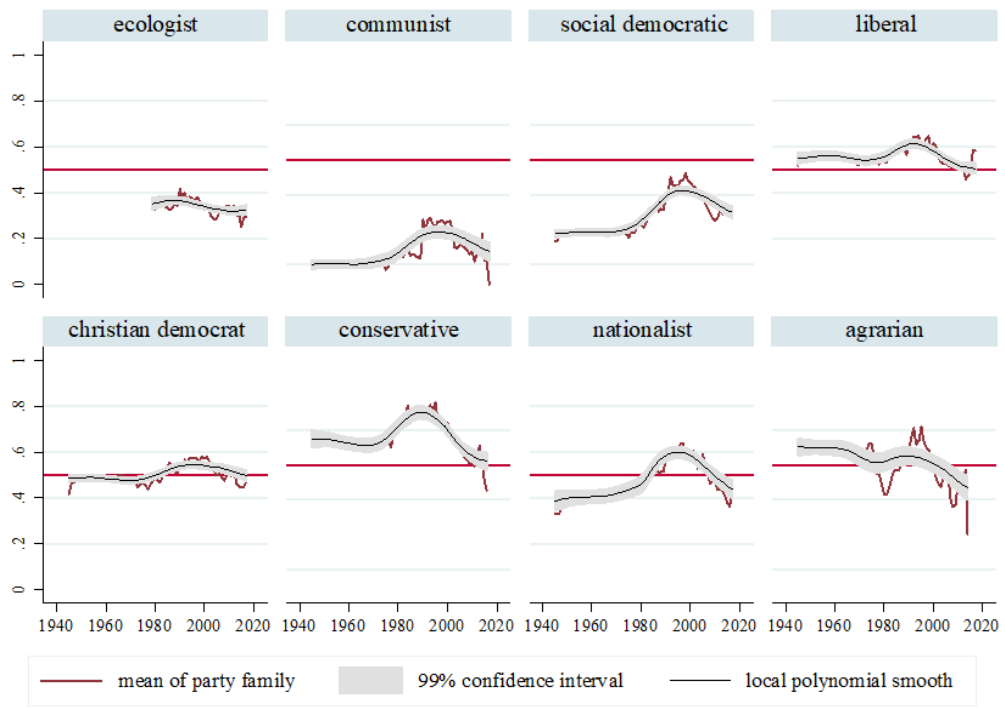
It describes the defensiveness of the proponents of the market very well which is typical for the time between 1945 and the early 1980s. As described above, the attempt of traditional liberals, like Naumann in Germany to move social democracy to more market embracing positions in order to form a coalition against the conservatives, often failed and instead social democrats kept embracing socialism for many of the following decades. I foreclose several chapters of careful measurement and discussion of party positions at that point and provide a broad overview of how party families have developed in terms of relative market advocacy or repudiation. Figure 1 depicts the mean positions of party families from the 1940s until 2017 using a selection of 5019 party platforms (see Chapter 2 for a precise description of the measurement approach).

On average, every party family was more to the left in the 1940s. At that time, Social democrats were closer to communists on the market dimension than to traditional liberals. Nationalists or radical right parties were initially interventionist before they turned to the free market since the 1970s (Kitschelt 1997). Due to their growing clientele of workers and pensioners they selectively abandoned neoliberal positions and turned slightly back to interventionism (Röth et al. 2017). Conservatives were always market embracing but moved to more market liberal positions with their open embracement of neoliberalism within the 1970s. Agrarians moved constantly to the left, just in line with their declining economic power of their constituencies. A general shift of the major party families towards market liberalism began with the oil crisis and the related renunciation of economic steering in general (Singer 1997; Dean 1980). The hegemony of economic intervention had lost its assertive appeal and moved to a position of defensiveness (Crouch 2013).

Neoliberal thinking finally established itself in conservative parties were it was fermenting for quite a while already. Surprisingly, it became accepted in many social democratic parties as well (Amable 2010). Liberals and Christian democrats and the radical right also caught the wave and

every party family, with the exception of the newly emerging green parties, moved to more market embracing positions, a major ideational sea change (Swank and Steinmo 2002; Ruggie 1982). The patterns in Figure 1 confirm this shift but also point to a more hesitant conclusion in terms of partisan differences. The majority of party families have moved their ideological appeal to more interventionist positions since the 2000s. To a certain extend the figure leaves the impression that the attested non-death of neoliberalism (Crouch 2011) has nonetheless already started. However, social democracy is still considerably closer to market embracing positions as they traditionally have been. Conservatives are already more interventionist on average as they were in the 1950s and 1960s.

**Figure 1:** Mean policy positions of party families towards market liberalism (0 = interventionist to 1= market liberal)




***Notes:*** Own calculations on the basis of CMP (n=5019). Parties with a vote share below two percent are excluded. Classification of party families adopted from CMP coding. Ethnic, regional or special issue parties are not pictured. The positions are yearly averages of party families using the classification of the CMP/Marpor dataset (Volkens et al. 2017).

The most important point to infer from Figure 1 is not the major move of party families across time but the stubborn distance they keep to each other. This persistent distance is important to consider because the narrative of the major ideational shift often neglects partisan difference by couching historical tendencies in master narratives like the Keynesian Consensus and the succeeding neoliberal era. These master narratives are largely confirmed by the figure above but persistent differences of parties within these phases of ideational dominance are also visible. This in turn has implications for the role we attribute to partisan ideology in different phases. As far as democracies are about competing policy signals and their legal manifestation via office, partisan ideology should have always made a difference in democracies, independent of supposedly consensual eras of economic policy making.

I argue in Chapter 3.1 that the wider political climate has forced political parties into postures of assertiveness and defensiveness. Interventionists were assertive within the era of embedded liberalism and became a defensive role afterwards. Market liberals experienced just the inverse roles. They have been very defensive within the era of embedded liberalism and turned into an assertive force afterwards. Assertiveness and defensiveness, however, does implicate that parties still have major differences and intent to turn them into different policies via electoral competition in democracies. Before I move to Part III, where I demonstrate that the ideology of parties, once they enter government, have substantial impact on various policy dimensions, I demonstrate in Chapter 2 that the positions of parties, used in Figure 1, survive a sceptical assessment on validity and equivalence.

### 1.4 Intervention without states

Most of the political ideologies were formed in the 19th century. Based on the ideological constellation at that time, ideological conflicts are often reduced to a binary distinction of communism versus the market society. As communist are for good reason equated with a statist approach, many scholars reduced the debate to a political choice between state and markets.

The market sceptic end of the continuum, which is usually labelled with pro state attitudes, entails a conceptual limitation. The market sceptic actors not advocating for the state neither. Those actors are not well represented on a state-market dimension. Michael Albert, an influential author for the new left, proclaims a "life after capitalism" which is built on more decentralized units for communitarian ideas than the state (Albert 2004). Political actors in this tradition should be described as hostile towards the market as well as state.

Political actors can approve as well as reject both conceptual poles of a state-market dimension. Drawing on this observations, I borrow the distinction of Oakeshott between politics of faith and politics of scepticism (1996). Faith refers to the trust in the abilities of humans to ascertain the good whereas scepticism connects to the trust in civil associations to change humans towards the good. Trust in the state is a politics of scepticism whereas politics of faith resonate with the more autonomous pursuit of coordination in the market. Such a glance on the politics dimension dissolves the contradictions within the camp of market supporters and advocates of the state by adding a polity dimension to the policy dimension of the market.

The difference between state-based market advocacy and free market advocacy as well as state-based interventionism as well as decentralization-based interventionism becomes increasingly important. Important because it shapes the political constellation of potential political coalitions in the domain of socio-economic policies. For example, the rise of the new right challenges the regulative impetus of liberal parties because they increasingly act as coalition partners for

conservative parties. Conservative and new right parties both follow the politics of faith. In terms of deregulation, privatization, a lean state and tax policies the new right has much more in common with conservatives than with traditional liberal parties. It is probably not a coincidence that new right parties often evolved out of former liberal parties when their economic clientele became less dependent on a market-making approach. The constellation is more difficult for the political left. The new left does not show the same trust in state institutions in comparison to their communist and socialist ancestors. They rather believe in decentralized policies of intervention. Accordingly, cooperation between the traditional camp of interventionists and new left actors in socio-economic policies should be more difficult than for the different actors on the pro-market side.

### 1.5 The peripheral elements

The morphological approach to ideologies put the ubiquitous social and political practice at the centre stage. Complementing the conventional exploration of political philosophy which predominantly involves narratives of outstanding thinkers (Freeden 2013, 115). The peripheral elements of an ideology evoke associations to the social and political practice. The core and adjacent elements of market liberalism have illustrated that market liberalism is about legitimizing more individual practices of economic life and delegitimizes communitarian orientations. Three policy domains are explicit derivatives from that claim. First, tax policies directly manifest the willingness of political actors to influence as well as redistribute market outcomes.

The Second World War left many countries with comparable high tax rates in order to finance the war economies. However, a simple comparison of some major economies reveal huge differences in taxation several years after the war. The German pro-market coalitions with Christian Democratic dominance decreased the top marginal income tax from around 90 percent to about 50 percent in ten years. In the same period, social democratic governments in Sweden doubled the

progressivity of the income tax to rates with a margin of about 70 percent (Du Rietz et al. 2013). As these marginal income taxes replaced an equally progressive defence tax, social democrats basically defended the status quo of high marginal income taxation. The same holds true for the democratic presidency of Truman in the United States. Top marginal tax rates maintained around 90 percent of the high incomes. The first republican president after the war (Eisenhower) lowered them to rates of about 70 percent (Piketty 2013). I discuss in Chapter 2 why policy positions on taxes are theoretically an ideal indicator to distinguish market liberals from interventionists. In Chapter 3.2.3, I examine in the relationship between market liberalism and tax regimes in closer detail and test the theoretical implications on a sample of 38 countries over more than 100 years. Even if international tax competition has weakened the link between ideology and and tax policies, I find that market liberals reduce the progressivity and levels of tax systems systematically.

The welfare state is the most powerful institution to shelter people from pure market-exposure. This is reflected in the compensation literature which highlights compensation in welfare risks due to international market exposure (Katzenstein 1985). Complementary, the power resource approach sheds light on the domestic processes of unequal exposure to markets. In this perspective welfare systems simply compensate for higher labour market risks (Korpi and Palme 1998, Esping-Andersen 1989). The importance of the welfare state as a discriminatory signal between market liberals and interventionists is discussed in Chapter 2. The welfare state is a popular institution and even market liberals tend to avoid negative signals against the welfare state. The more revealing is a negative stance towards welfare entitlements where it appears. However, the hesitant commitment to retrenchment as a genuine derivative of a market liberal ideology plays out more in concrete policies than in political rhetoric. In chapter 3.3.2, I demonstrate that market liberal governments substantially and systematically retrench the welfare state despite their rare signals for such policies.

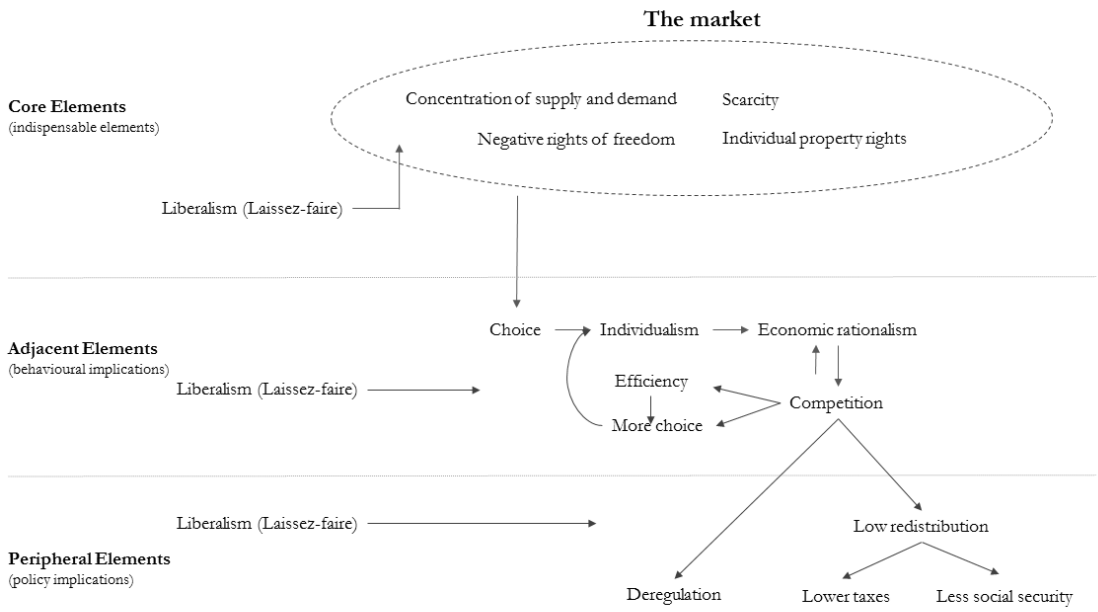
Finally, the deregulation of the economy should be of a core concern of market liberals. In the policy field of market regulation, the position towards trusts can be seen a revealing stance to distinguish between market supporters with a state-based market making approach and free market advocates. Left neoliberals use the state to formulate a liberal order where permanent competition is ensured. Favouring the regulation of the economy is necessarily a market sceptic stance and it reveals a fundamental distinction between liberal and conservative attitudes towards the market. Liberals believe in the capacity and necessity of political elites to construct a competitive market order, whereas conservatives believe in the market as a self-sustaining or natural order better left to its own device (Vanberg 1999, Amable 2010). Other aspects of economic regulation, like consumer protection or environmental standards, can be seen as a more fundamental opposition to the acceptance of market outcomes. The willingness to regulate in the name of consumers or the environment is a good indicator for moderate interventionism. An even stronger objection of market outcomes is to deprive certain areas of the economy from any influence of market processes. The control of prices or the nationalization of economic sectors, as proposed by communists, socialist or interventionist social democrats is a hard indication of a fundamental distrust to market outcomes. I demonstrate the discriminatory power of different regulation signals from political parties in Chapter 2 and show in Chapter 3.2.1 the empirical effect of market liberal governments on deregulation policies. Overall, policy signals and policy reforms in the domain of regulation turn out to be very consistently related to the conceptual claims made about market liberalism in Part I.

### 1.6 Summary of Part I

The conceptual part lays out what market liberalism is. Market liberalism is an ideology whose proponents use the heuristic of the market as a simple short-cut for their preferred coordination of societies. The market as a bound place has escaped its initial meaning as a place to exchange goods. It developed into an image of society and thereby became a powerful metaphor for the distribution of responsibility between the individual and the community. The market itself provides a stable conceptual anchor over time and space. *Negative rights of freedom*, *individual property rights*, *concentration of supply and demand* as well as *scarcity* build the indispensable core of the ideology of market liberalism. This set of institutional prerequisites is complemented by the idea of laissez-faire and informs the postfix of market liberalism. The contestation over these core elements is the domain of philosophers.

The adjacent elements *choice, individualism* and *economic rationalism* surround the core and create a legitimized chain of behavioral options. Humans exert their choices on markets with an *individualistic* appeal and succeed with an attitude of *economic rationalism*. This behavior creates *competition* and competition ideally leads to increased efficiency which adds to the raising amount of choice through the improved match of demand and supply. The legitimation of this set of behavioral options should create strong feedback effects because the available and increasing options reinforce the behavioral elements of individualism and economic rationalism (compare Figure 2). Unsurprisingly, the unleashing of such a chain of behavioral motives triggered harsh and controversial debates on the scholarly and political level. These debates are the starting point for the major differences of the conventional political ideologies like Marxism, socialism, social democracy, liberalism, Christian democrats and conservatives. Initially, they all looked into the behavioral aspect of market liberalism, denoted as something between "economic freedom, in and of itself, [as] an extremely important part of total freedom" (Friedmann 2009, 9) and "the icy water of egoistic calculation" (Marx and Engels 2009 [1848], 43).

***Figure 2: The concept of market liberalism***




***Note:*** Own conceptualization.

The peripheral elements, derivatives of the core and the adjacent elements, reach into the political realm of voters and parties. Preferences for concrete policies are driven by the idea that the market as a self-sustaining entity and its outcomes are legitimized by individual and free choices. Additionally, any intervention is perceived to hamper the embraced mechanism of competition. Accordingly, deregulation of markets, and low redistributive transfers in terms of taxes and social security benefits should be of predominant concern for market liberals.

A much more frequently applied conflict dimension is organized around the concepts of left and right. The broader left-right dimension is deeply entrenched in the concept of equality (Bobbio 1996, Laponce 1981). The concept of equality, however, is a much more contested term and even if scholars find temporal agreement over what kind of equality they talk about, the implications for scholarly debates and policies are very different in different contexts. Accordingly a leftist or a rightist can be many things. This abstract metaphor fulfils a useful ad-hoc purpose for people to

politically situate themselves and others. However, it is a poor analytical category in terms of comparability. The same holds true for the so called *cultural dimension* of political conflict. The most abstract way to conceptualize such a cultural dimension is to sort monists from pluralists. Monists aspire a homogenous culture whereas pluralists aspire the equal acceptance of various concepts of life. The analytical problem with such a dimension is that monism can be applied to infinite conceptions of a homogenous cultures. Two equally monist political actors can strive for very different social orders. The limitations of an overall left and right or cultural dimension of political conflict are only problematic for broad claims to generalizability.

The problem is that many researches behave as if these concepts could be used in comparisons with a broader reach and generalizability. Even worse, left and right is often not perceived or measured in difference in degree but as a binary black and white dichotomy. In uncountable comparisons over long time series and spatial units, dichotomous distinctions are included in order to assess the role of ideology on whatever political or economic policy and outcome. On theoretical grounds alone, it is clear that this leads to wrong inferences on the role of ideologies. The more spaces and time points are included, the higher the likelihood that concepts which have different meanings over these spaces and time points do not systematically correspond to anything. The persistent usage of such a concept should therefore systematically bias against the role of ideology the more cases are compared. As time moves forward and data availability increases, comparisons include more and more observations and the supposedly logical conclusion with such a concept is that ideology fades to matter (Imbeau et al. 2001).

I demonstrate in the following chapters that this conclusion is hard to defend. Once we use a comparable concept such as market liberalism, we find a lasting impact of political actor's ideology independent of a changing world which is often argued to constrain the room of maneuver for the manifestation of partisan preferences. Some widespread arguments supposedly contradict the role of ideology. The most prominent being those, arguing for structural tendencies in market societies

of whom no political actor is able to escape. Others highlight the ideational environment which leaves political actors in changing climates of hegemonic ideas. In these perspectives, partisan ideology is either described as unimportant or the convergence of political ideologies is accentuated (compare Chapter 3.1 for a discussion of the different arguments). However, structural constraints and ideational shifts can exist simultaneously besides the importance of ideological differences. Different ideologies are simply assigned to different roles in different phases of ideational hegemony, namely, into the roles of assertiveness and defensiveness (Kriesi et al. 2006, 924; Crouch 2013).

The ideology of market liberalism is an excellent example. I demonstrate in Chapter 1.3 how conservatives and liberals struggled in the after-war period dealing with their market liberal preferences in times where economic planning and redistribution was embraced by majorities. The concept of the *Soziale Marktwirtschaft* in Germany can be seen as a typical expression of the attempt to establish market liberal ideas with a label signaling the opposite. This defensive posture was later passed to social democracy. Equally hard, social democracy struggled to save redistributive elements via inventing a *third way* by equally signaling the commitment to the dogma of the day, neoliberalism.

The concept of market liberalism helps to shed light on these fine grained differences because it sorts existing ideologies on a continuous dimension. Neoliberalism, for example, has various expressions. Some neoliberals are market proponents putting a strong notion on market regulation and redistribution while other neoliberals are outright libertarians. The ladder, simply believe in the free markets. Similarly, various shades of Marxism are equally scattered along a huge part of the market dimension. Accordingly, ideological labels such as social democracy, liberalism or Marxism come with a lot of uncertainty, but the degree to which political actors believe in the beneficial attributes of markets left to its own device, generates a dimension where nuanced differences of the ideologies and their factions become visible. Additionally, the existing political ideologies place

themselves along this dimension on average. However, to measure these nuances is a complex matter and is addressed in Chapter 2.

Constructing a dimension of market liberalism demands to identify a conceptual opposite. Conventionally, the conceptual opposite is the state. The state-market dimension is a prominent conflict dimension and unfortunately often equated with left and right. The problem is, some market liberals embrace the state and some market sceptics do refute the state. On the more market leaning side of the dimension this problem exists for a long time now. Many liberals have always been selective proponents of state-intervention and with the rise of neoliberalism the state is a key provider of a competitive market order. Polanyi has called this observation famously "laissez-faire was planned; planning was not" (Polanyi 1973[1944]). He points to the utopia of a free-market because he observed the busy attempts of politicians to regulate around the manifold problems of market processes. This description is a description of the liberals and their approach to markets and it delineates them from the conservatives who have always seen market outcomes with an attitude of *nonchalance*. The various ideologies on the political left are usually described by pro-state attitudes, historically for good reason. However, more recent tendencies in the political left create some doubts on state leaning positions. The *new left* is often full of skepticism towards state-centered political approaches and embraces a more communitarian social order rooted in decentralized systems of intervention (see Albert 2004 for an example). Interventionism is therefore the logical conceptual opposite to market liberalism. Admittedly, this time interventionism can mean many things.

These many things are the most important gatherable information for the identification of political actors on a market dimension. As politicians are rarely surveyed about their degree of approval to the free market[7] the preferences towards forms of intervention are the most valuable

[7] I conducted 12 Interviews with parliamentarians in Sweden and Portugal. It was easy to convey the meaning of a market dimension. However, it was very difficult to arrive at a scalable party-assessment. The position on a scale becomes only meaningful with an appropriate reference point and these reference points are concrete policies or

information at hand. They are so valuable because they disclose the relative willingness to intervene. The most important task for the identification of an ideological position is accordingly, to sort the many deviances from the ideal of the free market into degrees of market refusal.

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bundles of concrete policies. This conceptual anchor needs to have comparable and imaginable attributes. Usually, I demanded a placement in comparison to Margaret Thatcher. The typical "oh" of the respondents signalled a major adjustment of the scale they had in mind. Asking what they had in mind, they usually referred to a historic party leader from their own party.

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# PART II | MEASURING MARKET LIBERALISM

## 2. How to choose the right party position? A systematic review of measurement decisions

Positional and continuous measurements of partisan ideology are included in countless comparative studies. There is a proliferation of different procedures to measure party positions (Bartolini and Mair 1990; Huber and Inglehart 1995; Gabel and Huber 2000; Laver and Garry 2000; Kleinnijenhuis and Pennings 2001; McDonald et al. 2001; 2007; Pennings and Keman 2002; Franzmann and Kaiser 2006; Benoit and Laver 2007; Marks et al. 2007; King and Wand 2007; Lowe et al. 2011; Helbling and Tresch 2011; Elff 2013; Bakker et al. 2014a, 2014b; Hare et al. 2014; Saiegh 2015; Baker et al. 2015). Many of those have improved the measurement of party positions from simple procedures of aggregation to sophisticated statistical models. Recently, they have incorporated the ideas of indirect observability with latent measurement approaches (Slapin and Proksch 2008; König et al. 2013) and rarely raise awareness on problems of equivalence (McDonald et al. 2007; Oberski 2013).

For a long time, users had to choose between survey based and manifestos based party positions. Increasingly, content or topic modelling approaches complement this duality with automatic content analysis of texts (Grimmer and Stewart 2013; Slapin and Proksch 2008; Slapin and Proksch 2010). Whereas survey based approaches can build on a rich literature on survey methods in order to meet benchmarks of validity and equivalence, text-based approaches still lack a comparative assessment beyond mere tests of convergent validity. However, convergence validity between two competing measures is at best a very weak test of validity and consequently users are left in the dark when it comes to an informed choice of party positions selected to make reasonable comparisons.

In order to structure these choices of users and improve the decisions of those who model party positions, benchmarks or best practices are indispensable. Unfortunately, so far scholars have not agreed on a theoretically or empirically sound benchmark. The first section of the article introduces two theoretically and methodically convincing benchmarks. Survey experiments with experts using conceptually guided anchoring vignettes are the most convincing benchmarks because they reduce problems of equivalence and avoid controversial measurement decisions involved in statement-based models. However, as expert-surveys are limited in number and difficult to get for parties in the more distant past, the text-based approaches are indispensable complements. Based on the assumptions that party positions are theoretical constructs of latent ideologies, only measurable via manifest political statements, I introduce a step by step analysis to infer these latent traits based on theoretically selected and observable statements. To transform these observable statements in valid and comparable party positions requires a lot of decisions. I categorize them into four fundamental decision steps inherent to every theoretical and existing measurement approach.

Applying existing party positions means to buy a bunch of these decisions even though some of them may severely harm the validity of the placements. Therefore, I simulate the impact of individual measurement decisions on construct validity using manifesto data and by holding every other decision constant. The simulations indicate a surprisingly clear hierarchy of decisions. Overall, the simulation confirms a theoretically proposed ideal treatment of statement-based data and point to potential improvements of the existing approaches. The "ideal positions" convergence to expert placements (0.86) and outperform existing approaches which intend to measure the "market dimension" as well (for example Bartolini and Mair 1990; Franzmann and Kaiser 2006; Lowe et al. 2011; Elff 2013). Subsequently, the replication of an influential study on voter punishment of party position shifts (Hellwig 2012) demonstrates the importance of the findings for substantial inferences. The replication demonstrates that many findings in the literature based on conventional party position measures stand on shaky ground. What is often accepted as

convergent validity between different positional measurements leads in fact to very different inferences.

The simulations indicate another important lesson. The recent history of party position measurement has invested a great deal in the sophistication of statistical models capturing latent dimensions with noisy indicators. The results of the counterfactual test of alternative transformations and modeling decisions result in disappointment concerning all this investment in complex statistical modeling. The basics of measuring concepts, such as indicator selection and indicator transformation, are much more influential than sophisticated modeling decisions.

Nonetheless, we need the latest estimator to reveal these shortcomings and hence, I conclude by pointing to potential improvements in the development of expert survey items and manifesto coding procedures. We need to focus more on the information function of items. We need items which provide a better discriminatory power in different areas of a latent dimension. Overall, we need a better conceptual footing of indicator development and party position measurement. This chapter aims at contributing to the improvement of indicators intending to capture one of the most important aspects of political science, namely, the ideology of political parties. Additionally, the findings should help users to guide their choices in an environment with proliferating measurement approaches.

### 2.1 Benchmarks

Construct validity is at the core of the different validity benchmarks, reinforced by convergence and discriminant validity. However, it is often said that there is no gold standard for party positions – which also means there is no accepted benchmark for evaluating the validity of different measurement models against each other. I argue that two surveys come very close to an ideal measurement of the market dimension in terms of validity and equivalence.

The first is the market dimension of the Chapel Hill Expert Survey (Bakker et al. 2012, 2015, codebook, 19). This item is precisely conceptualized. Moreover, a survey experiment with anchoring vignettes proved it comparable across different countries (King et al. 2004, 194; Bakker et al. 2014a, 2014b). Anchoring vignettes improve the conceptual perception of a scale and equally important might help to standardize the perceptions of the range and skewness of a dimension. Interestingly, this survey experiments proved that the market dimension is perceived very similar and does not hardly require vignette based rescaling. However, many studies using party positions use panel observations often dating back to the 1960s. Unfortunately, the CHESS data are limited in temporal coverage and hamper my ambition to assess party positions over a longer time span.

Accordingly, a second expert survey with interval scales conducted by Michael-John Morgan in 1976 complement the benchmark positions. In this survey experts were asked to rank parties on a dimension which they specified themselves and over several countries to ensure cross-country comparability from 1945 to 1975 (Morgan 1976). Conceptual comparability is here ensured by the definition of dimensions by the experts themselves and they almost exclusively named the market dimension to be the most important in the countries and time periods they ranked. Equivalence over time is provided by the fact, that the very same experts ranked the same parties over the entire time-span. Equivalence over countries is improved by the fact, that experts ranked parties in as many possible countries. Both measures combined and standardized (0–1) provide us with 917 benchmark positions from 1945 to 2014.[8]

However, as expert-surveys are limited in number and difficult to get for parties in the more distant past, the text-based approaches are indispensable complements. Based on the assumptions that party positions are theoretical constructs of latent ideologies, only measurable via manifest political statements, I introduce a step by step analysis to infer these latent traits based on theoretically

[8] See Appendix, Table D for a precise description of the benchmark positions.

selected and observable statements. To transform these observable statements in valid and comparable party positions requires to a lot of decisions. Subsequently, I categorize them into four fundamental decisions steps inherent to every theoretical and existing measurement approach.

### 2.2 Step 1: Selection and transformation of indicators

We do not directly observe the ideologies of political actors. The inference of such a latent trait is, rather, based on political statements whose emphasis we observe and relate to the underlying ideology. Political statements become a positional appeal only by being framed in one way or another. For example, a political actor who addresses every policy field by pointing to market solutions or market-related peripheral concepts such as competition or property rights would be a market radical. An actor who always favors state-based solutions would be a radical interventionist or statist.

Positions are reflected in frames on issues. A frame-based approach for market liberalism has never been consistently applied, but data are available which use this method at least in part. The Manifesto Research Group uses coded party manifestos and distinguishes between 56 so-called issue categories (Volkens et al. 2017). Some of them address positional frames and some do not. Although the coding scheme was not designed to measure market liberalism, several categories can be identified as statements for or against the market (see Appendix Part A, Table A, for a detailed description of the selection based on frames). All the issue categories selected are explicitly positional, indicated by phrases such as "support for" or "in favor of." Causally, concrete policy statements are manifestations of abstract ideologies. This causal assumption declares the issue categories dependent variables and the latent ideological position the independent variable.

The selection of issue categories should be as broad as possible, because every additional piece of information on a specific policy issue with a theoretically meaningful relation to the latent construct adds to the precision of the evaluation. Ideally, the different items will have different information

functions and thereby cover a wide spread across the range of the latent trait. That means we select items which help to discriminate between moderate positions and those which help to discriminate between more extreme positions. From a theoretical and methodological perspective a broad indicator selection is always superior to a parsimonious one.

Some researchers have pointed out that the meaning of a political statement is context-sensitive (Fuchs and Klingemann 1990; Bobbio 1996; Franzmann and Kaiser 2006). Statements with the same labels can be right wing in one context and left wing in another. Denotational variance is not necessarily caused by deviation in meaning; it might also be caused by the framing strategies of political parties. Parties might engage with issues in order to translate them into their own ideological issue bundle (Stimson 2015). For example, environmental protection issues were long framed in terms of identity politics, but became increasingly subsumed under a state–market dimension (Kriesi et al. 2006). To subsume issues into given dimensions (Elias et al. 2015) evokes the possibility that indicators are valid for a certain dimension in particular contexts only. Moreover, like the left–right dimension, the market dimension, too, can be subject to instability of meaning or to varying relations of indicators and latent constructs (Huber and Inglehart 1995). These three different arguments all lead to less generalizable assumptions of the relationship between indicators and their latent traits.

A first calculation of a market dimension is now possible with two strong assumptions. First, no context-sensitivity is assumed and, second, the statements are interpreted as strictly positional. The issue categories are therefore coded as being either mentioned or not. Applying an item response model with an assumed Bernoulli distribution yields disappointing results. The model fails to converge on a meaningful market dimension (compare Appendix Part A, Table E, Model 3). This is because parties emphasize many contrasting claims. For example, around 90 percent of the 4056 manifestos under consideration include at least one commitment to the welfare state. At the same time, around 66 percent of the parties have a positive attitude to the free market. For

political scientists, this finding is unsurprising; it serves as the starting point to salience theory (Budge and Farlie 1983).

In political discourse preferences are not only revealed by binary commitments for or against certain issues. In fact, political actors assert their support for many, often contradictory, views. But their claims become relative when they are in a position to implement their promises, albeit with constrained resources. The amount of attention paid to certain political issues reflects those constraints and can also reflect the level of real commitment to a political stance (Pelizzo 2003). This narrative of salience theory is often presented as orthogonal to spatial approaches. However, the concept of salience gains traction mainly when applied to positional statements (De Sio and Weber 2014). In this reading, salience is an addendum to positions, not a contradiction. The relationship between salience and positions, however, can be conceptualized in different ways, as discussed in the next section.

### 2.3 Step 2: Adding salience to positions

There are three theoretical starting points for examining the relationship between salience and positions (Humphreys and Garry 2000). From one perspective, positional and salience-based approaches are antagonistic. From another perspective, mainly in certain readings of the valence approach, salience and positions are identical. In a middle-ground interpretation, salience is only partly related to positions. From the first theoretical perspective, we need no salience to identify positions. But in the last section the market dimension was not confirmed with a pure positional approach. From the second perspective, salience and positions are the same. The empirical application of this approach would be to equate the absolute amount of salience with positions. In the middle-ground approach, the relationship might resemble very complex forms in principle (Humphreys and Garry 2000). Every relation depends first of all on the concept of salience. As salience is a referential concept, a discussion of its basis will prove very helpful.

*The basis of salience*

Positional and non-positional statements can be emphasized repetitively; repetition is seen as increasing salience. In this approach, salience is the sum of emphasis. I call the sum of emphasis for a defined source *absolute salience*. The sum of emphasis is very rarely used in the measurement of party positions, because it is dependent on the overall length of a document. For that reason, salience is often referred to as relative salience. This relativity is defined in relation to a base of absolute statements. Conventionally, the entire sum of statements for a given source constitutes such a base. Hence, I call this approach *source-based salience*. Others argue that only those statements with a theoretically defined relation to the dimension of interest should be used as a base (McDonald and Mendes 2001; Benoit and Laver 2007). Otherwise, salience and positions are influenced by emphasis on things which have nothing to do with the conceptual focus (Laver et al. 2003; Lowe et al. 2011). To take this argument seriously, the basis of salience is the sum of the theoretically relevant statements. I call this approach *dimension-based salience*.

The distinction between dimension- and source-based salience is very important. By definition, dimension-based salience results in bigger distances between positions, whereas source-based salience reduces the distance between political actors. As the whole valence approach is based on positional similarity and positions are often measured with salience, the selection of the basis of salience is a kind of self-fulfilling prophecy. Strong claims for positional differences are often derived from dimension-based measures (Dolezal et al. 2014), whereas source-based salience often leads to a valence interpretation (Green-Pedersen and Mortensen 2014).[9]

[9] There are other approaches splitting salience into actor-specific salience and salience dedicated to the structural discourse. Structurally induced salience can have different causes, like agenda shocks (Laver and Shepsle 1996) or simply the party-system-specific emphasis of issues causing parties to talk about things they would not have mentioned otherwise (Jones and Baumgartner 2005; Green-Pedersen and Mortensen 2014). In a consistent application it leads to a context-specific indicator selection. What is actor-specific in particular places and times is then empirically determined by a separation procedure. So far, the indicator selection in the context-sensitive approach is dependent on three different decisions: the selection of the basis of salience, the specific method of obtaining systematic differences in emphasis, and the identification of a reference group in time and space (see Franzmann and Kaiser 2006 for an application).

*The identification of the salience–position relationship*

The middle-ground theory of salience regards the amount of emphasis as an indicator for real commitment to a position (Humphreys and Garry 2000, 11–15). Often, this leads to an even stronger assumption: a linear relation from salience to position. Every additional emphasis adds the same amount of movement to a spatial representation. In the case of linearity, it does not matter for the location of a party whether an issue such as the privatization of industries is mentioned for the first time or the hundredth. Linearity is very counterintuitive, but there are rare arguments for other specifications. Lowe et al. (2011) argue for a logarithmic transformation, which means marginal decreasing importance for every additional emphasis. They defend this choice with a perceptional perspective based on Fechner's law.[10]

In principle, there can be anything from a relationship from linearity to very complex links between salience and positions. Fractional polynomial analysis is a method to specify the exact mathematical relationship between variables. This technique also allows one to test specific assumptions, such as linearity, with conventional measures of certainty. I test the empirical relationship between the selected indicators and expert placements on the market dimension with fractional polynomial analysis using different bases of salience. Dimension-based salience with a logarithmic link captures the relationship between salience and position very well (see Appendix Part A, Table C).

To summarize, the identification of the relationship between salience and position entails two decisions. First, the definition of a basis for salience – and the dimension-based approach outperforms the alternatives. Second, salience needs to be related to positions. A logarithmic link captures the relationship much better than the default option of linearity. Based on these insights,

[10] Fechner's law describes a relationship between the physical magnitude of a stimulus and its subjectively perceived intensity. In particular, Fechner suggests that the subjective sensation is proportional to the logarithm of the stimulus intensity.

confirmatory models for indicator selection can again be calculated. This time, an item response model confirms the systematic relationship of the logarithmized indicators with one exception for all the selected indicators (see Appendix Part A, Table E, Model 4).[11] Only a well-specified salience–position relationship results in an appropriate confirmation of a theoretically guided indicator selection.

Marginal decreasing importance of repetitive emphasis is a very helpful simplification of the salience–position relationship, introduced by Lowe et al. (2011). However, a supposedly minor decision in their approach has serious consequences for the validity of party positions. Lowe et al. (2011, 134) assume that for aggregated dimensions different statements have to be logarithmized in aggregation, thus assuming that the marginal decline of importance of repetitive emphasis works across indicators. Put simply, demanding more consumer protection twice and demanding consumer protection once plus once labeling that demand as Marxist is assumed to describe the same position on a market dimension. In the next section this assumption is falsified.

### 2.4 Step 3: Weighting the indicators

The literature on measurement of party positions largely ignores indicator weighting. This neglect is on a par with the assumption that statements are either left or right wing. A brief look at the selected statements demonstrate that it is plausible to think in terms of more or less market liberal. Martin Elff (2013) has demonstrated the different locations of statements on latent dimensions. Others apply weighting schemes more implicitly. Techniques such as factor analysis employ factor loadings as a weighting scheme. Famous indicators, such as the Manifesto Group's RILE indicator, use no weighting (Laver and Budge 1992).

Theoretically, there is no reason to assume that different statements have the same importance. Marxism is a strong and encompassing statement against the market. A simple statement of being

[11] Environmental protection is not confirmed to be significantly related to the market dimension.

Marxist is usually sufficient to denote a political actor as very statist. A favorable emphasis on the minimum wage is different. A minimum wage (captured by controlled economy) is clearly a commitment to state intervention, but is far less wholesale an opposition to unhampered market solutions as the commitment to Marxism.

Even maintaining sensitivity to such nuances, it remains difficult to infer numerical differences. Is Marxism ten times as intense a signal as commitment to a minimum wage? I am not aware of any theoretical discussion on indicator weights in the literature on measurement of party positions. Rather, the application of specific statistical techniques automatically imposes indicator weights. The most prominent technique is principal component analysis (PCA), which captures linear relations in the covariance matrix. Regression analysis is also used to select issue categories (Franzmann and Kaiser 2006). Unfortunately, the distribution of the indicators using manifesto data does not support any of these techniques.

The data for text-based indicators are generated by experts, hired coders or computers assigning linguistic units into categorical bins to arrive at issue positions with counted frequencies. Since the categories are very fine-grained, theoretically overlapping, and often provide equivalent options for assigning individual statements, the results are zero-inflated count data with dependent error structures. In combination with the insights from the discussion of salience–position relationship, I propose a specific handling of the data. The frequencies of dimension-based salience are logarithmized. To treat them as count data again, I coarsen them into natural figures. Depending on their distribution, indicators follow often distributive families, such as negative binomial or Poisson. I propose a latent mixed response model which can be applied to calculate latent constructs such as ideological positions, accounts for varying family links, and does not assume normally distributed errors (Rabe-Hesketh et al. 2004; Bollen 2014). Simply stated, the degree of market liberalism of a party explains the marginal likelihood in the frequency of certain statements. A radical market liberal talks about the virtues of competition a lot more than a Marxist.

*2.4.1 The mixed response model*

A response model is a generalized linear model specified via a linear predictor, a link, and a distribution from the exponential family. I will use the general notation without the subscripts for the units of observations, but generally with one level and one latent variable. The predictor therefore has the form

$$v = \boldsymbol{\beta}'\boldsymbol{x} + \sum_{l=1}^{L}\sum_{m=1}^{Ml} \boldsymbol{\lambda}_m^{(l)\prime}\, \boldsymbol{z}_m^{(l)} \tag{1}$$

with the first element of $\boldsymbol{\lambda}_{\boldsymbol{m}}^{(\boldsymbol{l})}$ set to 1. The elements of x are explanatory variables associated with the fixed effects or regression coefficients $\boldsymbol{\beta}$. The latent variable is multiplied by a linear combination $\boldsymbol{\lambda}_m^{(l)\prime}\boldsymbol{z}_m^{(l)}$ of explanatory variables $\boldsymbol{z}_m^{(l)}$, where $\boldsymbol{\lambda}_m^{(l)}$ are parameters (factor loadings) (see also Rabe-Hesketh et al. 2004, 170).

The link is a conditional expectation of the response y given $\boldsymbol{x}$ and $\boldsymbol{z}$. I will use the conditional response and combine it with the linear predictor v via a link function g(·)

$$\mathrm{g}(E[y|\boldsymbol{x},\boldsymbol{z}]) = \nu \tag{2}$$

As discussed above for some of the indicators, the response model needs to be a model for counts (nonnegative integers); it is typically specified via a log link. The link function turns into

$$\ln E[y|\boldsymbol{x},\boldsymbol{z}] = \nu \tag{3}$$

The specification is completed by choosing a distributional "family" for the conditional distribution of the response indicators given the latent and explanatory variables. Conditional on the specific kind of the response variable, we use different links. For a continuous response with a normal distribution the conditional density becomes

$$f(y = s|\boldsymbol{x},\boldsymbol{z}) = \sigma^{-1}\phi(v\sigma^{-1}), \tag{4}$$

Where $\phi$ denotes the standard normal density and $\sigma$ being the standard deviation of the error. The response model for counts and durations in continuous time (nonnegative integers) is specified via the log link (3) and the Poisson distribution. The conditional density is

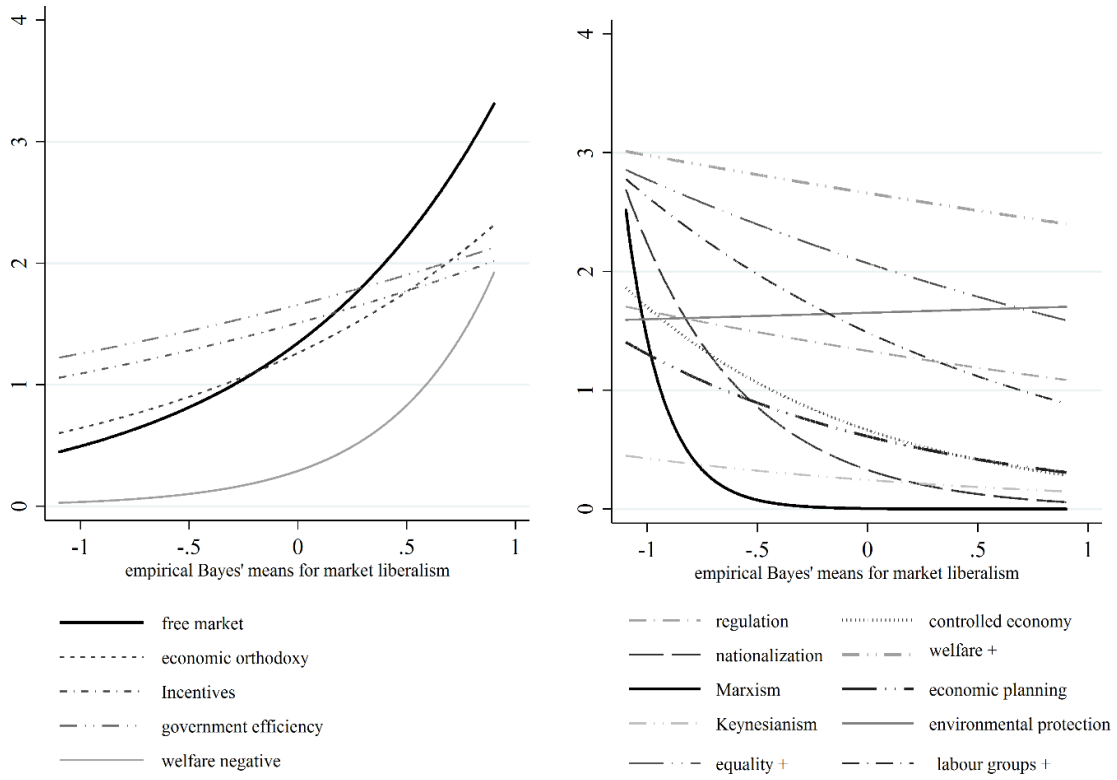
$$f(y = s|\boldsymbol{x}, \boldsymbol{z}) = \frac{[exp(v)]^s}{S!} exp\big(-exp(v)\big). \qquad s = 1, \dots, S-1, \qquad (5)$$

where s = 1, …, S are the response categories.

Dependent on the distribution of the observed indicator, we select the conditional distribution and the link of the response process following Equations 2–5. With numerical integration we arrive at the likelihood marginal of the observed and logarithmized data counts, depending on the position on the latent variable. A one-unit change of logarithmized emphasis on a specific indicator is associated with a specific shift on the latent ideological position. The marginal log-likelihood is maximized with a Newton Raphson algorithm using the program Gsem in Stata (Rabe-Hesketh et al. 2004). The integral is approximated using adaptive quadrature (Rabe-Hesketh et al. 2004).

Figure 1 illustrates the characteristic curves of all items. The curves are based on conditional likelihoods over the distribution of the latent trait. The maximum value is 4 because the indicators are logarithmized and the logarithm of 100 is around 4.6 (100 percent emphasis on one item is the theoretical maximum). On the left side are all items which were assumed to be positive signals for market liberalism. For example, government efficiency is an "easy" item. The location is high and the curve rather flat. The likelihood that this item is emphasized is high across the entire dimension and it discriminates poorly between market liberals and interventionists. Signaling negative attitudes toward the welfare state is a "hard" item, with a steep curve, a very low likelihood on the interventionist extreme of the scale, and a high likelihood on the market liberal end. Having information on a hard item is more valuable because it more accurately locates parties on the latent dimension.

**Figure 3:** Item characteristic curves




***Note:*** Calculation based on Equation 5.

On the right side of Figure 1 are the interventionist items. Only one item does not fit the theoretical expectations: environmental protection turns out to be a signal without any discriminatory power on the market dimension. Items such as Marxism, controlled economy or nationalization are "hard," with superior discriminatory potential. These results perfectly fit the theoretical expectations. A single statement of being a Marxist or a positive attitude to the nationalization of private companies is a strong indication that a party is very interventionist. By contrast, emphasizing regulation does not tell us much about the location of a party.

The average slope of the item characteristic curve is the coefficient in the response model and turns into an explicit weighting of the indicator when positional predictions are calculated. These weights can be compared to those derived from other techniques. For example, PCA leads to results where regulation is a stronger signal for interventionism than Marxism. Overall, indicators

with very low means are greatly underestimated in response models or factor analytical technics where the distribution of the indicator are not Gaussian (see Appendix Part A, Figure A). Importantly, then, treating the different indicators as if they have the same informative value for an ideological dimension is clearly fallible. Procedures employing the simple aggregation of issues produce biased estimates of ideological positions. The bias is fairly systematic, because easy items are given too much weight in comparison to hard items.

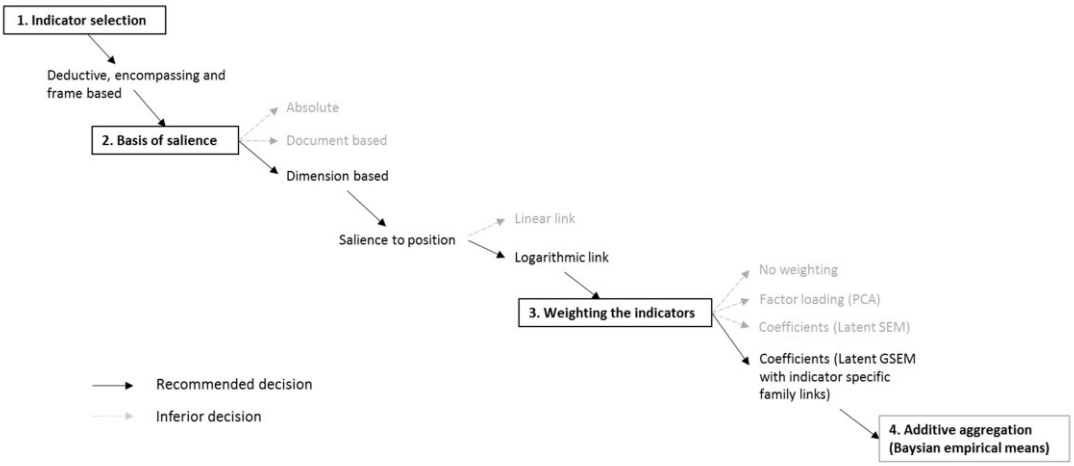
### 2.5 Step 4: Aggregation

Traditionally, many procedures aggregate party positions by simply adding indicators. However, the proliferation of latent variable models applied to positional measurements brought significant change in the (maybe rather implicit) choices for aggregation. Many use empirical Bayesian means for prediction; hence party positions become weighted means of indicators instead of the unweighted sum of indicators. Empirical Bayesian means calculate more than weighting averages: they account for the number of observations which informed the likelihood for a position on a latent dimension. Estimates based on very few observations (counts) are moderated by the procedure, whereas estimates based on a high number of observations are less affected. For mainstream parties with a lot of information on the economic dimension, it makes little difference which of the two aggregation methods is used. Parties with very low salience on the market dimension are moderated by the empirical Bayesian means. Both procedures have advantages and drawbacks. The intuition that we would not place actors as very radical based on a single statement is appealing, but also contradicts the intuition that a single statement of being a Marxist is sufficient to place someone extremely low on a market dimension. I follow the Bayesian assumption by preferring moderation of positions with increasing uncertainty.

To summarize, I followed a consistent deductive reasoning which leads to clear advice on an admittedly complex decision tree of transforming indicators and measuring party positions with

text-based indicators. Figure 2 highlights the decision steps and types preferred from alternative options.

**Figure 4:** Indicator transformation and measurement decision tree




***Note:*** Preferred decisions in bold.

### 2.6 Assessment of validity

The correlations between the approach outlined above and alternative measurement approaches of the economic or left–right dimension are illustrated in Table 1.

**Table 1:** Construct, convergence and discriminant validity

| **Benchmark** | **Economic Dimension** | | | **Overall Left and Right** | | |
|---|---|---|---|---|---|---|
| **Geography** | Every Country | Western Europe | Eastern Europe | Every Country | Western Europe | Eastern Europe |
| Market Liberalism | **0.86** | **0.87** | **0.84** | 0.74 | 0.79 | 0.46 |
| Economic Dimension (Elff 2013) | 0.76 | 0.77 | 0.67 | 0.65 | 0.71 | 0.33 |
| Economic (Franzmann & Kaiser 2006) | 0.71 | 0.73 | 0.56 | 0.68 | 0.71 | 0.41 |
| Free Market (Lowe et al. 2011) | 0.69 | 0.71 | 0.54 | 0.60 | 0.64 | 0.28 |
| Left Right (König et al. 2013) | 0.73 | 0.75 | 0.49 | 0.83 | 0.84 | **0.75** |
| Left Right (Franzmann and Kaiser 2006) | 0.76 | 0.79 | 0.36 | **0.84** | **0.88** | 0.62 |
| Rile (Laver and Budge 1992) | 0.67 | 0.69 | 0.31 | 0.70 | 0.73 | 0.40 |
| Two-Level Model (country level) | 0.78 | 0.81 | 0.78 | 0.70 | 0.75 | 0.47 |
| n | 519 | 468 | 51 | 284 | 234 | 50 |

***Notes:*** The 51(50) observations of Eastern European parties are distributed over the following countries: Czech Republic, Hungary, Lithuania, Poland, Slovakia, and Slovenia. Party positions for the correlations in this table are based on the published procedures from the authors.

Even though there is a certain degree of convergence between the different approaches, the approach introduced in this article has the highest correlation with the invariant expert positions. Left–right positions, such as the König et al. (2013) or Franzmann and Kaiser (2006) approach, have moderate correlations with economic or redistributive preferences in Western Europe (0.73 and 0.76). For Eastern Europe the correlation is much weaker. The context-sensitive measure of Franzmann and Kaiser (2006) performs best in representing an overall left and right dimension in Western Europe. These findings mirror the theoretical assumption that the concept of market liberalism is more equivalent across time and countries, whereas left and right are very context-sensitive.

Context-sensitivity of the market dimension can be tested with a multilevel mixed response model, with party positions being nested in countries. Adding the country level to the mixed response model and allowing random intercepts and slopes results in lower validity in comparison to the model without country-specific parameters (0.78 versus 0.86). The reason is, the country level has far too few observations to seriously apply multilevel modeling for the measurement of party positions. Ironically, a context-sensitive procedure reduces comparability.

### 2.7 Counterfactual transformation and measurement decisions

Other potential measurement decisions listed in Figure 2 are counterfactually tested. The variance of the indicator selection is provided by borrowing different approaches from the literature. Martin Elff's (2013) approach has a narrow selection of issues, all of which turn out to be robustly related to the market dimension. In contrast, Bartolini and Mair (1990) have a very broad issue selection, some of them only very weakly related to a market dimension. Franzmann and Kaiser (2006) were the first to apply context-sensitive issue selection as well as actor-specific salience.[12] The approach is simulated with and without actor-specific salience. These approaches are compared to the theoretically guided issue selection discussed above (see Appendix Part A, Table A). After over 1000 simulation models with every potential specification, I again correlated the resulting party positions with the benchmark positions. A look at the results clearly sorts the advisable from the unadvisable measurement decisions (see Appendix Part A, Table F, for a detailed overview of the simulation results).

[12] It should be reiterated here that party positions are recalculated with the necessary variance on the four decision steps and do not show the positions calculated by the authors originally. For example, Franzmann and Kaiser (2006) use an additional smoothing procedure over several legislative periods and Elff (2013) applies a Bayesian estimator to predict positions. This is a deliberate simplification in order to separate the decision steps from different approaches and to generate suggestions for improvement.

**Table 2:** Hierarchy of measurement decisions

| Decision Step | | Best Choice | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Indicator selection** | | broad and theoretically guided | > | parsimonious | > | arbitrary | | |
| **Salience to Position** | *a. Base* | dimension-based salience | > | document-based | > | Pure positional (binary) | > | absolute salience |
| | *b. Link* | logarithmic | > | linear | | | | |
| **Weighting based on** | | Mixed response model | > | Response model | > | Principal components | > | No weighting |
| **Aggregation** | | Empirical Bayes means | > | Simple addition | | | | |

***Note:*** See Appendix Part A, Table F, for a detailed overview of the simulation results.

The alternative approach of measuring economic partisan preferences (Franzmann and Kaiser 2006; Lowe et al. 2011; Elff 2013) has lower correlations with the market dimension compared to this approach (see Table 1). After the simulation I can sort out the reasons. Using the absolute amount of salience and a narrow issue selection decreases the validity of Elff's (2013) point estimates. Regression-based and country-specific issue selection bias against issues with low salience in the case of Franzmann and Kaiser and reduces the comparability of the positions. Lowe et al. (2011) use the logarithm after aggregating the indicators, leading to lower validity and comparability.

The most important insight from the simulation is to acknowledge that indicator selection and transformation is much more important than model specification. Using techniques like mixed response models without an appropriate indicator selection or transformation can produce invalid estimates. For example, choosing a linear relation from salience to position rather than a logarithmic one reduces the correlation to the benchmark positions on average from 0.80 to 0.55. By contrast, using a mixed response model instead of a simple PCA with an appropriate indicator selection and transformation increases the correlation from 0.83 to 0.84. Sophisticated statistical

models are appreciated, but their application should not compensate for the basics of scientific inquiry – namely, concept formation and indicator selection.

The average correlation between the four different approaches intended to measure the market dimension is 0.74. In the next section I demonstrate that the remaining discrepancies between these approaches can fundamentally and interestingly change the inferences of studies.

### 2.8 Substantial impact

Measuring party positions is not an end in itself. Rather, it is a service to those who use these measurements for substantial inferences. As I will demonstrate, if and how parties matter is to a great extent dependent on how I measure partisan preferences. For example, Adams et al. (2015) claim that voters respond not to party manifestos but to a wider information environment. This concept was operationalized with expert placements. Following the approach described above, manifesto and expert-based placements are highly similar (in many cases correlations are above 0.9 within countries). Consequently, Adams et al.'s (2015) findings are better regarded as a measurement artefact rather than a substantial result. Expert placements are simply a better description of a party position than the RILE indicator with several improvable modeling decisions. So why would voters respond to an invalid estimate?

Studies focusing on positional shifts of parties are even more sensitive to modeling decisions. Hellwig (2012) assesses a very important question of government accountability in response to economic performance. I selected this study for replication because Hellwig claims to measure the preferences for the "free market" of the major party in government, draws inferences based on positional shifts, relies on the same data source and finally provides an argument where ideological positions on the economic dimension are well justified and causally short. His major findings are: Center-left as well as center-right parties are electorally punished for convergent positional shifts (moving closer to the mean voter) and rewarded for divergent shifts (moving away from the mean

voter).[13] However, in the case of rising unemployment or inflation, electoral reward and punishment reverse direction. Electoral punishment of poor economic performance is reduced by the parties converging: "Accounting for both partisan and strategic factors demonstrates that strategically timed moderating shifts can shelter incumbents on both the right and the left for overseeing a poor economy" (Hellwig 2012, 107).

Hellwig (2012, 101) argues for the validity of the positional measure of "preferences for the free market" he uses. Correlation with the approaches discussed in this article is moderate (0.66 with the expert survey, 0.70 with the best performing approach of this article). Replacing Hellwig's measurement with the measurement proposed above leads to very different results and inferences (see Table 2). There are no longer any significant effects of party movements in models including left and right governments.

**Table 3:** Replication of "Party Position Taking and Economic Voting"

| **DV: Change in voter support (percentage)** | **Original** | ***Replication*** | **Original** | ***Replication*** | **Original** | ***Replication*** |
|---|---|---|---|---|---|---|
| | Full sample | *Full sample* | Centre Right | *Centre Right* | Centre Left | *Centre Left* |
| Convergent Shift (CS) | -2.31* | *-0.71* | -2.70 | *-3.67*** | -4.44** | *1.61* |
| CS*Unemployment | 0.42** | *-0.02* | 0.56** | *0.34* | 0.67 | *-0.55* |
| CS*Inflation | 0.95 | *-0.96* | 1.55* | *-0.25* | 1.09 | *-1.32* |
| Divergent Shift (DS) | 2.11 | *1.29* | 3.83** | *4.78**** | 3.31 | *-3.20* |
| DS* Unemployment | -0.43** | *-0.06* | -0.69** | *-0.43* | -0.60 | *0.78* |
| DS* Inflation | -0.49 | *1.12* | -0.65 | *0.69* | -0.89 | *1.14* |
| n | 180 | *180* | 101 | *101* | 68 | *68* |

***Note:*** I used the replication material and therefore the same model specification and variables as Hellwig (2012). Only party position shifts are described in Table 2.

Splitting the sample between center-left and center-right governments again leads to different results. In contrast to Hellwig's findings, center-right parties are punished for convergent shifts

[13] I focus on the most important findings, summarized in Hellwig (2012, 106, table 2).

while center-left parties are rewarded. Conditional on the economy, Hellwig's findings indicate that, in bad economic circumstances, convergence is always the dominant strategy. The replicated findings lead to different conclusions. In times of high inflation, divergence is advisable. Positional shifts in reaction to unemployment have different effects for left and right parties. Left parties are rewarded for divergence and right parties for convergence. The plausibility of the different findings could be discussed elsewhere. In fact, the results demonstrate that a correlation of 0.7 between two measurements intended to capture the same concept can lead to very different results and inferences. I observe about the same level of correlation between many of the competing measurements for the market dimension discussed in this study.

### 2.9 Degrees of equivalence

In all comparisons using partisan preference measures, I assume the same point estimate to mean the same thing across culture and time. This reflects either a strong belief in the cross-cultural comparability of ideological positions or simply the ignorance of an old debate about equivalence (Berry 1969; Little 2000; van Deth 1998).

The assessment of equivalence presupposes valid measurements (Garver and Mentzer 1999, 34). In order to arrive at valid measures several sub-dimensions of validity have to be satisfied.[14] Testing for content and substantive validity requires extensive knowledge and insight into the conceptual nature of the construct within a given context (Garver and Mentzer 1999, 35). The increasing tendency to use latent variable models as an inductive procedure in political science is not supported by its statistical foundations. Valid positions on latent dimensions can only be developed and evaluated with a theoretical perspective (Garver and Mentzer 1999, 36; Skrondal

[14] Garver and Mentzer (1999, 34) list the following subdimensions: content-validity, substantive validity, unidimensionality, reliability, convergent validity, discriminant validity, and predictive validity.

and Rabe-Hesketh 2004). Carelessly theorized concepts inevitably lead to problems of low validity and low equivalence.

Equivalence is achieved when two statements have the same truth value in every model (Mendelson 1979, 56). That means that the relationship between observed indicators and the latent construct is identical. Since there is no absolute identity, equivalence should be seen as a matter of degree. Based on the work of Golembiewsky et al. (1976) and Chan (1998), Brown (2014) categorizes four degrees of equivalence.[15] Identical patterns between indicators and the latent construct as well as the same number of indicators over subgroups would be described as equivalence of equal form (also called *gamma equivalence*). The overall left and right dimension is often described as having two sub-dimensions: market liberalism and cultural conservatism. Both sub-dimensions should have the same relation between indicators and construct across different subgroups in order to be rightfully considered gamma equivalent. Empirically, the association of the two sub-dimensions varies over cultural contexts (Fuchs and Klingemann 1990; Franzmann and Kaiser 2006; Marks et al. 2006; Rovny and Edwards 2012). Market liberalism and cultural conservatism are positively related in Western Europe, but there is a weaker and sometimes a reverse association in many other countries.[16] These studies demonstrate that an overall left and right dimension violates the weakest level of equivalence on theoretical grounds alone.

A higher benchmark for equivalence demands equal factor loadings across groups (*lambda equivalence*). Equal loadings indicate that different indicators have the same importance for an overall latent construct over different subgroups. In the case of left and right, it would mean that economic and cultural issues contribute with identical strength to the perception of left and right in different contexts. The other two benchmarks demand "equal intercepts" (tau equivalence) and "equal

[15] The categorization was developed for Confirmatory Factor Analysis. However, latent measurements approaches in a structural equation framework follow the same rationale.

[16] The correlation between a general left and right dimension and the economic dimension using the Chapel Hill Expert Survey (CHES) is instructive. In Western Europe the correlation is 0.9; in Eastern Europe 0.57. Even more instructive is the negative correlation between the cultural and economic dimensions in the East (-0.24) and the strong positive relation in the West (0.77).

residual variance" (theta equivalence). The state of the art in measuring party positions in political science struggles with the first level of equivalence.

Interestingly, there is a growing branch of literature measuring party positions relating equivalence to a particular problem of reliability. Even with a shared conceptual interpretation, varying perceptions of a scale can distort reliability, leading to positional placements that are hardly comparable not because they are differently perceived but because the scale does not provide any anchor for orientation. Bias in scale perception is sometimes addressed by attempting to set fixed points in the space – so-called anchors, vignettes, or bridging observations. They reveal the bias in scale perception of those who made the placements. The bias and stretch parameters are used to correct placements in individual survey research (Aldrich and McKelvey 1977) and also increasingly to address invariance of party positions (King and Wand 2007; König et al. 2013; Bakker et al. 2014a, 2014b; Hare et al. 2014; Saiegh 2015). Whereas anchors guide perceptions prior to the placement, vignettes or bridges are applied to correct perceptions ex post. Both procedures simply standardize the perception of meaning and/or space. But they are not independent of each other. Without a solid conceptual frame, there is no guide for a useful fixed point (Mair 2001; Benoit and Laver 2012). The two different entry points of the reliability problem have a natural order. Difference in meaning is a first-order problem and scale perception a second-order problem.

Since it is not clear what left and right conceptually mean, there is no convincing anchor to standardize the meaning of an overall left and right dimension; it is therefore difficult to invent convincing vignettes or ex-post corrections of meaning and scales. For example, Saiegh (2015) corrects left and right placements in Latin America using approval of internationally well-known politicians to bridge the perception of left and right scales across countries. But how exactly can sympathy for, say, Barack Obama reveal our conception and spatial location on a left–right scale?[17]

[17] In another case, the manifestos of European party factions are used to correct cross-country left and right placements (König et al. 2013). Again, from a causal perspective we do not know if the rescaled placements are better or worse than the uncorrected ones. European party manifestos might reveal a systematic scaling bias of country-based manifestos, but they might also mean something very different at the same time.

Anchors, bridges, and vignettes have the potential to increase the comparability of party position measurements, but we can assess their effectiveness only in cases where they are conceptually grounded.

There is overwhelming evidence that the left and right dimension lacks a comparable meaning across countries. Consequently, it is ill-suited for any attempt at rescaling. Instead, comparative studies need to focus on concepts and measures that can travel (Mair 2001, 10). The traveling capacities of concepts are usually considered to improve as they move up the ladder of abstraction (Sartori 1970), but sometimes it is better to reduce abstraction in order to achieve concepts with more pertinence. Market liberalism is an example of how to increase the comparability of political preferences by narrowing the conceptual scope.

### 2.10 The Meaning of Market Liberalism over Time

Before I assess the equivalence of party positions on a market dimension as measured in Chapter 2, I have to point to the limits of this assessment. Latent measurement models as a base for equivalence tests their roots in psychology. The structure of the data in psychology is usually different from the structure of data in political science and partisan research. In psychology, items for latent constructs are much more carefully designed and often build on a history of specific items-tests, adaptation and improvement. The careful design of items allow high benchmarks for model fit parameters. Additionally, psychological research is usually cross-sectional and accordingly equivalence is assessed across reasonable sub-groups in one point in time. These cross-sections usually draw on thousands of observations with highly valid items.

In partisan research we usually have times-series data and very limited observations per cross-section because the most meaningful cultural sub-group is a party system. A party system has usually between 2 and 6 effective parties within one point in time. Accordingly, on the partisan level there is no convincing way to apply equivalence tests for cross-sections. The only way out

would be to inspect the voter level and infer the relations between items and latent constructs across groups of voters. As comparable survey items on specific policy issues and party positions across time and countries are not available and as I have laid out in the first chapter that voters might perceive ideologies different than party elites, I do not see any reasonable solution to robustly make inferences about the equivalence of party position measurements across groups.

As the replication of Hellwigs study in Chapter 2.8 demonstrated, party position change over time is an important research field in political science. Longitudinal measurement invariance is based on a claim that changing positions of parties are indeed manifestations of different positions and not manifestations of change in meaning or measurement. Regulation of the economy is a good example. From a conceptual point of view I have argued that regulation is generally a weak interventionist signal because it reveals the stated necessity of market interventions. However, regulation of the economy from a neoliberal perspective can also mean market making via anti-trust laws. In the same direction, incentives (another CMP category) mainly address tax policies. In the pre-1980s, incentives like tax exemptions and reductions where instruments of economic steering, whereas in the 1990s tax incentives rather referred to the abandonment of such exemptions in order to induce incentives for a levelled playing field of corporations. Based on these examples, it is quite likely that the meaning of a policy category as defined by the CMP/Marpor group changes its meaning and thereby the relation to a more abstract ideological dimension such as market liberalism.

Empirical investigation of longitudinal invariance are not very widespread. One reason was mentioned above, measurement invariance originates from a discipline with a strong focus on cross-sections. Even in psychological research it is rarely applied. "In absence of such an evaluation, it cannot be determined whether temporal change observed in a construct is due to true change or changes in the structure of the measurement of the construct over time (Brown 2014, 221). An assessment of the degrees of equivalence which was limited in my case for cross-culturally

applications is equally valid in a longitudinal framework. Cultural groups are simply replaced with time periods.

A coefficient of a latent structural equation model as the one proposed in the last part represents the likelihood of an item being signalled in dependence to the position on the market dimension. Being more market liberal basically raises the likelihood of doing statements in favour of the free market. As I can reasonably take this last statement for granted, I estimate structural equation models with running time series of 10 year intervals and fix the free market issue (401) to a value of one in each model. This constrained coefficient serves as an anchor for the scales of the different models. I select a ten year interval in order to assure a sufficient number of observation. Admittedly, this leads to a smoothing of the coefficients across models and should be taken into account while inferring denotational stability of policy issues for the latent dimension of market liberalism.

In total, I calculate 86 latent measurement models with running ten year intervals and depict the coefficients of every issue over time from 1925 until 2015. In Figure 4, these coefficients are illustrated. As discussed before, the coefficient reflect the slope of the information curve and thereby indicate the discriminatory potential of the individual issues, averaged for the time period of the respective model. As explained before, the issue of *free market* is constrained to a value of 1 in order to serve as a reference point for the other issues over the entire time period. In 1925 *Marxism* (coefficient of -3.8) was around two times as intense of a signal for interventionism as for example the *nationalization* of industries (-2.1). In 2013 *Marxism* is still around twice as strong of a signal for interventionism in comparison to *nationalization* (-2.8 versus -1.8). The higher the coefficient the better the emphasis of the item discriminates between interventionist and market liberals. Items with good discrimination are called hard items. The hard items such as Marxism, free market, nationalization or reduction of the welfare state have not substantially changed their discriminatory power for a market dimension in a period of 86 years.

However, other issues have changed their relation to market liberalism. To mention *incentives* was meaningless for a discrimination between market liberals and an interventionists until the late 1960s. This probably has to do with Keynesian consensus, the widespread acceptance of tax policies to incentivize specific investments. *Incentives* turned into a moderate signal for market liberalism afterwards just in line with a change of meaning, referring to a tax structure with equal or low taxes for companies. *Controlled economy* has lost a lot of its discriminatory potential over time. The reason lies in the two main policies it captures. Following the code book of the Manifesto Project, *controlled economy* is either assigned in cases where parties mention their intention to control prices or where parties signaling their willingness to introduce a minimum wages. My hunch is that for a long time the control of prices was the dominant topic within this category and price control is a strong interventionist signal even in times of the Keynesian consensus. Within the 1980s price controls are hardly ever suggested by political parties and the second aspect of controlled prices, supportive emphasis of a minimum wage, dominated the coding of this category. A minimum wage is, however, less strong of signal against markets and on low levels also supported by market liberals.

The inference of market liberalism being a concept with a stable meaning over time can only be approached in light of clear benchmarks. The literature on measurement equivalence provides such benchmarks. The first benchmark of equivalence (gamma equivalence) demands resemblance of the functional form across subgroups or in this case time points. I might overall conclude that functional resemblance of the hard items is given, as they significantly discriminate between pro or anti-market signals across the entire time span. The vast majority of issues do fulfil this criterion, because issues crossing from strong negative to strong positive items are not existent. As the confidence intervals are overwhelmingly narrow with p-values lower than 0.01 for every item in almost every model, I can at least state that the signals have a pro- or anti-market posture with high certainty.

These inference can only be based on the observations of hard items like *Marxism*, *economic control*, nationalization or *welfare state retrenchment* and *administrative efficiency*. Many soft items are hardly distinguishable from null effects or even temporally change the algebraic sing. These items should be reconsidered following a strict interpretation of gamma equivalence. Inferring lambda equivalence would demand to have inseparable coefficient sizes over time. Knowing that confidence intervals are very narrow, I need to reject the confirmation of lambda equivalence. For example, looking at *controlled economy* in the 1920s and 2000s indicate a significant difference in the strength of a signal against market liberalism. These violations of lambda equivalence necessarily rule out equivalence on any higher levels such as thau or theta equivalence.

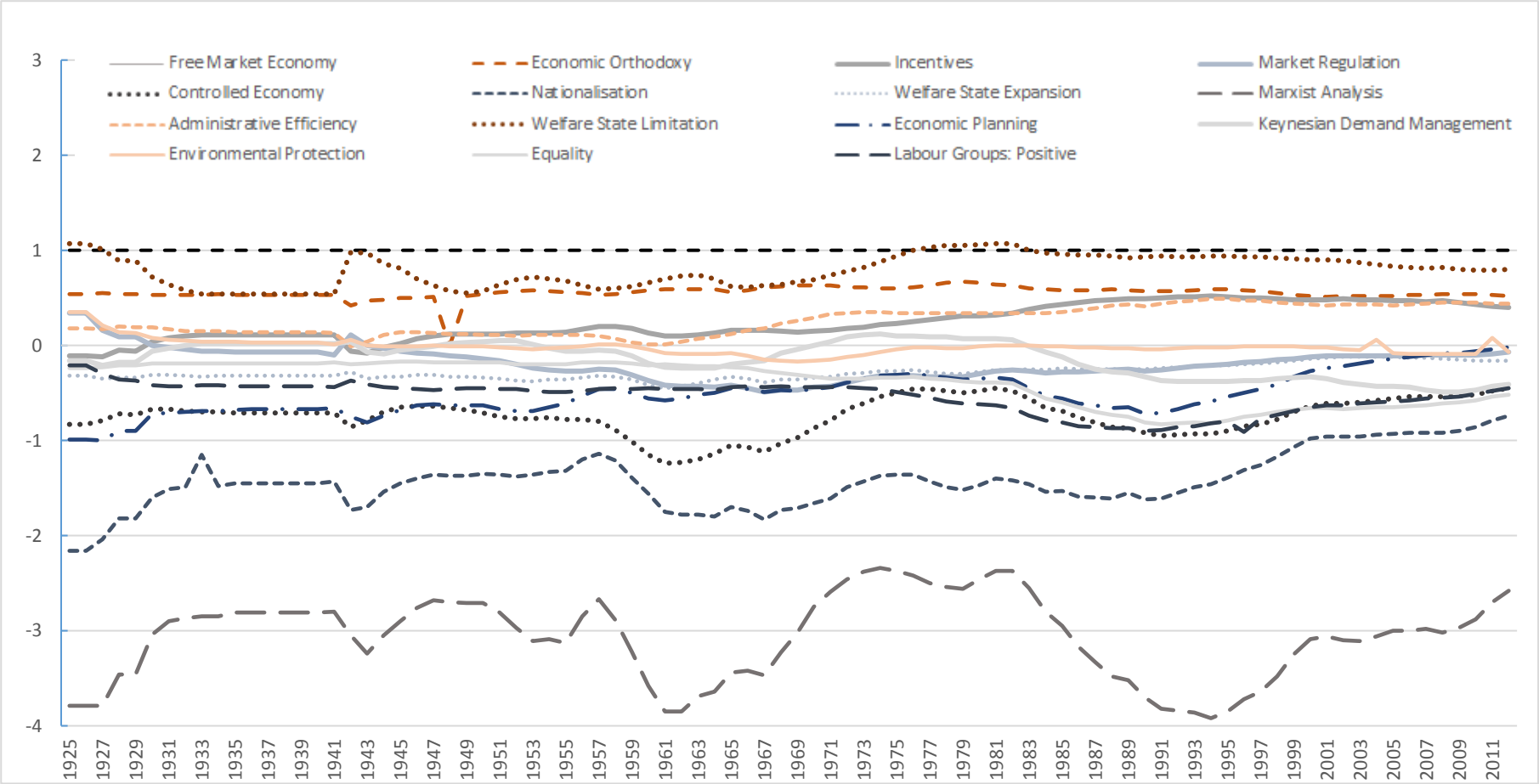
This might appear disappointing because point estimates of parties on a market dimension do not necessarily reflect the exact same thing even though the procedure I provide has the highest construct validity in comparison to other approaches. This in turn means I cannot rule out that positional changes of parties are simply an artefact of a changing underlying meaning of an issue. In principle, every substantial findings based on such a measure can be an artefact of measurement variance.

However, perfect lambda equivalence of an abstract construct like market liberalism over 86 years would be extremely surprising for two reasons. First, we know from political discourses that issues and their meaning as well as their relation to specific ideologies are subject to permanent and often subtle change. Second, the quality of the used items is far away from psychological standards. The items I used are not designed to measure market liberalism and the way they are assembled induces a lot of uncertainty (see also Benoit et al. 2009). Additionally, uncertainty increase with every mathematical transformation.

On the background of imperfect issues, the proliferation of uncertainty and low number of observations across countries, the results should be discussed in relative terms. In relative terms means that equivalence over such long time and dozens of countries is a very high benchmark.

Measurement equivalence of higher order than gamma for such a coverage is probably not possible in the social sciences. Equivalence in relative terms also means to compare alternative ways of approaching ideological positions. Equivalence in case of binary left and right distinction means that communist and social democrats share the exact same preferences on economic policies. This is of course a strange assumption because the different labels of communist or social democracy usually stand for exactly a number of differences in these preferences. However, it also demonstrate what we implicitly assume while putting a partisan dummy into a regression model. To a lesser degree absurd but also connected with a sore tummy is the equivalence of liberal parties and national socialists. Measured continuously on a left right scale they would have rather similar positions. Liberals because they are drawn to the left by their anti-discriminatory and pluralistic approach to values and national socialist because their socialist attitude towards the economy. In short, binary and continuous measures of an overall left and right dimension violate already the lowest level of equivalence. In a relative perspective, an indicator of market liberalism is an improvement although it is still far away from a perfect equivalent description of socio-economic preferences over a long time period.

**Figure 5:** The meaning of market liberalism over time




***Note:*** Estimates are based on a generalized structural equation model using running averages over different time periods. From 1925 until 2015 we use 25 year intervals to have a sufficient number of observations. From 1990 to 2011 I use 10 year intervals because of the increasing number of coded party manifestos. The average number of observations per interval is 4224.

### 2.11 Towards comparable government preferences

With very rare exceptions, governments consists of parties.[18] Similar to party's preferences, government preferences are not comparable if the meaning of party positions varies over time and space. Accordingly, the problem of equivalence travels from partisan to government preference measures.

Measurements of government ideology usually take notice of the developments in the partisan measurement literature with a considerable delay. In political science, and even to a stronger degree in the economics literature, distinctions of left, center and right are still the predominant approach. For example, around 3.000 studies have used the The Database of the Political Institutions, compiled by the World Bank Development Research Group (Beck et al. 2001; Cruz et al. 2015). The dataset codes executives as left, center or right. The categorization follows predominantly the self-categorization of party families with conservatives, liberals and Christian democrats being right and communists, socialists or social democratic parties being left. Interestingly, center parties are those being described as "centrist". According to the codebook, a "party advocates strengthening private enterprise in a social-liberal context" is considered centrist. Even more interestingly, the coders tried to avoid center parties which where centrist because factions "average out" to a centrist position like "Marxist right wing Muslims", as the codebook propose an example (Cruz et al. 2015). More fine grained measures are very difficult to get for such a coverage and accordingly, the simple categorization of ideologies is probably based on problems of data availability.

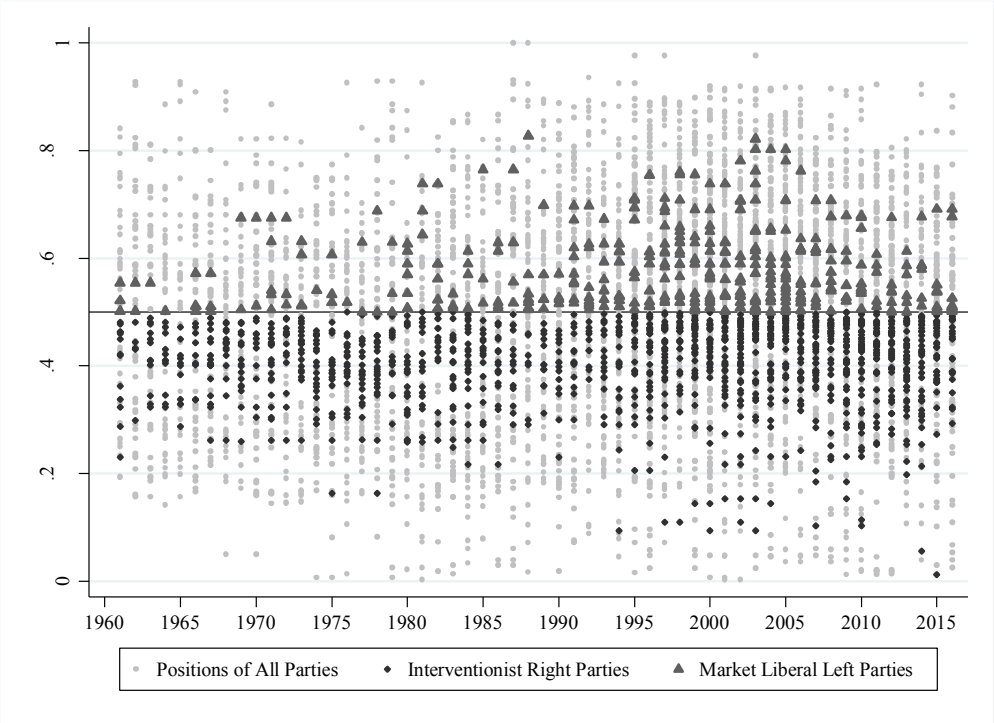
Empirically, a simple comparison of a binary distinction and fine grained positions towards the market reveal a considerable and growing mismatch (compare Figure 5). There are various reasons for this tendency (see also Part 1.5). Before the 1980s parties followed the Keynesian consensus (Singer

[18] The most widespread exemption are "technocratic" care-taker governments.

1997). In these periods conservative and Christian democratic parties were committed to rather interventionist policies, including demand side management and the increasing generosity of the welfare state. Parties like the British Conservatives or the Christian Democrats in Italy had more interventionist agendas in the 1950s and 1960s than many Social Democratic Parties after the 1990s. However, many social democrats adopted moderate market liberal in the 1980s and 1990s (Crouch 2013; Amable 2013), before a hesitant reorientation after the financial crisis in 2008 took place (see Part 1.5). Additionally and with increasing support, populist radical right parties enter the lower right part of Figure 5. The reason is, many radical right parties are selectively interventionist, protecting, in chauvinist ways, their growing clientele of workers (see Chapter 3.4)

The phenomena of radical right wing parties is comparable to a broader phenomenon of parties with strong nativist identities. It refers equally to an aggregation problem of the overall left and right dimension. Radical right parties are classified as right because of their cultural nativist signals and usually in full ignorance of their economic and welfare positions. The opposite holds true for many liberal parties, which are usually classified as right based on their market friendly positions, even though they often held culturally pluralist positions which might be considered left wing. Radical right parties and liberal parties often have very similar party positions on the aggregated left and right dimension, but a closer look reveal opposite positions in economic versus cultural domains.

**Figure 6:** Mismatch of left, right and market liberalism




***Notes:*** Positions of parties calculated as described in Chapter 2 (n=6464). *Market Liberal Left Parties* are parties from communist, social democratic or green party families and empirical values >0.5 (n=386). *Interventionist Right Parties* are parties from Christian Democratic, liberal, conservative or nationalist party families with empirical values <0.5 (n=1269). Party values are transformed to a yearly basis in order to minimize sample effects. Party families as assigned in Volkens et al. (2017).

Overall, two things can be considered necessary in order to arrive at comparable government preferences. First, the left-right dimension is not invariant as well as too imprecise and leads to biased results in cross-country and times series analysis. Second, measures on a market dimension are better suited, in particular for studies focussing on socio-economic aspects. Finally, government measures should take the varying positions of parties over time into account.

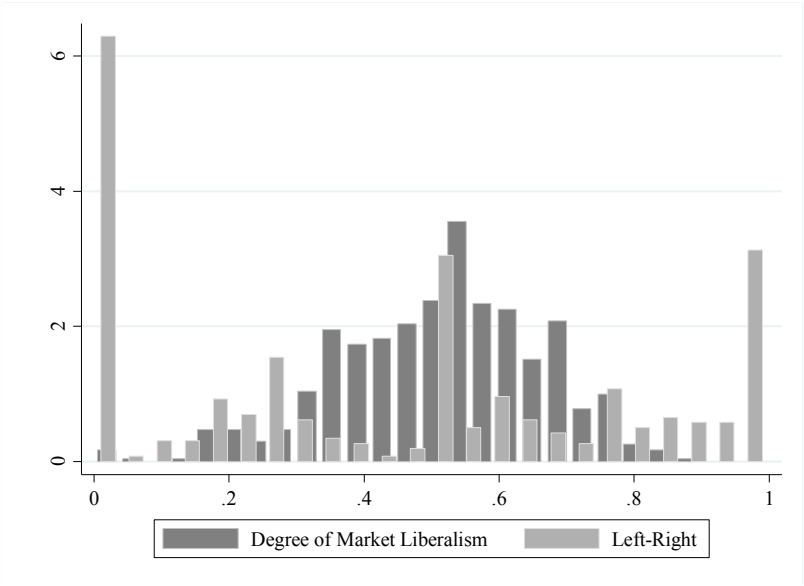
Measurements of government preferences do not only entail preferences measures. Government preferences are always based on the aggregation of three components: Preference measures of parties (1), a weighting component related to the relative strength of parties in multi-party governments (2), and a temporal specification (3).

In cases where governments consist of several parties with different electoral support and varying seats or posts in the parliament or cabinet, weights serve to account for the difference in power to influence the policy agenda. Usually, there are four options: (1) no weights. The easiest weighting scheme is to identify and select the dominant party in the tradition of Schmidt and Beyer (1992). The dominant party determines if a government is either left, center, right or affiliated to a specific party family (Schmidt 1996; Armingeon et al. 2017). (2) Relative seats in relation to the parliament. This measure accounts for weights between coalition partners and for parliamentary majorities of governments at the same time. However, relative seats in the parliament obscure preference measures with majorities. Imagine a party whose manifesto is fully written and every party member pledges to strictly follow the platforms agenda. Using parliamentary seat shares to weight the position means that such a fixed ideological positions is now strongly influenced by the election result. A minority government with a parliamentary seat share of 30 percent would predict a more interventionist party preference in comparison to a party with a 100 percent electoral backup.

Another widespread applied option is relative cabinet seats or posts. Portfolio theory indicates that the relationship between electoral strength and cabinets posts follows a linear relationship, also called Gampson's law (Gamson 1961; Laver and Schofield 1998). Accordingly, seats and posts can be considered as equivalent partisan weights in coalition governments, while cabinet seat data are usually easier to gather.

Figure 6, illustrates the difference between two typical measurements of government preferences. Both preference measurements weight cabinet member parties with the relative cabinet seat share. Necessarily, categorical distinctions overstate partisan ideological differences and assume constant positions over time. Following the categorical approach, a majority of governments is located on the extremes of a dimension whereas a continuous measurement would place the majority of governments in the center.

**Figure 7:** Two types of government preferences



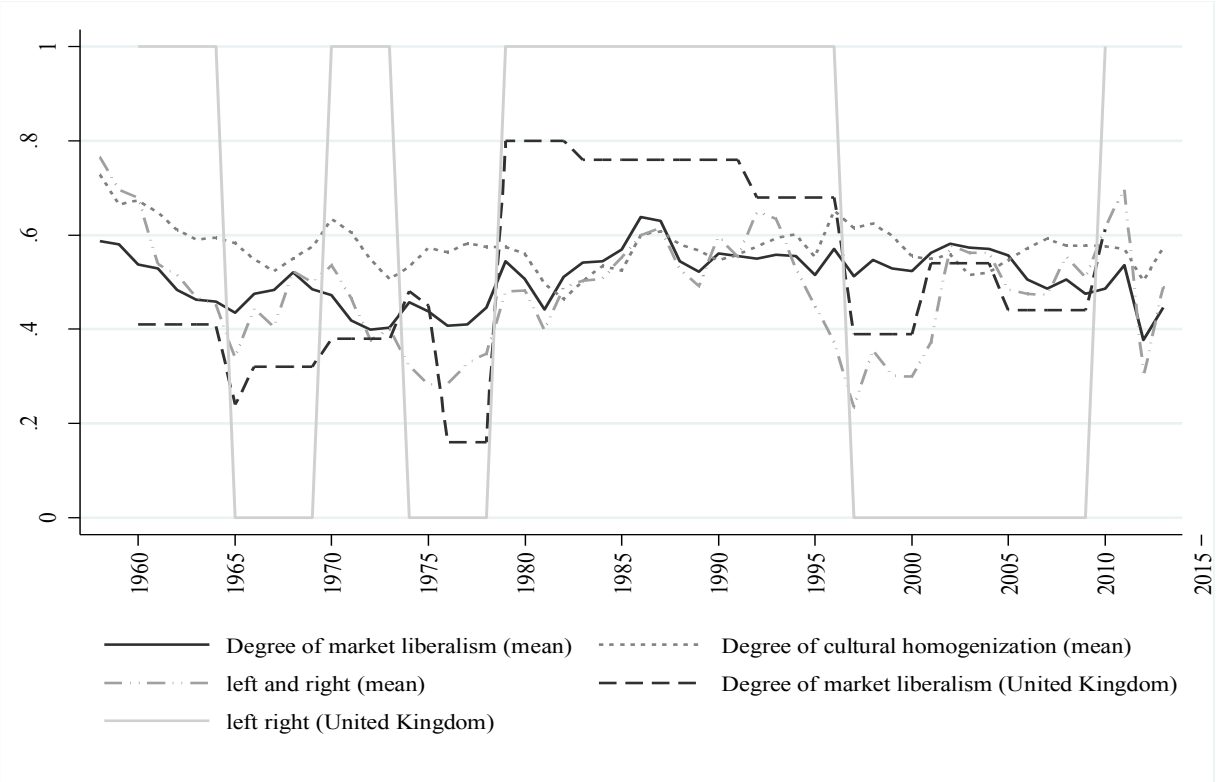

***Note:*** The measures of market liberalism are based on the procedure in Part 1.5. The party preferences are weighted by relative cabinet seat share. The left and right measures are based on the Comparative Political Data Set (Armingeon et al. 2017).

A brief look at the temporal development in the United Kingdom illustrates that the different measurements create very different historical narratives (compare Figure 7). There is a common tendency until the late 1970s to more interventionism. Governments became culturally more pluralistic and economically more interventionist. This changed in the late 1970s when governments became in tendency more market liberal but remained moderately conservative on cultural issues. The aggregated

picture masks the underlying differences across and within countries. The example of the United Kingdom clarifies why. As there are mainly single party governments in the United Kingdo, changing cabinets are translated into huge ideological shifts using a left-right dichotomy (solid grey line in Figure 7). Self-evidently, these shifts correspond with more fine grained data on a market dimension, as labor governments are in tendency more interventionist. However, these differences take place on different levels after the electoral victory of Margaret Thatcher in 1979. The government of Tony Blair is ideologically very close to the conservative governments of the 1960s but also definitely more interventionist than the conservatives from the 1980s. The British labor governments in the 1970s were in favor of marginal tax rates of 98% and were supportive towards nationalized core industries. All these well-known differences are washed out with binary indicators of ideology.

The third component of government preferences is time. Government preferences are often applied in time-series-cross section regression models where the time identifier is a year. However, since government start- and end-dates are rarely at New Year, a simple yearly assignment overlooks the fact that several governments can govern within a year. Two solutions are widespread. The first is basically counting the days of a specific government within a year and uses government days as a weighting scheme. This is also the solution of the government preference measures in most frequently used dataset for government preferences in political science, the Comparative Political Data Set (Armingeon et al. 2017).

**Figure 8:** Market liberalism and cultural monism versus left-right from 1960 to 2013




***Note:*** The measure of market liberalism is on the procedure in Chapter 2. The left and right measures are based on the distinction of Comparative Political Data Set (Armingeon et al. 2017). For the measurement of the cultural dimension compare Appendix Part A, Table J.

An alternative periodization would be to use cabinets as temporal identifiers (see Schmidt 2016 for the argument). Let us assume a government makes a reform in the first year of incumbency and remains inactive the three succeeding government years. A yearly specification should theoretically yield the same substantial results as a cabinet periodization ($\text{Coefficient}_{\text{year}} = \text{Coefficient}_{\text{cabinet}} * \text{Cabinet duration in years}$). However, standard errors can be different, dependent on how the effect unfolds over time. In the example above, the standard errors are higher in the yearly specification because the model has three additional cases with inactive governments and only one with a specific change. However, standard errors can also be smaller when continuous change in the same direction inflates

the observations with the same tendency. In this case, we have three more observations with the same relationship and decreased standard errors. Accordingly, the selection of periodization should be dependent on the underlying causal assumption over time. For processes which only happen usually once or twice under a government, a cabinet periodization should be superior. For political activities with a higher frequency, narrower time intervals are also theoretical appropriate.

The temporal unfolding of government's impact is of course a more general question. In what time horizons do we assume governments to have measurable effects in different policy domains? Yearly specification assume an impact within a year, cabinet periodization assumes an average cabinet duration to reveal causal impacts. A third and widespread applied option is to use the aggregated sum of weighted preferences over time. For example Huber and Stephens cumulate left government years over a long time period.[19] The accumulation of government years implicitly assumes symmetric and monotonous casual effects. Non-linear causal effects are washed out in such a procedure because for example, short-term positive and long-term negative effects are averaged to null-findings.

From the three dimensions of aggregation – partisan ideology, weighting of parties and periodization – there arises a multitude of plausible combinations. I select five typical procedures in order to test the impact of different inclusions of governments' ideological preferences. These five government ideology indicators represent the typical and most widespread approaches in the literature.

The first indicator is the left-right indicator from Schmidt and Beyer (1992) and also part of the Comparative Political Data Set (Armingeon et al. 2017). The binary distinction is based on a classification of parties and uses cabinet post shares of right parties as well as number of days governed per year as a weighting scheme. The second selected approach is the so called "Schmidt-Index", a

[19] See Huber and Stephens for a series of studies using this procedure of temporal aggregation (for examples Huber and Stephens 1998; 2001).

fivefold measure which captures the balance of power between left and right in cabinets based on their relative seat share. It stands representative for several other five-fold indices combining left and right with parliamentary seat shares. The third approach is the measure of Kim and Fording (2002). Kim and Fording use a continuous left and right measure based on party manifestos using the CMP/Marpor database (Volkens et al. 2017). The ideology measures is very close to the famous RILE index, the default option of the CMP/Marpor database (correlation between the Kim/Fording and the RILE approach is 0.96 on the partisan level).[20] Kim and Fording use relative cabinet posts as a weighting scheme. Franzmann and Kaiser (2006) provide an alternative continuous measure of the economic dimension based on CMP/Marpor data with the important difference of applying a context-sensitive issue selection. In their approach, left and right has explicitly a party system specific content (see Franzmann and Kaiser 2006 for a detailed discussion of their approach). Finally, I use a government preference measure based on the procedure described in Chapter 2 in combination with relative cabinet seats as a weighting scheme (see Table 4 for an overview of the selection).

[20] The difference originates from Kim and Fordings choice to use dimension instead of document based salience.

**Table 4:** Selected government preference measurements

| Government preferences | Weighting Scheme: *Relative seat share* | Weighting Scheme: *Relative cabinet posts* | *Description* | *Source* |
|---|---|---|---|---|
| **Left-right (binary)** | | x | Cabinet posts of right-wing parties in percentage of total cabinet posts. Weighted by the number of days in office in a given year. | Schmidt and Beyer (1992); Armingeon et al. (2017). |
| **Hegemony of the left to hegemony of the right (1-5)** | x | | (5) hegemony of right-wing (and centre) parties (left parties=0), (4) dominance of right-wing (and centre) parties (0< left parties <=33.33), (3) balance of power between left and right (33.33< left parties <66.67), (2) dominance of social-democratic and other left parties (66.67<=left parties<100), (1) hegemony of social-democratic and other left parties (left parties=100). | Schmidt (1992); Armingeon et al. (2017) |
| **Market liberalism (continuous)** | x | | See Chapter 2 | Own calculation |
| **Left-right Kim and Fording (continuous)** | | x | Left-Right ideology measured by 26 CMP categories weighted by relative cabinet posts (continuous; transformed and inverted into 0 left – 1 right) | Kim, H., and Fording, R. C. (2002). Government partisanship in Western democracies, 1945–1998. European Journal of Political Research, 41(2), 187-206. Updated by the author for every available CMP data point. |
| **Left-right Franzmann and Kaiser (continuous)** | x | | Left-Right ideology measured with different CMP categories. The selection depends on the controversy of issues in specific party systems and election time points (see Franzmann and Kaiser 2006) | Franzmann and Kaiser (2006). |

The correlation on the partisan level between the three different CMP/Marpor based indicators is between 0.59 and 0.73. The RILE is also listed in order to show that it closely resembles the Kim and Fording approach.

**Table 5:** Correlation of preferences on the partisan level

| | Market Liberalism | Kim and Fording | Franzmann and Kaiser |
|---|---|---|---|
| Kim and Fording | 0.69 | 1 | - |
| Franzmann and Kaiser | 0.73 | 0.59 | 1 |
| RILE (Budge and laver 1992) | *0.65* | *0.96* | *0.57* |

***Note:*** own calculation.

I collected cabinet data on 38 countries, summing up to a total of 1.899 government years.[21] The correlation of the different government preference measures are interesting. First, approaches measuring the economic dimension do not necessarily correlate higher internally. For example, my proposed measure of market liberalism correlates higher with the RILE and the equivalent measure of Kim and Fording than to the economic dimension measured by Franzmann and Kaiser. Accordingly, the context-specific measurement of Franzmann and Kaiser have a stronger impact on the preference measure than including cultural and foreign affairs issues into the indicator of government preferences.[22]

**Table 6:** Preferences on the government level

| | Market Liberalism | Kim and Fording (left-right) | Franzmann and Kaiser (left-right) | Franzmann and Kaiser (economic) |
|---|---|---|---|---|
| Kim and Fording (left-right) | 0.74 | 1 | - | |
| Franzmann and Kaiser (left-right) | 0.66 | 0.62 | 1 | |
| Franzmann and Kaiser (economic) | 0.67 | 0.58 | 0.90 | |
| Rile (left-right) | 0.73 | 0.97 | 0.62 | 0.57 |

***Note:*** n=1390 government years in 38 countries.

[21] I compiled data on the following countries: Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States. The majority of cabinet information if based on Döring and Manow (2017).

[22] Besides, Gamsons law is confirmed as an otherwise identical procedure using seats or posts exchangeable correlate higher than 0.9 for every approach (not shown in the table).

In Part III, I demonstrate the difference of government measurement procedures for substantial effect on various policy domains. As expected, binary left and right approaches have a strong tendency to produce null findings. Before turning to the demonstration of these differences, a final note of caution needs to be addressed. By replacing left and right with more fine grained dimensions of government preferences, we start asking different questions. The interest in the difference of left and right is still an appropriate question and we might admit fading policy impacts. We might even find nothing at all whereas fine grained preference measures reveal a considerable impact of partisan ideology. Both findings are by no means a contradiction. It would just demonstrate that the concept of left and right does not matter but more specific ideologies do. However, on theoretical grounds alone it is very clear that a left and right dichotomy blurs many meaningful political differences

### 2.12 Conclusions Part II

As soon as people start discussing and researching political preferences, the concept of left and right dominates. This is appropriate, if we are interested in an abstract metaphor for political preferences. But its vagueness raises serious issues with regard to comparability. As long as we do not know what left and right conceptually mean, it is impossible to talk about validity. Furthermore, procedures to correct the perceptional bias of meaning and scales are dubious if we do not know exactly what we are rescaling. A complementary way of increasing comparability is to add precision in meaning by climbing down the ladder of abstraction. The market dimension is probably the easiest way to begin.

Part II develops a method using text-based indicators and four decision steps to transform the text-based policy statements into ideological positions. The discussion of four successive decision steps indicates the complexity of the transformation from linguistic units to valid and comparable positions. Salience matters, but only to a limited degree; the logarithmized transformation – though not exactly

as Lowe et al. (2011) propose – is a precise description of that relationship. Using emphasis in reference to the theoretically important statements in a document also improves the revelation of ideological positions (McDonald and Mendes 2001; Benoit and Laver 2007). Following the data-generation process, salience of issue positions are count data and, as it happens with fine-grained categories, they are not normally distributed and errors are far from being independent. Therefore, the nature of the data violates the assumption of many applied models. I propose to use logarithmized dimension-based salience and identify indicator-specific distributional family links in a latent mixed response model. A good proof of the relevance of this specification is the indicator of Marxism. Marxism is never used in any of the approaches measuring party positions with manifesto data. This is because conventional models never confirmed the importance of Marxism because of the zero inflated distribution. Using a mixed response model and specifying the link and density distribution of the indicator, Marxism turns out to be the strongest statement against market liberalism.

The results of the counterfactual test of alternative transformations and modeling decisions lead to great disappointment concerning all the investment in complex statistical modeling and the usage of latent response models. The basics of measuring concepts, such as indicator selection and indicator transformation, are much more important than sophisticated modeling decisions. Even using a latent mixed response model, the one I consider the most appropriate, can calculate useless party positions in cases where we select our indicators arbitrarily or do not account for the fact that the text-based data usually include salience as well as positional information. Furthermore, the approach demonstrates that expert and programmatic positions are very close, thus questioning the longstanding debate between scholars who favor manifesto data and those relying on expert surveys. In cases, where both approaches still result in very different positions we should take that as a hint to be concerned. For example, the prediction of party positions of the ÖVP in Austria is biased to the left using Manifesto Data. This is also the case following the approach above. A closer look, that the ÖVP manifestos

reveal a systematic coding error. Proposed tax reduction are predominantly coded as controlled economy, a "hard" interventionist item.

The replication of Hellwig's (2012) study of partisan accountability allows two additional conclusions. First, party position shifts are very sensitive to the specific measurement approach. Second, even in cases with correlations of 0.7 between two approaches intending to measure the same concept, we can observe substantial differences in terms of results and inferences.

Measuring market liberalism instead of left and right adds precision to socioeconomic preferences and increases comparability, but the question of comparability enters the debate on another level. Market liberalism can also have different meanings, even in a Western European context (Jabko 2006). Standard tests of equivalence across groups are not possible in the case of party positions due to the problem that real world does not provide sufficient cases. The remaining and feasible equivalence tests indicate comparability of market liberalism over time. This is more than every existing indicator ever achieved, judged on theoretical grounds alone. However, as higher levels of equivalence cannot be demonstrated for the proposed measure of market liberalism it might still be that differences in positions are caused by different meanings and not substantially different preferences. The straight forward conclusion is that party positions are uncertain. Accordingly, the precision of many existing party positions signaled by the decimal point misleads.

To embed text-based indicators in the item response theory and apply appropriate statistical techniques to measure party positions is probably an improvement. However, we need refinement on the indicator level and data from many individual coders to bring the test of equivalence to another level. These refinements can only be conceptually guided. We need to come up with issue categories providing discriminatory power across the entire ideological dimension. The same holds true for anchoring vignettes or survey experiments, which often help to distinguish the perception of the center part of a dimension, but fail to add precision to extreme points of a scale. For example, the anchoring

vignettes of the Chapel Hill Expert Survey provide three theoretical examples which symbolize a center, a center-right, and a center-left party on the market dimension (see codebook of the CHESS data). Perceptions of the extremes are not covered.

Anchors, bridges, or vignettes are most fruitful when applied to dimensions which are conceptually grounded. The overall left and right dimensions is not such a dimension. The prevailing dominance of the overall left and right dimension hampers the exploration of meaningful and comparable political preferences which will prove to be very helpful to understand the behavior and impact of political parties in the era of multi-dimensional party competition. This summary necessarily travels from party positions to government positions.

I demonstrate that widespread applied government preference measures can be improved by incorporating insights from the party measurement literature. More generally, government preferences entails two more aspects than partisan preferences: a weighting schemes for coalition governments and a specification of time (periodization). These three aspects combined reveal a multitude of possible measurement approaches for government ideology. In fact, there are hundreds of empirical approaches in the literature. I select five approaches which represents the majority of applied procedures and discuss how they relate to each other. At first sight, they seem to converge as correlations between the different approaches are all above 0.57. However, I demonstrated on the partisan level (Chapter 2.8) that even correlations of preferences measures above 0.7 do not ensure similar substantial results in applied studies. This note of caution motivates the following Part III, where I test the impact of different government ideology measurements on various policy dimensions and higher aggregated outcomes.

## 2.13 References Part II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# PART III | IMPACT OF MARKET LIBERAL GOVERNMENTS

## 3.1 Why would government ideology still matter?

Populists and meta-analysts agree, traditional partisan differences become increasingly ineffective. Populist and meta-analysts base their inference on different arguments though. Populist argue that established parties are only supporting the establishment. Whatever policy signals they might send, they are portrayed to deliver the same set of policies to feed their elite clientele (Mudde 2014). Meta-analysts summarize existing studies on the influence of established parties in governments and conclude that parties on average do not make a difference anymore (Imbeau et al. 2001).

It is a widespread opinion that the vanishing impact of established parties has to do with an increasingly restricted room for manoeuver of governments in general. Governments find themselves more and more constrained by international commitments (Mair 2009). Moreover, government's discretions over revenues via spending is limited by increasing deficits and accumulated debt (Streeck 2014). Due to rising debt, creditors like the European Central Bank (ECB) or the International Monetary Fund (IMF) negotiate the conditions of public spending. More generally, free floating capital dictates the terms of governments, independent of whether they appear left or right (Mosley 2003). On top, European economic governance rules deeply interfere in the regulatory plans on wages, taxes or labor market reforms (Bauer and Becker 2014). These findings challenge a core assumption of democracy. Namely, that voters witness at least the potential for substantial alternation. The attempts of governments to establish accountability by highlighting ideological differences appears as a desperate attempt in an era of populist attacks as well as the academic call that elites have converged on doing all the same.

Many of those arguments stress a fundamental shift in government's freedom to exert policy, assuming that things have been different in the past. The most forceful narrative of such a change can be found in Ruggie's description of the end of "embedded liberalism" (1982). Embedded liberalism refers to a historic constellation when governments were in control of capital flows and commanded the economic development of nation-states in the early post-war period. The constellation changed with the oil crisis and a new order broke through which abandoned existing conventions of economic steering (Goodfriend 2007). Not only abandoning economic steering but embracing a logic which almost entirely passed questions of allocation and distribution to the markets. This attempt became known as neoliberalism in the established democracies and also resonates with the Washington Consensus as the equivalent for developing countries (Williamson 2009; Serra and Stiglitz 2008). The narrative of embedded liberalism and the succeeding neoliberalism describes a major ideational shift. This finds tangible manifestations in every more concrete policy dimension such as tax preferences (Swank and Steinmo 2002), new public management (Christensen and Lægreid 2002), deregulation or the welfare state (Kitschelt 2001; Allan and Scruggs 2004; Hacker 2004).

Others have argued that governments have always found themselves in highly restricted circumstances. Predominantly, capitalism is portrayed as a social order with inescapable tendencies. Piketty has forcefully renewed an argument of wealth accumulation in capitalist societies (2014). Fred and Somers (2014) stand representatively in the renewed interest for Karl Polanyi. Following this perspective, market societies dispose individuals from a complex web of social norms and the more disposable people become, the more they demand a radical reversal (Polanyi 1973[1944]). In this light, the increasing success of the radical right appears as repetition of history as periods of extreme liberalism are followed by a radical right backslash. Streeck renewed the interest in Marxian contractions between capitalism and democracy and forcefully points to the role of public and private debt helping to delay the inevitable final crisis (2014). In this perspective, governments increase their

external dependency and delay the fundamental solution of social problems. These structural accounts obviously do not encourage a deeper trust in the abilities of democratically elected governments to make a difference. They rather reinforce the interpretation of inevitable tendencies.

However, inevitable tendencies are an external constrain and external constraints can also be described as a phenomenon of tight hands. Tight hands are, however, not always restrictive but can be portrayed as a strength rather than a weakness (Vreeland 2003; Putnam 1988). External constraints increase the bargaining position of those who favor the implementation of policies in line with supposedly inevitable solutions. Several studies have shown, how external constraints offer governments an opportunity to pass economic reforms and structural adjustments they had previously felt powerless to introduce (Dukelow 2015, Moury and Standring 2017a; 2017b). External restrictions often appear in the narrative of "the possible" and thereby obscure the correspondence of policy choices and ideological preferences (Hay 1999; McNamara 2002). These attempts have in turn triggered resistance from opposition parties, social movements and trade unions (De Giorgi et al. 2015, Lima and Artiles 2011, Della Porta and Mattoni 2014). These reactions demonstrate that at least some political actors do not adopt the narrative of the inevitable.

Whatever narrative we select to describe what happened in the coordination of economies, social democrats usually play a central role. In Chapter 1.5 I have quantitatively shown how economic positions of social democratic parties have shifted on average. Colin Crouch has given this transformation a headline "we are all (partly) neoliberals now" (Crouch 2013). As the intrusion of neoliberal thought into social democracy is well documented (see for example Amable 2010), Crouch mentions a second and for this part more important aspect. The hollowing out of social democracy by abandoning their former core constituency is a reaction of social democracy to regain assertiveness in a structurally defensive posture (Crouch 2013, 1; see also Kriesi et al. 2006, 924). The era of embedded liberalism, with glorious names such as the golden era of the welfare state, was a period where the

economic left was the progressive force and the economic right was in a position to curb their efforts in the broad equalization project. Those roles became inverted afterwards. The economic right adopted a posture to set the agenda and the economic left was left with the role to curb the efforts of transforming societies into markets.

Assertiveness is embedded in an ideational context which incentivizes actors to exert various justification strategies. Being in line with the prevailing dogma allows to shift blame back and forth between inevitable pressures and conscious choices. Assertive actors can chose to establish accountability or blame structural pressures whenever it suits their fortunes. Actors in a defensive posture are forced into a position where they have to reveal real responsibility of the assertive others and at the same time trying to protect the status quo. Thereby, they lose control of the agenda setting power.

Accepting the importance of assertive and defensive roles implies that the strength of the tight hands is valid before and after embedded liberalism. Market liberals blur their responsibility for inequality and painful reforms in the neoliberal era and claim responsibility for increasing wealth. Equivalently, interventionist have increased the burden for companies and the rich in times when for many the communitarian interest prevailed over individual success. Accordingly, it is difficult to find a market liberal government before the 1980s promoting major tax cuts. But market liberals are also not the ones who favored their increase to almost prohibitive levels. In contrast, it is easy to find several progressive tax reforms under interventionist governments before the 1980s. However, after the 1980s it became difficult for interventionists to increase taxes, but they were also usually not the ones who made the major tax cuts.

Assertive and defensive postures allow to complement the partisan hypotheses with the existence of ideational shifts. In that perspective, partisan ideology has a persistent ability to influence socio-

economic policies. It points to a perspective where government ideology has always made a difference, the wider ideational environment simply shapes the strategic options of interventionists and market liberals. However, the empirical results of meta-analysts are still indicating a fading influence of partisan ideology (Imbeau et al. 2001). In chapter 3.2 I argue that the empirical null findings of the partisan hypothesis has to do with the measurement of government ideology.

## 3.2 The impact of different government ideology measures

In chapter 2.11 I describe several conventional ways of measuring government ideology and complement these measurements with an alternative approach. Initially, the dependent variable was described as performance in terms of wealth and equality. However, the causal chain between government ideology and abstract concepts of performance, like economic growth or the income distribution is very complex. Before turning to such a complex identification, I have to ensure that government ideology is measured appropriately. Accordingly, I begin to assess the impact of government ideology on policies with a shorter and theoretically more reasonable causal chain.

These policies or dependent variables are sorted inthree categories and have been introduced in the theoretical section as most-likely policy domains because they resonate well with the ideology of market liberalism: (1) business and labor market regulation, (2) welfare state and government spending and (3) the tax regime. The three areas of policies are selected for two reasons. First, they logically arise from the theoretical discussion of market liberalism in Part I. Market liberalism is about the reduction of burdens for economic actors and providing a playing field of competition with a minimum of interventionist distortions in order to increase the efficiency of market mechanisms. Accordingly, deregulation is at the heart of economic policies preferred by market liberals. Equally important is the

reduction of any policy reducing the market exposure of individuals. The most important way of de-commodifying people are the welfare state and public employment. Accordingly, welfare retrenchment and lower public spending are key to market liberals. Finally, the tax regime is closely linked to the welfare and public spending part because welfare and public spending always rely on some taxes or transfers. Tax and transfers are not only the reverse side of public spending, they are also perceived as market distortions by market liberals.

Respective policies in the three domains, however, should be related to different government ideology indicators. Summarizing my arguments, a fine grained measure of market liberalism is a superior approach to government preferences on socio-economic policies in comparison to conventional left and right indicators because it improves comparability. It improves comparability in particular in comparisons over long time periods and different cultural contexts. An appropriate test of this assumption demands the comparison over long time periods and many cultural contexts. Accordingly, the selection of cases is guided by the attempt to maximize the number of countries and time points.[23] Although observations from 38 countries over 117 years are way more than existing studies have carried out, it is still a selection driven by data availability. This selection is based on a theoretical universe of cases including every government in a democracy.

Every relationship between a government ideology indicator and a policy dimension, such as regulation, would in principle deserve a separate article because there is a rich literature for each of those policy dimensions. Since my aim is to compare the effects of different government ideology indicators, I keep the review of the literature, the inclusion of controls and the discussion of estimation

[23] I have gathered data of 38 countries from 1900 to 2017, leading to around 1900 government years. The 38 countries are the following: Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States.

procedures as brief as possible. The literature review for each and single policy dimension is admittedly superficial and I apologize to have left out various important contributions. I simply try to capture the most important and generalizable arguments in each sub-section. Besides the parsimonious theoretical accounts in the policy dimension chapters, I additionally apply a parsimonious casual identification approach. This approach is a generalized approach to policy analysis with government ideology indicators and is exemplified in the following.

### *3.2.0 The generalized causal identification procedure*

As I am interested in the contribution of government ideology in a causal process leading to changes in policies or the economic performance of societies, a probabilistic and partial effects framework is applied here. The criteria for causal identification in a probabilistic and partial effects framework arise out of the general theory of causality by Judea Pearl (2009). Based on his framework, casual effects are identified if all additional backdoor paths are closed. Backdoor paths are paths of non-causal associations between the independent variable of interest (causal variable) and the outcome (Pearl 2009, 78; see Morgan and Winship 2015, 109ff for an excellent discussion of the backdoor criterion). Based on the backdoor criterion, variables can be distinguished into useful, useless and harmful controls. The ladder being predominantly mediators and colliders (Pearl 2009, 78-82). The only useful control variables are confounders. Confounders are variables which significantly affect the main independent variable (treatment condition) as well as the dependent variable (outcome). Such a variable needs to be controlled because otherwise a part of the association between the causal variable and the outcome is non-causal and leads to misattribution of variance (bias).

Variables not affecting the treatment or main independent variable, cannot bias the main average affect and are at best useless. However, the very same useless variable can in principle open other backdoor

paths which in turn requires the inclusion of additional controls and can therefore turn into a harmful control. Other harmful controls are colliders. Colliders are variables with two attributes, they are caused by the main independent variable as well as by the dependent variable. Including a collider in a regression would create a spurious finding because it wrongly takes causal association as non-causal and vice versa. Another harmful control variable is a mediator. A mediator is by definition on the causal chain between the causal and the dependent variable. The inclusion of mediators also leads to spurious non-findings because it averages out the causal association which is now in the model twice. The bias of an included mediator raises with the completeness of a mediating process. For example, a mediator of a mono-causal relationship picked up the entire association and would lead to spurious non-findings of the average effect between the independent variable of main concern and the dependent variable.

All this might appear as a technical and misplaced discussion but the associated problems are very wide-spread in comparative political science literature. Let us take an example. In many studies with a focus on partisan ideology, union density is a control variable or moderator. However, organized labor is not independent from government ideology. Margaret Thatcher is a striking example, the decrease in union density is a declared goal of governments with strong trust in markets which in turn helps to deregulate the economy in a second step. In this perspective union density is a mediator and might cause spurious non-findings of models using government preferences as well as union density. The same might hold true for the many other controls in partisan research. For example, trade and capital openness are usually affected by market liberals and might lead in turn to pressure on unit labor costs or taxation on capital income.

However, the more serious problem in the social sciences is that the characteristic of a variable is often manifold. Union density for example is probably partly a moderator, partly a mediator and partly exerts independent effects. The manifold nature of variables is not discussed in the causal identification

literature but the interpretation of the impact of those variables is straight forward. If union density is at least partially a mediator, the effect of government ideology is downwards biased because part of the causal association is wrongly attributed to a non-causal path.

Why all this might be of any help for the analysis of government impacts on different policy dimensions? It is of great help since it defines a simple test for the inclusion and non-inclusion of control variables across policy areas. Based on the assumption above, a control variable needs to systematically affect the treatment condition as a necessary condition for an open backdoor path. Accordingly, I use a long list of important variables from the political science literature and assess this first necessary condition. In case, a variable systematically affects the treatment condition (government's degree of market liberalism) this variable can be assessed in terms of the second necessary condition, the impact on the dependent variable (outcome). The practical use of such an approach is that many potential confounders can be ruled out simultaneously across policy areas.

For example, I falsify a widespread argument that market liberal governments start systematically from economically worse conditions in comparison to their interventionist counterparts. As this is empirically wrong, this argument does not need to be controlled in any further policy analysis where government ideology is the main focus. The economic heritage of a government is a frequently applied political blame game and resonates also in the more philosophical debate of the justification of market societies (Hirschmann 1992; Fourcade and Healy 2007). In order to assess if there is evidence for a systematic disadvantage of market liberals or interventionists, I compare indicators of growth, the primary balance, inflation and unemployment in constellations where market liberal governments alternate into office which were governed by interventionists before. The entire data-set entails around 1,900 government years with fine grained preferences on the market dimension. Splitting the sample at the ideological mean (0.5) we observe 230 cases of alternations from market liberal to interventionist governments and vice versa. A more rigorous test leaving moderate governments aside ($0.4<MG<0.6$)

indicates around 90 governments with substantial ideological alternations. Both comparisons reveal inconsistent patterns (compare Table 7). In the first set of comparison market liberal governments inherit slightly worse conditions form their interventionist counterparts. However, the differences are very marginal. In the second set of comparisons, market liberals inherit substantially higher growth rates and slightly lower unemployment rates but have to deal with slightly higher deficits and higher inflation. Overall, there is no justification to the argument that one side or the other starts from systematically worse or better conditions. Accordingly, for all policy areas I can take for granted that the economic starting condition does not affect the impact of government ideology.

**Table 7:** Economic starting conditions of liberals and interventionists

| ***Alternation from ideology <0.5 to >0.5*** | **Average growth in t-1** | **Average inflation in t-1** | **Average deficit in t-1** | **Average unemployment rate in t-1** |
|---|---|---|---|---|
| Government changes from interventionist to market liberal | 3.20 (std. 2.93; n=101) | 6.40 (std. 7.47; n=100) | -2.49 (std. 4.40; n=93) | 6.76 (std. 4.89; n=100) |
| Government changes from market liberal to interventionist | 3.28 (std. 3.28; n=133) | 6.18 (std. 6.19; n=132) | -2.20 (std. 3.86; n=127) | 6.42 (std. 4.36; n=135) |
| ***Alternation from ideology <0.4 to >0.6*** | | | | |
| Government changes from interventionist to market liberal | 3.64 (std. 3.01; n=38) | 8.38 (std. 9.79; n=37) | -1.69 (std. 4.22; n=35) | 6.56 (std. 4.94; n=38) |
| Government changes from market liberal to interventionist | 2.87 (std. 2.87; n=54) | 7.06 (std. 7.06; n=54) | -1.59 (std. 4.53; n=52) | 6.70 (std. 4.40; n=56) |

***Notes:*** own calculations.

Having ruled out the systematic impact of economic starting conditions, I turn to the other potential confounders. I use a balancing tool to compare the first three moments of the distribution (mean, standard deviation and kurtosis) of conventional confounders in partisan research (compare Hainmueller and Xu 2013 for the procedure). The first three moments are compared between market liberal and interventionist governments. Only in cases with systematic deviation between treatment

and control, we can expect systematic influence on the treatment condition and further test the impact on the dependent variable as a second qualification for a useful control variable.

In chapter 3.2.1 I assess the impact of market liberal governments on regulation in various economic sectors. As this is the first policy domain, I demonstrate empirically that the assumptions made above are valid. Variables without effect on the treatment condition as well as the outcome do not affect the average effect of government ideology under scrutiny.

Having established criteria for a parsimonious selection of controls, the statistical estimator remains to be chosen. The theoretical argument stresses the comparability of the government ideology indicator across countries and time. Accordingly, variance across cases and within cases over time is of predominant importance. Thereby, a fixed-effects estimator is ruled out because it reduced the explanatory power to within case differences. In contrast, a random-effects estimator accurately captured the average effect of theoretical interest (see Bell and Jones 2015 for a general discussion why random-effects estimators are often superior in social science applications).

Before turning to the estimation of government effects, a final note on levels versus first differences is necessary. In many studies, including partisan or government preferences, researchers regress levels on levels. For example, left governments are regressed on the level of welfare spending as percentage of GDP. The level of welfare spending is a consequence of historical developments, an accumulation of changes in the past. However, government ideology can at best achieve incremental changes. In a design where cross-country differences are used for the estimation, it is theoretically difficult to defend that government ideology should make a difference on levels in comparison to other countries within a year or cabinet period. It is much more plausible that government ideology only defines the direction of change. This is also in line with the rhetoric of politicians. Politicians usually promise to reduce or extend spending or the generosity of a welfare component. They rarely signal to retrench spending

levels below the level of country x or z. Accordingly, I run random-effects time-series-cross-section models on every policy indicator in first differences. However, even in a first difference setting, government ideology should never be modelled at their first difference. The reason is intuitive. The position of an ideology scale should have persistent impact on the direction of change. Communists replacing communists should still do interventionist policies whereas market liberals replacing market liberals should keep deregulating. Table 9 summarizes the distribution of plausible confounders.

Summarizing Table 9, the comparison of market liberal and interventionist governments reveals a striking balance across a multitude of important variables. From the backdoor criterion follows that only variables which affect the treatment as well as the dependent variable can influence the effect under scrutiny. For example, economic openness, a proxy for economic globalization, might correlate with more market liberal governments. Market liberal governments increase economic globalization or globalization makes governments more market liberal or both reinforce each other. However, globalization does not affect regulation systematically. Taken both together, economic openness cannot substantially change the effect from government ideology to regulation. In this case it is a harmless and also useless control variable.

Table 9 indicates that only six variables out of 18 qualify as potentially useful confounders. These six variables will be related to the different dependent variables in every policy domain. Table 9 entails also a row where potential confounders are related to the outcome. In this case, change in regulation. Whereas nine variables systematically affect the outcome, only three are useful confounders because they also fulfil the first criterion. Assuming for a moment that the list of potential confounders in Table 9 is exhaustive, only three variables need to be controlled for a causal identification of the average treatment effect. The word *causal* might be too strong for many statistician for such a model. However, from the backdoor criterion follows that a closed backdoor path necessarily leads to causal identification (Pearl 2009, 77). Of course, these assumptions rest on an exhaustive list of confounders.

Omitted variables on a backdoor path probably still exist and challenge a causal interpretation of the average effect.

**Table 9:** Distribution of potential confounders

| | Market liberal governments | | | Interventionist governments | | | | |
|---|---|---|---|---|---|---|---|---|
| **Variable** | **mean** | **variance** | **skewness** | **mean** | **variance** | **skewness** | **Significant effect on treatment condition** | **Significant effect regulation** |
| ***Opportunity Structures*** | | | | | | | | |
| Days government per year | 319.2 | 5816 | -1.944 | 312.4 | 5477 | -1.497 | no | no |
| Number of cabinet parties | 2.05 | 1.474 | 1.31 | 2.368 | 1.968 | 0.8356 | no | no |
| Seat share of government | 49.4 | 456.9 | -1.042 | 52.8 | 358.2 | -1.14 | no | no |
| Level of democracy | 9.939 | 0.1731 | -8.454 | 9.702 | 0.662 | -3.127 | no | no |
| Electoral fractionalization | 0.725 | 0.01017 | -0.6847 | 0.7438 | 0.008148 | -0.6039 | no | **Yes** - |
| Turnout | 75.92 | 242.4 | -0.7021 | 76.72 | 166.4 | -0.6599 | no | **Yes** + |
| ***Economic constraints*** | | | | | | | | |
| Working days under strike | 1844 | 3.03e | 7 | 5.687 | 1759 | 2.27e | **Yes** - | **Yes** + |
| Union density | 38.74 | 419.4 | 0.7874 | 41.86 | 377.5 | 0.2101 | no | **Yes** + |
| Per capita GDP | 13769 | 5.09E+07 | 0.4632 | 14466 | 3.71E+07 | 0.8495 | no | no |
| Stock market capitalization | 0.6546 | 0.1974 | 0.9005 | 0.4665 | 0.1791 | 1.563 | **Yes** + | **Yes** - |
| ***Crisis*** | | | | | | | | |
| Currency crisis | 0.01076 | 0.01066 | 9.483 | 0.0198 | 0.01943 | 6.893 | **Yes** - | no |
| Banking crisis | 0.01166 | 0.01153 | 9.098 | 0.02475 | 0.02417 | 6.118 | **Yes** - | no |
| GDP growth | 2.823 | 12.24 | -0.8279 | 2.981 | 10.08 | -0.8101 | no | **Yes** - |
| ***International constraints*** | | | | | | | | |
| Member of the European Monetary Union | 0.1341 | 0.1162 | 2.148 | 0.1697 | 0.1411 | 1.76 | no | **Yes** - |
| EU member | 0.4391 | 0.2466 | 0.2454 | 0.516 | 0.2501 | -0.06401 | no | no |
| Capital openness | 0.7509 | 0.1091 | -0.8999 | 0.7139 | 0.09283 | -0.6032 | **Yes** + | **Yes** - |
| Openness of the economy | 83.77 | 3348 | 1.747 | 76.13 | 2138 | 1.935 | **Yes** + | no |
| Former communist country | 0.1732 | 0.1434 | 1.727 | 0.1572 | 0.1326 | 1.884 | no | **Yes** - |

***Notes:*** Compare Appendix Part B, Table A for a detailed description of the variables.

### *3.2.1 De-regulating the economy*

De-regulating economic activities is a core preference of market liberals. Following the proponents of market liberalism, market forces increase productivity and market forces unleash under circumstances where regulation is low. Indeed, systematic studies have shown the negative implications of regulation on productivity in services or even to a stronger degree in the provision of fundamental resources such as energy, transport or communication (Bourlés et al. 2013; Barone and Cingano 2011; Klapper et al. 2006). The ladder have been typical sectors with high state regulation or outright control in the past. There are multiple pathways in which regulation seems to hamper productivity. Regulation can increase industry concentration (Fisman and Sarria-Allende 2004) or reduces responsiveness, market entry, demand and technology shifts and respective investments (Ciccone and Papaioannou 2007; Alesina et al. 2005). It is further seen to hamper employment (Bertrand and Kramartz 2002) and increase prices (Martin et al. 2005). All these effects are specific manifestations of the more fundamental nature of regulation. Regulation distorts the allocative mechanisms of markets. Nonetheless, interventionist governments have established and defended regulation for more than a century. They do so, because regulations are expressions of normative claims often besides allocative efficiency. The protection of labor market regulation, the environment or other political aspects are at the core of many political disputes because they reflect the normative ambition to avoid undesired market outcomes (Polanyi 1973[1944]).

Political scientists have mainly focused on two aspects of regulation. Privatization, as a very controversial and visible aspect of deregulation was initially seen as a more structurally driven tendency, promoted by Europeanisation and globalization. Partisan differences have been found to be of minor importance (Zohlnhöfer et al. 2008). Later, others have shown the exact opposite. In a study of Obinger et al. (2014), partisan differences take center stage whereas globalization and Europeanisation are argued to moderate the partisan effect. Potrafke has shown that product market deregulation can

be well explained with government ideology (2010). Environmental regulation is another prominent research field where ideology might play a role. Surprisingly, Woods (2006) finds no impact of government ideology on environmental regulation.

Regulation is an ideal starting point to contrast different government measurements. Interventionists try to control the means of production or at least regulate them whereas proponents of the free-market opposed state-ownership. I use three different indicators for regulation and relate them to the different government indicators. The first is a broad OECD-indicator, summarizing the regulatory provisions in seven sectors (OECD 2018a).[24] This indicator is standardized for 34 countries and has a long time series, starting in 1975 and ending in 2013. The second and third indicator capture the regulation of employment via measures of employment protection for regular as well as fixed contracts (OECD 2018b). Labour market regulation is a highly salient and controversial issue for political parties (Esping-Andersen and Regini 2000; Peck 1996). The differentiation in regular and fixed contracts allows to assess the role of market liberals in the process of dualization (see Emmenegger 2012). Table 10 depicts the ideology effect from the five different indicators based on random effects TSCS-regressions. Some ideology indicators have missings and in order to assure that differences in the effects of government ideology are not explained by varying sample size, models are fixed to the exact same observations.

[24] Telecoms, electricity, gas, post, rail, air passenger transport, and road freight.

**Table 10:** Government ideology and regulation

| *DV (all at first differences)* | *Government Measure* | *Coefficient* | *p-value* | *N (gov. years)* | *Time span* |
|---|---|---|---|---|---|
| ***Patterns of business and labor market regulation*** | | | | | |
| Regulation in seven sectors | Left Right | -0.00 | 0.148 | 878 | 1975-2013 |
| | Schmidt Index | -0.02 | 0.148 | 878 | 1975-2013 |
| | Kim-Fording | -0.12*** | 0.001 | 878 | 1975-2013 |
| | Franzmann-Kaiser | -0.11*** | 0.000 | 878 | 1975-2013 |
| | Market Liberalism | -0.16*** | 0.000 | 878 | 1975-2013 |
| Employment regulation (regular) | Left Right | -0.00 | 0.216 | 597 | 1985-2013 |
| | Schmidt Index | -0.01 | 0.216 | 597 | 1985-2013 |
| | Kim-Fording | -0.00 | 0.983 | 597 | 1985-2013 |
| | Franzmann-Kaiser | -0.02 | 0.293 | 597 | 1985-2013 |
| | Market Liberalism | -0.02 | 0.558 | 597 | 1985-2013 |
| Employment regulation (fixed) | Left Right | -0.01 | 0.103 | 601 | 1985-2013 |
| | Schmidt Index | -0.03 | 0.103 | 601 | 1985-2013 |
| | Kim-Fording | -0.19*** | 0.001 | 601 | 1985-2013 |
| | Franzmann-Kaiser | -0.08** | 0.060 | 601 | 1985-2013 |
| | Market Liberalism | -0.27*** | 0.000 | 601 | 1985-2013 |

***Note:*** own calculation. Sources of the dependent variables (OECD 2018a; OECD 2018b).

Changes in regulation of seven sectors cannot be explained by government ideology as long as government ideology is measured in categorical terms. A binary left and right measure as well as the Schmidt-Index indicate null-findings. In contrast, continuous measures indicate significant and negative effects. In the case of sector regulation, the above developed indicator of market liberalism yields the strongest effects with the narrowest confidence intervals. The Kim and Fording procedure has substantially stronger results than the indicator based on the Franzmann and Kaiser's approach. As mentioned above, Potrafke also finds negative and significant effects of government ideology applying regressions on first differences (Potrafke 2010, 147). However, the effect size of the market liberalism indicator is around eight times the effect of the indicator used by Potrafke.[25]

The changes in the strictness of regular working contracts appears to be independent of the ideology no matter which indicator is applied. The regulation of fixed working contracts, however, is substantial

[25] In his first-difference model, Potrafke uses a government ideology measure from Bjørnskov (2008). This measure combines party families and parliamentary seat shares, using social democratic parties as conceptual anchor. Interestingly, Bjørnskov uses the party family with the highest variability over time and space to anchor comparability.

affected by market liberal governments and again categorical distinctions of left and right indicate null-findings. So far the results seem to be fairly systematically, categorical ideology indicators refer to null-findings, whereas continuous measures indicate partisan effects with the market liberalism indicators showing the strongest effects. Inferences stand on shaky ground as long as the identification is a bivariate association. In the following part I turn to a more robust identification based on the generalized framework discussed above.

Table 11 demonstrates empirically that we can abstain from control variables which are not fulfilling the backdoor criterion and that even those fulfilling both conditions are not necessarily affecting the main effect under scrutiny considerably.

**Table 11:** Potential confounders and the impact on the average ideology effect on regulation

| | | **No effect on dependent variable** | | | **Effect on dependent variable** | | | |
|---|---|---|---|---|---|---|---|---|
| ***Effect on treatment*** | **No controls** | Including Economic openness | Including banking crisis | Including currency crisis | Including capital openness | Including strikes | Including Stock market capitalization | |
| Coefficient of market liberalism | -0.1576*** | -0.1583*** | -0.1570*** | -0.1569*** | **-0.1308*** ** | -0.1537*** | **-0.1252*** ** | |
| ***No effect on treatment*** | **No controls** | Seat share cabinet | Number cabinet parties | Days governed per year | Union density | Including EMU | Former communist countries | Per capita GDP |
| Coefficient of market liberalism | -0.1576*** | -0.1545*** | -0.1582*** | -0.1587*** | -0.1524*** | -0.1615*** | **-0.1417*** ** | -0.1563*** |

***Note:*** I fix the observations to those of the bivariate model. The strike variable, however, has additional missings. This causes a drop of 100 observations in the respective model.

The results in Table 11 confirm the generalized expectation from the backdoor criterion. Table 11 is organized around the combinatorics of effect on treatment and outcome respectively. As expected, without an effect on the outcome or the treatment condition, average effects of ideology are hardly changed by the inclusion of those controls. The same holds true for controls affecting the outcome but not the treatment. A violation to the expectation is the variable of former communist countries.

Former communist countries have deregulated with an enormous pace and accordingly the dummy has a very substantial effect on regulation. At the same time, market liberal governments find themselves more likely in countries with a communist past. The difference is substantial but not significant (see Table 10) and the inclusion of the communist past into the regression models reduces the coefficient of government ideology to a certain extend (-0.1576 to -0.1417). This might be seen already as a violation of the backdoor criterion and its ability to separate useful from useless and harmful controls. On the other hand, a model with a communist past variable only has an $R^2$ of 0.60. 60 percent explained variance with one variable in a first difference model is enormous. In comparison, capital openness has an $R^2$ of 0.04. However, capital openness systematically affects the treatment and reduces the government ideology coefficient stronger than the communist past variable. Obviously, under circumstances where variables have a very strong effect on the outcome also minor differences in the treatment condition can justify to include such a variable.[26]

Besides the communist past, the inclusion of variables fulfilling both necessary conditions, like stock market capitalization or capital openness, substantially change the government ideology effect because they affect treatment and outcome simultaneously. The strike variable demonstrates that in cases where the effect on treatment or outcome is systematic but weak, no fundamental change of the coefficients occurs. Overall, two variables are useful controls in a regression of government ideology on regulation: capital openness and stock market capitalization. As discussed above, we still have to be careful with these variables because the direction of causality is unclear. It is plausible that capital openness and stock market capitalization are both at least partly caused by market liberal governments as well, exercising an independent and negative influence on regulation. If this is the case, the

[26] My interpretation is that confounders with a strong effect on the outcome leverage the importance of differences between treatment and non-treatment. In extreme cases, like the communist past example, even tiny differences in the treatment condition are sufficient to establish an effective back-door path. Accordingly, a significant effect on the treatment condition is not a sufficient selection criteria in these extreme cases.

coefficients of government ideology in the regulation models controlled by capital openness, is at the lower bound. At the lower bound because part of the mediated association is mistaken as confounded association by the model. Accordingly, the "true" average effect is probably between – 0.125 and -0.158.

In summary, the degree of market liberalism has a robust and systematic negative effect on the regulation on seven important sectors of the economy. In fact, market liberal governments reduce the regulation indicator on average 0.16 points per year on a scale from 0 to 6. 6 is a typical value of a communist country and a value of 4 depicts the mean of the entire sample. Accordingly, it takes 12.5 years under market liberal rule to turn the regulation of the economy from a communist country to an average regulated country. This inference is based on a precise measurement of market liberalism. Using a continuous left-right scale, borrowed from the Franzmann and Kaiser approach, would let us infer that it takes 18.2 years of right wing rule to achieve the same amount of deregulation. Inference based on a binary distinction of left and right government ideology would suggest to negate any implication from government ideology on the regulation of the economy.

Beyond the substantial and measurement implications, some advices for causal identification can be drawn. Testing the systematic effect on the treatment and outcome allows us to simplify statistical models with a parsimonious selection of necessary controls. Thereby, circumventing the various pitfalls of models overburdened with useless and harmful controls. Accordingly, the next policy area can be addressed with less effort.

### *3.2.2 Retrenchment of welfare and government spending*

Public spending is the symbol of interventionism. The biggest share of public spending is dedicated to redistributive transfers and tax schemes or public employment. Public spending is connected to a relief from market exposure, a form of de-commodification with clientelistic appeal at least to market liberals and populists. Retrenchment of public spending is a core claim of market liberals. Its expansion, or at least the defense of welfare, is a core obligation of interventionists. If the ideology of market liberalism matters it should matter in the domain of public spending. Evidence lend firm support for a relationship of government ideology and public spending until the 1990s (Hicks and Swank 1992; Cusack 1997; Camaron 1978; Schmidt 1996; Allan and Scruggs 2004). However, even these studies already make mention of a trend in political science. This trend rightfully addresses a changing international environment and highlights the constraints of national actors in a world economy (Strange 1996; Frenkel et al. 1996). A huge amount of literature has engaged with the nexus of government spending and the internationalization of the economy (for example Garret and Mitchell 2001).

The same holds true for the biggest public spending share, welfare spending. Very similar to the public spending versus globalization debate, the welfare retrenchment debate has been evolved around the core question of how much influence government ideology still has. A meta-study of Imbeau et al. (2001) summarizes the debate with a null-finding of the partisan effect. I am not about to replicate the specific aspects and the very convincing arguments which were brought forward in this debate. My point is summarized already in the conceptual part of this thesis and highlights two aspects – one conceptual and one methodological. The conceptual one builds on the argument that external constraints like globalization still demand a response of governments and that market liberals are simply more eager to give in to these constraints whereas interventionists should at least show more resistance. The methodological aspect has been discussed in great length above. It states that static

measurements of government preferences bias against partisan effects the more observations over time and space we include in the comparisons.

Data on welfare spending exist for more than 1,000 government-years. Matched to the different government ideology indicators they build another ideal test case for the arguments made above. I complement the spending indicators with an indicator having a shorter causal chain to policies under government control. The indicator of welfare generosity measures the degree de-commodification aggregated over the welfare schemes of unemployment, pension and health entitlements (Scruggs et al. 2017). Whereas spending patterns are subject to demographic and economic dynamics beyond control of governments, a change in a generosity score can only occur if governments consent to that change.

Table 12 lend first tentative evidence for the patterns which were observed already in the case of regulation. The measure of market liberalism has the most substantial and significant effects in comparison to the other ideology indicators. The binary measures fail to show a systematic impact on both spending indicators. The change in generosity is, however, significantly and negatively related to every indicator of government ideology. As in the case of regulation, the Kim and Fording approach indicates stronger effects than the Franzmann and Kaiser approach.

**Table 12:** Government ideology and public spending

| *DV (all at first differences)* | *Government Measure* | *Coefficient* | *p-value* | *N (gov. years)* | *Time span* |
|---|---|---|---|---|---|
| ***Patterns of the welfare entitlements and spending*** | | | | | |
| Welfare Generosity | Left Right | -0.04*** | 0.045 | 647 | 1971-2010 |
| | Schmidt Index | -0.17** | 0.045 | 647 | 1971-2010 |
| | Kim-Fording | -0.99*** | 0.000 | 647 | 1971-2010 |
| | Franzmann-Kaiser | -0.37** | 0.012 | 647 | 1971-2010 |
| | Market Liberalism | -1.19*** | 0.000 | 647 | 1971-2010 |
| Government Spending | Left Right | -0.04 | 0.343 | 1.062 | 1960-2015 |
| | Schmidt Index | -0.17 | 0.343 | 1.062 | 1960-2015 |
| | Kim-Fording | -1.21*** | 0.004 | 1.062 | 1960-2015 |
| | Franzmann-Kaiser | -0.53 | 0.102 | 1.062 | 1960-2015 |
| | Market Liberalism | -1.36*** | 0.005 | 1.062 | 1960-2015 |
| Welfare Expenditures | Left Right | 0.01 | 0.430 | 1.186 | 1960-2015 |
| | Schmidt Index | -0.05 | 0.430 | 1.186 | 1960-2015 |
| | Kim-Fording | -0.45*** | 0.003 | 1.186 | 1960-2015 |
| | Franzmann-Kaiser | -0.27** | 0.022 | 1.186 | 1960-2015 |
| | Market Liberalism | -0.52*** | 0.003 | 1.186 | 1960-2015 |

***Note:*** own calculation.

Governments spend on average 42.3 percent of their GDP publicly. Only 5 percent of countries witnessed periods where public spending was below 30 percent. Governments spending more than 56 percent of their GDP constitute the upper 5 percent of the distribution in the sample. Accordingly, the relevant range of public spending in democracies lies between 30 and 56 percent of the GDP. Due to the models depicted in Table 12 it takes 19 years under a market liberal government to transform a country from a place with extreme high public spending to a place with extreme low public spending.

The impact of government ideology on social spending is substantially comparable as the relevant range of social spending lies between 6 and 18 percent of the GDP. 23 years of market liberal rule would suffice to retrench welfare spending in Sweden to US levels. This effect is very consistent with the effect on changes in generosity. In less than 17 years of a market liberal legacy a country would move from the 95 percentile to the 5 percentile in terms of welfare generosity. Interestingly, in the regressions on welfare generosity even categorical indicators of government ideology turn significant. However, the substantial effect of the binary left-right indicator is about 40 times smaller than the effect of market liberalism.

Turning to the robustness of these findings, the balance of the important covariates remains the same as in Table 10. The selection of useful controls can be complemented by regressing the seven variables with impact on the treatment condition on the three dependent variables above. Most of the government ideology effects are hardly changed by including the useful controls. One exception is the model with public spending as dependent variable controlled by GDP per capita. GDP per capita is in logarithmic scale.

**Table 13:** Useful controls and the effect of market liberal governments on public spending

| | **No controls** | Economic openness | Per capita GDP | Including strikes | Capital openness | Stock market capitalization | Banking crisis | Currency crisis |
|---|---|---|---|---|---|---|---|---|
| Generosity | -1.19*** | - | -1.22*** | -0.121*** | -1.08*** | - | - | - |
| Government Spending | -1.36*** | -1.27*** | **-0.86*** | **-1.68***** | -1.40*** | -1.34*** | -1.38*** | 1.35*** |
| Welfare Spending | -0.52*** | -0.51*** | -0.48** | - | -0.41** | -0.42** | -0.53*** | - |

***Note:*** Observations are fixed to the bivariate model. The strike variable, however, has missings. This causes a drop of 100 observations in the respective model. The coefficient of market liberalism in TSCS model using first differences of regulation as the dependent variable. Empty cells reflect the fact that the indicators do not affect the dependent variable systematically and accordingly cannot change the average effect under scrutiny.

The inclusion of wealth strongly reduces the effect of government ideology. That means, the richer a country the stronger the tendency to be governed by market liberals and the stronger the tendency to curb general government spending. Additionally, it seems that retrenchment efforts are accompanied by a higher frequency of strikes. With less strikes, the retrenchment of market liberals would have been even stronger. The efforts of market liberal governments to retrench welfare follow different dynamics than the broader category of public spending. The impact of government ideology on social spending is less affected by the general increase in wealth and in contrast stronger constraint by high capital mobility.

### *3.2.3 The revenue side. Changing the composition and progressivity of tax systems*

Ideological controversies about public spending necessarily involve a discussion on revenues. Taxes have been developed to be the major source of state income and accordingly became an important element of political competition. As many argue, not quite from the beginning. Whereas in the early 20th century taxes were highly inefficient and scattered around hundreds of revenue sources, taxes became entrenched in the battleground of economic interest and ideologies with the raise of the working class (Steinmo 2003, 209). Traditional taxes have put heavy burdens on the poor and modern tax systems can be seen as a revolution brought forward by workers and unions to tackle the growing inequality in capitalist societies (Weber and Wildavsy 1986). Besides workers, wars have played a crucial part in anchoring the acceptance of taxes, since governments were in excessive need during that times and learned how to tax income and expenditures when the centralization of resources was needed the most (Steinmo 2003, 210).[27] Between 1930 and 1945 all industrial societies had extended the tax base massively as well as introduced progressive taxation in order to channel wealth and income into the war economy.

In the after-war period, many expected conservatives to roll-back taxes to pre-war levels. However, the acceptance of the new tax revenue state by conservatives emblematized the "Keynesian Consensus" (Galbraith 2015) and nullified respective expectations. Tax policies became an important policy tool to steer economic and social developments (Howard 1999). This consensus is at the core of the observations that conservative and Christian democratic political parties have been more interventionist in comparison to their successors in the 1980s and 1990s (see also chapter 1.5). So it is argued that in the early post-war period tax policies followed a consensus in balancing equity,

[27] In a straight forward manner we can perceive highly levels of public spending to be strongly influenced by wars as suggested by Obinger and Schmitt (2017).

effectiveness and efficiency (Blough and Shoup 1937; Martin 1989 both cited from Steinmo 2003). What has developed was a tax regime with high marginal tax rates, generous tax incentives and strict capital controls underlying the idea that the "capitalist and their money could be used to promote the ends of society as a whole" (Steinmo 2003, 215). In this constellation, equity and growth were widely regarded as two equally achievable ends. Empirical evidence supported this view, tax-burden and growth simply did not correlate (Barro 1991).

The outlined perspective draws a stylized image of the ideational change perspective (Swank and Steinmo 2002). In this perspective overall ideas of ideal tax systems prevailed and partisan, ideological or contextual differences are of marginal importance. However, there are other scholars highlighting the politics of taxation. Peters argues (1992, 9), we would expect "parties of the political left in office to adopt more progressive (personal and corporate income with high marginal rates) taxes, and parties of the political right to adopt more regressive (sales, insurance contributions) taxes ". However, as Peters admits, there is only narrow quantitative and qualitative support for a systematic empirical manifestation of such a claim (see Castles 1982; Peters 1980). The reason why tax systems seem to be only marginally shaped by political ideologies are thus stated differently than in the ideational change perspective. Parties usually compromise their claims in coalitions. Rising taxes is usually not very popular and thus the political business cycle provides only brief windows of opportunity for such unpopular measures (Schneider 1984).

Most of the scholars agree, however, that we witnessed a sea change of policy makers' tax attitudes within the 1970s and 1980s. The ideal of tax systems changed severely (Swank and Steinmo 2002). The political climate changed towards a less egalitarian perspective on distributive justice. Many tax reforms took place which were pushing back the boundaries of the state caused by a disillusionment in effectiveness of state-intervention and a revival in the belief of the efficacy of markets (Sandford 1993, 20).

What has happened? In 1981 Ronald Reagan introduced the most radical tax reform in the American history, decreasing tax rates of about 30%.[28] Taxes were lowered for individuals and corporations and financed with the abolition of loopholes and exemptions. Turning away from exemptions was to abandon symbolically any attempt to steer the economy via the tax system. As McClure or Slemrod argue, attitudes towards government intervention and redistributive policies had drastically changed (McClure 1984; Slemrod 1995). These attitudes had also changed outside the US and accordingly other industrialized countries were quick to follow and used astonishingly similar measures to the US tax reform. Sandford has summarized those measures as a decrease in personal income taxes (in particular at the top end), the income tax base has been leveled (less loopholes and exemptions), increase in VAT and social security contributions and a decreasing corporate tax (1993, 10-20 taken from Steinmo 2003). These changes have been described as "level the playing field" (Williams 1991, 24), a reduction of market distortions caused by government incentives or also precisely as a "regressive tax mix" (Ganghof 2006).

The disenchantment argument that tax incentives lost their legitimacy for economic policy steering was complemented by technological and politically induced change – financial globalization and the reaction of internationally acting corporations (Porter 1995). To summarize, a regressive tax mix was supposedly diffused by changing ideas towards the ability and willingness of elite policy maker to use taxes as an instrument for economic policy making (Swank and Steinmo 2002). This disenchantment argument was further reinforced by the financial globalization, restricting attempts to keep taxes on capital or corporate gains high.

[28] Initially the reform caused a massive raise in public debt and left Americans with a system which was even more complicated and unfair as the previous criticized one. Major adjustments became unavoidable and another tax reform in 1986 responded to the most widespread flaws of the previous reform.

Moving from the ideal of embedded liberalism where progressive taxes played a key role (Ruggie 1982), to the ideal of "levelling the playing field", or market conform taxation, leaves only little room for an explanation based on partisan ideology. To make things even more complicated, some authors find that left-parties made deeper tax-cuts in the period of disillusionment (Hallerberg and Basinger 1998). However, Ganghof casts some doubt on these findings as he points to important coding errors and the negligence of tax rates on sub-national tiers (2006, 142). Far more important, Ganghof points to another aspect. Taken constrained capital taxation for granted, interventionists are left with little choice but to shift to regressive taxes in case they want to defend high public spending (Ganghof 2006).[29] Another option remains: a shift in the internal structure of income taxes which can equally provide states with comparable revenues (Ganghof 2006). Basically, exemptions within the income tax for capital gains. More precisely, Ganghof points to at least three different tax systems which can be fully equivalent under the assumption of tax competition and whose distribution over different countries cannot be explained by the ideational shift argument (Ganghof 2006).

However, the evolution of these types of income taxation is also not systematically aligned with ideological differences (Ganghof 2006). Nonetheless, the discussion about different ways of dealing with international tax competition reveal that tax-systems have faced always normative trade-offs. Ganghof structures these trade-offs as a trilemma between equal treatment within capital incomes, equal treatment between capital and labor incomes and equal treatment within labor incomes. There is simply no perfect tax systems and ideological heuristics play out again in a sense that they do the weighting between those three benchmarks (Ganghof 2006).

[29] This argument directly feed back into the analysis of the welfare spending. Some have argued, that an early adoption of the regressive tax mix increase the resilience of welfare states to keep spending levels high (Wilensky 2002; Kato 2003). However, Ganghof has argued that the chain of causality is just reversed. High spending countries basically have to rely on a higher tax base were regressive taxes are only one element of (2006).

In a nutshell, Ganghof argues that policy makers can opt for a flat income tax and thereby achieve equity in taxation within capital gains as well as equity between labor income and capital income. However, this choice means to sacrifice progressive taxation of wages as well as keeping tax revenues on a high level. A flat income tax, as the most market conform choice, is probably a challenge for a left leaning party because they sacrifice their ideological claim of equality in opportunities via redistribution in two ways. First, no progressive taxation and low tax revenues. Whereas left parties might have difficulties to sell such a tax system to their voters, I do not see why it constitutes a trilemma for market liberals. Sacrificing high tax revenues and progressivity only constitutes a problem for the left. The ideological controversy over tax system therefore turns into a debate where market liberals push for flat income taxes and the interventionist counterparts opt for the defense or introduction of dual income taxes, as the Nordic countries did, or a differentiated income taxes, as usual in many other countries.

All systems face their specific weakness. Flat income taxes with low revenue raising ability exert strong budgetary pressure. The huge deficits of the Reagan administration is only one striking example. The dual income tax creates strong incentives to shift labor income to corporate or capital income because the latter is taxed to a lower degree. The differentiated income tax decreases these very same incentives because capital and labor income are subject to similar taxation but it creates differences across different sorts of capital incomes.

Taken the tax competition pressure for granted and looking at the partisan configuration described above, I could develop clear expectations on the impact of market liberal ideology in comparison to more interventionist political parties even in times of disillusionment. Corporate tax rates are subject to international pressure and parties should not make a difference here (see also Griffith and Klemm 2004; Ganghof 2006). As interventionists should defend high tax revenues and redistribution via dual income taxes or differentiated income taxes, in both cases progressivity should be higher. That means

that top marginal tax rates or the difference in the marginal rate between low and high income should be increased or at least not reduced under interventionist governments.[30] Additionally, regressive tax components like VAT, payroll taxes or social security contribution should be increased by both, market liberals as well as interventionists. Reduced, however, for different reasons. Interventionists have to defend a high revenue base under fiscal pressure on corporate taxation. Market liberals are advocates of more regressive taxes in order to compensate for the preferred lower and less progressive income taxes. On top, in particular VAT, is seen to be a very efficient tax, causing low allocative distortions and does not impede competitiveness.

This configuration was not fundamentally different in the era of the Keynesian consensus except for one aspect. High capital control cushioned the international pressure on corporate and capital income taxes. Accordingly, partisan differences should have included competition on corporate and capital taxes. I am actually very convinced that this was the case. As partisan ideologies should still make a marginal difference on the tax progressivity and composition of taxes, ideology should have always mattered to taxes.

This is not about denying a parallel shift in the attitudes of political elites across ideological camps. However, this ideational background is more determining on which level of taxation parties compete over differences but does not hamper the necessity to make a difference on the most important policy tool of redistribution. Until the 1970s, interventionists were ready to increase top-marginal income taxes to almost 100%. Conservatives in the UK and Sweden were evidentially not in line with this development. However, they would have preferred rates of about 50 to 60%.

[30] Ganghof uses the same argument concerning corporate tax a top marginal income tax rates. He confirms the null-expectations on corporate taxes by including a partisan dummy in the regression. However, for unknown reasons he has not included a partisan dummy in the regression on marginal top income rates and uses a rather complex inference on the effect of veto points in order to see his claim confirmed (2006).

A simple comparison of some major economies reveal huge differences in taxation several years after the war. The German pro-market coalitions with Christian Democratic dominance decreased the top marginal income tax from around 90 percent to about 50 percent in ten years. In the same period, social democratic governments in Sweden doubled the progressivity of the income tax to rates with a margin of about 70 percent (Du Rietz et al. 2013). As these marginal income taxes replaced an equally progressive defence tax, social democrats basically defended the status quo of high marginal income taxation. The same holds true for the democratic presidency of Truman in the United States. Top marginal tax rates maintained around 90 percent of the high incomes. The first republican president after the war (Eisenhower) lowered them to rates of about 70 percent (Piketty 2013).

Therefore, I expect government ideology to matter even in times of retrenchment. Market liberals should decrease tax rates of top marginal income more strongly than their interventionist counterparts. In contrast, the ideology of governments should not make a difference on low income taxation, corporate tax rates, VAT or other regressive taxes such as payroll taxes or social security contributions. What follows from the argument above is again, to stress the importance of explaining first differences and not levels.

**Table 14:** Ideology of governments and the change of tax rates

| *DV (all at first differences)* | *Government Measure* | *Coefficient* | *p-value* | *N (gov. years)* | *Time span* |
|---|---|---|---|---|---|
| ***Patterns of business and labor market regulation*** | | | | | |
| Top marginal income tax | Left Right | -0.18** | 0.022 | 999 | 1960-2017 |
| | Schmidt Index | -0.73** | 0.022 | 999 | 1960-2017 |
| | Kim-Fording | -1.56** | 0.050 | 999 | 1960-2017 |
| | Franzmann-Kaiser | -1.81*** | 0.003 | 999 | 1960-2017 |
| | Market Liberalism | -2.38*** | 0.007 | 999 | 1960-2017 |
| Corporate tax rate | Left Right | -0.08 | 0.208 | 771 | 1914-2017 |
| | Schmidt Index | -0.32 | 0.208 | 771 | 1914-2017 |
| | Kim-Fording | -0.59 | 0.348 | 771 | 1914-2017 |
| | Franzmann-Kaiser | -0.34 | 0.459 | 771 | 1914-2017 |
| | Market Liberalism | -0.68 | 0.329 | 771 | 1914-2017 |
| VAT | Left Right | -0.03 | 0.520 | 1.008 | 1958-2017 |
| | Schmidt Index | -0.12 | 0.520 | 1.008 | 1958-2017 |
| | Kim-Fording | -0.16 | 0.728 | 1.008 | 1958-2017 |
| | Franzmann-Kaiser | -0.13 | 0.730 | 1.008 | 1958-2017 |
| | Market Liberalism | -0.31 | 0.549 | 1.008 | 1958-2017 |
| Marginal tax on 67% income bracket | Left Right | -0.01 | 0.823 | 347 | 2001-2017 |
| | Schmidt Index | -0.03 | 0.823 | 347 | 2001-2017 |
| | Kim-Fording | -1.08** | 0.021 | 347 | 2001-2017 |
| | Franzmann-Kaiser | -0.20 | 0.502 | 347 | 2001-2017 |
| | Market Liberalism | -1.19*** | 0.010 | 347 | 2001-2017 |
| Marginal tax on 167% income bracket | Left Right | -0.10*** | 0.002 | 347 | 2001-2017 |
| | Schmidt Index | -0.42*** | 0.002 | 347 | 2001-2017 |
| | Kim-Fording | -1.16*** | 0.006 | 347 | 2001-2017 |
| | Franzmann-Kaiser | -0.34 | 0.201 | 347 | 2001-2017 |
| | Market Liberalism | -0.92** | 0.030 | 347 | 2001-2017 |

***Note:*** own calculation. The dependent variables are collected from various sources (see Appendix Part B, Table A).

Table 14 depicts the regression coefficients for the different ideology indicators for the change in the different tax components. In line with the expectations and the findings of Ganghof (2006), top marginal income taxes are systematically decreased by market liberal governments. Even a binary measurement of government ideology shows such a relationship, although the coefficient is about 11 times as weak as compared to the continuous measure of market liberalism. The negative effect of -2.38 is very substantial as units are regressed in a temporal specification of government years. As also hypothesized, corporate taxation and VAT are not subject to a systematic effect of government ideology. Turning to a comparison of the marginal income tax of the 67% income bracket and the 167% income bracket, market liberals tend to reduce both. Accordingly, there is systematic reduction of the revenue base on income and in fact a relative decrease in progressivity as income taxes are lowered.

Former studies on the politics of taxation have usually used samples with far fewer observations. In the influential book "the politics of income taxation" Ganghof uses changes in taxes from 1983 to 2003 as the dependent variable. This leading to 21 observations in his regression models. In the regressions above I have collected data of up to 1.018 observations with a specification much closer to the actual causal process of party ideology and change in specific taxes. As in the previous chapters on welfare policies and public spending, the inclusion of necessary controls neither change any of the coefficients of market liberalism substantially nor reduce the significance levels (not shown here).

### 3.3 Market liberalism and performance

Policies such as the character of welfare entitlements, the structure and size of public spending, the composition of the tax base or the regulation of economic sectors are only partly an end in itself. Often they are motivated to establish rights for citizens, change the distributions wealth and increase performance. Performance can be related to many things but some aspects of performance seem to be crucial to governments. The most prominent being economic well-being, the distribution of well-being and increasingly the financial sustainability of such abstract achievements. As argued before, governments themselves establish direct links of accountability between economic well-being and the distribution of wealth. One of the most productive and salient strains of literature in political science has asked if voters actually follow such an invitation to accountability. The literature on economic voting basically asks if voters follow the politician's invitation to reward and punish abstract indicators of well-being like economic growth (see Lewis-Beck and Mary Stegmaier 2007 for an overview on the economic vote literature). Scholars on economic voting rightfully distinguish precisely between the potential differences of such accountability invitations. Voters can reward retrospectively or

prospectively and they can judge economic well-being on the basis of their own situation (pocketbook voting) or on the basis of the well-being of a society as a whole (sociotropic voting).

As the overwhelming evidence indicates that voters reward politicians performance in rather sociotropic ways it appears reasonable to assess if government ideology makes a difference on the distribution and level of wealth. However, many aspects influencing economic performance are beyond government's control. Nonetheless, models of economic voting seem to work even in constellations where growth is obviously driven predominantly by exogenous world market prices (Campelo and Zucco 2018). This is particularly evident in developing countries where growth rates are predominantly influenced by fluctuating commodity prices, creating an almost random volatility in growth (Campelo and Zucco 2018). As economic voting still works in these countries the role of accountability becomes problematic. More generally, economic voting is one of the most robust empirical mechanism of accountability and accountability is at the heart substantial alternation. Substantial alternation of governments is in turn at the core of democracies. So it is worth asking "do governments ideology really makes a difference for the well-being of societies?" This was the core question of the traditional partisan theory and the refined rational partisan theory (Hibbs 1992).

The summary of conventional expectations are as follows: "On the side of the macroeconomy, Left party governments are more likely than Right governments to pursue expansive policies designed to yield lower unemployment and extra growth, but running the risk of higher inflation. Right party governments weight the prospect of extra inflation more heavily. As a result, they are more cautious about stimulating aggregate demand, and they entertain less ambitious targets for demand-side fueled employment and output growth" (Hibbs 1992, 363). A huge body of theoretical and empirical articles follow have followed the initial hypotheses. Hibbs again has summarized the offspring of that debate in 1992 with a grain of disillusionment: "Partisan Theory empirics should acknowledge our ignorance and take account of the fact that demand policy multipliers (Phillips curves) and sustainable rates of

output growth and unemployment are most likely stochastic, and that political authorities, along with everyone else, are ex ante dynamically uncertain about, and ex post continuously attempt to learn about, the current values of structural and policy parameters governing macroeconomic fluctuations, in order to project intelligently the consequences of their policy actions" (Hibbs 1992, 371).

The inability to influence growth in a systematic manner is described in a period were many economies were still dominated by demand-side management. It is conventionally assumed, that governments' abilities to steer the economy has further declined afterwards. In another influential review, the partisan theory was thus again declared to be not resonating with empirical observations (Imbeau et al. 2001). Other studies with stronger focus on growth regimes in different institutional settings have also difficulties to show the impact of ideology and have mainly abandoned partisan variables in their approaches (Soskice and Hall 2001).

However, politicians are less hesitant than ever to keep the economic voting mechanism alive. This has to do with the market liberal turn. Market liberals with increasing influence over liberal, conservative and to a certain extent also over social democratic parties need to give economic performance a crucial role in their menu of promises and accordingly in the list of benchmarks there are wanted to be judged by. As demonstrated in chapter 1, more than 200 years of market liberal thought have quite consistently stressed the core value of efficiency and the amount of wealth. From Adam Smith to more recent thinkers, market liberalism has to be judged not on intentions but on consequences. The most important consequence is macro-efficiency. Macro-efficiency could be easily equated to the economic voting literature. The majorities of studies have shown that macro-efficiency (sociotropic voting) is way more important to voters than pocketbook voting. Obviously, the accountability chain established by politicians resonates with the behavior of voters.

What has changed in the era after the Keynesian consensus are the dominant mechanisms. In times of demand-management politician were seen to steer growth and employment via public spending and specific incentive structures in the tax system in order to channel workers and capital to its specific destinations. This narrative was removed by a new narrative. Directed public spending gave way to new public management and the steering of capital flows to the abolishment of regulatory distortions. These are the well-known emblems of the neoliberal era which resonated in the specific policy fields as probably most forcefully described in the approach to tax systems (Swank and Steinmo 2002). I described in Chapter 3.1 the turnaround of interventionism from assertiveness to defensiveness. The masters of demand management were interventionist and market adherers struggled to give not too many concessions to the increasing encroachment of central steering. In the new era, market conform policies became the progressive force and interventionist had to defend their shrinking terrain of central control and redistribution.

Of course, the classical partisan hypotheses cannot survive in these circumstances because their causal mechanisms, although never really confirmed, were abolished and the political and scholarly debate focused on international developments curbing the ability of governments to do something else than market-making. Nonetheless, economic performance remained the most important benchmark to judge the success of governments. For good reason, because reforms of less welfare, lower taxes, privatization, deregulation or internationalization were all justified by gains in macro-efficiency. Interestingly enough, scientists stopped to engage in the most salient partisan accountability chain. Economic voting studies further flourished but the underlying assumption that growth has something to do with governments became a rarely assessed area of research.

The rare exceptions paint a unified picture. Three papers are usually cited (around 23.000 google citations combined) in order to argue that right governments have higher growth rates than their interventionist counterparts (Barro 1991; Knack and Keefer 1995; Bjørnskov 2005). Only the

Bjørnskov paper really used a measure of government ideology. In fact, a measure based on the database of Beck et al. (2001), a threefold and yearly distinction of left, center and right governments from 1975 to 2000.[31] Additionally, Bjørnskov uses decadal averages in growth and government ideology ending with 121 observations.

Finally, he restricts his sample to democracies and excludes Eastern European countries. In his seminal article from 1991, Barro used no direct measure of government ideology but establishes a link between government consumption, market distortions and growth. Both being negatively related to growth. The sample entails 98 countries, many of them being not democratic. Knack and Keefer (1995) also look at market enhancing policies or institutions and do not discuss any measure of government ideology. Accordingly, market conform policies and institutions seem to increase growth rates, the evidence for government ideology, however, is at best thin. In the paper of Bjørnskov, the average growth difference between a left and right governments over ten years is 0.4 percentage points. Turning that prediction to a real world story, a market liberal incumbent would promote its re-election with a difference in growth of 0.04 percentage points based on top of an average the growth rate of 3 percent in the last government year. It is hardly convincing that voters would be extremely impressed by such an offer for re-election.

To summarize, to the best of my knowledge, political scientist have mainly abandoned the idea that government ideology systematically influences growth trajectories in democracies. The partisan theory has various fields of more specific policy fields where consistent partisan effects can be demonstrated. However, the path from ideology to growth is hardly ever systematically assessed, in particular with government ideology indicators beyond binary left and right distinctions. In the economics literature,

[31] It is based on a dataset for political economy whose underlying paper had in January 2018 over 3000 citations. The three papers combined had over 23.000 citations at the same time point.

the growth increasing effects of market liberalism seem to be common knowledge. However, this common knowledge is rather indirectly inferred from institutional aspects like freedom of enterprises or the protection of property rights (rule of law), the size of the government or the openness of the economy (see for example Barro 2003). They simple assume that market liberals increase economic openness, better defend property rights and decrease public spending. These studies usually provide big comparisons, including authoritarian and communist countries. However, a closer look reveals, there is not a single study using continuous indicators of government ideology and only one major study looking at government ideology and growth with at least a threefold measure of government ideology. Market liberals and many economist clearly believe that market liberalism has positive growth effects.

In the following I assess that claim. The assessment is structured in four parts. First, I relate different indicators of government ideology to growth rates. I only select democracies because only in democracies voters have a choice to determine the majorities for varying ideologies. Furthermore, I theoretically expect, if at all, that governments influence growth in modern economies with a low dependence on fluctuating resource prices. These countries are predominantly democracies.

The comparison of ideologies in democracies is admittedly a different comparison than many economist have in mind when talking about government ideology. In democracies, the dominant form of government is centrist and sometimes fluctuates to the center-left or center right but very rarely includes communist or libertarians. The assessments thereby aims at differences in the margins. The improvement of the following assessment lies in the more precise modelling of government ideology and the size of the sample. It includes more than 50 years of governments in 38 countries summing up to around 1.200 government years. After testing the average effect of different ideology indicators, I turn to the robustness of that findings in three ways. First, alternative explanations with an effect on the treatment condition are discussed. In a second step, pathways of policies with systematic ideology

effects from the previous chapters are analyzed in order to verify the possibility that different policies might have contradictory growth effects. An in a third step, I turn to the long term effects. The history of market liberalism is full of long-term concerns. Market liberal reforms might need time to resolve the shackles of the past (Hirschmann 1997) or it simply needs short-term pain of austerity for long term gains of growth (Guajardo et al. 2014).

### *3.3.1 Market liberalism, productivity and growth*

The first analysis relates the degree of market liberalism to economic growth on a yearly basis.[32] The binary correlation reveals that market liberal governments have a negative effect on growth in comparison to more interventionist governments in a sample of over 1.200 government years. There are two omitted variables which are usually brought forward to explain such a substantial negative relationship. The two most obvious being the level of wealth and the state of the economy preceding market liberal governments's incumbencies. Both can be ruled out by a closer look at their relation to the treatment condition. Market liberal governments do not inherit systematically worse economic condition from their interventionist counterparts and GDP per capita is, if at all, slightly higher in constellations of interventionist rule. Other determinants in TSCS models on growth highlight the openness of the economy as a positive contributing factor and government consumption as a negative one (see Table 9). Openness of the economy, either in trade or capital flow terms, are potential confounders because they also might affect growth. However, economic openness has no effect on growth in my sample and capital openness has a small negative effect on growth. Additional controls

[32] I collected comparable growth rates from various sources (compare Table A, Appendix Part A).

such as a banking crisis or a currency crisis does not affect the relationship between government's ideology and growth.

As discussed before, growth is to certain extend exogenous and even if we find a significant negative effect of market liberal ideology on such a broad sample there might be additional factors not included in the model which are distributed unfairly across interventionist and market liberal governments. One way to strengthen the faith in the revealed relationship between ideology and growth is to come closer to the benchmark of macro-efficiency. Economic growth can be decomposed into the productivity of multiple factors like labor and capital. A typical measure of the allocative efficiency for multiple factors is the index of so called multifactor productivity (MFP), sometimes called total factor productivity. It compares the amount of goods and services produced to the amount of combined inputs used to produce those goods and services. Comparable data are provided by the United States Bureau of Labor Statistics (BoLS 2018).

**Table 15:** Government ideology and productivity

***Market Liberalism and growth***

| | ***Government Measure*** | ***Coefficient*** | ***p-value*** | ***N (gov. years)*** | ***Time span*** |
|---|---|---|---|---|---|
| GDP growth | Left Right | 0.04 | 0.501 | 1231 | 1962-2015 |
| | Schmidt Index | 0.17 | 0.501 | 1231 | 1962-2015 |
| | Kim and Fording | -1.32** | 0.030 | 1231 | 1962-2015 |
| | Franzmann and Kaiser | -1.03* | 0.057 | 1231 | 1962-2015 |
| | Market Liberalism | -1.67** | 0.018 | 1231 | 1962-2015 |
| Change in labor productivity | Market Liberalism | -0.77 | 0.121 | 1207 | 1971-2015 |
| Change in multifactor productivity | Market Liberalism | -0.80 | 0.166 | 466 | 1985-2016 |

***Note:*** All coefficients are based on random effects models using the first difference of the dependent variable. Please find a detailed description as well as source so the dependent variables in Appendix Part B, Table A.

Another useful measure of efficiency is to look directly at changes in labor productivity (measured are provided by the OECD 2018c). However, panel regressions of government ideology on both indicators do not yield significant results. The tendency is negative and substantial, though. That

means, there is at least no further evidence that market liberal governments increase productivity in the short-term. A core benchmark of market liberalism, macro-efficiency, seem to be not visible improved in the short run neither.

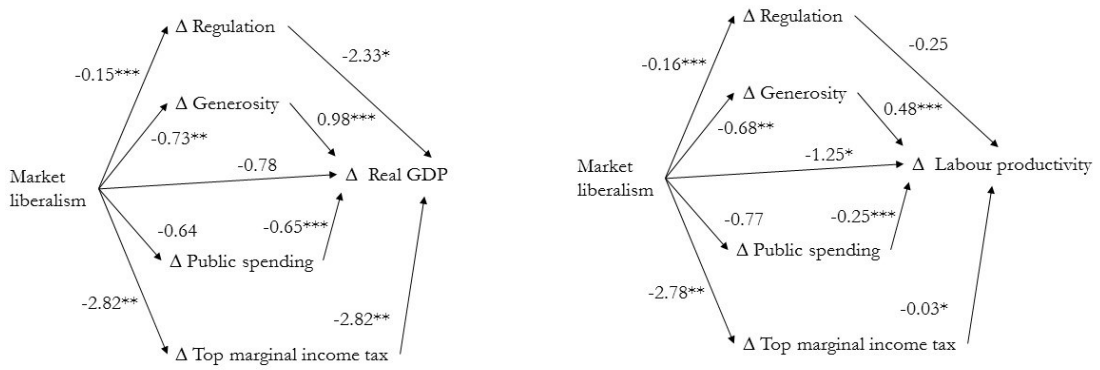
Systematic policy change and aggregated performance might relate to each other. A specific policy-mix can have adverse effects on growth. In order to validate the link between typical market liberal policies and growth, I select only those where ideology made a significant difference. For example, corporate tax rates are reduced due to external pressure and it does not matter what kind of ideology informs the government decisions. Multiple studies indicate lower corporate tax rates to increase short-term growth but since government ideology makes no difference here, these findings are of minor importance. The more relevant and remaining policy channels are: Sector regulation, generosity of the welfare state, public spending and marginal top-income tax rates. These four differences in policy making are tested as mediators between ideology and economic performance in a path model. Thereby, I can establish effective channels of co-variation. Two paths models are estimated using first GDP growth, second changes in labor productivity as dependent variables.[33]

First of all, the results demonstrate that around 50 percent of the negative effect of ideology on productivity and growth can be explained by these four channels. These channels indicate a systematic pattern. Market liberal governments have three systematic growth increasing policy channels and one growth depressing channel. Lower marginal high income taxes, lower public spending and deregulation increase growth. Decreasing the generous of the welfare state has negative growth effects. The path model from ideology over policies to productivity indicate different patterns and explains why market liberals have no effect on productivity. The regulation as well as the top marginal income tax channel

[33] A model including multifactor productivity as dependent variable is omitted because the similar results as the productivity model with fewer observations.

remain ineffective on productivity whereas the remaining two channels of welfare generosity and public spending show the same pattern as in the model on GDP growth. Market liberal governments increase economic growth without increasing the productivity.

**Figure 8:** Path models from market liberal governments to growth and productivity




***Notes:*** Structural equation model estimated in Stata using SEM package (Rabe-Hesketh et al. 2004). Both models converged after 2 iterations. Estimator: Maximum likelihood estimation with missing values (n=735 and n=729). Clustered standard errors at the country level.

Economic growth without productivity growth can have several causes. The most prominent being, people simply work more, demography changes, human capital increases, relative size of different economic sectors change or finally, investments increase faster than depreciations. In any case, to reduce the generosity of the welfare state is growth depressing as well as productivity depressing in all models. To decrease public spending, however, has positive growth as well as positive productivity effects. The negative policy effects outweigh the positive ones in both productivity models whereas the positive effects prevail in the GDP growth model. In relation to the philosophical justification of

market liberalism, this is an important difference. Historically, market liberalism is normatively defended on the grounds of the increased economic activity as well as in terms of efficiency. There slight indications that the first might hold but the models are not in line with evidence for the second. Before I turn to an evaluation of the long term growth effects of market liberal government, I focus on the second most important benchmark of government performance – the distribution of wealth.

### *3.3.2 Market liberalism and inequality*

If the poorest of a society is better off than a king in another, who cares about equality? In the tradition of this justification of inequality by Adam Smith, market liberals have always turned their attention to the level of wealth and not its distribution. However, the distribution of wealth remains a core concern of the opponents of market liberals and to certain extend also to liberals whose concern is an undermined competition through the concentration of wealth. Furthermore, the accumulation of wealth is of fundamental concern to those highlighting the importance of relative wealth as the more relevant category of well-being and equally to those who stress the equality of opportunities which are highly related to financial means in market societies. Finally, inequality has been linked to growth since a long time. The majority of scholars see inequality positively linked to growth (Kuznets 1955; Barro 2000; Forbes 2000). Several studies of the OECD have later found evidence for the opposite (OECD 2014; Cingano 2014). Bjornskov (2008) points to the interesting correlation that inequality curbs growth only under left wing governments. Comparable to the studies of ideology and growth, there is no study linking ideology and inequality with an appropriate indicator of government ideology.

The benchmark of economic equality in wealth and income suffers from a massive disadvantage in comparison to growth as a dependent variable. For a long time, comparable data were simply not available and for assets they are still only scarcely available. However, at least for income distributions

this has changed. The World Wealth and Income Database provides long time series of income shares across a huge number of countries (WWID 2018). The lack of comparable data explains why systematic studies on the impact of government ideology on inequality are difficult to find. On the contrary, there is a strong theoretical consensus that the most important *raison d'être* of interventionists is to reduce inequality. The power resources theory confirms that leftist power in government is a decisive factor of redistributive outcomes (Esping-Andersen 1985; Huber and Stephens 2001; Korpi and Palme 2003). The most important mechanisms in the power resource theory are redistribution via progressive taxes and welfare entitlements. I might add regulation as a third and probably equally important factor because it has the potential to hamper accumulative tendencies of market outcomes quite efficiently.

However, power resource theory has been advanced on cases in the industrial world. To my knowledge there exists only one systematic study looking at government ideology and inequality in developing countries (Ha 2012). This study demonstrates that government ideology has a strong effect on inequality (Ha 2012).[34]

Selected form the WWID (2018), I use two indicators because of its coverage and theoretical proximity to inequality. Top income share as a percentage of GDP are the best existing data to compare the distribution of wealth across countries and time. I use the top 1 percent income share as an indicator of the super-rich, usually a class of people whose gains are based on capital ownership. The second indicator is the top 10 percent income decile minus the top 1 percent, usually referred to as the upper-middle class. I follow the same procedure as on the growth indicators. First, I compare different government ideology indicators on the change in top income shares. Followed by several robustness

[34] One of the key contribution of Ha's study is, that he complements the existing government ideology data base of the World Bank with information on government's coalitions (Ha 2012, 542). As demonstrated in Chapter 3.2, the effect of government ideology crucially hinges on the measurement of government ideology.

tests and ultimately looking at the causal chains between ideology, policies and the distribution of wealth.

**Table 16:** Market liberalism and inequality

| | | | | | |
|---|---|---|---|---|---|
| Change top 1 % income share | Left Right | 0.02 | 0.181 | 689 | 1913-2014 |
| | Schmidt Index | 0.09 | 0.181 | 689 | 1913-2014 |
| | Kim and Fording | 0.42** | 0.012 | 689 | 1913-2014 |
| | Franzmann and Kaiser | 0.41*** | 0.002 | 689 | 1913-2014 |
| | Market Liberalism | 0.67*** | 0.000 | 689 | 1913-2014 |
| Change top 10 - top 1 % income share | Left Right | 0.01 | 0.244 | 687 | 1913-2014 |
| | Schmidt Index | 0.05 | 0.244 | 687 | 1913-2014 |
| | Kim and Fording | 0.15 | 0.187 | 687 | 1913-2014 |
| | Franzmann and Kaiser | 0.34*** | 0.000 | 687 | 1913-2014 |
| | Market Liberalism | 0.45*** | 0.000 | 687 | 1913-2014 |

***Note:*** Own calculation. Source of the dependent variable (WWID 2018).

The coefficients in Table 16 depict a now familiar pattern. Binary distinction between left and right indicate no influence of ideology whereas continuous measures yield strong effects. The index of market liberalism has again the strongest substantial coefficient as well as the narrowest confidence intervals. The effect size is remarkable. 0.67 is a coefficient for an average and yearly effect. A market liberal government in comparison to a very interventionist one, would accordingly increase the income share of the top 1 percent in a four-year term of around 2.6 percentage points of the GDP. That is a very substantial amount of upwards redistribution. To a lesser extend, but still positive and significant, we observe a growing income share of the upper-middle class under market liberal governments.

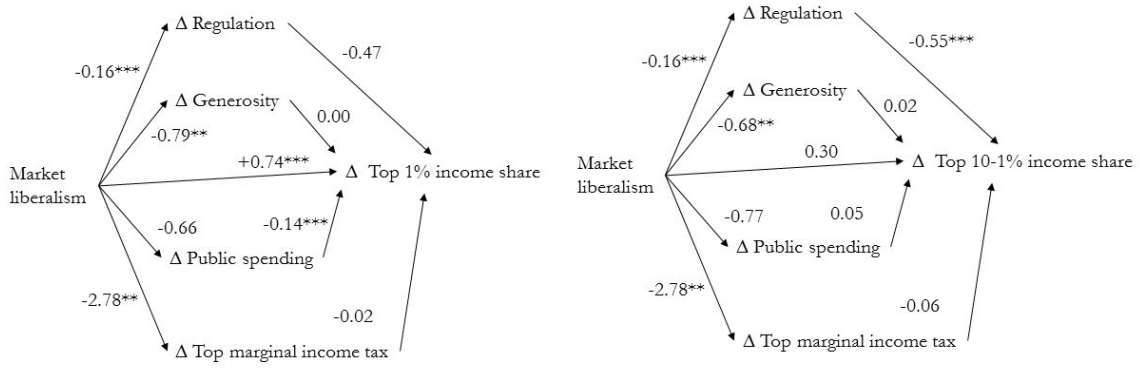
These effects are robust. There are four confounders with partially strong effects on the two inequality measures and systematic effects on government ideology. Rising GDP per capita also increases income inequalities and the inclusion of the indicator in the regression slightly reduces the government ideology effects. Stock market capitalization strongly increases top income shares and the inclusion of this variable further increase the effect of government ideology. Neither the inclusion of a banking nor a currency crisis substantially change the effect of government ideology. Finally, capital openness has a substantial effect on top income shares. Since we know that capital restrictions are

lifted under market liberal governments in tendency it reduces the effect of government ideology to an average effect of 0.38, still significant to the 99 percent level. In comparison to the effects of government ideology on growth, the evidence is much more supportive to the fact that market liberal governments increase the well-being of the better of in comparison the lower income classes.

I use the same four policies where government ideology was shown to systematically differ and include them in a path model from ideology to the two indicators of income distributions (Figure 9). In the path model with the top 1 percent income share, as dependent variable almost none of the association between market liberal government and inequality is taken up by the mediating chains. Only public spending has a systematic association with rising income shares of the top 1 percent. However, the government effect of ideology on spending is not significant anymore. The regulation chain shows a similar pattern with a reversed direction of association. More regulation decreased top income share and only slightly fail to reach appropriate significance levels. The direct association from ideology to income inequality is stronger and still significant. That means, effective mediation over these four policy domains does not take place and market liberal governments employ other channels to increase the income of the top 1 percent.

The model with the changing income share of the upper middle class as dependent variable show slightly different patterns. The regulation chain is highly effective and indicates that deregulation increases the income of the upper 10 percent income class. Interestingly, the effect of public spending is way more substantial on the top 1 percent income class in comparison to the upper-middle income class, the ladder being usually seen as benefitting from public employment. The chain from ideology over welfare generosity and top income tax rates, does not indicate any statistical association. The reason is that income shares are measured as gross income shares. In particular the tax and welfare entitlement chains are expected to play a significantly role in case data on net income shares would be available.

**Figure 9:** Path models from market liberal governments to income distributions




***Notes:*** Structural equation model estimated in Stata using SEM package (Rabe-Hesketh et al. 2004). Both models converged after 2 iterations. Estimator: Maximum likelihood estimation with missing values (both n=735). Clustered standard errors at the country level.

Coming back to the initial question of the impact of market liberal governments, it seems that all policies which systematically differ between market liberals and interventionist governments, have either no relation to income shares or increase the income share of the top earners. Besides the four channels discussed here, there remains a significant and substantial positive effect of market liberal governments on top income shares unexplained.

Taking both dimensions of performance in the short term together, market liberal governments do have a negative track-record on economic growth although some of their preferred policies have positive growth effects without improving productivity. At the same time, market liberal governments increase the income of the top earners and thereby increase economic inequality. As economic

inequality is often argued to be the price to be paid for wealth it seems that the price is paid anyways whereas the promise of wealth seem not to materialize. At least not in the short-term. In the next section I assess the long term effects of market liberal governments on growth and inequality.

### *3.3.3 The long run*

Promises of long term gain often appear if things turn bad in the short term. Or in contrast, if things run well for political opponents, politicians stress the importance of former reforms or point to long term deterioration. A striking example is Sweden. Sweden has always served as a role model for an egalitarian state and unsurprisingly various market liberal think tanks have tried to make the point that Sweden's success under social democratic governments is in fact caused by the market liberal past of the country (Amselem 2015; The Economist 2013, Norberg 2013). Such an intellectual twist is not even captured well in Hirschmann's tableau on rival interpretations of the market society (1982). It is something like a reversed combination of the doux-commerce and feudal-shackles theses (1982, 1481). The argument goes as follows: Early 20th century market liberals in Sweden have successfully introduced the market morals, resolved the feudal privileges and paved the way for an economic spirit which even survived a 40 year social democratic hegemony.

Various scholars, usually from sociology, have made the opposite point. Market societies consume a highly valuable attitude which was build up in pre-capitalist times. Probably most famously the theory of organic solidarity by Durkheim (2014[1893]). This line of thought has always stressed the non-contractual foundation of contracts - social trust. It makes market transactions possible in the first place. Whatever reason is brought forward to justify the long-term benefits of a social order between free-marketers and interventionists, it simply might be that effects take time to unfold.

Interestingly, a widespread approach to long-term effects are panel regressions on time-series data with a long time span. For example Roine et al. (2009) finds that government spending reduces income inequality in the long run. In fact, a standard panel regression does not tell us anything about long-term effects. Without any specific time lags, panel regression do the opposite and capture short term effects independent of the length of a time series. Times-series-cross-sectional models are supposed to deliver an average effect of any independent variable on the dependent variable for a defined periodization. Using country-year periods produces effects within one year. An alternative approach to long-term identification is based on aggregation. Scholars simply sum up the years of left or right governments over a long time span and relate it to the levels of specific policy indicators. For example, a country governed in 30 out of 40 years by social democrats should have a more generous welfare state in comparison to a country with long conservative legacy (Huber and Stephens 2001). This is in fact a reasonable design, as long as effects unfold in linear and symmetric ways. However, it does not capture the argument of short-term pain for long-term gain as stressed above. Decline and rise of benefits from specific policy reforms is washed out in such an aggregated design because 5 years of pain and 5 years of gain basically create a null finding.

One option to approach closer to the unfolding of effects over time is to apply growth curve modelling. Growth curve modelling is embedded in a structural equation framework and relates a treatment in time point t to changes in a dependent variable in time point $t_{+n}$ (Rabe-Hesketh et al. 2004). Furthermore, structural equations facilitate the inclusion of intermediate treatments. I refer to intermediate treatments as changes in the treatment condition between t and $t_{+n}$. For example, a labor reform implemented in t with a lasting effect in $t_{+10}$ could be identified in a country where the same market liberal government govern from t to $t_{+10}$. However, in many circumstances governments alternate in the mean-time. Theoretically as well as empirically, it should make a difference to include

IMT's because we have seen above that consistent short-term effects are expectable and confirmed in various policy domains.

Despite the simple inclusion of intermediate treatments, causal identification of long term effects is very challenging. Pearl has defined causal identification as a perfect closure of alternative backdoor paths (2009). It should be obvious that every lagged effect creates additional and open backdoor paths in principle. Accordingly, every attempt to identify long term effects stands on shaky ground. However, this shaky ground is nonetheless very interesting, because from a theoretical perspective it is very likely that many of the events we are interested in, only materialize in the long-term and are affected by repeated intermediate treatments which might reinforce or hamper the substance or direction of change.

### *3.3.4 Identification of long term effects*

I use the following procedure to identify the long term effects of market liberal governments on inequality and growth. I first change the periodization from yearly observation to cabinet observations in order to coarse time and thereby simplify the structural equation models. I remain in a first difference framework in order to reduce endogeneity problems and construct the first difference from $t_1$ to $t_{+1}$ until $t_{+5}$ respectively. I relate the government ideology in t to the changes in inequality in t and to every other change in inequality in $t_{+n}$. Effectively, this resembles five separate regressions with the same independent variable and lagged effect on the dependent.

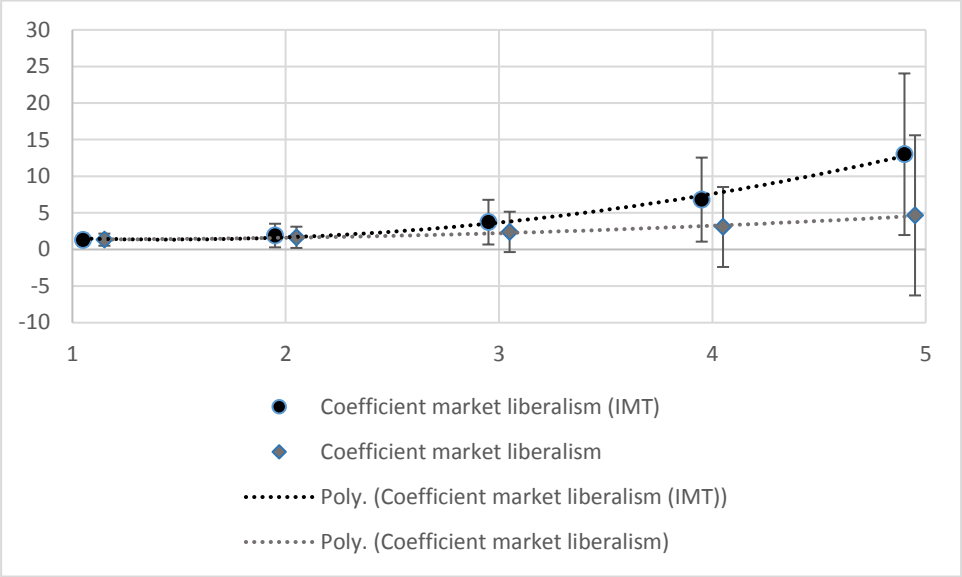
As discussed earlier, the longer the time span between the ideology of government and the change in the dependent variable, the higher is the likelihood that governments with a different ideology have gained majorities in the mean-time and reduce the effect of the government from $t_1$. To omit intermediate treatments (thereinafter IMT) would cause an underestimation of the treatment effect.

To integrate the intermediate treatments is not accurately feasible in a regression framework because the IMT's have effects on each change from $t_1$ until $t_{+n}$. For example, after three succeeding market liberal governments the cabinet might be replaced with two succeeding communist governments. The market liberals had time of three cabinet periods to constantly increase the income share of the top 1 percent and there might be a lasting effect of their policies in $t_{+4}$ and $t_{+5}$ as well. However, the effect in $t_{+4}$ and $t_{+5}$ is in this example strongly biased because of two succeeding communist governments which probably reduce the income share of the top 1 percent. Ignoring this would yield a growth curve of market liberals with raising inequality in the first three cabinet periods, followed by a decline in $t_{+4}$ and $t_{+5}$. The inference on such a model would be, that in the long run market liberals decrease inequality. As this is a fairly stylized description of IMT effects, it is just a matter of probability that over time the chance to have influential IMT's increases. Accordingly, a growth curve controlling for IMT's and a growth curve without should increasingly diverge over time.

Running two structural equation models without and with IMTs we find exactly the expected bias (see Figure 10). The short term effect in t is almost the same across both models.[35] However, from cabinet period three onwards the dynamics diverge. In the models without IMTs we would assume that market liberal policies implemented in t fade to exert significant effects on inequality after around 7.5 years. Controlling for IMTs creates another narrative. The inference based on this model indicate persistent growth in inequality even five cabinets after the initial treatment. A substantial interpretation suggests that 13 years after a market liberal government the income share of the top 1 percent is 13 percentage points higher assuming everything else to be equal.

[35] A positive and significant effect of 1.34 corroborates the findings from the yearly observations. It is slightly lower than the expected yearly effect multiplied by average cabinet duration (2.6 years; 0.67*2.6=1.74). However, this might be due to sample effects.

**Figure 10:** Long term effect of government ideology on inequality



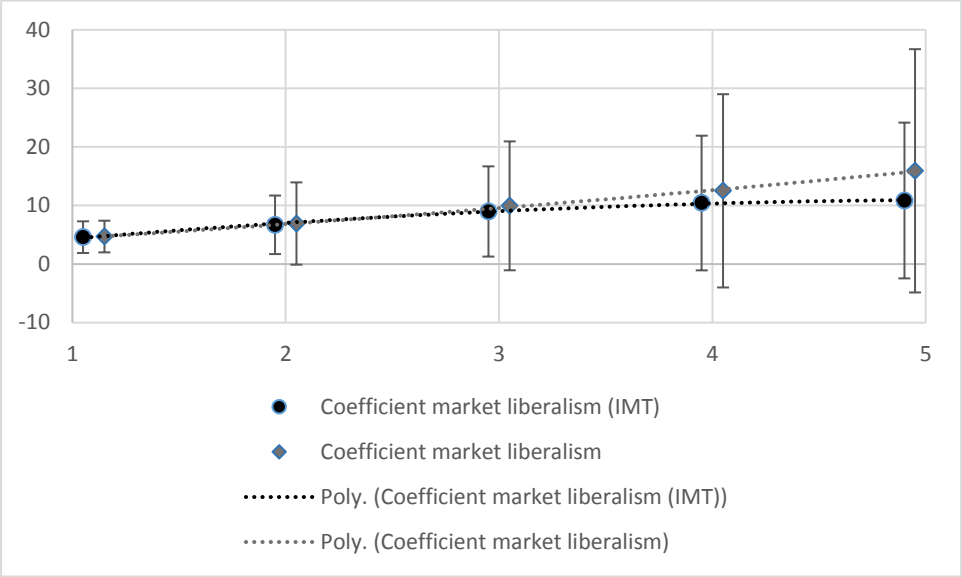

***Note:*** The y-axis captures the size of the coefficients and the x-axis the cabinets in time t until $t_{+4}$. The coefficients of both models are based on a structural equation models using a maximum likelihood estimator with missing values and robust standard errors at the country level. The total number of observations for both models is 765.

The substantial interpretation leaves an exorbitant impression. The reason is, regression coefficient are related to a one unit change in the independent variable. In the case of the applied measure of market liberalism this would be an alternation from a radical communist to a radical market liberal government – not a really frequent real world event. Typical alternations in the real world are changes from a moderate interventionist to a moderate market liberal government or vice versa. Numerically, such an alternation is on average a 0.3 change on the market liberalism scale (range 0 to 1). Accordingly, a real world alternation from a moderate interventionist to a moderate market liberal, would on average increase the income of the top 1 percent by 3.9 percentage points of GDP after 13 years. When Ronald Reagan took over the presidential office from Jimmy Carter, the top 1 percent income share was 10.6. Around 13 years later. Right before Bill Clinton took over the presidency from George W. Bush Senior, the top 1 percent income share reached 13.9 percent. The long term effect of market liberalism on the income share of the top 1 percent indicates a non-linear and rather exponential relationship.

The Ronald Reagan example indicates a rather good predictive power of the SEM models. In reality, the model fit is difficult to assess. I used the possibility of missing imputation (a great strength of SEMs) as well as robust standard errors (clustered at the country level) and both specifications make many of the standard model fit parameters meaningless. The remaining model fit parameter is the coefficient of determination (CD) which measures the amount of variation accounted for in the endogenous variables (or constructs) by the exogenous variables (or constructs). It is basically an equivalent to an adjusted $R^2$ in standard regression models. In the model without IMTs the CD is 0.056 and increases to 0.388 with the inclusion of the IMTs.

As market liberal actors rarely take a stance on the dynamics of inequality in the long run, it is important to evaluate the performance on economic growth, the core benchmark for market liberals. Comparable to the short effects I focus on two components of growth. First, I use the changes in the per capita growth, measured with expenditure method in international dollars at current prices and power purchasing parity (also deflated). This measure is conventionally seen as an indicator for the standard of living, a measure based on economic output (see OECD 2018 for a detailed description). As a second measure I look at changes in labor productivity. As discussed before, growth can be generated by different means. The theoretical promise of market liberals is based either on efficiency as well as on the amount of output. Efficiency means that the means of production become more productive or at least different productive factors are better allocated. If the efficiency is not improved, growth can still exist. In this case, growth is simply the result of more economic activity as we have seen in short term assessment. I measure productivity by an OECD indicator of GDP per hour worked. "It measures how efficiently labor input is combined with other factors of production and used in the production process" (OECD 2018b). Comparable to the long term identification of inequality caused by government ideology, I apply the same models with the change in per capita GDP and labor productivity with and without intermediate governments.

**Figure 11:** Long term effects of government ideology on growth




***Note:*** The y-axis captures the size of the coefficients and the x-axis the cabinets in time t until $t_{+4}$. The coefficients of both models are based on a structural equation models using a maximum likelihood estimator with missing values and robust standard errors at the country level. The total number of observations for both models is 765.

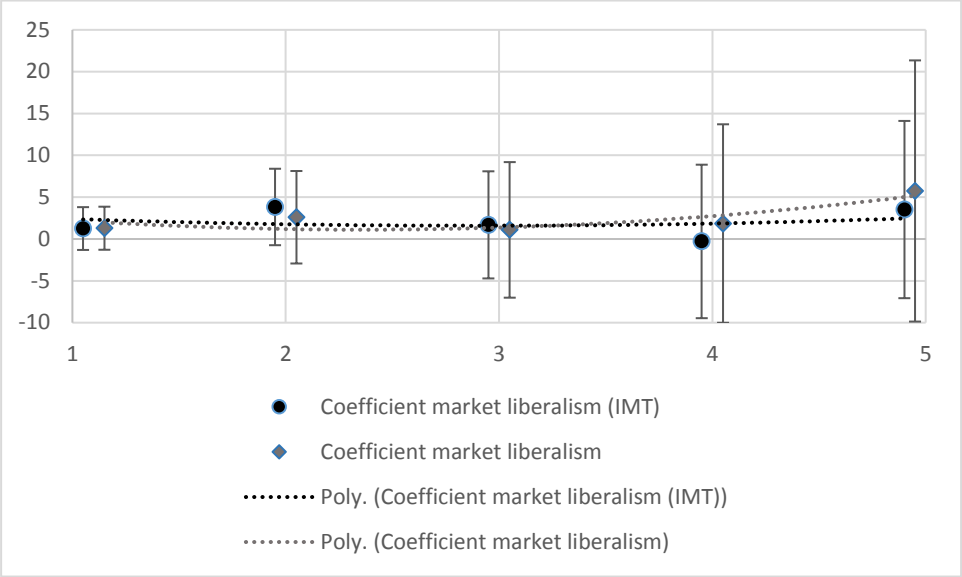
Figure 11 depicts the impact of market liberal governments on per capita growth using a cabinet periodization. Different to the negative short term (yearly) effect, the impact turns positive in the first cabinet term already. The growth effect remains positive and significant for the second and third period in the models using IMTs. Independent of the IMTs, in period 4 and 5 significance drops below conventional levels. The effects are aggregated effects as the dependent variable captures percentage change from t to $t_{+1}$ or from t to $t_{+n}$ respectively. Since the growth effect convergences at around ten in period three, there is no additional effect of market liberals from period t on growth in $t_{+4}$ independent of the significance levels.

However, the differences in growth in the first three periods (around 7.5 years) are already substantial. The aggregated difference between a market liberal and an interventionist government after 7.5 years is around 10 percent growth in GDP per capita. As discussed earlier, such an effect size

materializes on average in constellation where market liberals alternate into office held by radical interventionists before. A more realistic real world alternation could be seen as a change in 0.3 on the market liberalism indicator. Such an alternation would leave us with a predicted increase of growth of around 3.3 percent in 7.5 years. That is a yearly plus of 0.44 percentage points in growth per capita. It is not about belittling the growth effects of market liberal governments but the average per capita yearly growth rate in this sample is around 3 percent. Now we can attribute 0.44 of this growth pattern to market liberals with a very high margin of uncertainty. Not only the confidence intervals are very broad but the explanatory power of the model is way below the one using income shares as the dependent variable (CD of 0.03 in comparison to 0.388).

Looking at the long term effects on change in labor productivity the findings from the short term are confirmed. As in the short run, there is basically no systematic effect of market liberal governments on productivity. The same holds true for the long run (compare Figure 12). The assessment of long term performance do only partially confirm the patterns from the short term. Inequality in income distribution is increased by market liberal governments and there is evidence for a lasting effect across the entire time span (five government periods with an average duration of 2.5 years). The path models indicated that the most effective of the assessed channels are deregulation and reduced public spending. As market liberals systematically achieve both their impact on rising top income shares seem to be plausible. Interestingly, welfare generosity and top marginal income taxes do contribute anything systematic to the findings. As this has probably to do with income shares being measured based on gross income. As taxes and welfare contributions have a direct effect on net incomes, the effect of market liberals revealed in these models are probably at the lower bound.

**Figure 12:** Long term effects of government ideology on productivity




***Note:*** The y-axis captures the size of the coefficients and the x-axis the cabinets in time t until $t_{+4}$. The coefficients of both models are based on a structural equation models applying a maximum likelihood estimator with missing values and robust standard errors at the country level. The total number of observations for both models is 765.

The impact of market liberal governments on their own core benchmark is a bit puzzling. Economic growth shows a short term negative association with market liberal government and a long term positive effect. The policies which contribute to such an effect are in particular deregulation, reduced taxation and less public spending. These three policy channels indicate substantial and systematic growth increasing effects. In contrast, welfare retrenchment has negative effect on growth, at least in the short term. It might that market liberal governments focus on welfare retrenchment in the early phase of the political business cycle and employ growth enhancing policies like deregulation later. This being speculation, it could explain the diverging findings of negative short term and positive effect over the first cabinet period. However, the growth effects are rather uncertain and substantially low in the long run. Additionally, productivity is not affected by market liberal government. Consequently, there is no indication that market liberal governments deliver systematically in the domain of their core legitimizing benchmark – efficiency. The path models indicate that more generous welfare states are

in fact associated with higher labour productivity whereas public spending creates the opposite. Public employment as well as employment in countries with lower social protection seem both to hamper productivity.

To summarize the policy opportunities for interventionists and market liberals in relation to growth and the income distribution, many policy areas are attached with trade-offs. Regulation is for example an effective chain to increase growth but also to increase inequality. The patterns of public spending and top marginal income taxes indicate a similar trade-off. Interestingly, a generous welfare state seem to achieve both, growth and a more equal income distribution. However, more generous welfare states have tax and transfer implications which might feedback into growth depressing tendencies, at least in a constellation with a high share of transfer recipients. Overall, it is difficult for governments to achieve a growing and egalitarian society. Market liberals seem to have clear preferences on the trade-off and taken all the evidence together make a systematic difference in particular in the growing inequality of income. Market liberals seem to achieve slightly higher growth rates in return. Interestingly, these growth rates have not much to do with increasing efficiency, as many market liberals have claimed, but are simply based on more economic activity.

In the next part I turn to a specific constellation where market liberals, mainly conservative parties, started to open the possibility of government participation for radical right parties. Initially, these invitations were based on a calculus that coalitions with radical parties would allow conservatives to be liberated form grant coalitions and the engage in more unhampered retrenchment policies. The following chapter demonstrates that this reasoning was done under false premises. Radical right parties became inconvenient partners in terms of welfare retrenchment but more reliable allies in the domain of deregulation. In any case, the rise of the radical right and their inclusion in democratic governments has fundamentally changed the partisan constellation and the majorities for specific for socio-economic policies.

### 3.4 The Impact of Populist Radical Right Parties on Socio-Economic Policies[36]

Populist Radical Right Parties (PRRPs) have successfully evolved from "pariahs to power" (De Lange 2008). At first ostracised by other parties, they are now represented in the parliaments of most Western European countries, have taken part in government in a number of them, and therefore influence policymaking. Accordingly, scholarly attention has slowly started to move its focus from explaining their electoral fortunes to analysing their impact on public policies (Akkerman and De Lange 2012; De Lange 2012).

With a few exceptions (e.g. Verbeek and Zaslove 2015), however, previous studies have so far mostly focused on the impact of PRRPs on policies within their 'core domains', such as migration and integration policy (e.g. Akkerman 2012). However, achieving parliamentary or executive representation also gives PRRPs potential influence in other core areas of state intervention, including economic and social policies. This article offers the first systematic comparative study of their impact on both *redistributive* (i.e. social spending and welfare generosity) and *regulative* (i.e. market-making) economic policies in Western Europe.

In order to analyse the impact of PRRPs on socio-economic policies, we combine quantitative and qualitative methods (Lieberman 2005). We first address the impact of the parliamentary representation of PRRPs and their government participation on socio-economic policy formulation between 1970 and 2010 in 17 West European countries. Using a matching tool for case selection, we complement

[36] This chapter is an article co-authored with Alexandre Afonso and Dennis Spies published in European Political Science Review. This article travelled a bit and along the way it received very valuable comments. We would like to thank three anonymous reviewers. Their careful reading and feedback improved the article significantly. Beyond the reviewers, we would like to thank Simon Franzmann, Christina Zuber, Gregor Zons and André Kaiser for helpful suggestions. Remaining obscurities and errors are our own.

our statistical analysis with a case study of PRRP government participation in Austria in the 1990s and 2000s in order to gather insights into the policymaking processes at work.

### *3.4.1 Populist Radical Right Parties and Socio-Economic Policy*

The last three decades have witnessed the strengthening and "mainstreaming" of PRRPs within West European party systems (Mudde 2007). While the electoral fortunes of parties within this family vary greatly, many have managed to establish themselves as relevant actors in government coalitions in countries such as Austria, the Netherlands, Switzerland, Norway and Italy. As their electoral success hinged on stricter immigration controls, tougher law and order policies, and restrictive welfare provision for immigrants in particular (Betz and Johnson 2004; Mudde 2007; Van der Brug and Fennema 2003), it has naturally raised the question of their impact on policy formulation (see Mudde 2013 for a recent review).

Previous studies have understandably focused on the impact of PRRPs on the policy domains that they are considered to "own", such as immigration, integration and law and order (Akkerman 2012; Bale 2008; Minkenberg 2001; Mudde 2013; Zaslove 2004). Indeed, research has shown that these parties mobilize voters primarily along the value/identity dimension and not so much on the socio-economic dimension of electoral politics (Arzheimer and Carter 2003; Gabel and Huber 2000; Kriesi et al. 2006; Van der Brug and Van Spanje 2009). However, this does not mean that they cannot affect socio-economic policies, especially as coalition politics involves complex negotiations about different policy issues with other parties. Yet, no systematic large-N analysis has been conducted on the socio-economic policy impact of PRRPs and the number of qualitative case studies explicitly addressing this question is limited (see, however, Afonso 2015; Afonso and Papadopoulos 2015). This is somewhat surprising because the role and preferences of PRRPs in the socio-economic domain have been the

subjects of sharp controversies, depending on the alleged preferences of their voters (*vote-seeking strategies*) and the autonomy of PRRP party elites towards them when it comes to coalition formation (*office-seeking strategies*).

### *3.4.2 Vote-seeking strategies*

The first comparative studies in the field already pointed out that the Radical Right was not only interested in culturally-related issues, but also in socio-economic questions as a result of the realignment of the economic preferences of working-class voters towards pro-market agendas. One of the most prominent advocates of this view was Kitschelt (1995), who argued that the electoral success of PRRPs hinged on a combination of nationalism and neoliberalism (see also Betz 1994). According to Kitschelt, PRRPs were indeed radical with regard to their culturally authoritarian stance, but also in their demand for *laissez-faire* policies aiming at less redistribution, lower taxation and reduced welfare expenditures. They supported the deregulation of state monopolies and the dismantlement of neo-corporatist arrangements perceived to benefit the political establishment. Following this view, we would then expect PRRPs to support measures of liberalization once in government.

In recent studies, the market-liberal character of PRRPs has been questioned, especially by those interested in the political attitudes of PRRP voters. These studies convincingly show that PRRP supporters share similar concerns about cultural identity and especially immigration control (Arzheimer and Carter 2009; Van der Brug and Fennema 2007; Van der Brug and Van Spanje 2009) but are profoundly divided in their socio-economic preferences. This divide exists in particular between their two traditional core clienteles, the anti-state *petite bourgeoisie* on the one hand and the traditionally left-leaning working class on the other (Ignazi 2003; Ivarsflaten 2005; Mudde 2007; Spies 2013; Afonso and Rennwald 2017). In the face of these divisions, PRRPs are believed to follow

strategies of "position blurring", either presenting "vague or contradictory positions" (Rovny 2013, 6) or downplaying their socio-economic program (Cole 2005; Spies and Franzmann 2011; Afonso 2015), which some authors see as essentially subordinate to their nationalist ideology (Mudde 2007, 119). However, such electoral strategies are of limited value once PRWPs are in office because their position on these matters becomes much more difficult to obscure, when laws have to be voted and budgets allocated. Then, strategies of position blurring might translate into inconsistent socio-economic policy reforms, e.g. by mixing up general liberalization with "specific (often purely symbolic) protectionist measures and new programmes for selected groups (small business owners, families with children and so on) deemed vital to the political success of the government" (Heinisch 2003, 103).

Finally, different expectations of the policy impact of PRRPs appear in several studies where PRRPs are presented as new working class parties (Arzheimer 2012; Ignazi 2003). These studies either show that working-class voters are already the most important group in PRRPs or claim that working-class support for the Radical Right is steadily increasing (Betz 2002; Spies 2013; Afonso and Rennwald 2017). The common inference from these electoral changes is that PRRPs have abandoned their former market-liberal positions in favour of more centrist agendas, in line with the preferences of their now more left-leaning supporters (Aichholzer et al. 2014; De Lange 2007; Kitschelt 2004; Kitschelt 2007; McGann and Kitschelt 2005; Schumacher and Kersbergen 2014; Van Spanje and Van der Brug 2007). This re-orientation of PRRPs should express itself especially with regard to redistributive social policies as the working-class still has a strong interest in the preservation of traditional social insurance schemes (Häusermann, Picot and Geering 2013, 229; Afonso 2015).

Summarizing the arguments on the policy preferences of PRRPs derived from their electoral constituencies, the theoretical expectations are mixed. On the one hand, even the initial advocates of the "winning formula" (Kitschelt 2004; Kitschelt 2007; McGann and Kitschelt 2005) acknowledge that the socio-economic profile of PRRP voters today is much more left-leaning than in the early

1990s. On the other hand, PRRPs do not seem to follow a clear socio-economic agenda and the salience of these issues in their programmes remains low. Their policy stance is therefore unclear both during electoral campaigns, when they try to diffuse their positions, and in government, when they seem to advocate somewhat inconsistent political platforms.

### *3.4.3 Office-seeking strategies*

So far, we have derived our arguments on the policy impact of PRRPs from the socio-economic profile of their voters. However, as far as Western Europe is concerned, PRRPs have been able to enter national government coalitions only with other right-wing (Conservative, Christian-democratic or Liberal) political parties generally holding market-liberal views on the economy.[37] The participation of these parties in government is hence embedded in intricate processes of coalition formation and log-rolling with centre-right parties. According to De Lange (2012, 907), right-wing coalitions are an attractive option for mainstream right parties because PRRPs enable them to form politically viable and ideologically cohesive coalitions. As far as the mainstream right is concerned, political deals with PRRPs can draw on giving them concessions in the domain of immigration control (which PRRPs "own" and on which mainstream right parties have converged anyway) in exchange for their support for liberalizing socio-economic reforms (which are more important for mainstream right parties than for PRRPs). This kind of political deal, however, may be dangerous for PRRPs if one considers their strong working-class base. Indeed, cutting welfare programmes on which many of their voters rely can translate into severe electoral losses. How can this trade-off be resolved?

[37] One exception is the Syriza-Independent Greeks coalition formed in Greece in 2015, and Swiss governments where the radical right shares office with all major parties. The radical right has also held office with left-wing parties at the sub-national level in a number of countries.

We argue that this is possible only by differentiating socio-economic policies between those concerning *redistribution* (welfare state retrenchment being the most prominent among these) and those concerning the *deregulation* of former regulated markets, including financial liberalization, privatization of former state-owned companies, and the labour market (see Aranson and Ordeshook 1981; Lowi 1972). While their mainstream right coalition partners generally have a strong interest in both kinds of liberalization (see Bale 2003; Giger and Nelson 2011), we argue that PRRPs might have incentives to support (or consent to) deregulation but are more hesitant to support policies of welfare retrenchment once in government.

Starting with redistribution, supporting welfare retrenchment might be a serious problem for PRRPs because at least part of their electoral base has a strong interest in traditional social insurance programs, such as pensions (Häusermann, Picot and Geering 2013, 229; Afonso 2015). Welfare reforms can be expected to be salient issues, and strategies of position blurring which can be successful during electoral campaigns – are very difficult to carry out when in government. Thus, PRRPs face a potential trade-off between office and votes when it comes to redistribution (Afonso 2015): supporting the policies of their liberal and conservative coalition partners may harm their own working-class electorate, while defending the interests of their own electorate may jeopardize alliances with their mainstream-right partners. If PRRPs focus on votes, they should be more likely to defend the status quo when it comes to redistribution.

**H1:** Centre-right governments with PRRP participation will pursue more redistributive economic policies compared with centre-right governments without PRRP participation.

As far as deregulation is concerned, we argue that the picture is different than this for redistributive issues, and that this domain is less problematic in terms of coalition bargaining and electoral effects.

We see three main reasons for this. The most straightforward can be found in the interests of their potential mainstream right coalition partners. If PRRPs demand tougher immigration legislation but do not consent to welfare retrenchment, deregulation in other less salient domains becomes the only concession which can be offered.

Besides this coalition-based logic, PRRPs themselves might have a direct interest in deregulation given their general hostility to organized interests, especially to trade unions. This widespread critique of neo-corporatism among PRRPs is rooted in their anti-elite ideology (see Heinisch 2003; Mudde 2007). PRRPs as "outsider" political actors may also favour deregulation because they have not been part of the state-market networks (including connections between parties, trade unions and employers) that have governed many European market economies. Therefore, policies that might break up these corporatist networks and undermine the power of interest groups and established parties can be expected to find PRRP support. Trade unions, in particular, are among the *most purposeful defenders of regulation* (Davidsson and Emmenegger 2013) because *both labour market deregulation and privatization of formerly state-owned enterprises directly concern their own power base (*Obinger, Schmitt and Zohlnhöfer 2014). Hence, the deregulation of these domains should be *in the direct interest of both PRRPs as well as pro-business mainstream right parties.*

Finally, PRRPs might prefer deregulation to retrenchment because it is surely less salient in the eyes of their voters. Deregulation often appears rather technical and usually demands a higher degree of information to assess its outcomes, making such policies less conflictual in electoral terms than policies with clearer distributional effects. Therefore, support for deregulation might be more compatible with PRRPs' electoral strategy of "position blurring". Taking the three arguments together, we expect PRRPs in government to support policies of deregulation, or at least to consent to such reforms introduced by their centre-right coalition partners

**H2**: Governments with PRRP participation will support deregulatory economic policies. This results in deregulatory economic policies comparable to these of centre-right governments without PRRP participation.

Finally, the potential policy impact of PRRPs does not only hinge on their conflict between vote- or office-seeking strategies but also on the opportunity structures they face once in government. This involves, for instance, cabinet duration and the size of cabinet majorities. While the lack of adequate majorities and of sufficient time for the implementation of reforms are restrictions for any kind of government – be it with or without PRRP participation – for the analysis of PRRPs this argument is arguably even more important. Empirically, governments with PRRP participation tend to be less stable, and are significantly shorter than other governments. They might therefore simply lack the time to implement either redistributive or deregulatory reforms. To account for this, we will compare their policy impact depending on government duration and expect for both H1 and H2 that PRRP governments will have the most pronounced impact in the long run.

### *3.4.4 Research Design, Method and Data*

To investigate our hypotheses, we combine a statistical analysis with case study evidence. We first conduct a large-N quantitative analysis investigating the average effect of PRRP government participation on redistributive and regulative economic policies. In a second step, we quantitatively compare the impact of governments with PRRP support with comparable market liberal governments depending on how much time the respective governments had to implement redistributive and deregulative reforms. Thirdly, we select two cases (one with and one without a PRRP in cabinet), based on the distribution of the statistically most important variables. This within-case comparison

provides us with evidence to establish the inference from the statistical analysis and weakens the power of alternative explanations.

We start by calculating several time-series cross-sectional regression models. In the first series, we analyse PRRPs' impact on welfare generosity[38]. In the second part, we estimate their impact on deregulative economic policies. All models are based on data for 17 Western European countries[39] for the period 1970-2010 (see Table 1). The sample selection is intended to cover the whole range of countries within Western Europe for the entire period since the rise of the first PRRPs.[40]

Regarding our methodology for the quantitative part, there are often considerable doubts about the robustness of average effects in social science studies using macro variables (e.g. Kittel 2006). This is because the regression results are very sensitive to the specification choices made and the inclusion and exclusion of specific cases (Imbens 2015). This problem is particularly salient in our case as well. Technically speaking, the characteristics of governments where PRRPs participate are far from balanced compared with those without it: PRRP governments are not only significantly more market-liberal but also tend to govern in wealthier countries which are already more liberalized, have weaker labour unions and considerably higher public debts and lower levels of unemployment.[41]

In order to deal with this, we use entropy balancing as an established and non-parametric way to obtain regression weights (Hainmueller and Xu 2013). This procedure assigns higher weights to observations of governments without PRRP membership that are more similar to governments with

[38] In addition, we also report models with *welfare spending* as the dependent variable in the Online Appendix of this paper (see Table C). In essence, these models show very comparable effects on the impact of PRRPs on welfare generosity.

[39] These are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom.

[40] We also run all models on restricted samples focusing (1) only on the period from 1990 to 2010 and (2) only on countries with PRRPs in parliament from 1970 to 2010. The findings of the subsample regressions very much resemble the findings of the regressions based on the entire sample of countries from 1970 to 2010. The additional models are reported in the Online Appendix (Figure C and D).

[41] See Table B in the Online Appendix for an overview of the distributions.

PRRPs. Put more simply, more market-liberal governments in wealthier countries with low union density and higher degrees of globalization compare closely with our governments of interest and are consequently given higher regression weights. Theoretically, these adjustments should make the estimators less dependent on specification choices, a proposition we tested with several robustness checks.[42] In all models, we apply panel corrected standard errors to avoid overconfidence (Beck and Katz 1995).

### *3.4.5 Dependent Variables*

Building on the tradition of two independent dimensions of socio-economic policies – the redistribution via production of public goods and the regulation of market externalities (Aranson and Ordeshook 1981; Lowi 1972) – we differentiate between PRRPs' impact on *redistributive* and *regulative* economic policies.

To capture the redistributive dimension of economic policies, we use changes in *welfare generosity* (Scruggs, Jahn and Kuitto 2014) as our dependent variable. Welfare generosity consists of the average entitlements to pensions, unemployment and sick leave, which are calculated as the replacement rate of the (gross) average production worker wage. Welfare generosity takes into account both benefits as well as entitlement duration and qualification (see Scruggs 2014 for detailed description) and is therefore more closely linked to the influence from political decisions than, say, social spending as a share of GDP.

In contrast to measurements of welfare efforts, the *regulative dimension* of economic policies is more challenging to measure. For our measure, we consider three policy fields: labour market regulation,

[42] See Figure E in the Online Appendix.

the privatization of infrastructure, and the regulation of financial markets.[43] Labour market regulation measures the strictness of employment protection for permanent and fixed-term contracts. It consists of eight indicators (Organisation for Economic Co-operation and Development [OECD] 2013). The privatization of infrastructure consists of seven indicators tapping into the regulation in energy, transport and communications (OECD 2011). The regulation of financial markets is captured by the index developed by Abiad and Mody (2005) covering six policy fields. The presence of an underlying regulative dimension was tested via principal component analysis and confirmed with structural equation modelling. Both procedures helped establish that the three policy areas belong to an overall regulative policy dimension.[44] The latent construct obtained from the structural equation model will serve as our indicator of regulative economic policy.

For both welfare generosity and deregulation, cabinets (rather than country-years) are the more suitable temporal and substantial units of analysis because the preferences of political parties are expected to gain effectiveness within governmental periods (see Schmitt 2015). Hence, we use cabinets as our unit of analysis.

### *3.4.6 Main Independent Variables: PRRPs in Government*

PRRPs are expected to influence policymaking via their participation in government. Table 1 lists the parties we regard as being PRRPs and the years and cabinets in which they have achieved formal or informal *government participation*. We define parties as being formal coalition partners when they are represented in the executive decision-making body, the cabinet, and support their coalition partner(s)

[43] While the inclusion of additional policy fields would surely be plausible, our selection is motivated by the overall importance of these three areas for national political economies as well as by the availability of quantitative data.

[44] The latent variable model shows an almost perfect model fit ($X^2$=0.00***; CFI 1.0). The specific results are reported in the Online Appendix (Table A). See Figure A in the Online Appendix for the temporal development of the individual indicators.

in the legislative arena. In contrast, informal coalition partners are not represented in the executive but lend support to the coalition in the legislative arena in various forms, ranging from support for single but crucial legislative packages (e.g. adoption of the yearly budget) to systematic legislative support via sanctioned coalition-agreements (see: Bale and Bergman 2006). With regard to our cases, all informal PRRP governments took the form of minority governments in which the legislative support of PRRPs was crucial for the governments' ability to pass legislation. Because of this, we see PRRPs in both formal and informal governments as being accountable in the eyes of their voters. In order to classify parties as being PRRPs, we follow the definition of Mudde (2007) and see nationalism as their core ideological feature, leading to the list of parties presented in Table 1. However, a very similar list of PRRPs might be obtained by using alternative definitions (e.g. Carter 2005; Ignazi 2003; Norris 2005). In total, the list of cabinets with PRRP support includes 20 cases.[45]

[45] However, the Schüssel II government will be analysed in combination with the Schüssel I cabinet. We proceed this way because it lasted only one month in 2002 and two in 2003. Therefore, we remain with 19 cases for the statistical analysis.

**Table 17:** PRRPs in government from 1970 to 2010

| Country | PRRP | Government Participation (formal or informal) | Duration |
|---|---|---|---|
| Austria | Freedom Party (since 1986 PRRP) | Formal: 04.02.2000-24.11.2002 (Schüssel I), | 1 |
| | | 24.11.2002-28.02.2003 (Schüssel II), | 1 |
| | | 28.02.2003-05.04.2005 (Schüssel III) | 1 |
| | Alliance for the Future of Austria (BZö) | Formal: 05.04.2005-11.01.2007 (Schüssel IV) | 0 |
| Denmark | Danish People's Party | Informal: 27.11.2001-18.02.2005 (Rasmussen F I), | 2 |
| | | 18.02.2005-23.11.2007 (Rasmussen F II), | 1 |
| | | 23.11.2007-05.04.2009 (Rasmussen F III), | 1 |
| | | 05.04.2009-02.10.2011 (Rasmussen L) | 1 |
| Italy | Northern League | Formal: 11.05.1994-17.01.1995 (Berlusconi I), | 0 |
| | | 11.06.2001-28.05.2005 (Berlusconi II), | 2 |
| | | 28.05.2005-17.05.2006 (Berlusconi III), | 0 |
| | | 08.05.2008-16.11.2011 (Berlusconi IV) | 1 |
| | National Alliance | Formal: 11.05.1994-17.01.1995 (Berlusconi I), | 0 |
| | | 11.06.2001-28.05.2005 (Berlusconi II), | 2 |
| | | 28.05.2005-17.05.2006 (Berlusconi III) | 0 |
| Netherlands | List Pim Fortuyn | Formal: 21.07.2002-27.05.2003 (Balkenende I) | 0 |
| Norway | Progress Party | Informal: 08.09.1985-09.05.1986 (Willoch III), | 1 |
| | | 16.10.1989-03.11.1990 (Syse), | 1 |
| | | 19.10.2001-17.10.2005 (Bondevik II) | 2 |
| Sweden | New Democracy | Informal: 03.10.1991-06.10.1994 (Bildt) | 1 |
| Switzerland | Swiss People's Party (since 1999 PRRP) | Formal: 15.12.1999-10.12.2003 (Bundesrat 1999), | 2 |
| | | 10.12.2003-12.12.2007 (Bundesrat 2003), | 2 |
| | | 10.12.2008-14.12.2011, (Bundesrat 2008) | 1 |

***Notes:*** Table 1 reports only PRRPs that have attained informal or formal representation at national government level prior to 2010. While most of these cases have also been included in previous studies on the policy impact of PRRPs (De Lange 2012; Rovny 2013), the Syse (Norway) and Bildt (Sweden) governments might call for further explanation, as there were no official coalition agreements between the PRRPs and the government parties. Concerning Syse, Narud (1995: 10-11) explains that the centre-right coalition parties were "dependent on the support of the Progress Party" and that the good experiences with this support paved the way for the Progress Party's inclusion in later governments. With regard to Sweden, the Bildt government "was dependent on the New Democracy's support to pass its legislation" making this party also a "veto player" for the reform of social policy (Anderson and Immergut 2007, 370). Government duration is coded categorically: 0 if the government lasted less than 12 months; 1 if between 12 and 36 months; 2 if for more than 36 months.

### *3.4.7 Alternative Explanations and Controls*

In order to assess the impact of PRRPs on socio-economic policies, we need to make sure that differences are not due to ideological differences in their (right-wing) coalition partners. We start from the idea that these differences cannot be fully captured by party families alone. In order to analyse the potential impact of PRRPs, we therefore need measures of government positions on redistributive

and regulative economic policies beyond mere party lines. To calculate these positions of each single party (including PRRPs) we use the Comparative Manifesto Project data (CMP) and follow the approach of Röth (2017) by selecting socio-economic policy issues which can be definitely attributed either to more market-liberal or state interventionist policies.[46] We then calculate government positions by weighting each government party's position by its relative cabinet seat share to account for the variety of positions in coalition governments (see Döring and Manow 2012). The resulting variable *market liberalism of government* has been standardized and ranges from 0 (most interventionist) to 1 (most market-liberal). Please note that the CMP data does not allow us to separate between redistributive and deregulative economic issues. Thus, and if our assumptions on the different interests of PRRPs in these two policy dimensions are correct, the overall economic positions of PRRPs might appear more centrist than they deserve. While the main objective of the market-liberalism variable is to control for the ideology of PRRPs' coalition partners, this leaves the programmatic effect of PRRPs to be explained mainly by the dummy accounting for their government participation.

The ability of governments to implement reforms in line with their preferences depends on several factors. We consider that the most important of these are adequate majorities with sufficient time for the implementation of reforms. We control time through *the duration of the cabinet in months* and majorities with the relative *cabinet share of seats in parliament*.

*Globalization* and *Europeanization* are seen to be the main drivers of welfare state retrenchment and especially of economic deregulation. We control for globalization with the proportion of exports and imports to overall GDP. The influence of Europeanization is tested by an index of European

[46] The aggregated measure of market liberalism vs. state interventionism entails the following categories: Free enterprise (401), Incentives (402), Administrative efficiency (303), Economic orthodoxy (414), Regulation (403), Demand management (409), Economic planning (404), Controlled economy (412), Nationalization (413), Marxist analysis (415), Less spending on welfare (505), Less spending on education (507), Welfare state expansion (504), Social justice (503), Environmental protection (501), Anti-Growth (416). The issues are combined via a latent mixed item response model, using market liberalism as a latent construct and the empirical Bayesian means for the positional predictions (for a detailed discussion of the measure see: Chapter 2).

Monetary Union (EMU) integration, summing up the membership levels of the three implementation stages. EMU can be seen as the most powerful instrument for restricting the fiscal and monetary autonomy of the member states, thereby curbing tendencies towards interventionist economic policies (Höpner and Schäfer 2012).

Besides Globalization and Europeanization, the so-called post-industrial context is seen as having an impact on distributive and regulative economic policies. We capture the conflicting assumptions related to the post-industrialization arguments (Iversen and Cusack 2000) with a control consisting of the percentage of the working-age population active in the *service sector*. We also include *union density* as a control because organized labour might be a relevant opponent of both less redistributive and more market-liberal reforms.

Short- and long-term economic and demographic developments are major drivers of welfare generosity. *Unemployment* is an important influence on this and varies significantly in the short-run. Consequently, the lagged level and changes in unemployment are controlled for in the models. The overall affluence of a society is controlled by the Chain index – the natural logarithm of real *GDP per capita*. In addition, we include the *growth rate of GDP* in order to capture economic cycles. We control for *public debt* by the lagged level and the change rate, as public obligations should restrict redistributive generosity and might make deregulatory policy reforms more necessary. The base and change rate of people entitled to pensions is controlled by the *proportion of people older than 65* as a percentage of the population; child-related welfare demand is captured by the *proportion of people younger than 15*. *Migration* is seen as an intervening force in social spending, even though expectations in this regard are ambiguous (Soroka et al. 2015). We control for its impact by including the net migration rate in our models. Finally, each model includes *lagged level dependent variables* to capture the declining likelihood of further redistributive or deregulatory reforms in countries that are already liberalized to a high degree.

### *3.4.8 Quantitative Analysis: Average Effects of PRRP Government Participation*

We present the results of the balanced time-series cross-sectional regression models in Table 2. Overall, we estimate four models, two with welfare generosity and two with deregulation as the dependent variable. The central independent variables are PRRP government participation, the market liberalism of the respective government, and the government duration. Interpreting the effect of the PRRP dummy, note that it shows the difference of having a PRRP in government compared with market-liberal governments without PRRP participation. The PRRP dummy thus represents the distinct combination of redistributive and deregulative issues in the Radical Right's manifestos, as well as the distinct situation these parties are confronted with in terms of logrolling with their mainstream-right coalition partners. In models 2 and 4, we further analyse this average effect by interacting it with government duration.

Starting with model 1, we compare the average impact of PRRPs on welfare generosity with other market-liberal governments – of which PRRP governments are a sub-category of. While the degree of market liberalism has a substantial and negative effect on welfare generosity (-2.29***), the average effect of PRRPs is positive (+0.59***). Therefore, whereas more market liberal government without PRRP inclusion systematically reduce the generosity of the welfare state, PRRPs curb these retrenchment efforts significantly while being members of centre-right coalitions. The balanced model shows very plausible effects on several other variables and explains a remarkable part of the variance for a first difference model ($R^2$=0.29).

**Table 18:** Regression models for redistribution and deregulation

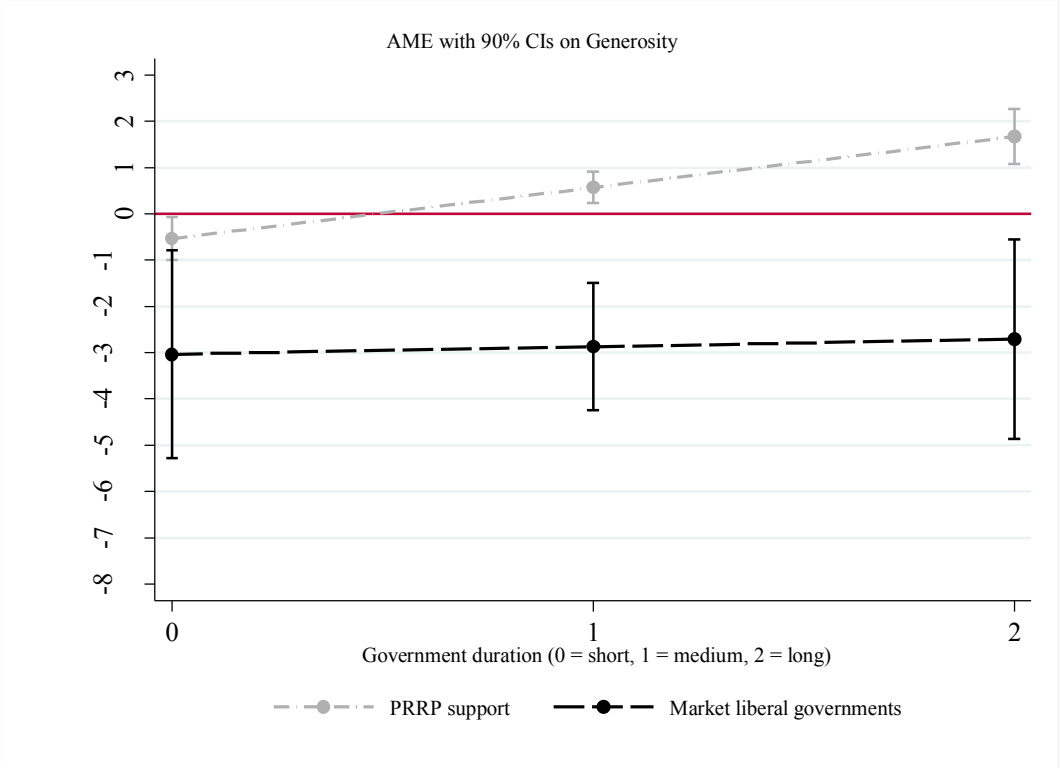
| **Dependent Variable** | Δ Generosity | Δ Generosity | Δ Deregulation | Δ Deregulation |
|---|---|---|---|---|
| **Estimator** | Model: pcse, entropy balanced data IV's | Model: pcse, entropy balanced data IV's | Model: pcse, entropy balanced data IV's | Model: pcse, entropy balanced data IV's |
| **Model Number** | (1) | (2) | (5) | (6) |
| **Hypothesis involved** | **H1** | **H1** | **H2** | **H2** |
| PRRP gov. support | 0.59*** | -0.52* | 0.65 | 1.88* |
| PRRP* Gov. duration | - | 1.09*** | - | -1.42 |
| Market liberalism of government | -2.29** | -2.97** | 11.82*** | 7.03 |
| Market liberalism*Gov. duration | - | -0.05 | - | 5.00 |
| Gov. duration (in months) | -2.21** | -0.77 | 13.91*** | -1.42 |
| Gov. seat share | -1.28* | -1.18* | -7.52*** | -7.39*** |
| l. union density | -1.34*** | -1.85*** | -8.82*** | -8.02*** |
| Δ unemployment | -0.60 | -0.95 | 29.82*** | 32.60*** |
| l. unemployment | -0.71 | -0.03 | 6.40** | 2.88 |
| De-industrialization | -1.20 | -2.07** | 3.32 | 3.97 |
| l. debt | 0.00 | -0.00 | -0.03* | -0.01 |
| Δ debt | 0.71 | 0.59 | -9.02*** | -8.41** |
| Δ GDP | 0.08 | 0.66 | 28.91*** | 33.11*** |
| Ln GDP | -2.77* | -4.46*** | 3.98 | 5.42 |
| Δ pop >65 | -0.19 | -0.49 | -6.22** | -7.69*** |
| Δ pop <15 | -1.93 | -1.23 | 6.56 | 5.60 |
| l. Level Welfare Generosity (Model 1-2) | -0.03 | -0.03 | - | - |
| l. Level Social Spending (2a-2b) | - | - | - | - |
| l. Level Deregulation (3-4) | - | - | -9.86*** | -8.55*** |
| Migration rate | 1.10 | -0.28 | -3.24 | -0.28 |
| l. Globalization | 3.25** | 2.88** | -16.01*** | -17.29*** |
| Δ Globalization | -1.65 | -2.82** | -12.69*** | -12.03*** |
| EMU-Integration | -0.24 | 0.34 | 3.68*** | 3.30*** |
| Cons. | 6.75*** | 10.39*** | -12.53** | -15.30** |
| $R^2$ | 0.29 | 0.39 | 0.73 | 0.71 |
| Number of countries | 16 | 16 | 17 | 17 |
| Time frame | 1970-2010 | 1970-2010 | 1970-2010 | 1970-2010 |
| n | 200 | 203 | 237 | 237 |
| Positive cases | 19 | 19 | 19 | 19 |
| Robustness (Appendix Part C) | Figure B | Figure B | Figure C,D | Figure C,D |

***Notes:*** * < 0.90; **<0.95; ***<0.99 levels of confidence. All coefficients are standardized by beta weights and consequently coefficients are comparable. Δ refers to changes and l to lagged variables.

The difference between market liberal governments with and without PRRP support should increase with the time a government has to implement its preferred policies. This is exactly what we find in model 2, integrating the interaction between market liberalism and government duration. For the ease of interpretation, we graphically present the interaction effect in Figure 1, separating government

duration into three categories (*short* if the government lasted less than 12 months; *medium* if between 12 and 36 months; *long* if for more than 36 months). In the short-run, PRRPs do not significantly matter for the generosity of benefits. However, with increasing time the differences play out very clearly. Whereas market-liberal governments pursue welfare retrenchment, governments with PRRP support defend the status quo or even slightly increase the generosity of the welfare state. The models 1 and 2 therefore give support for H1.

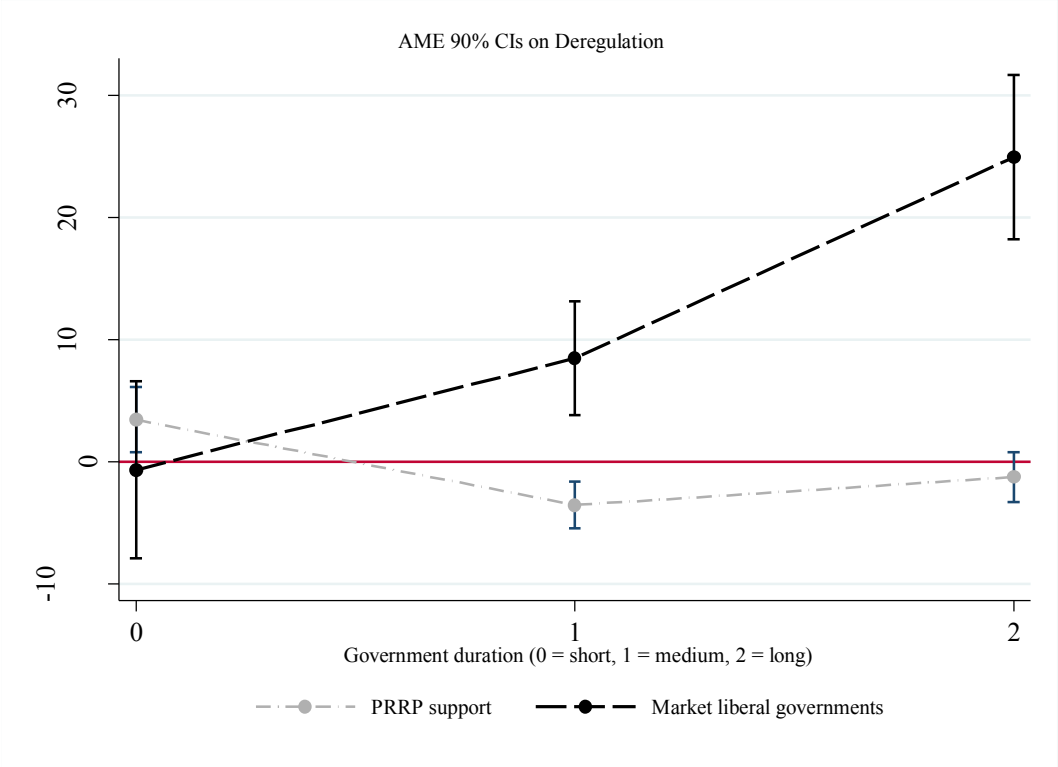
**Figure 13:** Average marginal effects (AME) on welfare generosity and spending conditional on government duration




Coming to the regulatory dimension of economic policies, model 3 shows that market liberal governments substantially and significantly deregulate the economy (+11.82***). While the effect of PRRP cabinet participation on deregulation is also positive, it turns out as insignificant (+0.65; model 4). Therefore, market liberal governments with PRRP participation are not less inclined to deregulation than market liberal governments in general; a finding giving support for H2. However,

turning to the interaction of time and ideology in Figure 2, we see that this general statement on the limited impact of PRRPs on deregulation is mainly due to the shorter government duration of PRRP cabinets. While market liberal governments without PRRPs are strong drivers of deregulation once they have sufficient time to shape their preferred policies, the impact of market liberal governments with PRRPs is slightly positive and turns to zero for long-term governments. Disaggregating the effect of PRRPs on the three sub-dimensions of deregulation, we observe that PRRPs seem more open to labour market deregulation and privatization than to financial market deregulation (see Appendix Part C, Figure E). As the former forms of deregulation directly or indirectly affect the power of organized labour, these findings are in line with our theoretical expectations. However, for all three sub dimensions we find that centre-right governments with PRRPs are still less inclined to deregulation than centre-right governments without PRRPs.

**Figure 14:** Average marginal effects (AME) on deregulation conditional on government duration



In sum, the quantitative analysis shows that governments with PRRP have a different impact on redistributive and regulatory economic policies than centre-right governments without PRRP support. Regarding the former, their impact on welfare generosity is in line with vote-seeking explanations. PRRPs tend to block the retrenchment agenda of their mainstream right coalition partners. Regarding deregulation, the effect of PRRPs in government is overall supportive and crucially hinges on the opportunity structure of governments. PRRPs seem to hesitantly support the deregulation agenda of their market liberal allies, especially so in the areas of the labour market and privatization of former state owned companies. However, market liberal governments without PRRPs deregulate these policy areas far more.

### *3.4.9 Selections for case study analysis*

The quantitative models provide evidence on the average relationship of PRRPs as government members and the resultant change in redistributive and regulative policies. The main aim of the following qualitative case studies is to trace how PRRPs shape formulation and implementation in redistributive and regulative policies. There are arguably multiple ways to select cases for intensive analysis drawing on quantitative analysis (Lieberman 2005; Weller and Barnes 2014). We follow the rationale of Weller and Barnes (2014) in proposing to use quantitative information for the selection of pathway cases: cases which have a high likelihood of allowing the observability of the mechanism (Gerring, 2007) which is theoretically expected, and whose presence is assumed by quantitative models at another level of causality.

The basic idea is not to rely on the predictive fit of a case in a quantitative model alone (as e.g. Lieberman 2005 suggests), because a good prediction can be caused by many other variables beside

the main one of interest (Rohlfing 2008). Therefore, we select a case with good prediction and choose a second case for comparison with very similar attributes on all the important control variables. Thereby, we raise the likelihood that the observed mechanism is due to the factor we are interested in – namely the presence of a PRRP in government. To ensure this similarity we apply coarsened exact matching (Iacus, King and Porro 2012), as it allows us to select cases that vary as little as possible with respect to variables other than the one of interest. The rationale is straightforward, as coarsened exact matching provides us with comparable cases within different strata from which we select the "most similar" ones.[47]

We apply this method by selecting every important variable for the model of welfare generosity as well as for the model of economic regulation. The results indicate different groups for comparison which have highly similar covariates but differ in the presence of a PRRP in government. As it turns out, multiple comparisons might be justified by the procedure, however we prefer within-country over cross-country comparisons because we assume unobserved characteristics to be more similar in within-country analysis.[48] Therefore, we choose a comparison between the Klima I (no PRRP participation) and the Schuessel I (FPÖ participation) cabinets in Austria.

Table 3 illustrates the distribution of the dependent and the most important independent variables for the two cases and shows their comparability with regard to the most important explanatory variables: the degree of programmatic market liberalism as well as the economic fundamentals hardly

[47] Alternative procedures are mainly based on regression residuals or the propensity score. However, different compositions of residuals allow strongly unbalanced comparisons in principle (Rohlfing 2008). Selections based on propensity scores avoid selection bias of the treated, but fail to balance those covariates which do not relate to the treatment variable (King et al. 2011).

[48] See Table D and E in the Online Appendix for the alternative comparisons following the CEM procedure. We could have analyzed the Balkenende I cabinet in the Netherlands or different Bundesrat cabinets in Switzerland. However, we decided not to choose one of them, because the Balkenende I cabinet had a very short duration and the cases in Switzerland have a much longer timespan than the ones we selected. Also, government participation in Switzerland is a problematic concept in cross-national comparisons because of the well-known "Zauberformel", leading to the unique setting that here a PRRP is in a coalition with mainstream-left parties.

vary, both had exactly 33 months in government, the amount of public debt is almost identical, and the lagged level of unemployment is basically the same.

**Table 19:** Characteristics of the selected cases

| | | | Dependent Variables | | | Main Independent Variables | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Time Period | Country | Cabinet | Δ Generosity | Δ Social Spending | Δ Deregulation | Market Liberalism of Government | Lagged Unemployment | Δ Unemployment | Δ GDP | Lagged Open Economy | Government Duration (month) | Lagged Level Debt |
| 1997-1999 | Austria | **Klima I** | -2.20 | 0.82 | 5.10 | 0.62 | 4.03 | 0.20 | 3.24 | 91.84 | 33 | 68,11 |
| 2000-2002 | Austria | **Schuessel I** | 2.00 | 0.82 | 9.02 | 0.66 | 4.00 | -0.33 | 2.02 | 83.81 | 33 | 67,54 |

***Notes:*** Our calculation is based on the coarsened exact matching results.

### *3.4.10 Qualitative Analysis: Austria 1997-2003*

Our case study analysis focuses on Austria, one of the first Western European countries where a PRRP participated directly in a coalition government. In 2000, decades of power-sharing between the SPÖ (Social Democrats) and the ÖVP (Conservatives) came to an end when the Conservatives decided to form an alliance with the FPÖ, led at the time by the late Jörg Haider, giving rise to widespread international criticism. After decades of a de facto duopoly between the two mainstream parties, the FPÖ presented an interesting coalition alternative for the ÖVP to push a liberal agenda that had been systematically blocked by the SPÖ and the unions (Obinger and Tálos 2006, 23). Here, we compare the grand coalition SPÖ-ÖVP headed by Viktor Klima that preceded the accession to power of the FPÖ with the FPÖ-ÖVP coalition headed by Wolfgang Schüssel. Our case comparison makes it possible to find some insights into the effect of PRRP participation in government. We focus on

welfare reforms as measures of redistribution and privatisation and the regulation of public monopolies as measures of (de-)regulation.

*The Klima Cabinet Reforms (1997-2000)*

In 1997, PM Viktor Klima (SPÖ) accessed the Austrian premiership as part of a grand coalition with the Conservative ÖVP. Klima was the Finance minister under Franz Vranitzky's previous grand coalition cabinet established after the 1995 elections, and was close to Third Way ideas. As such, he was committed to some degree of fiscal consolidation, to a moderate departure from the strongly compromise-oriented type of corporatist negotiation that characterised policymaking (Karlhofer and Tálos 2000), and to a moderate reduction of state intervention. An important backdrop of economic reforms in that period was the peculiarly important role of the Austrian state in the economy, and the strong connections between the main political parties and the largest industries and banks. In 1989, the Austrian government was the biggest owner of listed Austrian companies, controlling 37% of shares (Ditz 2010, 243-4). Moreover, a large part of the industrial and banking sector was indirectly controlled by the main parties. For instance, the two largest banks, the *Creditanstalt* and *Bank Austria*, were closely connected to the Conservative ÖVP ("black") and the Social Democrats ("red") respectively. For many experts, the large size of the state-controlled sector was considered inefficient and costly.

In many ways, economic reforms during this period were spurred by the accession of Austria to the European community and the implementation of the rules of the Single European Market. A significant movement of deregulation and opening was undertaken from the early 1990s onwards, especially in the areas of telecommunications. Based on a law passed in 1993, twenty-seven privatisations were initiated (Ditz 2010, 243-4). This movement peaked in 1998, when privatisations

proceeds generated about 12% of GDP (Belke and Schneider 2003: 18), the greatest share accounted for by Telecom privatizations.

In some areas, however, liberalisation during the Klima cabinet was thwarted by the interests of the mainstream parties. For instance, even if both mainstream parties in the coalition had agreed earlier on a wide-ranging programme of the privatisation of the banking sector, the actual implementation of this programme was considerably protracted because parties proved very reluctant to hand out a significant part of their economic power. In 1994, an attempt by the Swiss bank *Credit Suisse* to take a participation in the *Creditanstalt* was thwarted in the middle of coalition infighting, with parties eager to keep the bank under Austrian control. Later on, an attempt by the "red" Bank Austria to buy the "black" *Creditanstalt* created again conflict within the coalition (Berliner Zeitung 1997), was perceived as a hostile takeover and severely undermined the trust between the coalition partners. Most importantly, this episode showed the limits of the grand coalition to pursue actual liberalisation, and was presented by the FPÖ and its leader Jörg Haider as a yet another proof of the cartelisation of Austrian politics and the grip of mainstream parties on the economy.

In the area of welfare, the Klima cabinet set about to implement an encompassing reform of the pension system that would significantly reduce the contribution of the federal state. This reform included a change in the mode of calculation of benefits taking into account the whole career of workers rather than the best years only, and penalties for people retiring early (Schludi 2005, 75). The plan faced fierce resistance from the unions, which organised mass demonstrations against it (Schludi 2005, 175-6). Interestingly, even the FPÖ was staunchly against the plan (Schludi 2005, 169). In a context where the ruling SPÖ had strong ties with the labour unions, the government decided to involve them and negotiate concessions, but their support could not be garnered. Within the centre-right ÖVP, this led to voices demanding that the unions be side-lined altogether. However, the number of union-affiliated MPs within the social democrats gave the unions *de facto* veto power, thereby

blocking the reform and even risked a vote of no confidence in parliament. Eventually, a very substantially watered-down version of the reform was passed and agreed with the labour unions.

Even if deadlock had been overcome, it became clear to the conservative ÖVP and its new leader Wolfgang Schüssel that substantial reforms geared towards fiscal consolidation and economic liberalisation would be too difficult to pass in a coalition with the SPÖ, given their strong ties with the unions (Luther 2010, 81). From a more party-political point of view, seeking an alliance with the FPÖ was also a way to counter the ascendency that the "red" bloc constituted by the social democrats and unions were garnering, as shown by the takeover of the *Creditanstalt*.

*The Schüssel Cabinet Reforms (2000-2003)*

The 1999 Austrian federal elections yielded unexpected results: the SPÖ came first as expected with 33.2% of the vote, but Jörg Haider's anti-immigration FPÖ came second (with 26.9%) by a few hundred votes over the ÖVP (26.9%). While the social democrats were ready to negotiate yet another grand coalition with the ÖVP, the latter refused and eventually agreed on a government programme with the FPÖ (Obinger and Tálos 2006, 9). In many ways, building a coalition with the FPÖ was perceived as an opportunity for the ÖVP to push through the retrenchment and deregulation measures which had been watered down while in government with the social democrats. In this context, the ÖVP-FPÖ coalition set about implementing a drastic programme of austerity measures that would scale back a number of social programmes and public spending in general (Obinger and Tálos 2010). The government was determined to reduce public spending to a greater extent and at a quicker pace than any of its predecessors (Ditz 2010, 245). The FPÖ received important portfolios in this area, notably Finance and Social Affairs (Luther 2010, 88; Ennser-Jedenastik 2016: 415).

While the pension reform of the previous government had been substantially watered down by the power of unions, the Schüssel government opted for side-lining them in the decision-making process, thereby breaking with a longstanding tradition of corporatist agreement in Austrian policymaking. The FPÖ did not oppose this strategy as it was in line with its longstanding hostility to union power. In this context, a major pension reform provided for an increase in the retirement age, cuts to benefits for people retiring early, a higher retirement age for public servants and a reform of widows' pensions. This reform was similar to the one passed in 1997, but its fiscal retrenchment component was to be achieved within a space of three years whereas the watered-down reform of 1997 was supposed to achieve the same within 30 years (Schludi 2005, 180). Over the two cabinets led by the ÖVP with FPÖ support, public spending as a share of GDP decreased from 51.4 per cent in 2000 to 48.2 per cent in 2007 (Ditz 2010, 248).

The FPÖ had initially signed up to the retrenchment agenda of the ÖVP but afterwards significantly tempered its impetus for welfare retrenchment when it realised it severely hurt its own electorate (Heinisch 2003). Before accessing power, the party had combined a form of "welfare populism" advocating fiscal retrenchment at the expense of self-serving public servants and politicians on the one hand, combined with a staunch defence of acquired rights and promises of increased spending targeted at its working-class clientele on the other. Hence, the party had always opposed retrenchment for existing pensions, and defended benefits for "deserving" recipients such as the sick, disabled, elderly, and mothers (Ennser-Jedenastik 2016: 418). The party had also been keen on public spending if it served electoral purposes, as the record of Jörg Haider in government in the Land of Carinthia demonstrated. One of his flagship measures had been, for instance, the "Kinderscheck" a monthly payment paid to mothers for each child, making the region the most generous for family allowances in Austria. He also initiated a "mother's pension" allocating 150 euros extra for "deserving"

mothers above 60, heavily subsidised gas and other benefits targeted at pensioners in particular, often handed out in cash in front of TV cameras (Profil 2009).

In 2002, early elections were held after the resignation of several FPÖ ministers and the collapse of the coalition. The FPÖ was severely damaged, losing 34 seats and two-thirds of its votes, and joined another coalition with the ÖVP on a much weaker basis. In 2003, after this major electoral defeat, the FPÖ sought to temper the move by the ÖVP to reform the pension system. While it had agreed on the broad agenda of a major pension reform, internal opposition within the party led the sitting social affairs Minister to ask for a referendum on the issue (Schludi 2005, 187). After the reform was eventually agreed in cabinet, on the next day eight of the FPÖ's eighteen MPs declared they would not support the bill in the plenary vote unless there were further measures to alleviate changes (Luther 2010, 96). The party was also able to introduce a few compensation measures targeted at its own clientele. One of them was the so-called "Hacklerregelung", which allowed older workers in specific physically demanding professions - one of its core clienteles – to retire early (Ennser-Edenastik 2016: 420). In this context, the party clearly sought to act as a retrenchment brake to preserve its electoral prospects.

In the areas of privatisation and liberalisation, where the direct costs to voters were less clear, the government pursued reforms in a fairly unrestricted manner. For instance, measures of financial liberalisation passed under the Schüssel cabinet allowed for a five-fold increase in the market capitalisation of the Vienna stock exchange (Ditz 2010, 254). For the first time, the cabinet planned the total handover of ownership of a number of former state monopolies to the private sector. With a new law, they transformed the state holding agency tasked with managing state participation in industrial sectors (ÖIAG - *Österreichischen Industrieholding Aktiengesellschaft*) into a privatisation agency. The state totally rescinded its participation in airports, the tobacco industry, banks and other industrial sectors, and reduced its participation in Telekom Austria and the Austrian Post (Kepplinger 2009: 1-

2). In 2001 alone, privatisation proceeds reached 925 million Euros. This partly continued the movement started in the 1990s, but also accelerated in a number of domains, for instance in railways, which yielded significant resistance from the unions (Ditz 2010, 245).

For both the ÖVP and the FPÖ, privatisation was much less controversial than welfare reform because it involved lower electoral costs and even concrete strategic benefits for both parties. For the ÖVP, privatization was a way to weaken trade unions and social democrats, whose power base lay in the state monopolies. For the FPÖ, privatization was a way to dismantle the political cartel that controlled large parts of the Austrian political economy, to which they had never belonged, and perhaps place some of their officials in bureaucratic positions of influence. This strategy became explicit when the coalition adopted a new rule in 2001 to bar the representation of organizations with collective bargaining rights in the board of the Association of Social Security Providers, an organisation hitherto governed according to the principle of self-government. This new rule was notably used to deny the chair of the Union of Railway Employees a seat on the governing board of the institution. This decision was later overturned by the Constitutional court. In the area of deregulation, the electoral trade-offs faced by the Radical Right in the area of welfare were less present, and the interests of the PRRP and the mainstream right were more aligned.

### *3.4.11 Discussion and Conclusion*

While previous studies of the policy impact of PRRPs have focused almost exclusively on cultural issues, the impact of these on socio-economic policy formulation has so far largely been ignored by researchers and commentators. Our mixed methods comparative study of the impact of PRRPs on redistributive and (de-)regulative economic policies takes a first step towards filling the gap and unpacking the logic that shapes socio-economic policy-making in cabinets with and without PRRPs.

Starting with the finding that, so far, Western European PRRPs have only been able to form coalitions with market-liberal mainstream parties, our results indicate that governments with PRRP participation show less political will to retrench welfare benefits compared with other centre-right governments. In contrast, coalitions with PRRP participation show significantly more political will to deregulate – and especially to privatize – the economy, even if these efforts are not as pronounced as those of market-liberal governments without PRRP participation. Both with regard to redistributive and deregulative policies, differences between PRRP and non-PRRP governments become more visible for long-term governments with sufficient time to implement such reforms.

Based on our mixed methods design, we see two interrelated arguments for why PRRPs do allow for greater deregulation but not for greater welfare state retrenchment when participating in government. First, the working-class constituency of PRRPs makes it difficult for these parties to openly support welfare retrenchment, especially when it comes to traditional social insurance schemes benefitting their electoral clienteles, such as pensions. Secondly, restrained by their voters' interests, PRRPs do offer their centre-right coalition parties concessions with regard to deregulation. In the following, we would like to point to the theoretical implications of these findings for further research and also discuss how they are supported or contradicted by the quantitative and the qualitative parts of our mixed-methods design.

Starting with welfare generosity, our quantitative analysis broadly supports the theoretical expectation that PRRPs will have difficulties in following a program of retrenchment because of their rather left-leaning voter bases. The qualitative case study on Austria made it possible to nuance this view, as the FPÖ indeed supported the welfare retrenchment effort of the ÖVP, until it realised that it was damaging electorally and afterwards sought to temper the retrenchment impetus of its coalition partner. We see this as a telling example that the immigration-focused Radical Right might not be

aware of the electoral consequences of their socio-economic agenda – a situation that might be especially relevant for PRRPs with no former governmental experience.

With regard to deregulation, the political agendas of centre right and PRRPs find common ground, in particular where traditional structures of market regulation are dominated by labour unions. Privatization of state owned companies and deregulation of labour markets not only constitute liberalization efforts per se, but also erode the power base of PRRP competitors such as left-wing parties. This strategy is emphasised by Jensen (2014) when he talks about the "erode and attack" strategy pursued by right-wing governments to undermine their left competitors. In our study, the quantitative influence is shown by the positive effects of PRRPs in government on labour market deregulation and privatization. It is complemented by the case studies demonstrating similar results on another level of causality. In Austria, the Radical Right also supported privatisation efforts which could undermine the power base of trade unions and social democrats.

In the long run, changing the actors that implement policies might have an even greater impact than directly changing the policies. Future research should therefore pay much more attention to these procedural changes. The arena of industrial relations seems especially promising for such analyses, as changes here might also feed back into redistributive issues. Also, focussing on the role of salience for the policy reform agenda of PRRPs could be a valuable avenue for research. In line with Culpepper (2010), it seems easier to liberalize in domains that are not very salient or technical (such as economic regulation) than in ones that are highly politicized (such as welfare issues) and our analysis is very much in line with this general statement. While such differences are surely relevant for all parties and are well documented in research on welfare state retrenchment (Pierson 1996), salience might play an extraordinary role for the strategies of PRRPs, because it makes it more difficult to "blur" their economic position (Afonso and Rennwald 2017).

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# PART IV | MARKET LIBERALISM AND THE SUPERIMPOSITION OF TERRITORIAL CONFLICTS

## 4.1 Market liberalism and territoriality

Promotors of the ideology of market liberalism have never systematically articulated a stance on territoriality. Nonetheless, there exists several entry points for the derivation of policy preferences between centralization and decentralization. Since the 1980s decentralization has been promoted as a good public policy by many market liberals for the developing world (see Wibbels 2005 for a sceptical assessment of the related policies). Based on Tiebouts' notion of "voting by feet" (1956), decentralization has been promoted as a territorial order with competition inducing effect. At the same time, market liberal have often been hesitant to accommodate regional demand for authority in cases the demand was framed as an identity issue, usually raised by national minorities (Verge 2013). There is growing literature on partisan ideology and preferences towards territoriality which will be addressed in the following chapters. Furthermore, these chapters entail a theoretical complement to the existing approaches which is first tested on cases in Turkey (Chapter 4.2) and in a second step assessed on a broader sample including 14 countries with substantial demand from specific national minorities. This complement is a theory André Kaiser and I call ideological authority insulation. Following the theory, political parties in governments only empower sub-national territories in case where the majority of the sub-national territory is ideologically close to the main governing party on a market dimension. Accordingly, market liberals superimposes genuine territorial concerns with the rationale to empower ideological allies.

## 4.2 Centre–Periphery Conflict and Ideological Distance in Turkey[49]

This chapter integrates ideology into a game-theoretical model of centre-periphery bargains. Ideological differences between national and sub-national elites constitute a major obstacle for the accommodation of autonomy claims. While reforms bringing about decentralization are often analysed systematically as well as through case studies, cases where, despite claims to autonomy, decentralization does not occur have been largely neglected by scholars of territorial politics. Turkey is such a 'negative case'. We argue that ideological distance prevents national parties from accommodating peripheral authority claims. We test our expectation with a mixed-methods approach that combines quantitative analysis of party positions with in-depth qualitative analysis of party documents showing how the different ideological positions of national and Kurdish parties affect decentralization demand and national response in Turkey between 1987 and 2015. Our findings support the theoretical expectations, but also point to additional inferences. Whereas asymmetric authority demands have been widely ignored, symmetric local autonomy has become an important issue in territorial politics.

The partisan representatives of Kurdish citizens in Turkey have long striven for more autonomy. Their claims have a strong identity component rooted in cultural differences and precedents of autonomy in neighbouring countries. Economic power has partially shifted from the western industrial areas of Turkey to the central 'Anatolian Tiger' provinces (Tok 2008; World Bank 2015, 96); the areas of dense Kurdish population remain poor on average, but still provide about 6 per cent of Turkey's GDP between 1987 and 2015 (TUIK 2015).[50] This is slightly more than the ratio of the Scottish GDP to the overall GDP of the United Kingdom. Adding to the economic importance and territorial size

[49] This Chapter is an article co-authored with André Kaiser, Çağan Varol (all University of Cologne) and Uğur Sadioğlu (Hacettepe University) and published in *Swiss Political Science Review* (2016).

[50] We consider here only provinces with Kurdish population majorities and aggregate the share of the GDP at current prices.

of the Kurdish populated areas, Kurdish autonomy claims challenge the centralist and nationalist attitudes of many Turkish elites. Territorial integrity and cultural unity are of particular concern for conservative political actors in Ankara. Hence, the centre in Turkey depends on the Kurdish areas in economic as well as symbolic terms.

Autonomy for the Kurdish region, secession as well as irredentist mobilization are preferred options for the Kurdish majorities in eastern Turkey. This underpins the credibility of the autonomy demands. Thus, this case fulfils all conditions referred to in the introduction of this special issue. This should lead us to expect that the centre at some point concedes to the Kurdish demands (Mueller et al. 2016e). Admittedly, in many other cases regions with comparable minority mobilization and economic and symbolic capacities received asymmetric authority and thereby a recognition of their specific identity. In the Turkish case, however, there is no single instance in recent decades where the government signalled its willingness to accommodate Kurdish autonomy demand.

Existing theories of national partisan preferences towards minority accommodation fail to predict the unresolved "Kurdish question". We argue that the main factor preventing movement towards a more decentralized Turkish state is the ideological distance between neo-liberal and culturally conservative national governments in Ankara and the Marxist and culturally pluralist mobilization of Kurdish political actors. Hence, we add the role of ideological distance between partisan actors to the analysis of centre–periphery conflicts and integrate ideology into a game-theoretical model. Since many case studies, as well as systematic evidence, point to a positive relationship between ideological proximity and transfers of authority to the periphery, we complement the causal symmetry with a

'negative case' – one where against the expectations of other theoretical approaches authority transfers fail to occur.[51]

We critically discuss existing approaches to explaining asymmetric decentralization and conceptually develop our argument that ideological distance is a so far ignored but very important factor. We integrate this factor into a game-theoretical model of centre–periphery conflict. Given significant ideological distance between national and peripheral political actors, we expect conflict to be the outcome instead of exit (secession), loyalty (status quo) or concessions towards asymmetric arrangements. Next we test this argument with a mixed-methods approach to Turkish party competition. Quantitatively, we use party manifesto-based preference mappings to illustrate the constellation of actors on economic, cultural and territorial dimensions. Important veto players, such as the Constitutional Court (CC), the National Security Council (NSC) and the president are taken into consideration. Qualitatively, using party documents and legislative proposals, we trace the development of party preferences, their framing and also attempts to implement territorial reforms between 1987 and 2015.

The analysis largely confirms our quantitative findings. National parties most of the time ignore Kurdish claims to autonomy. Decentralization at the local level became a major issue for the national parties. However, the discourse about local authority was entirely decoupled from Kurdish autonomy demands and evolved as part of the populist and peripheral mobilization strategy of Islamic parties. Accordingly, the framing and meaning of local authority is very different for central and peripheral parties. Kurdish parties frame local and regional authority as part of radical democracy, striving for

[51] A negative case is a case which lacks the outcome of interest. Additionally, informative negative cases are characterized by the possibility principle. This principle states that relevant negative cases are those where the outcome has a real chance of occurring (Mahoney and Goertz 2004, 654). In our case the realistic possibility of authority accommodation is given through the presence and powerful mobilization of the Kurdish minority as well through the fact that a number of existing theories would predict authority transfers to Kurdish dominated regions.

effective political decentralization of sub-national entities. The national government parties overwhelmingly frame local authority in terms of effective public service provision and mainly refer to administrative decentralization. These differences reflect the ideological differences on the other dimensions. Neo-liberal, nationalist and Islamic ideologies prevail on the national level and contrast sharply with the culturally pluralist and market-sceptic mobilization of Kurdish parties.

### *4.2.1 Decentralization Claims and National Responses: The Role of Ideological Differences*

Asymmetric claims for territorially based authority always come with an identity component. Ethnicity, due to its malleability, underlies many claims to political self-determination (Chandra 2012). In multinational states the mobilization of national minorities results in claims to political self-determination or co-decision rights on a territorial basis (Keating 2001). The claimants usually envisage an institutionalized asymmetric authority which underlines their distinctiveness (Stepan 2001). These recognized differences are mirrored in de jure asymmetric authority arrangements (McGarry 2005), which differ from de facto political differences in federated or decentralized states. Hence asymmetrically distributed authority is a political answer to identity claims (Hooghe et al. 2015). It is, however, just one plausible answer to sub-national demand, with other responses ranging from symmetric federalism and consociational arrangements to ignorance, suppression, military conflict and secession.

In order to explain this variation in the willingness of national actors to accommodate authority claims, scholars turn to national actors' preferences on the territorial dimension (De Winter et al. 2006; Massetti and Schakel 2016). But these revealed preferences do not show very systematic patterns. Moreover, they are only weakly related to an overall left–right dimension of political conflict or to economic and cultural sub-dimensions (Toubeau and Wagner 2015; Swenden and Maddens 2009).

Several concepts are proposed to make sense of the erratic nature of signalled preferences on territoriality by national mainstream parties. The electoral vulnerability concept starts from the assumption that national parties are willing to decentralize in order to prevent losses in a particular sub-state at national elections (Meguid 2009; Alonso 2012). The congruence concept argues that if the same party governs on several territorial levels at the same time, this facilitates authority shifts due to internal party pressure (Elias and Tronconi 2011, 518–20; Petersohn et al. 2015, 629). The authority insulation concept argues that shifts of authority occur in order to empower national actors on a sub-national level if they expect to gain stable majorities in these areas (O'Neill 2005). This argument implies the perceived stability of electoral support of the political party over time and at different levels. Authority is insulated in areas which are electoral strongholds, irrespective of their electoral or economic importance (O'Neill 2003).

The concepts of vulnerability, congruence and insulation build on different causal mechanisms and lead to different expectations with regard to territorial reform. The electoral vulnerability argument argues that authority is transferred to sub-national levels with the aim of securing national majorities (Alonso 2012). In contrast, congruence and insulation refer to an empowerment of the same party on another territorial level. Others argue that the bargaining power of regional minorities can lead to national actors' willingness to accommodate irrespective of their genuine preferences. Once mobilization for autonomy is given and exit seems a viable option, the bargaining power of minorities depends on the economic and/or symbolic dependency of the centre on that particular periphery (Mueller et al. 2015). However, cases where accommodation fails to appear for important regions with viable exit-options cast the explanatory power of all the accounts mentioned so far into doubt. We claim that Turkey is such a case. The south-eastern provinces are electorally, economically and symbolically an important part of the Turkish nation and the signalled request for authority is highly credible, but the claims to autonomy have so far led to hostile reactions.

We argue that national government parties may be willing to shift authority to those regions where ideologically proximate parties govern.[52] Our theory of ideological authority insulation (Röth and Kaiser 2016) claims that asymmetric authority shift is a likely outcome if two factors come together: credible minority mobilization and stable ideological proximity between national and regional political elites.

The calculus of ideological insulation builds on two causal bases. One argument relates to increased control by replacing or side-lining elites. Additionally, authority shifts may lead to establishing new institutions and new positions which can be staffed with allies. Thereby, asymmetric decentralization serves to mobilize support and to consolidate control by replacing or side-lining the sub-national elites of ideological opponents (Boone 2003, 356; Aalen and Muriaas 2015).

Our argument can be made explicit by formulating it in a game-theoretical way. The empowerment of ideological allies on the sub-national level alters the structure of costs and benefits for national parties as well for minorities. A shift towards more authority for ideological allies on the sub-national level creates veto players for competing parties on the national level who may enter government in future. Thus, for the party which shifts authority to sub-national levels, empowering ideological allies may achieve considerable long-term gains. The reform may be seen as a means to solve a prisoner's dilemma by institutionalizing authority differences in a short-term equilibrium (Zuber 2011).

Asymmetric authority claims are articulated because minorities have strong reservations about the location of authority in the centre (Zuber 2011). From the regional-minority perspective, the risks of

[52] For earlier arguments in this direction – which, however, have so far not been systematically developed on the conceptual level and tested empirically – see Garman et al. 2001; Maddens and Libbrecht 2009; Toubeau and Massetti 2013; Toubeau and Wagner 2015. In contrast to the niche-party literature (Meguid 2005; Wagner 2012), we assume that claimants to more regional authority do have an ideological stance. Since these parties offer their population the option of a new state or autonomously governed territory, by definition they provide their potential voters with a broader vision of society beyond mere claims of authority.

being governed centrally should decrease with ideological proximity, reducing the willingness to secede and moderate the claims towards authority. Asymmetric arrangements attempt to alter the risk calculations of the minorities and keep them in the state (Young 1994). Consequently, ideological similarity drives minority challengers as well as national actors to consent. In contrast, ideological distance increases the incentives for confrontation symmetrically.

Accounting for ideological differences solves the puzzling fact that the same national elites follow different strategies towards different regions in the same country. In Zuber's illustrative case, Tatarstan and Bashkortostan succeeded in their autonomy claims, gaining far-reaching asymmetric authority from the Russian government; while Chechnya failed to receive any specific recognition (Zuber 2011, 557–64). Such differences can be observed in other countries as well. In some cases no institutional recognition of self-determination is achieved at all, even though national minorities are mobilized to a considerable degree. As we argue, the pay-offs in an asymmetric decentralization game are tremendously altered when ideological distance between national and minority elites is factored in (see Table 1).

The incentive to decentralize under ideological proximity (Solution B) is even higher than in the model suggested by Zuber (Solution A). Empowering ideological allies brings long-term gains because national elites basically install a power base by the replacement or consolidation of regional elites. Under the assumption of ideological proximity asymmetric arrangements are likely to occur. It is actually not even a prisoner's dilemma any more, but the dominant strategy, because both actors benefit most from the asymmetry solution (NE: AA > SQ > VC > S, RE: AA > S > SQ > VC). In contrast, the empowerment of ideologically distant actors comes with considerable long-term costs. These costs of establishing a power base for political opponents and of possibly dealing with spill-over effects to other territorial entities in the longer term make accommodation under ideological distance very unlikely and reduce the willingness of national actors to accommodate authority demands

(Solution C). Ideologically distant regional elites prefer secession or asymmetry over being dominated by national ideological opponents (status quo), but national elites neither accept the separation of territory because secession is a major symbol of weakness nor accommodate towards the asymmetry option as this is also very costly in political terms. Therefore violent confrontation turns out to be the likely outcome under the assumption of considerable ideological distance (NE: SQ > VC > AA > S; RE: S > AA > VC > SQ).

**Table 20:** Confrontation Game with Ideological Constraints

| NE / RE | Cooperation | Defection |
|---|---|---|
| Cooperation | ***Asymmetric Arrangement (AA)***<br>Solution A: 3/3<br>Solution B: 4/4<br>Solution C: 2/3 | ***Secession (S)***<br>Solution A: 1/4<br>Solution B: 1/3<br>Solution C: 1/4 |
| Defection | ***Status Quo (SQ)***<br>Solution A: 4/1<br>Solution B: 3/2<br>Solution C: 4/1 | ***Violent Confrontation (VC)***<br>Solution A: 2/2<br>Solution B: 2/1<br>Solution C: 3/2 |

***Note:*** Solution A is borrowed from Zuber (2011), leaving ideological concerns aside. Solution B captures the relationship between national elites and ideologically proximate regional elites. Solution C depicts the case of ideologically distant elites. NE = National Elites; RE = Regional Elites.

### *4.2.1 A Quantitative Assessment of the Turkish Actor Constellation*

Quantitative evidence supports the ideological similarity argument with regard to both programmatic signals (Toubeau and Wagner 2015) and the implementation of asymmetric decentralization reforms (Röth and Kaiser 2016). In addition, many case and area studies substantiate this relationship for positive cases: that is, cases where decentralization reforms occur. What remains under-researched are those cases where reform demands are denied. As a population comprises positive and negative cases (Mahoney and Goertz 2004), the absence of asymmetric decentralization despite regional demand is

also of theoretical interest. A causal relationship is only well established if it is met by positive and negative cases alike (Walker and Cohen 1985).

Turkey serves as a negative case, because a long history of Kurdish autonomy demands has not so far led to concessions by Turkish governments. Our argument leads us to expect that this is due to ideological distance between the political parties concerned. We trace the ideological constellations of Kurdish parties and the major Turkish national parties from 1987 to 2015. Primary documents, such as party manifestos are coded and quantitatively assessed to map the preferences of actors on three dimensions: economic, cultural and territorial. The economic dimension captures the degree to which political actors advocate social coordination via markets and acceptance of market outcomes (Röth 2016). On the cultural dimension, we use the acceptance of cultural heterogeneity versus the advocacy of cultural homogeneity as conceptual extreme points. The stance on this dimension is reflected by more concrete issue positions towards political participation, multiculturalism, protection of minorities and nationalism. Both economic and cultural positions are measured by using fine-grained issue positions and their saliencies from the CMP/MARPOR dataset (Volkens et al. 2015) according to the procedure proposed by Röth (2016). Many important programmes and policy statements in Turkey are not available from the CMP dataset. In these cases we coded the documents ourselves using the CMP coding scheme.[53] We converted the issue positions and salience measures into comparable positions.[54]

Since national governing parties change and Kurdish parties run through a 'circle of formation–closure–formation' (Watts 2010, 69), the quantitative assessment also gives an overview of the

[53] See Table B in the Online Appendix for an overview of the documents used.

[54] Issue emphases are converted to party positions by using the approach of Röth (2016). For the selection, confirmation, weighting and aggregating of items via generalized structural equation modelling, see the Online Appendix. For the different sources of programmatic documents, see Table F in the Online Appendix.

evolution of the complex Turkish party system (see Figure 1). The different Kurdish parties (highlighted with a dashed line) adopt very interventionist positions on the economic dimension. In only two cases (1991 and 2004), have they contested elections with more moderate centre-left positions, motivated by coalition requirements. Between 1987 and 1991 the Kurdish MPs were part of the SHP before they founded the HEP.[55] In 2002 the DEHAP also followed a coalition strategy with the SHP and both parties converged on economic positions.

Culturally, the Kurdish parties' pluralist vision of Turkey sets them at an ever increasing distance from the AKP and MHP. The AKP stresses the values of Islam as a unifying cultural umbrella, whereas the MHP highlights Turkish nationalism. The CHP, as a centre-left party, held relatively monistic views until the late 2000s, when they started to move towards more cultural pluralism. With regard to the territorial dimension, the Kurdish parties have a tradition of formulating detailed claims to strengthen regional and local authority. Successive Turkish governments have perceived these claims as challenging the constitutionally protected unity of the Turkish state, often leading to Kurdish parties being banned.[56]

The Turkish mainstream parties, despite their differences, have mainly adhered to centre and centre-right economic ideologies since the 1980s. Only the SHP in the early 1990s, and the CHP since 2002, have held economically centre-left positions and been able to pass the 10 per cent electoral threshold. Our overview also indicates that until the early 2000s Turkish cabinets were short-lived and the party of the president and the leading cabinet party rarely corresponded. Only since 2002 with the successive majorities of the AKP has the Turkish system become more stable. The corresponding reduction of veto powers opened up a window of opportunity for constitutional change. Overall we observe the

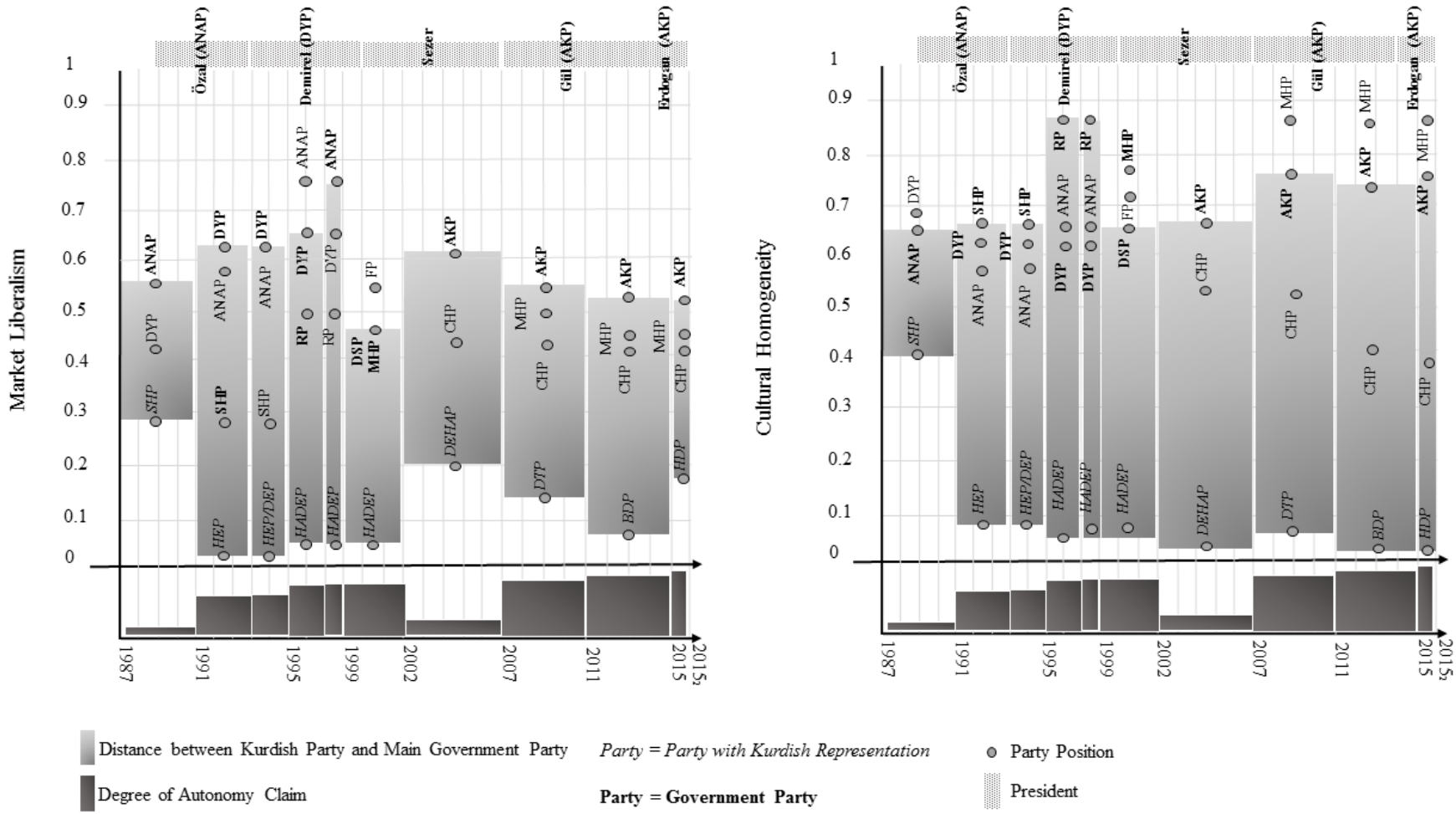
[55] For party names in English and Turkish, see Table A in the Online Appendix.

[56] A related reason for banning Kurdish parties is their alleged relationship to terrorist activities.

largest ideological differences between national governments and Kurdish parties in the 1990s. In the early 2000s these differences decreased, but began to rise again when the AKP put more emphasis on Islam as the unifying cultural umbrella for Turkey and started to lose votes in the Kurdish regions.

A detailed account of decentralization preferences is not captured in the CMP/MARPOR data. The degree of autonomy claims is based on our detailed coding of programmatic proposals of the Kurdish parties (lower part of Figure 1). We explain these preferences in more detail in the qualitative part. What is already visible in the quantitative overview, is the correspondence of ideological distance and the intensity of the autonomy claims.

**Figure 15:** The Party Constellation in Turkey between 1987 and 2015




***Note:*** Party positions on the two dimensions are measured with CMP/Marpor data using the procedure of Röth (2016). See Appendix Part C for a detailed description of the measurement. All manifestos of the Kurdish parties have been coded by the authors (see Appendix Part C, Table F).

### 4.2.2 *Territorial Authority in the Turkish Context*

The history of territorial politics in Turkey helps us understand the specific discourse about local and regional authority. A system of democratic local government was gradually built up in modern Turkey, especially following the establishment of the Republic and the municipal legislation of 1930. The principle of the election of the mayor by the municipal assembly was then adopted for the first time (Harris 1948, 17–18). Later it became possible for mayors to be appointed by the minister of the interior or the prefect, although election by the local council is the norm (Harris 1948, 192). Special Provincial Administrations received their budgets from central government, but had limited executive competencies. Provincial assemblies were directly elected, but could not exercise legislative authority autonomously, because decisions were subject to the approval of the governor. Thus local governments were designed as the 'local administrations' of central government (Göymen 2004, 31; Bayraktar and Massicard 2012, 11). This 'tutelage system' engenders constant political conflict,[57] because advocates of political decentralization consider only its abolition can enable effective local authority. Local authorities were empowered at the municipality level, if at all, rather than at intermediate levels, which were politically neutralized (Bayraktar and Massicard 2012, 19).

In the 1980s, Regional Development Administrations (RDADs) were established for the development of the south-eastern Anatolia areas. Although having some competences with regard to local and regional issues, they were never intended to evolve as entities of regional authority. In 2006 a new law was introduced which established 26 RDAGs according to the Nomenclature of Territorial Units for Statistics in the European Union (NUTS).

Actors trying to change the territorial structure of Turkey are confronted with a political system equipped with various veto players. With a constitutional change in 2007, the political system may

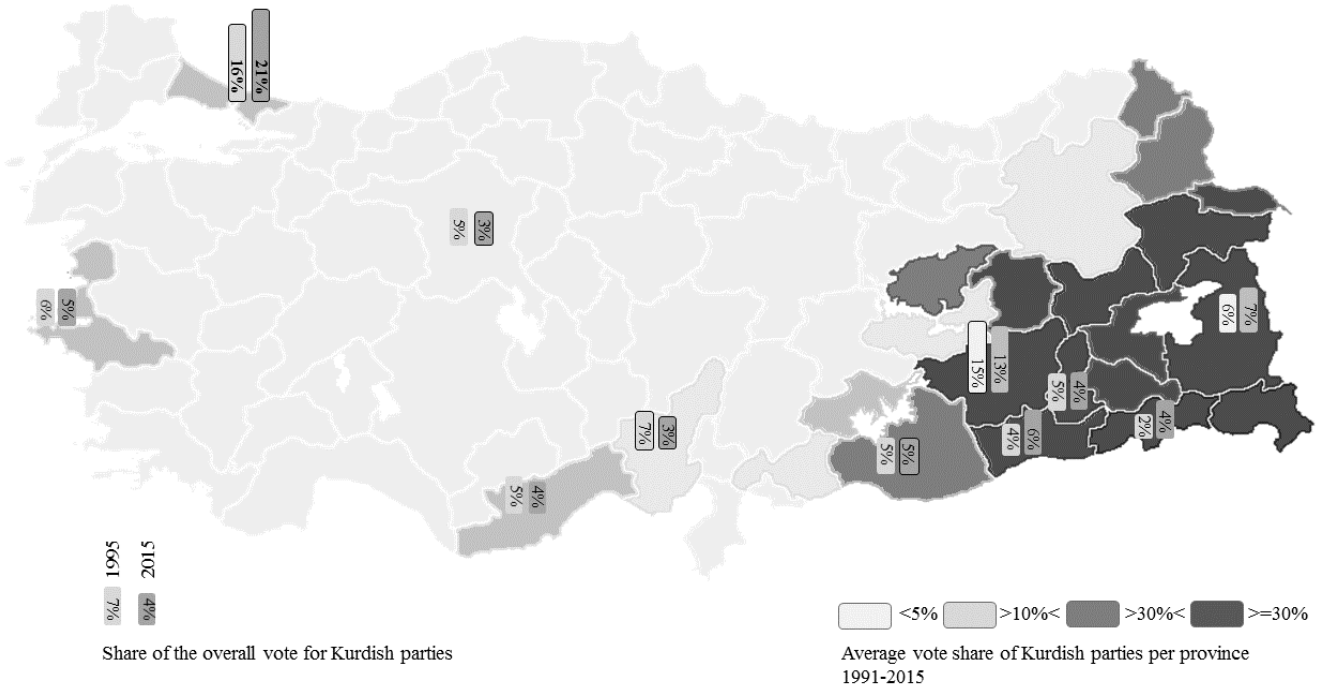
[57] For a more precise description of the tutelage system and its reform under the Erdogan cabinets, see Coşkun and Uzun 2005, 161; Tortop et al. 2006, 129–30.

be described as semi-presidential. Since then, the president has been directly elected (Özbudun 2011, 75), with the first election held in 2014. Although the president is not authorized, before or since 2007, to act alone in executive matters, he is a major veto player able to delay or prevent policy change. The effective head of the executive branch, the Council of Ministers, is the prime minister. The president and the Council of Ministers are legally supervised by the Constitutional Court.[58] Since 1961 Turkey has employed a proportional representation system using the D'Hondt method. Proportional representation is not very rewarding to regionally concentrated minorities; moreover, since 1983 a 10 per cent electoral threshold has further excluded small and minority parties.

The territorial concentration of Kurdish voters provides the basis for autonomy claims. However, a considerable number of Kurdish voters are located in the metropolitan cities of Istanbul, Izmir and Mersin. In 1995 around 40 per cent of HADEP voters were located outside the south-eastern provinces, and this share has changed little subsequently. In 2015 around 38 per cent of HDP voters came from the western and metropolitan provinces of Turkey (see Figure 2). Overall, without these voters none of the Kurdish parties would be able to pass the 10 per cent electoral threshold.

[58] Before the first Erdogan cabinet, the National Security Council (NSC), representing the military class of Turkey, was also an important veto player. Its 'recommendations' were binding acts with 'priority consideration' (Özbudun 2011, 82). However, in 2004 its influence was diminished to advisory functions (Keyder 2004).

**Figure 16:** Territorial Voter Distribution of Kurdish Parties




***Note:*** The share of the overall vote for Kurdish parties is calculated by dividing the sum of regional votes by the absolute number of national votes for the respective party (in this case the HADEP in 1995 and the HDP in 2015). The average percentages of votes are calculated as the mean of the vote share for Kurdish parties within the specific province between 1991 and 2015.

The provinces with strong Kurdish population shares are electorally relevant for the national mainstream parties as well. The Islamic parties as well as centre-left parties usually receive between 30 and 40 percent of their national votes from these regions. From the electoral vulnerability perspective, the accommodation of Kurdish regions would be straightforward, because this would probably tip the balance towards the accommodating national party in national elections. But the vulnerability as well as the congruence argument fails to work in the Turkish context even though the electoral setup is much closer to the theoretical expectations than in countries for which these theories were developed.[59] Despite the electoral relevance of the Kurdish provinces for the national

[59] For example, Scotland never provided more than 10 percent of the vote for Labour or the Conservatives after the Second World War.

mainstream parties, stable majorities in these areas are not very likely. In 2015, the Kurdish party (HDP) dominated most of them, having for example majorities of up to 85 percent of the vote in provinces like Sirnak. Compared to other autonomous regions, asymmetric decentralization in Turkey would sooner or later empower the minority parties and the Kurdish parties are ideologically very distant to the national governments in Turkey (see Figure 1).

#### *4.2.3 A Qualitative Analysis of Party Preferences and the Framing of Territorial Tensions*

Our quantitative overview of the Turkish party system has visualized the enormous ideological differences between national and Kurdish parties (see upper part of Figure 1) as well as the changing intensity of Kurdish autonomy claims (see lower part of Figure 1). These findings are confirmed by our qualitative analysis of primary documents relating to economic and cultural positions. What remains hidden in the quantitative analysis are the substantive claims on the territorial dimension. Hence we pursue a comparative analysis of Kurdish demands and the response of specific national parties. Additionally, we highlight the framing of territorial proposals by Kurdish as well as the national parties. The framing is of genuine concern here, because our argument rests on the assumption that whether autonomy claims are embedded in Marxist rhetoric or in terms of efficient public goods provision makes a difference.

#### *4.2.4 Kurdish Autonomy Claims 1987 - 2015*

The timeline of Kurdish autonomy demands (see lower part of Figure 1) highlights that with two exceptions the intensity in which regional autonomy is claimed has always been very high and is still increasing. The exceptions are periods when Kurdish political representatives were part of broader alliances and territorial issues were accordingly toned down.

Before 1990, only the Kurdish representatives within the SHP were considered to partially represent Kurdish claims in the Turkish parliament and their influence on the territorial agenda of

the SHP was limited. Autonomy claims were not part of the government agenda at that time. In 1990 Kurdish parliamentarians split off from the SHP to found the HEP. Although the HEP was banned three years later, all pro-Kurdish parties have followed in its footsteps and 'the circle of formation–closure–formation' ensured a consistent representation of the Kurdish people by different partisan movements afterwards (Watts 2010, 69). None of the succeeding parties fundamentally revised the agenda of the HEP. Furthermore, the leading individuals were mainly the same, despite juridical interventions such as imprisonment and political restrictions (Watts 2010, 70). Kurdish partisan representation is on an abstract level, therefore, characterized by programmatic and personal continuity. Claims to social justice, human rights, interventionist and redistributive demands reflect the Kurdish left-wing economic discourse of the 1990s, mirroring the Marxist origin of the Kurdish movements (Watts 2010). A simple categorization as 'ethnic party' would be misleading and does not reflect the relations of the HEP and its successors to the Turkish left (Watts 2010, 73).

In 1990 the HEP issued its first policy statement as an independent party. In contrast to the SHP, its statements bear a strong anti-capitalistic appeal (HEP 1990, 1ff, 10).[60] They also criticize the post-1982 constitutional and legal regulations, in particular passages related to 'the Kurdish question' (HEP 1990, 17ff.). The HEP formulates precise demands for decentralization, primarily transfer of competencies such as education and the abolishment of the tutelage system (HEP 1990, 24–5, 55, 59). However, these claims are embedded in a broader critique of the Turkish centralist culture (HEP 1990, 9). The 'Kurdish question' is framed as a democratic deficit, a lack of cultural pluralism and of minority protection (HEP 1990, 17–19; Schüler 1998, 95–102).

The HEP was dissolved by the Constitutional Court in 1993. It was succeeded by the DEP. That too was banned by the Constitutional Court, in June 1994, for threatening the integrity of Turkey and succeeded by the HADEP. The HADEP era was the most violent in the conflict between the

[60] Party documents are listed in the Online Appendix (Table F).

Turkish government and the Kurdish movements. The south-eastern provinces had been governed under a state of emergency since 1987 and the conflict caused approximately 30.000 casualties during the 1990s (SIPRI 2010, 67, 74).

In 1994 the HADEP largely retained the programmatic orientation of the HEP. They presented themselves as the party of the exploited, blaming authoritarian and centralist governance by the Turkish elites (HADEP 1994, 5). A solution was presented: more decentralized and 'federal' institutions,[61] including regional parliaments and increasing competencies for local governments (HADEP 1994, 10). The HADEP identified obstructive elements of the constitution and demanded the abolition of the tutelage system and the 10 per cent electoral threshold (HADEP 1994, 10, 9). Again, the military conflict was framed as a democratization problem, by highlighting minority rights and blaming cultural assimilation (HADEP 1994, 8, 6). However, the HADEP extended their cultural pluralist position beyond the claim of regional self-determination to a general plea for a multicultural Turkey (HADEP 1994, 11–12). The party was banned in March 2003.

When Kurdish parliamentarians were part of the SHP, autonomy claims were rarely voiced. This changed when the HEP identified major obstacles to Kurdish political self-determination: the tutelage system and centralized education. Consequently, they demanded the first be abolished and the second decentralized. In the HADEP period ideological differences increased, mainly on the cultural dimension. The framing of political self-determination focused on minority rights and multiculturalism. The HEP's autonomy claims were not only pursued but also intensified. The demand to, de facto, federalize Turkey led to the dissolution of HADEP by the Constitutional Court.

[61] The term federalism is never used in Turkish discourse, probably because such a claim would violate the Turkish constitution. Often, the claims of Kurdish actors simply describe a federal system in other words; we therefore use this term synonymously.

In 1997 the DEHAP was founded, renewing official Kurdish representation after the banning of the HADEP. The DEHAP shifted attention to the role of Turkish citizenship and demanded further democratization and more rights for cultural and ethnic minorities in general (DEHAP 2003, 17). Economically, the DEHAP programme of 2003 broke with the anti-capitalist appeal of its predecessors, envisaging coalition with more moderate left-wing groups. In 2004 the DEHAP and the SHP set up a joint list for the local elections (Watts 2010, 71). Symbolic of this shift, the small-business sector was now presented as a major addressee of DEHAP policy proposals (DEHAP 2003, 41). The stance of the Kurdish parties had always been based on cultural pluralism, but this was now significantly strengthened, in particular with regard to gender equality (DEHAP 2003, 54, 77) and LGBT rights (DEHAP 2003, 66). The economic moderation of the DEHAP was accompanied by very few and only modest claims on the territorial dimension.

The DEHAP merged with the DTH to form the DTP in 2005. While sharpening its culturally pluralist profile, economically the DTP returned to anti-capitalist views (DTP 2005, 7). It criticized the neo-liberal politics of retrenchment and proposed interventionist measures (DTP 2005, 54–5, 56–7, 59ff.). It attacked the Turkish system as highly centralist, in contrast to its proposed network of civil society groups, labelled 'democratic confederalism' (DTP 2005, 7).[62] Thus the moderate claims of the DEHAP in the early 2000s were replaced with more interventionist positions, while proposals to empower regions resembled the idea of federalism, although the DTP never used the word.

In 2009 the closure–formation–closure circle was activated again: the DTP was banned by the Constitutional Court for threatening the indivisible unity of the Turkish state and succeeded by the BDP. The BDP signalled programmatic continuity with its general policy statements in 2009 and its manifesto in 2011. This time, the economic model set against the 'centralized and capitalist

[62] The pillar of this political order is participatory democracy based on local authority, with reference to ecology and feminism (Yarkin 2015).

Turkish system' was called 'participatory economy'. Its demands – a maximum 35-hour working week, suspension of privatizations and the reconstruction of the Turkish agricultural sector – indicated a left-wing economic agenda (BDP 2011).

With its reference to the 'democratic autonomy' model, the BDP also invented a new label for its territorial ambitions. The model entails dividing the country into 20 to 25 autonomous regions, structured by their socio-economic capacities (BDP 2011).[63] The major planks of the policy are administrative regional structures and constitutionally guaranteed self-rule authority with elected regional parliaments. The central state would retain residual powers, such as foreign affairs, external security and finance. The BDP demanded shared competencies in internal security and justice. The regional legislative actors envisaged would have the competence to determine other official languages besides Turkish. Regional schools should explicitly ensure the provision of teaching in additional and region-specific languages. Regional parliaments would have the right to raise taxes. At the same time, additional population- and development-based transfers from the central government, comparable to a fiscal equalization scheme, would take place. In effect, the BDP proposed a federal system for Turkey, with significant and effective regional self-rule alongside shared rule.

Despite the strong decentralization claims of the BDP, the party was not banned, mainly because a 2010 constitutional amendment had raised the threshold for doing so. However, thousands of party members were arrested (Satana 2012, 184). Consequently, the BDP did not contest the next national election. It ran parallel to the HDP in the 2014 municipal elections, mostly in the Kurdish-dominated south-east, while the HDP contested elections in the rest of the country. The HDP was founded in 2012 out of numerous left-wing movements, in order to pass the 10 per cent electoral threshold and ensure Kurdish partisan representation nationally.

[63] The following examples of BDP proposals are quoted from the 2011 manifesto, which is unpaginated.

The HDP programme for the June 2015 election borrowed several aspects from the preceding BDP and DTP platforms but included some new features. The participatory elements are framed in terms of individual sovereignty, this time labelled 'radical democracy' (HDP 2015a, 3). Its central concept is 'democratic autonomy', proposed for the entire country, but with a specific focus on decentralized new regions and regional parliaments (HDP 2015, 1, 11). The HDP explicitly mentions the European Charter of Local Self-Government (ECLS). As an initiative of the Council of Europe, the ECLS has sought since 1985 to establish municipal political, financial and administrative self-government. Turkey signed the Charter in 1992, but with reservations to certain paragraphs and articles.[64] The HDP seeks to abolish these reservations to increase the autonomy of the municipalities (11).

What was called the 'participatory economy' in the BDP programme is replaced with a new label. Under the heading of 'confidence economy',[65] the HDP continues the narrative of a participatory and socially embedded economy. Production is to be based on values such as egalitarianism, participation, ecology and gender equality (HDP 2015b, 16ff). Proposals for a minimum wage, free supply of basic services and ending privatization reflect the HDP's interventionist stance (HDP 2015a, 27ff). Culturally, the 2015 agenda is probably the most liberal in Turkish history. It demands the equal treatment of religions and explicitly mentions discrimination against the Alevi (HDP 2015a, 19; HDP 2015b, 15). It supports multiculturalism and multilingual education (HDP 2015a, 45, HDP 2015b, 15–16). Both women's rights (2015a, 7, 20–2, 40-1; 2015b, 3ff, 23) and LGBT rights (HDP 2015a, 26; HDP 2015b, 29) are highly salient issues.

[64] Some reservations are caused by discrepancies in the 1982 Turkish Constitution. Reservations are articulated towards articles 4, 6, 7, 8, 9, 10 and 11. Some scholars argue that with the reform of the local level in the mid-2000s the ECLS was implemented de facto (Sadioğlu and Ömürgönülşen 2014; Sobaci 2015, 9). However, the degree of fiscal autonomy and national interference in local governance remain under debate.

[65] In the November 2015 election the HDP changed the term again, to 'confident life economy' (HDP 2015b, 16ff.).

After the 2015 elections tensions between Kurdish actors and the re-elected AKP government rose again. The HDP supported the 14-point declaration of a Kurdish think-tank (DTK) which explicitly proposed regional self-government (Bianet 2016). In Turkish discourse this represented another shift, using terminology previously banned from the territorial debate. The AKP response was hostile and at the end of 2015 many Kurdish mayors and the HDP chairman were prosecuted (Hurriyet 2016), while many south-eastern cities descended into violent conflict (Human Rights Watch 2015).

Kurdish claims to political self-determination have always been framed in economic and cultural terms. The labels – confident life economy, participatory economy – change, but they offer the voter a comprehensive approach combining interventionist and locally organized economic structures with multicultural elements and a firm idea of effective political self-determination. Over time, the demands become more precise, continuously trying to shift the boundaries of the Turkish discourse towards accepting the language of federalism. In comparison to other countries, this might be not very radical, but given the background of the Turkish principle of a unitary state and nationalism, it is perceived as a serious threat to the unity of the Turkish nation.

#### *4.2.5 National Neglect of Kurdish Autonomy Claims and Parallel Development of a Discourse on Symmetric Local Autonomy*

The main actors on the national level in the late 1980s and early 1990s were the ANAP and the DYP. The ANAP formed the first government after military rule. It had to integrate party members from very heterogeneous backgrounds but converged on economic positions favourable to privatization and marketization, alongside a strong belief in technological progress (Keleş 1992, 10–12). Culturally, the ANAP combined conservative with liberal ideas into a highly original position of cultural 'checks and balances' (Schüler 1998, 38–45). In its manifesto the ANAP dedicated about 3 per cent of emphasis to decentralization issues. Most of the statements

emphasize advocacy for increased competencies on the municipality level and are framed in terms of efficient public goods provision (ANAP 1991). The ANAP's behaviour in government is also instructive. In 1984, it nullified an order originating from the military regime in 1983 which would have created regions with directly elected governors equipped with considerable authority and resources. The ANAP perceived the division of territory in the absence of a settlement of the Kurdish question as very risky (Bayraktar and Massicard 2012, 26). On the other hand, they also made several attempts to moderately increase the authority of municipalities and some laws passed the assembly.[66]

The other major national actor struggling with the ANAP for electoral predominance was the DYP. Economically, the DYP held moderate views of a mixed economy (*karma ekonomisi*), but after 1987 adopted market-liberal positions closer to the ANAP (Schüler 1998, 50–1). Culturally, the DYP was a conservative party whose positions closely resemble those of the ANAP. A strong emphasis on nationalism alongside the notion of re-democratization characterizes the stance of the DYP in the late 1980s and early 1990s. Consequently, the DYP does not mention territorial issues in their official statements in the late 1980s.

In 1991 the Turkish prime minister of the DYP–SHP coalition government, Suleyman Demirel, acknowledged the 'Kurdish reality' in a speech in Diyarbakir. This speech was seen by some as a turning point from the policy of denial to acknowledgement of the Kurdish problem (Beriker-Atiyas 1997, 452). This seems to be a misinterpretation, as the Kurdish problem remained framed as a terrorism issue (Satana 2011, 172–3). Only two years later, extending cultural rights was seen as a concession to terrorism by Demirel (Beriker-Atiyas 1997, 442).

The centre-right DYP was a market-liberal party, while conservatism, nationalism and law and order issues characterized its cultural agenda (Schüler 1998, 49). Despite the 1991 Demirel speech,

[66] The most important of these laws is that establishing the metropolitan municipalities (law 3030, 1984). Another important law on 'urban planning' increased autonomy on local debt and the right to establish municipal corporations. The ANAP government increased the revenues of local governments and decreased administrative tutelage.

it remained silent about Kurdish autonomy claims and decentralization in general. The only statement related to the territorial dimension is a brief passage in favour of a unitary state (DYP 1991). The ANAP dedicated several passages of its party manifesto to specific aspects of decentralization. Although it said nothing in response to specific Kurdish demands, it signalled commitment to strengthening local government, framed in terms of efficient provision of local services and local responsiveness (ANAP 1991, 22, 83–9). The SHP, which had made votes for the HEP possible by introducing a special list, also emphasized its advocacy of local governance and argued for provincial governments and the abolition of the tutelage system to increase political participation (SHP 1991).

The DYP was the pivotal player in Turkish politics at that time. Since it was the defender of the unitary state, there was no serious attempt to change the territorial distribution of authority between 1991 and 1996. The same is true with regard to the attitudes of national parties towards the Kurdish question. Officially, policy proposals on political decentralization largely ignored the Kurdish issue. Much more important than the neglect of Kurdish claims was the intensifying Islamic political tradition, which gave rise to the AKP. The AKP's predecessors, such as the RP, developed no specific position on decentralization in their early phase. What made local authority important for them was the simple fact of local success. After the local elections in 1994 the RP came into power in most of Turkey's large cities (Dogan 2007, 81). Many later AKP leaders were recruited and trained as mayors in this period.[67]

The success of the RP at the municipality level was reflected in its manifesto for the 1995 national election, which included proposals for more authority and more financial means for the local level (RP 1995, 26–7). It depicted the centralist tradition of Turkey as oppressive and exploitative (RP 1995, 26). Again, these statements were entirely disconnected from Kurdish

[67] The most prominent example is Tayyip Erdogan, mayor of Istanbul 1994–1998. Overall, the role of local politicians at the national level grew, so that the local level became a launching pad for the decentralization agenda and local government reform in Turkey (Sadioğlu 2012).

claims. The Kurdish question was embedded in a more cultural perspective. The RP emphasized Islam as the unifying factor for Turkish and Kurdish citizens. The increasing salience of the local authority debate also changed the agenda of the DYP. In the early 1990s it had defended the unitary state; in 1995 it joined the discourse of strengthening local authority, framed as a quest for efficiency and political participation (DYP 1995, 50–2).

The other two parties with parliamentary representation in 1995 placed more emphasis on decentralization issues. The ANAP made local authority a major topic within their manifesto. More local authority was proposed to increase efficiency, raise participation and provide local entities with genuine authority over specific policy areas (ANAP 1995, 8–15).[68] It also proposed reducing tutelage (15). After 1994, several bills to increase local authority were tabled, but none of them was successful. One reason was that governments in this period were rather short-lived. For example, the coalition headed by Mesut Yilmaz (ANAP) proposed a bill which contained the transfer of authority, increased revenues and diminished national supervision of the municipality level, but the government fell before the reform could be completed. The RP supported the bill, but considered it not bold enough (Bayraktar and Massicard 2012, 27).

The national election of 1999 produced a new coalition government. The MHP set up a cabinet with the DSP. Even though the MHP presented itself as the defender of national unity and integrity, it also signalled its willingness to extend local autonomy, advocating relaxing central administrative tutelage and granting more autonomy in the provision of local public services (MHP 1999, 45, 48). The DSP also signalled its moderate commitment to more local autonomy. It framed this both as a matter of efficiency and as a means to more responsiveness (DSP 1999, 100). General support for more fiscal as well as political local autonomy was emphasized (DSP 1999, 75).

The FP, predecessor of the RP, referred to its political responsibilities in many municipalities and presented itself as advocate of decentralization (FP 1999, 10–17), framing it in terms of

[68] These were the regulation of water, environment, agriculture, construction and education (ANAP 1995, 15–16).

successful management and more efficient public goods provision on the local level. Central government was presented as a major obstacle – too bureaucratic and too restrictive of fiscal resources (FP 1999, 11, 12). The FP was banned by the Constitutional Court in 2001 for violating the secularist base of the Turkish constitution.

Instead of responding to Kurdish claims, national parties in the 1990s developed a separate discourse. In 1991 the SHP, former home of many HEP politicians, had suggested abolishing the tutelage system – a major and ongoing demand of the Kurdish parties. However, in the mid-1990s local authority became a contested issue for almost every national party, regardless of Kurdish claims. Decentralization became an issue in Turkish politics because of the mobilization strategy of Islamic movements and parties. The RP, as the predecessor of the AKP, positioned itself as the 'outsider', rallying against the central elites (Bayraktar and Massicard 2012, 27). This local mobilization approach had consequences, as other national parties signalled their willingness to diminish tutelage and to increase administrative autonomy on the local level. It also had policy implications, namely minor reforms of local regulatory competencies. All these proposals and policies were framed in terms of efficiency and totally disconnected from the 'Kurdish problem', which was regarded as an issue of terrorism or regional backwardness (Satana 2012, 173).

In the early 2000s the national counterparts of the Kurdish parties were the AKP and the CHP, the only two parties which passed the 10 per cent electoral threshold. The AKP is the successor party of the RP. The first two Erdogan governments (2003–7, 2007–11) made decentralization reform a priority (Yilmaz and Dincer 2003). The 2002 AKP manifesto adopted a very specific stance on decentralization. It proposed changing the tutelage system into a system of legal supervision (AKP 2002). For example, mayors should be dismissed only if courts confirm the necessity (AKP 2002). Increased local authority is mainly regarded as promoting efficiency in public services, but is also framed within principles of participatory and pluralist democracy (AKP 2002). Another element of the manifesto is the demand for the reorganization of metropolitan and non-metropolitan municipalities (AKP 2002).

Since 2002 the AKP has governed alone. Its manifesto statements are mirrored in its government programme, entailing a paradigm shift – strong advocacy of local authority and also the empowerment of provinces. Draft legislation aimed to create 'a public administration that provides public services in a participatory, transparent, accountable, fair, fast, high-quality, efficient and effective manner' (Kösecik and Sağbaş 2005, 128). It also intended to restructure the 'provincial administrations; to transfer competencies and powers of the ministries in the provinces and special provincial administrations' (Bayraktar and Massicard 2012, 28). The territorial structure of Turkey would have changed significantly. However, various interest groups and political actors sharply criticized the decentralization plans for risking the unity of the state. The proposed laws were watered down, and many of the remaining provisions were vetoed by the president or the Constitutional Court (see Table G in the Appendix Part C). The reforms strengthened the municipality level, but primarily metropolitan municipalities.

After its partly successful decentralization attempts, the AKP signalled continued willingness to further empower municipalities. Depicting itself as the one party protecting Turkey from too much centralism, its manifesto focuses on its successful reforms with few proposals for further decentralization (AKP 2007). The main task is identified as reinforcing fiscal capabilities at the local level (AKP 2007). After its re-election, however, the AKP in government drafted further bills to change the structure of the metropolitan municipalities and the revenues of municipalities in general.[69]

The CHP, traditionally the defender of state unity, placed less emphasis on decentralization, but nevertheless made some proposals to increase administrative decentralization (CHP 2002, 19–20)

[69] In 2008 the Law on Metropolitan District Municipalities (No. 5747) and a law on the regulation of local government revenue (No. 5779) were passed.

and introduce 'soft regionalization' through economic development programmes (CHP 2002, 51).[70] In the later part of the decade, it moved towards a more sceptical stance on decentralization.

CHP resistance to the AKP's decentralization agenda has to be seen against the background of the party's history. In contrast to AKP constituencies, CHP voters strongly identify with the trinity of Turkish nationalism, secularism and the unitary state. The latter two principles were challenged by the Islamic AKP and hence its decentralization agenda generated strong opposition. President Ahmet Sezer, as well as the majority of the Constitutional Court judges, vetoed several AKP legislative proposals on the grounds of the constitutional principle of 'unitary administration'. At the same time, the AKP's decentralization agenda mainly served its own purposes, since the shift of authority to the municipalities essentially empowered its own party members.[71] In the local election of 2004, the AKP received around 40 per cent of the vote and gained mayors in 1.952 out of 3.499 districts. It also held the mayoralty in 12 out of 16 metropolitan municipalities. Although all local authorities were strengthened, this holds true in particular for the metropolitan municipalities (Bayraktar and Massicard 2012, 46–7).

In the 2011 national election campaign, the AKP turned to a more conservative stance on decentralization. However, it clearly positioned itself as the major advocate of further decentralization and made vague commitments to increasing local responsibilities (AKP 2011). In contrast, the CHP signalled hesitant commitment to decentralization, while stressing the importance of a unitary state (CHP 2011). Additionally, it proposed more administrative competencies to be shared between the centre and the local levels to increase effectiveness (CHP 2011). As usual, the MHP remained silent on these issues (MHP 2011).

[70] 'Soft regionalization' is a concept from Kuhlmann and Wollmann (2014) and refers to economic empowerment rather than increased self-rule authority. Some authors argue that the AKP later adopted that approach with the formation of development agencies (Sadioglu and Dede 2011).

[71] However, the reform process was also supported by many local politicians and administrators from other parties (see Sadioğlu and Ömürgönülşen 2014).

In the two electoral campaigns of 2015, the AKP continued to advocate its decentralization agenda, asserting 'a clear need for a new constitution based on decentralization and democratic checks and balances; and it will provide a democratic base representing different groups and preventing all kinds of tutelage' (AKP 2015a, 34, 40; AKP 2015b, 33). These statements read as a clear commitment to political decentralization. The AKP additionally promised increased resources for local government, partly based on increasing locally raised revenue (AKP 2015a, 57, 60, 177, 289–99) and signalled its commitment to the ECLS (AKP 2015a, 61, 301; AKP 2015b, 49). There is also a noticeable shift to highlighting democracy as the major rationale of decentralization (AKP 2015a, 66).

Education had not previously fallen within the decentralization agenda of the AKP, but in 2015 the AKP brought forward specific proposals for education. Primary schools were to be under local authority with school-based budget management, universities to have more autonomy and local governments to be represented in the management of technical and vocational schools (AKP 2015a, 81, 83, 86, 89). To improve the capabilities of local governments in the field of culture and arts, existing cultural institutions (libraries, museums, etc.) were to be devolved (AKP 2015a, 126). Finally, the AKP intended to strengthen the Regional Development Agencies (AKP 2015a, 301).

The CHP fundamentally revised its hesitant approach towards local authority in its 2015 manifestos, becoming the strongest advocate of decentralization compared to the AKP and MHP (CHP 2015a; CHP 2015b). It proposed to empower local governments in several respects, including autonomy of financial transfers and authority over urban planning (CHP 2015b, 148, 155). Generally, it demanded more financial means for the municipalities and assistance in debt-related issues (CHP 2015b, 162). It further proposed transferring competence to the provincial banks (*İller Bankası*) (CHP 2015b, 162). Like the AKP, the CHP emphasized the necessity to endow educational facilities with more autonomy (CHP 2015b 130, 132). Finally, it called for a restructuring of the RDAGs (CHP 2015b 165).

Even the MHP joined the camp of the decentralization advocates. However, its position in 2015 was much more a stance on efficient service provision, remaining very sceptical towards the transfer of political authority. Its position was reflected by its support for a policy wherein strategic functions remain centralized, while operational functions are decentralized (MHP 2015a, 81).

As in the preceding decade, debates in the 2010s about decentralization and the Kurdish problem remained separated most of the time. It is worth noting, however, that both the AKP and the CHP proposed that a new constitution should include a definition of citizenship independent of any ethnic or religious identity (AKP 2015a, 37; CHP 2015b, 29). Both parties refer to a democratic solution of the conflict (AKP 2015a, 27; 2015b, 23; CHP, 2015a, 14; 2015b, 20). The CHP even for the first time links the issue of decentralization and the Kurdish problem (CHP 2015a, 43). Even though the CHP's new position on decentralization is a major ideological shift on the territorial dimension towards HDP claims, there is still a considerable distance between them. The core demands of political self-determination and regionally based authority alongside local self-government remain unthinkable for the major national parties. The only references to regions in the AKP and CHP manifestos are in connection with restructuring Regional Development Agencies (CHP 2015a, 165; AKP 2015a, 301).

The AKP's accession to national power changed the political constellation significantly. With single-party governments between 2002 and 2016, it stabilized the political system considerably. These majority victories derived from a local mobilization strategy. Using its majority position, the AKP not only established new elites, but also disempowered the military and exchanged parts of the judicial elite. Additionally, two AKP presidents provided government with considerable political leeway. This political room to manoeuvre was used to challenge the secularist base of the Turkish constitution.

The Kurdish parties, in turn, hold very interventionist positions on the economic dimension and increasingly emphasize liberal cultural views which are unique in the Turkish political

landscape. The ideological differences between the AKP and the Kurdish parties are therefore considerable. Although both the AKP and the HDP before the 2015 elections signalled very high willingness to decentralize further, in effect they aim at different goals. The AKP frames decentralization mainly as a means to efficient services, advocates privatization and strongly supports metropolitan municipalities, whereas for the HDP local and regional authority is basically a means to political and cultural self-determination. Over time, the CHP has moved to a more liberal position on the cultural dimension and increasingly also holds economically interventionist positions. This growing ideological similarity to the Kurdish parties also translates into accommodating views of local political self-determination. For the first time in the party's history, the manifesto for the June 2015 national election contains no reference to the unity of the state, while the November 2015 manifesto has a special chapter on the 'Kurdish Question'.

The AKP as the most effective agent of decentralization has considerably slowed down its efforts after successfully stabilizing its national electoral performance. In fact, many observers see recent reforms of metropolitan municipalities which led to shifts of competencies to ministries in Ankara as a re-centralization of the Turkish system (Bayraktar 2013; Ömürgönülşen and Sadioğlu, 2014). The earlier decentralization reforms of the AKP followed an electoral insulation rationale. The empowerment of Kurdish municipalities was a side-effect which helped to provide electoral majorities for the AKP in this region. However, this electoral advancement only lasted for a short period. In the local elections of 2009 and 2014 the Kurdish parties increasingly gained majorities. Many of the Kurdish mayors faced legal difficulties in 2015.

The 'Kurdish problem' remains a question of identity recognition for the Kurdish side and an issue of regional development or terrorism for the national side, although Kurdish and national actors achieved convergence over many minor issues of decentralization. The degree of tutelage has been decreased, municipalities have gained much more authority and metropolitan municipalities now have far-reaching competencies. Notwithstanding recent reforms by the AKP government which may be interpreted as re-centralization, in the election campaigns of 2015 the

national actors have started talking seriously about the decentralization of education which would concede a major demand of Kurdish politicians.

Our findings from the qualitative analysis of party documents confirm the evidence from the quantitative overview. The ideological positions of national parties and minority challengers indicate at no point between 1987 and 2015 a constellation where we would expect serious discussion about autonomy shifts to the Kurdish minority. National actors either articulate Kurdish regional authority as a threat to the Turkish unitary state or ignore the Kurdish claims outright. However, the development of the discourse on local authority demonstrates that under specific circumstances decentralization has become acceptable in Turkey. Interestingly, the Islamic parties, by presenting themselves as outsiders of the system, successfully established electoral strongholds on the local level which helped them to consolidate and train their own class of politicians.

#### *4.2.6 Conclusion*

Why are national governments in some cases willing to transfer authority to national minorities but not in others? This article presents a theory that is more encompassing than previous approaches in that it is able to explain not just cases where asymmetric decentralization occurs but also negative cases where the conditions for reform are given and existing theories would predict authority transfer but nothing happens. Our theory of ideological authority argues that what distinguishes positive from negative outcomes of asymmetric decentralization demands is the ideological distance between the national government and minority elites. Based on a game-theoretical model we show that taking ideology into account changes the actors' calculations of costs and benefits which should systematically affect the probability that asymmetric authority solutions occur.

We choose the case of Turkey for a test of our theory. In Turkey, the centre is economically and symbolically impelled to maintain the territorial unity of the state and the Kurdish claims are highly credible at the same time. The game-theoretical model in the introduction of this special

issue (Mueller et al. 2016) would thus predict a concession of the centre to the Kurdish demands. Our case study points to a constellation where ideological distance outweighs the relevance of credibility and dependency as factors that drive the explanatory model of Mueller at al. (2016). Kurdish minorities have consistently mobilized for regional autonomy but national elites either declared this to be a threat to the unitary state or outright ignored Kurdish claims. In our two–step empirical strategy we first quantitatively analyse Turkish party manifestos for the period of 1987 to 2015 to map their preferences on the economic, cultural and territorial dimension. We complement the CMP/MARPOR dataset where data on parties or on specific documents are missing.

Our findings from this first step confirm that the ideological distance between national governments and Kurdish parties varies over time but is generally very large. In the second step we add detailed information on substantive claims of Turkish parties on the territorial dimension by qualitatively coding party documents. This helps us to identify the intensity with which Kurdish parties claim regional autonomy, the way state-wide parties react and the strategies in which territorial issues are framed. Three findings stand out. (1) The intensity of Kurdish autonomy claims strongly corresponds with the ideological distance between the national governments and Kurdish elites. In the two periods where Kurdish representatives were part of broader alliances, ideological distance, especially on the economic dimension, decreased and the intensity of Kurdish claims for territorial authority transfers declined to a considerable extent. (2) Whereas Kurdish parties frame decentralization issues in terms of national identity and, increasingly, of radical democracy, state-wide parties see decentralization as instrumental for effective public goods provision. (3) Since the early 2000s a symmetric decentralization discourse has emerged that was inspired by an AKP interest in establishing local strongholds to train their own class of politicians. Since then a national consensus has begun to emerge on the advantages of administrative decentralization. This discourse, however, remains completely separated from the "Kurdish question".

## 4.3 A General Theory of Ideological Authority Insulation[72]

### *4.3.1 Why accommodate minorities?*

While the "nationalization" of voter behaviour was one of the most significant trends in the twentieth century (Caramani 2004), territorially based ethnic identities were, nonetheless, constantly emphasized and mobilized (Olzak 1983; Gurr 1995). Indeed, numerous indicators point to a twenty-first century reversal of the nationalization trend (Hopkin 2009). The unitary state has been questioned across the world, presenting major challenges for state-wide governments (Meguid 2005; Alonso 2012; Walter 2006). Nationalist aspirations for self-determination often culminate in violent conflict (Cordell and Wolf 2016, 3; Walter 2009); since the end of the 1990s most armed conflicts have involved autonomist claims (Benedikter 2009, 9).

Concessions via autonomy or asymmetric decentralization have been a familiar, albeit rarely implemented, mechanism of statecraft for at least the past two centuries to accommodate the demands of territorially based ethnic groups.[73] In fact, states have increasingly shifted to more decentralization, regional self-government or at least local self-administration (Hooghe et al. 2016). Nonetheless, many governments continue to resist any substantial transfer of authority, often paying a considerable death toll. Why are parties that form the state-wide government willing to accommodate certain claims of ethnic or national minorities, but refuse others? Many believe that the complexity of actor strategies involved in these arrangements precludes any attempt at generalization.

[72] This chapter is an article co-authored with André Kaiser and currently in a state of revise and resubmit at the *European Journal of Political Research*.

[73] Accommodation via autonomy is the predominant terminology in the conflict literature whereas comparative politics scholars talk about asymmetric decentralization. The meaning of both terms converges: the transfer of authority granted by a state-wide government to a territorially bounded sub-national unit in order to increase the political autonomy of the actors in that area in contrast to other sub-national units whose autonomy remains lower.

Explanations for decentralization in general were long dominated by functionalist adaptation arguments, such as democratization or efficient public goods provision (Oates 1993; Bardhan 2002). Alternatively, conflict studies are predominantly organized around the "greed and grievance" dichotomy (Collier and Hoeffler 2004) with a focus on the demand side, namely, the minority's incentives for rebellion.[74] Few have considered the role of state-wide[75] governments, which are de jure in charge of territorial reform. In case they did, they have stressed the strategic constraints of state-wide governments in order to provide accommodation. Some explained the hesitation of governments to accommodate by their intention to prevent precedents, later taken up by other minorities in the same territory (Walter 2006; Toft 2005). Furthermore, the accommodated minorities might be empowered by autonomy to raise further claims in the future, in particular when powerful kin states are involved (Grigoryan 2012). These arguments explain the hesitation of state-wide actors to accommodate in order to avoid triggering further challenges in the future. There are also theoretical arguments why the centre has incentives to concede. Lacina (2014) points to the potential presence of minority representatives in the centre and argues that such representation increases the likelihood of accommodation. Cunningham (2011) argues that the accommodation of divided movements can flush out separatists from autonomists and radicals from moderates. In these examples from conflict studies governments react rather mechanically to external conditions. They are portrayed as reactive agents whose preferences are informed by the representation or geographical distribution of minorities, kin states and resources. However, those factors are predominantly constant and arguments starting from them face difficulties to explain why political parties in the same country have such different stances towards the territorial distribution of authority and why accommodation takes place in one moment and not in another.

[74] See Lacina (2014, 3) for a list of qualitative studies and Dixon (2009) or Hegre and Sambanis (2006) for an overview of the findings in quantitative studies.

[75] In order to distinguish state-wide parties and governments from regionalist movements and parties, we prefer the term *state-wide* to *national* (in some cases we use 'national' to reflect the usage of the relevant literature).

In contrast, the territorial politics literature has shown that different parties have usually different views about the territorial distribution of authority and also the very same party can change its positions over time (Toubeau and Wagner 2015; Alonso 2012). The explanation of these partisan preferences on the territorial dimension has received growing attention (O'Neill 2003, 2005; Bednar 2004; Meguid 2009; Alonso 2012; Toubeau and Wagner 2015). State-wide parties have come to be identified as the pivotal players in the game of distributing authority over different levels of territoriality (Hopkin 2009; Amat and Falcó-Gimeno 2013; Tobeau and Wagner 2015, 2016). However, comparable to the dominant paradigm in conflict studies, the literature on territorial party politics has predominantly analysed party constellations as a constraint for state-wide parties which may be pressurized to strategically offer authority to territorially concentrated minorities (Heller 2002; Meguid 2009; Alonso 2012).

We show in this article that a crucial strategic rationale of state-wide parties is still overlooked - ideological proximity between the claimants and the providers of authority. Accordingly, we depart from the conventional reading of autonomy accommodation in three ways. First, we argue that for state-wide parties territorial party competition is embedded in the dominant ideological conflict on the state-wide level. Political conflicts are rarely exclusively territorial or exclusively focussed on the state-market dimension, but rather reinforced by the interdependence between them (Rokkan 1999, 309). For the second half of the twentieth century the dominant ideological conflict was that between market supporters and market sceptics (Manow and van Kersbergen 2009). Accordingly, we argue that state-wide parties empower regional allies who share their ideological convictions and deny power to ideological enemies. Empowered and ideologically aligned regional elites can prove valuable allies in the future. Furthermore, asymmetric decentralization creates potential veto players should the state-wide opposition party come to power; it creates offices and trains personnel for ideological allies; and it stabilizes electoral support, because newly empowered allies become founding fathers of minority regions with a lasting electoral premium. The strategic rationales of state-wide parties are embedded in the dominant ideological conflict of their time.

However, this does not necessarily hold for separatist or autonomist parties on the sub-state level. Their primary conflict dimension remains territorial. However, their territorial stance is complemented by a position on the state-market dimension. Only in constellations, where the sub-national claimants and state-wide parties in government strike a similar tone on the state-market dimension, state-wide parties are willing to accommodate their claim. This is what we define as ideological proximity between state-wide parties in government and sub-national claimants of authority.

Second, to the predominant interpretation of a demand-driven process we add a supply-side argument. Valid regional claims do not only generate pressure, but open up a window of opportunity for state-wide parties to insulate authority and change the territorial power structure to their own benefit.

Third, we depart from the interpretation of regionalist parties as niche parties focusing on territoriality as a single core issue (for a similar argument see Basile 2015). We assume that regionalist or ethnic mobilizers also take a stance towards issues on the dominant state-wide ideological dimension. For example, Kurdish mobilization changed from outright Marxist to "New Left" during the 2000s (blinded for review 2016b). Tamil autonomy demands in Sri Lanka are also strongly framed by a Marxist rhetoric (de Silva 1997). Convergència i Unió, the leading Catalan party until very recently, was centre-right on socio-economic issues (Heller 2002); while the Scottish National Party has gradually moved to centre-left positions (Newell 1998). Combining our three modifications of the conventional reading of minority accommodation, we end up with a very parsimonious argument. The relationship between regional demand for authority and state-wide response is moderated by ideological proximity. The rationale which informs the state-wide party's willingness to accommodate is ideological authority insulation.

To deliver support for this argument, the article proceeds as follow. We outline a theory of ideological authority insulation, building on existing approaches to territorial preference formation.

Next, we specify the conditions under which ideological proximity leads to reforms of accommodation. As a final step, we inform our case selection and test the theory quantitatively explaining reform in 11 countries from 1945 to 2015.

We have compiled a new dataset with roughly 4300 cases, including electoral data, party positions and regional "centres of gravity". Carrying out a careful analysis with rare event panel regression models as well as robustness checks, we find that the relationship between autonomy claims and their accommodation is systematically moderated by ideological proximity. Not one single decentralization reform in our dataset occurs when ideological distance is large. However, not every constellation of ideological proximity leads to shifts of authority. Successful ideological authority insulation depends on opportunity structures and contextual factors, the most important being the state-wide government operating with a low number of parties in cabinet and with a sufficient majority. Furthermore, our findings suggest that concepts from the ethnic conflict literature, developed and usually tested in less democratic contexts, can add much to the understanding of territorial tensions in established democracies. For example, the involvement of secessionist claims reduces the willingness of the centre to shift authority and divided movements have a higher likelihood to receive accommodation. However, in our models, none of these findings from conflict studies is as substantial as ideological proximity.

Our theory and findings add to the literature on conflict settlement in heterogeneous societies (Weller and Nobbs 2011; McGarry 2012). Where ideological distance between claimant minorities and state-wide governments is large, accommodation is very unlikely to be a viable option. Moreover, the theory of ideological authority insulation speaks to scholars of party competition in multilevel systems. Different conflict dimensions can be subsumed or blurred (Elias et al. 2015); however, our results suggest that superimposition[76] should be added to the toolbox of research on

[76] We define superimposition as a situation where one conflict dimension is determined by the ideological proximity on another.

party politics in cases where one conflict dimension determines the behaviour on another. Finally, demonstrating that parties are willing to shift authority without empowering their own partisan organization on another level of territoriality is an important observation for the conceptualization of territorial alignment processes. Partisan and ideological alignment fall apart in many countries with strong regionalist parties or multiparty systems. Overall, we observe that authority is stored in regions dominated by ideological allies, concentrating power for an ideological conflict on the state-wide level. This finding undermines the functionalist perspective on federalism. Rather than decentralization admitting different preferences for public good provision, the migration of authority is motivated by the desire to strengthen those with similar preferences.

### *4.3.2 Partisan Rationales*

Changing the distribution of territorial authority can only occur if state-wide governments accept it as relevant to their agenda and, ultimately, agree to reform. We therefore regard parties in the state-wide government as the pivotal players in institutional shifts on the territorial dimension (see also Hopkin 2009; Amat and Falcó-Gimeno 2013). Here we depart from the conflict literature because it cannot explain partisan differences. Simply spoken, why do Conservatives in the United Kingdom refuse accommodation of Scottish claims whereas the Labour Party initiated a transfer of power in 1997? The claimants, like the Scottish, usually envisage a form of institutionalized asymmetric authority which underlines their distinctiveness (Stepan 2001). State-wide governments are confronted by these demands. But these are also opportunities to transfer authority to specific regions only.[77] Autonomy claims are articulated because minorities have strong reservations about the location of authority at the centre (Zuber 2011). Little studied, however, is the fact that the very same state-wide elites may adopt different strategies towards different regions of the same country. Lacina (2014) argues that the integration of minorities in the centre explains why some Indian

[77] Authority transfer to the sub-national level is, however, just one response; other options range from symmetric federalism, consociational arrangements, ignorance, and suppression to military conflict and the acceptance of secession.

regions received more and other regions less authority in the 1950s. However, minority representation at the centre varies over parties. Kurdish politicians have close ties to the political left in Turkey and many Scottish MPs are traditionally aligned with Labour. These are just two examples where representation at the centre is endogenous to ideological positions of actors on that level.[78]

In order to explain differences in the willingness of state-wide actors to accommodate authority claims, we need to examine party preferences on the territorial dimension (de Winter et al. 2006; Toubeau and Wagner 2015, 2016; Massetti and Schakel 2016). But these preferences do not show very systematic patterns. Nor are they strongly related to an overall left–right dimension (Swenden and Maddens 2009; Toubeau and Wagner 2015). There is no evidence for any correlation between general left and right positions and decentralization reforms (Spina 2013). Verge (2013) therefore proposes to further differentiate ideology into an economic and a cultural dimension. Cultural liberalism is more generously disposed towards political self-determination, whereas economic liberalism is more in favour of a decentralized economy (see also Toubeau and Wagner 2015). Hence, from a perspective of ideological consistency, most parties have cross-cutting motives for decentralization.

However, as long as the signalled preferences are erratically distributed over time and party families, they cannot be considered an explanation of partisan rationales. We simply do not yet know why parties signal willingness at a certain point in time and not at others. In particular, we do not know why preferences vary for different regions within the same state. The literature proposes several concepts to make sense of the erratic nature of signalled preferences towards territoriality by state-wide mainstream parties. We categorize them into two major arguments.

[78] The illustrative case of Bombay in Lacina's study also shows that left-wing mobilization was appeased by the socialist Prime Minister Nehru against the initial support of another proposal (2014, 722-23).

#### *4.3.2.1 Electoral vulnerability*

The electoral vulnerability concept starts from the assumption that state-wide parties are willing to decentralize in order to prevent losses in a particular region at state-wide elections (Heller 2002; Hopkin 2003, 232; Meguid 2009, 33; Alonso 2012). This argument is often illustrated with reference to Scotland. In 1997, the UK Labour Party (LP) accommodated Scottish demands for autonomy because it needed the votes of Scottish National Party (SNP) supporters at state-wide elections, trading off LP voters who might turn to the SNP at regional elections. Yet, though this argument is widely touted, there is only one instance in British electoral history where the electoral strength of the SNP could have changed the majority constellation between the Conservatives and Labour at the state-wide level. If electoral vulnerability was indeed the LP's rationale, the strategy was an outright failure. In 1992 the LP had won 49 House of Commons seats in Scotland; in 2015 it won one.

The vulnerability argument presupposes a sufficient number of regionalist voters willing to switch their allegiance to the accommodating state-wide party. Consequently, it focuses exclusively on the asymmetric calculi of state-wide parties, taking no account of regional parties' positions. Evidence for the argument rests on the cases of Spain and the UK (Meguid 2009; Alonso 2012). A slightly different argument starts from the role of regional parties that may support state-wide governments or are willing to enter coalition governments in exchange for authority shifts towards the regional level (Heller 2002; Elias and Tronconi 2011).

#### *4.3.2.2 Intra-party insulation*

The relative stability of majorities at different territorial levels is argued to be an important factor in explaining decentralization (O'Neill 2003, 2005; Falleti 2005, 2010). Parties may be less sure of gaining state-wide than regional offices, because majorities may be more volatile on the state-wide level, more secure on the regional level. In this case, decentralization is about the insulation of resources and positions from competitors (O'Neill 2005, 207). This argument assumes the calculation of partisan rationales over time. Political actors transfer authority to the level where

they expect the most stable electoral majorities in the long term. The insulation argument entails another important aspect. State-wide and sub-national electoral stability are observed simultaneously. O'Neill assumes that the state-wide level prevails over the sub-national level (2003, 1075). Only when state-wide electoral volatility and regional electoral stability exist can we expect state-wide governments to decentralize. In cases of state-wide electoral stability, she assumes re-centralization. Evidence for the insulation argument rests on the analysis of symmetric decentralization in five presidential systems in Latin America (2003, 2005). This argument has never been applied to asymmetric decentralization or the accommodation of minorities.

*4.3.3 Implications of the partisan rationales*

The concepts of insulation and vulnerability employ different causal mechanisms and lead to different expectations about territorial reform. The insulation argument implies the perceived stability of electoral support over time and across different levels. Authority is insulated in areas which are electoral strongholds, irrespective of how relevant they are in terms of overall vote share (O'Neill 2003). The electoral vulnerability argument, in contrast, sees authority transferred to the sub-national level with the aim of securing state-wide majorities (Alonso 2012) or policies (Heller 2002; Elias and Tronconi 2011). The trade-off between sub-national and state-wide voters requires the electoral importance of the sub-national entity to make the deal pay off.

However, a comparative perspective points to the fact that authority rarely migrates to territorial entities whose voters can make a pronounced difference at federal elections, suggesting electoral vulnerability concerns are the exception rather than the rule. Meanwhile, a closer look at decentralization reforms reveals that authority rarely migrates to territorial entities with majorities of the same party; instead it shifts to regionalist parties with distinct partisan organizations. Thus, the intra-party insulation argument falls down. We therefore require a theory of decentralization which transcends both intra-partisan rationales and regional electoral importance.

### *4.3.4 The Theory of Ideological Authority Insulation*

We argue that party competition over territoriality is embedded in the dominant ideological conflict at the state-wide level. Political conflicts are neither exclusively territorial nor exclusively state-market, but rather reinforced by the interdependence between them (Rokkan 1999, 309). State-wide governments are necessarily engaged in the fundamental conflicts of the day, the content of which changes over time. Martin (1978) highlights how both centre–periphery and class conflicts are reinforced by and assimilated into the religious–secular divide where it appears. He suggests that the religious divide overlaps with distinctions between secular, urban, industrial centres and a more religious, rural and agricultural periphery (Martin 1978, 40).

Interwar Spain demonstrates the interweaving of territorial and religious politics. Basque nationalism had a clerical bent and accordingly was opposed by anti-clerical Republicans in Madrid (Edles 1999, 325). In contrast, Catalan nationalism was progressive, anti-clerical and republican. Consequently, under the military rule of Primo de Rivera the Catalan drive for self-determination was repressed. But the Republican victory in 1931 soon led to a negotiated autonomy statute and during the Second Republic Catalonia significantly extended its political authority. Numerous other examples illustrate how stances on territoriality are integrated into the dominant conflict dimension.

In the majority of democracies in the late twentieth century, the struggle between market supporters and market sceptics became the new dominant conflict.[79] But how would regionally insulated authority help against state-wide competitors? One argument is that political control is consolidated by replacing or sidelining other elites (Boone 2003, 356; Aalen and Muriaas 2015). Authority shifts may lead to the establishment of new institutions and new positions which can be

[79] Although some have previously suggested that ideological proximity might be relevant in decentralization processes (Garman et al. 2001; Maddens and Libbrecht 2009; Toubeau and Massetti 2013; Toubeau and Wagner 2015), they have not specified why and which ideological dimension matters where and when. Moreover, the ideological proximity argument has never been empirically tested.

staffed with ideological allies. Ideologically aligned territories equipped with authority can serve as a point of reference in state-wide political discourses. Policies can be tested and show-cased to support the ideologically aligned parties at the centre. Endowed with co-decision rights, allies on the sub-national level are empowered as veto players for competing state-wide parties who may win government in the future.

Shared rule is a powerful safeguard for self-rule competences and also an important factor influencing state-wide legislation (Mueller 2013). It is rational to increase or establish shared rule, for two reasons. First, shared rule often entails safeguard clauses and locks in self-rule authority. In unitary states this is often the only insurance against future state-wide governments who might rescind authority. Second, to empower ideological allies with shared rule competences is an effective means to impede future state-wide governments of a different ideological stripe. Thus, for the party which shifts authority to sub-national levels, the empowerment of ideological allies may come with considerable long-term gains (see blinded for review 2016b for a game-theoretical framing of this argument). Finally, in many cases, decentralization stabilizes regional political elites and offices, because regional political actors associated with the reform will be seen as "founding fathers" of minority nations. Their parties are usually evaluated with a premium in the regional elections to come. Insulated regional authority thus serves as a lasting power base ready to be activated against regional and state-wide competitors.

The effects of ideological proximity are enhanced by congruence. If the same party governs on several territorial levels simultaneously, internal party pressure facilitates authority shifts (Elias and Tronconi 2011, 518–20; Léon 2014; Petersohn et al. 2015, 629). The congruence mechanism intensifies internal party pressure, without the sources of different party actors' internal bargaining power being explicit. Electoral strength in a certain area or electoral importance for the state-wide level may empower particular sub-national party branches. Decentralization is likely where sub-national interests within political parties prevail over national ones (Willis et al. 1999, 18). There is

evidence from Belgium, the UK, Canada, Spain and Italy to support this argument (Elias and Tronconi 2011; Petersohn et al. 2015).

Ideological similarity allows for authority transfers to areas dominated by other partisan actors, thus explaining various decentralization reforms where the intra-party rationales of insulation, electoral vulnerability and congruence are lacking (for example: the Faroe Islands, Greenland, Autonomous Regions in Nicaragua, Basque Countries, Catalonia, Scotland or Wales, to name just a few). To summarize, our theoretical argument entails a baseline expectation which is successively specified under one condition. Our basic argument is captured in Hypothesis 1:

**H1:** *The likelihood that state-wide government parties will accommodate a minority with more authority increases with higher ideological proximity between the state-wide government and a region.*

The insulation argument might be applied to ideologically proximate regions without minority demand as well. However, we think that only visible demand of minorities justifies the asymmetric transfer of authority with regard to the claims of the other conventional regions.

**H2:** *The likelihood that state-wide government parties will accommodate a minority with more authority increases with higher ideological proximity between the state-wide government and a region under the condition of visible minority demand.*

This second hypothesis might appear obvious or trivial but once we accept that accommodation is a conscious choice of state-wide actors to alter territorial structures to their benefit, we need to check whether state-wide actors might also empower areas without demand.

#### *4.3.5 Our Universe of Cases, Case Selection and Data*

Asymmetric shifts of authority are negotiated in dyads of state-wide cabinets and regional claimants. The authority insulation argument assumes partisans' commitment to programmatic signals which we predominantly observe in democracies. Accordingly, democracy is an additional

scope condition for the test of our argument.[80] We measure democracy using the Polity IV index and select cases with values equal to or higher than six (Marshall et al. 2014). We assume that regional claims are territorially concentrated and articulated. We therefore narrow the scope of our universe of cases to countries with at least one region articulating authority demand between 1945 and 2015. For the identification of articulated and spatially concentrated regional demand, we take advantage of two indices from the Minorities at Risk Dataset (Gurr 1999). All in all, our universe of cases comprises around 10,000 region–cabinet relationships in 34 countries over different time periods (see Appendix Part C, Table C, for a detailed description). From this universe we select 239 regions and 228 national cabinets in 11 countries between 1945 and 2015, resulting in a sample of 4297 region–cabinet cases.

The statistical analysis is based on regions of the following countries: Canada, Denmark, France, Italy, Nicaragua, Portugal, Serbia, Spain, Switzerland, Turkey and the UK. The selection of these 11 out of 34 countries mirrors our ability to gather sub-national electoral and partisan ideological positions. It is important to note that this is not a representative sample but still a more rigorous test than all existing single or comparative case studies with similar research questions. The panel structure of the data and the inclusion of regions without experience of reform and even of those without articulated demand for authority leads to a sample with around 95 per cent of negative cases. This is deliberate, as most existing studies are biased towards positive cases, i.e., where accommodation occurs (selection on the dependent variable). We include regions from countries such as Turkey, Switzerland and France where regional demand exists but, over the whole time period, minority accommodation fails to materialize.[81]

[80] We assume our argument to hold outside democracies in cases where ideological linkages exist, but the measurement of these linkages exceeds our capabilities for this study.

[81] One might argue for the inclusion of Belgium. Although we coded Belgium, we excluded it from the analysis. All Belgian regions have developed substantial autonomy demands and we therefore classify the country as a case of symmetric decentralization.

To put the argument to a systematic test, it is necessary to develop a comparable measurement of our central independent variable. To measure ideological proximity, we need two components. The first is the ideological position of the dominant party in state-wide government. We measure this using *blinded for review* procedure, which provides party positions on a market dimension which are comparable over time and space and have the highest validity of comparable measurement procedures.[82] We prefer the market dimension because it is the most important conflict dimension in almost every party system within our time period, and it is the only one which is comparable over a wide array of countries and time points (*blinded for review*).

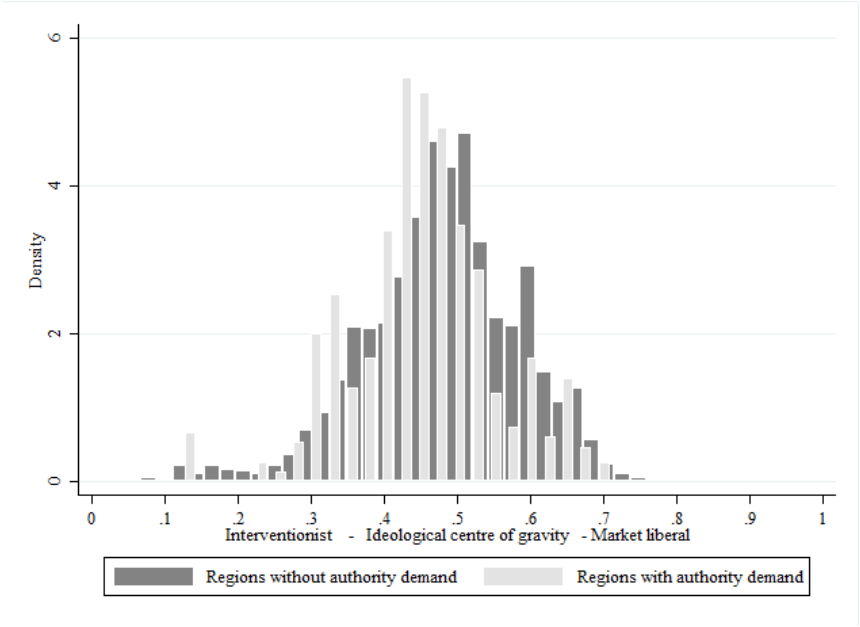
The second component is the ideological position of a region. It is important to focus on an overall regional ideological position and not the individual positions of regional parties or movements. In cases where authority is insulated at sub-national tiers, these newly empowered areas will be governed by locally dominant majorities. Of course, regionalist parties may be part of these majorities, but often there are several regionalist parties campaigning for authority with very different political positions, or regionalist parties may represent only a small fraction of voters (Cunningham 2011; Massetti and Schakel 2013).

We measure the ideological orientation of a region by calculating "ideological centres of gravity". Ideally, centres of gravity capture the ideological position of the median voter of a region. However, we lack individual survey data for many regions in different countries over time. For this reason, we use party positions on the market dimension and weight them by voter support within a region. In order to be as precise as data availability allows, we use all parties with sizable voter support in a region. On average, we capture 92.8 per cent of valid votes in the 239 regions between 1945 and 2015. *Blinded for review* measurement of party positions is based on CMP/Marpor data (Volkens et al. 2015). As these are limited and rarely cover small parties or those with strong regionally concentrated support, we qualitatively complement the measurement of party positions

[82] See online appendix, Table H, for a comparison with other party position measurements.

of those parties.[83] Regional centres of gravity are normally distributed and those regions with voters supporting autonomist parties are slightly to the left of those who have no electorally mobilized support for more authority (see Figure 1).

**Figure 17:** Regional centres of gravity




***Note:*** Authors' own calculation.

Finally, ideological proximity is measured by subtracting the position of a state-wide party from the ideological centre of gravity of a region, calculating the absolute value, subtracting 1 and multiplying it by -1. As both measures are standardized, 1 signifies identical positions of regions and the dominant state-wide party, 0 is the theoretical maximum distance. 0 is a very unlikely value because dominant state-wide parties rarely hold extreme values between interventionism and market liberalism and neither do regional centres of gravity (see Appendix Part D, Figure A).

Our theory proposes that ideological proximity increases the likelihood of asymmetric reforms under the condition of regional claims. Demand is specified as the general existence of claimant

[83] In countries where comparable party positions based on regional manifestos exist, these positions closely resemble the national position of the same party (see online appendix, Table G). The party positions in Nicaragua are measured by using the average party placements of several surveys (Coppedge 1997; Alcántara 2001, 2005; Wiesehomeier and Benoit 2007).

minorities (Gurr 1999; n=2077). Parties demanding authority are qualitatively determined. Our coding is in line with that of other authors (Massetti and Schakel 2016; Toubeau and Wagner 2016; see Appendix Part D, Table F). An alternative specification would be to use valid votes for regionalist parties in a region. But this measure has a major drawback. Electorally mobilized regional demand represents the commitment of voters to authority shifts. However, often demand cannot be expressed by voters as there are no regional parliaments. This case is better captured by the general demand within a region.

The occurrence of accommodation through an authority transfer distinguishes positive from negative cases (dependent variable). Central authorities can devolve power to one or more regions and can give different (asymmetric) degrees of autonomy to each region (McGarry 2005). We measure asymmetric reforms by using the Regional Authority Index (Hooghe et al. 2016). Regional authority is disaggregated into two domains (self-rule and shared rule) and these are operationalized in ten dimensions (Hooghe et al. 2016, 29–30). We are only interested in cases where authority shifts lead to asymmetric authority distribution on the sub-national level. We assign positive cases when authority is transferred only to a subset of regions within a country.[84]

To ensure the temporal matching of reforms and cabinets, we carefully assign authority changes to specific cabinets, drawing on the qualitative description of the coding decisions made by Hooghe et al. (2016, country profiles). Establishing a precise timeline is not always possible. For instance, in the case of Spain, the different asymmetric reforms which occurred are based on the constitution of 1978; however, majorities had to approve specific reforms with concrete laws and not every territorial arrangement envisaged in the constitution was implemented. We define the time point of a reform as the date when the legislature approves a bill which grants an authority transfer (see Appendix Part D, Tables D and E, for an overview of positive cases and their respective laws).

[84] However, a subset of regions can also be differently empowered to re-symmetrize subnational authority, as we notably observe in Italy in the 1970s and in Spain in the 1980s. These cases are not considered here because they de facto decrease the level of asymmetry within a country and work against the principle of the recognition of requested differences.

The Regional Authority Index has a discrete distribution ranging empirically from 0 to 27. However, we doubt that differences on that scale are linear expressions of more or less authority. For example, we find a major decentralization reform in Italy which scores +1, but in fact entailed the transfer of more than 100 policy areas (see Amoretti 2002). The policy scope is only roughly categorized in the coding scheme and ceiling effects can easily occur. In contrast, achieving a regional parliament comes with an increase of +4 in the Authority Index. Consequently, we transform the Regional Authority Index into a binary variable of reform and non-reform.[85]

#### *4.3.6 Alternative partisan rationales*

As discussed in the theoretical section, there are plausible alternative partisan rationales. We take advantage of our dataset and complement the analysis with an evaluation of these rationales. We measure the *electoral vulnerability* of a region for individual parties as the relative share of votes received from one region at state-wide elections. 0 means none of the votes originates from a specific region, whereas 1 means that the entire electoral support of a party is concentrated in a specific region.

Another rationale is *congruence*. Majorities of the dominant state-wide party in government within specific regions should increase the likelihood of asymmetric reforms. We assign congruence for constellations where the dominant state-wide party in government is the strongest party within a region. We regard congruence as a special case of ideological proximity. In cases of congruence we simply cannot distinguish between ideological proximity and an intra-party calculus. We therefore use congruence as a control variable for a hard test of our ideological insulation argument. In case ideological insulation plays out as a systematic factor even when we control for congruence, we leverage the opportunity to discriminate between intra-partisan and ideological considerations.

[85] In the robustness section of the online appendix we also test different specifications of the dependent variable. We test authority shifts as a continuous variable and distinguish between self- and shared rule (see online appendix Table K).

The *stability of regional support* over time might increase the transfer of authority. O'Neill's (2003, 2005) argument is based on intra-party bargains and, hence, we cumulate the congruence variable over three successive electoral periods. We interrupt cumulating when the main state-wide competitor has a majority at the regional level. *Stable electoral support on the state-wide level* is measured by counting consecutive state-wide majorities leading to cabinet formation.

The *degree of market liberalism* (or, as some would name it, the position on a *left- right dimension)* of the dominant party in government might influence the willingness to accommodate since left parties have a higher sympathy for the political self-determination of minorities (Toubeau and Wagner 2013; Verge 2013).

#### *4.3.7 Structural incentives to accommodate*

From the literature on ethnic conflicts we integrate five structural factors which should influence the general willingness of governments to accommodate minority claims. We count *the number of other claiming minorities* in a country in order to capture the anticipated prospects of claims in other areas (Walter 2006, Toft 2005). We identify regions with at least one faction of the minorities *demanding secession* in comparison to those claiming autonomy only (Massetti and Schakel 2013). We distinguish between *divided* and *unitary* minority *mobilization* with a dummy being 1 in regions where more than one minority party exists (Cunningham 2011). Finally, we distinguish between minorities with *kin states* and those without (Grigoryan 2015; Ganguly 1998). The *level of regional authority* can have an effect on the government's decisions for reform. Higher levels of regional authority can either indicate no further need for reform or can cause dynamics of outbidding with rising demand for more (Rabushka and Shepsle 1972; Mitchell et al. 2009). We measure the *level of authority* with the lagged level of the Regional Authority Index (Hooghe et al. 2016).

#### *4.3.8 Opportunity structures for state-wide governments*

Decentralization reforms are demanding tasks for state-wide parties. The opportunity structures to implement envisaged reforms entail many factors, such as *position of the constitutional court*, *seat share*

*of cabinet*s, the *duration of a cabinet* or the *number of parties* in government, the *age of democracy* or *the size of the electorate* on the regional level.

We measure majority requirements with the *seat share of cabinet*s within a parliament and the complexity of decision making with *the number of parties in cabinet*.[86] A constellation with a low likelihood of reform is a cabinet responsible for an accommodative shift of authority in the legislative period before. We code this constellation with a dummy indicating *previous reform*.[87]

### *4.3.9 Identification*

Asymmetric decentralization reforms are rare. In our baseline sample (which includes many cases without regional authority demand) only 53 reforms occur in around 4300 cases.[88] We will account for the distribution of the dependent variable with rare event regression (King and Zeng 2001). Simulation studies have shown that estimates of the rare events estimator using the penalized maximum likelihood estimation are the least biased estimates with positive cases lower 200 (Leitgöb 2013).[89]

We start modelling with a penalized maximum likelihood estimation entailing only the main independent and dependent variable (Model 1). Afterwards we condition on the control variables (Model 2) and add congruence (Model 3). Congruence is a subset of ideological proximity and the inclusion in the model is a rigorous test of the effect of ideological proximity. To facilitate the interpretation of the estimates, we depict the conditional marginal effects of ideological proximity (Figure 2). The idea that authority insulation is a viable strategy under the condition of visible

[86] Most data on cabinets are based on Döring and Manow (2016).

[87] See Table A in the appendix for a description of every variable and Table B for an overview of distributions and the overlap over cases of high and low ideological proximity.

[88] 49 reforms are captured by the Regional Authority Index and 4 are included based on case knowledge (see online appendix, Tables D and E, for positive cases).

[89] We use a Stata package of Firthlogit to calculate penalized maximum likelihood estimates (Coveney 2015). We calculate the same models with panel logit regressions as a more established estimation procedure (Model 5).

minority demand is assessed in two ways. First, we estimate the models on sub-samples including only regions with demand (Models 4 and 5) and, second, we calculate non-linear interaction effects between proximity and demand (Xu et al. 2017). We take recent advice on the interpretation of interaction effects into account. Models with interactions include all constitutive terms, we check the substantial impact of both variables on each other and we assess the common support of the argument by looking at the underlying distribution of negative and positive cases (Berry et al. 2012; Figure 2). The analysis of common support is crucial in our case, because the ideological proximity variable is skewed to the right and marginal effects for cases with low proximity are based on very few observations. In the robustness section we evaluate the sensitivity of our results for different specification choices, inclusion of controls and country-specific effects.

#### *4.3.10 Results*

Model 1 in Table 1 indicates the general average effect of ideological proximity on asymmetric authority transfers. The positive and significant effect (5.86***) is in line with Hypothesis 1. The effect is stronger and still significant in Model 2, where we integrate the whole battery of controls. The effect holds even in a model where we integrate congruence as a special case of ideological proximity (Model 3).

**Table 21:** Results

| | ***Model 1*** | ***Model 2*** | ***Model 3*** | ***Model 4*** | ***Model 5*** |
|---|---|---|---|---|---|
| **Estimator** | PMLL | PMLL | PMLL | PMLL | PL (log likelihood) |
| **DV** | Accom-modation (0 1) | Accom-modation (0 1) | Accom-modation (0 1) | Accom-modation (0 1) | Accom-modation (0 1) |
| **Sample** (11 countries, 230 Regions, 1945–2015) | Full Sample | Full Sample | Full Sample | Sub-sample (regions with demand) | Sub-sample (regions with demand) |
| Ideological proximity | 5.86*** | 9.01*** | 8.80*** | 7.45*** | 7.77** |
| ***Opportunity structures*** | | | | | |
| Number of cabinet parties | - | -0.36** | -0.36* | -0.20 | -0.17 |
| Seat share | - | 0.04** | 0.04** | 0.04* | 0.05** |
| Previous reform | - | 0.37 | 0.35 | -0.30 | -0.72 |
| ***Structural incentives*** | | | | | |
| Divided claim | - | 2.19*** | 2.16*** | -0.28 | -0.15 |
| Secessionist claim | - | -1.15* | -1.15* | -0.60 | -0.90 |
| Kin state | - | -1.74** | -1.65** | -1.99*** | -2.92*** |
| Demanding others | - | 0.04 | 0.04 | -0.07 | -0.03 |
| Age of democracy | - | -0.002 | -0.002 | -0.02** | -0.01 |
| Lagged level of authority | - | -0.05** | -0.05** | -0.06* | -0.13** |
| ***Alternative explanations*** | | | | | |
| Ideology of government | - | 1.39 | 1.32 | 1.21 | 1.22 |
| Size of electorate | - | 0.00 | 0.00 | 0.00 | 0.00 |
| Electoral importance | - | -1.22 | -4.41 | 0.17 | 1.76 |
| Stability of support (regional) | - | -0.18 | -0.29 | -0.22 | -0.01 |
| Stability of support (state-wide) | - | -0.04 | -0.04 | -0.07 | -0.06 |
| Number of regions | - | -0.15*** | 0.15*** | -0.07*** | -0.09*** |
| Congruence | - | - | 0.19 | - | |
| N | 4289 | 3937 | 3937 | 839 | 839 |
| Countries ($N_i$) | 11 | 11 | 11 | 11 | 11 |
| Regions ($N_i$) | 230 | 230 | 230 | 58 | 58 |
| Wald chi² | - | 83.92*** | 84.16*** | 46.11*** | 33.08** |

***Notes:*** PMLL (Penalized maximum likelihood logit estimator), PL (Panel logit estimator). Missings in models 2 to 5 are predominantly caused by the lagged level of regional authority (first dyad).

A look into the positive cases in our dataset reveals that regional demand is virtually a necessary condition. There is only one case where a minor transfer of authority occurred without a request being observed (Yukon in the late 1960s).[90] The effect remains once we narrow our sample to regions with demand for autonomy (Model 4). In Model 5 we demonstrate a positive and significant

[90] In the early 1970s a forceful movement started to demand authority for the First Nations in Yukon. An accommodating Trudeau government granted far-reaching autonomy to the region in 1973.

effect with a more conventional logit maximum likelihood estimator. We show in the Appendix Part D that the effect is stable across several estimators and independent of the inclusion of specific controls (Table I and J). The substantial effect of ideological proximity is visualized in Figure 2 via three different techniques.

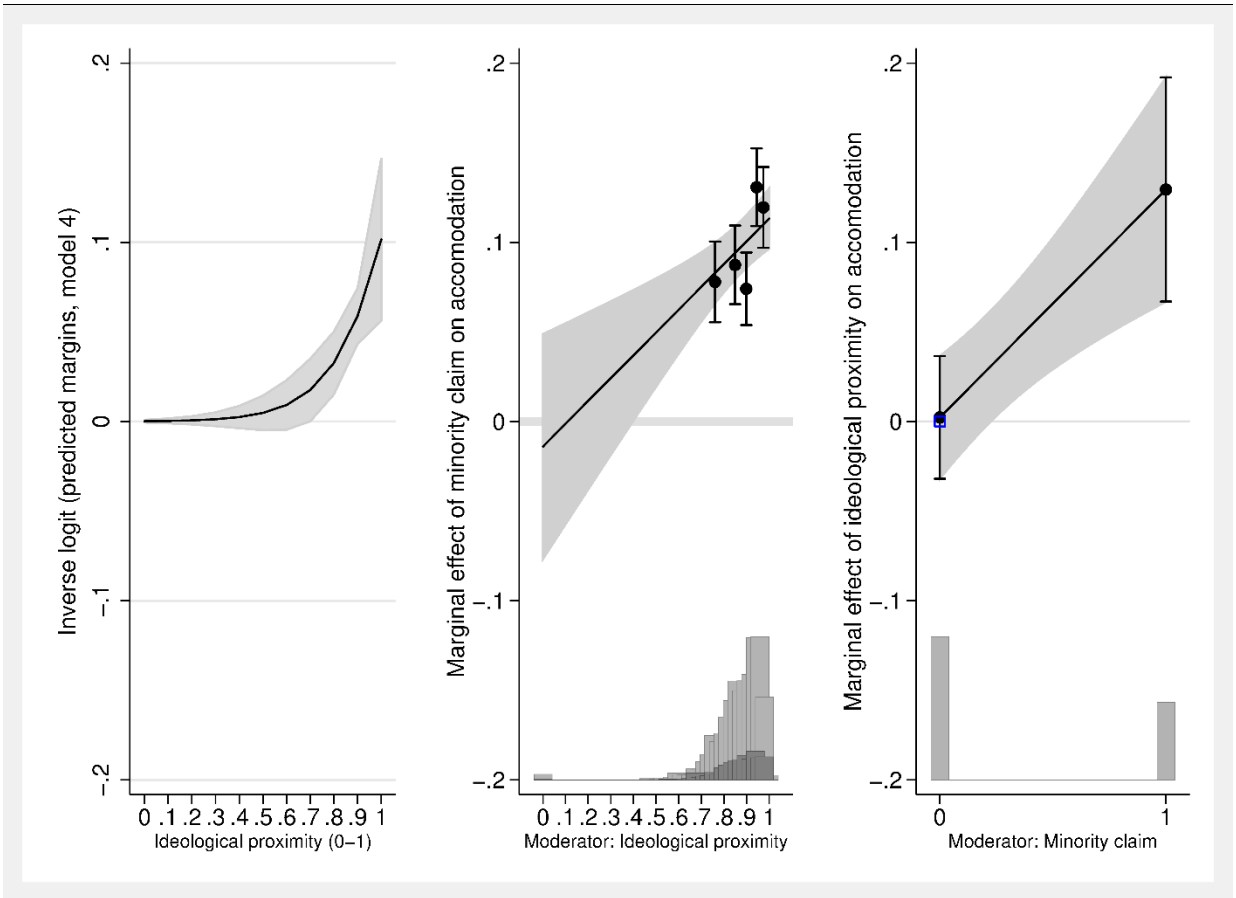
Figure 2 depicts the marginal effect of proximity for different values of ideological proximity (left-hand side). Being ideologically similar increases the likelihood of an accommodative reform of around 10%. In odds-ratios, the likelihood of accommodation under ideological proximity is around 1700 times higher than a reform under a maximum of an ideological distance (odds ratio interpretation). Furthermore, we model the marginal effect of claiming minorities for different attributes of ideological proximity (Figure 2, middle) and the marginal effect of ideological proximity under the condition of regional demand and no regional demand for authority (right-hand side). The assessment of both directions allows us to infer that the significant interaction effect is substantially driven by ideological proximity.

The lower part of the middle graph in Figure 2 illustrates the underlying density of observations and further separates negative (light grey) from positive cases (dark grey). Obviously, inference based on the left-hand side of the interaction effect has very low support and mainly rests on interpolation.

We distinguish between five bins (quintiles). In constellations with proximity higher than 0.9, the marginal effects become significantly stronger. Empirically, an ideological proximity of 0.9 distinguishes, on average, the difference between centre-left and centre-right parties, the major competitors in modern party systems. We complete the picture by looking at the marginal effect of ideological proximity in states of regional demand and non-demand. In states of non-demand there is no significant effect of ideological proximity; in states of regional demand we observe a strong and significantly different positive effect of ideological authority. The requirement of sufficient cases for specific constellations in the case of interactive effects (common support) is

given in this case, because demand and non-demand cases are more equally observed in situations of ideological proximity and distance.

**Figure 18:** Interaction of regional demand and ideological proximity




***Note:*** Estimates are based on the inverse probability margins (model 4, left hand graph). The middle and right hand graph depicts marginal effects of non-linear interactions of ideological proximity and minority claim using the Stata package Interflex (Xu et al. 2017).

### *4.3.11 Robustness of the ideological proximity effect*

Not a single one of the 35-plus robustness models renders the ideology effects insignificant. However, we put those models under scrutiny where the coefficients are either systematically lower or higher than the average. The effect decreases when the UK is taken out of the sample. Authority shifts to Scotland and Wales are often analysed in terms of the vulnerability argument. However, our results indicate rather that both are textbook cases of ideological authority insulation. There was ideological near-identity between the Labour government and the centres of gravity of Wales

and Scotland in 1997, whereas the Conservative Party was far to the right of the mean voter of both regions. Hence excluding the UK reduces the effect of ideological proximity.

The exclusion of Nicaragua, on the other hand, increases the average effect of ideology. This is due to the polarization of Nicaraguan politics in times of decentralization. The governing FSLN was ideologically much closer to the minorities in the eastern regions of Nicaragua than its political competitor. However, the distance between the centre of gravity and the very left-wing FSLN was still high in comparison to Western European distances.

Our theoretical argument, which is in essence an actor-based explanation, in combination with the empirical evidence gives us a strong case to infer that asymmetric shifts of authority are very unlikely in cases of ideological distance. Nonetheless, what we cannot simply infer is that ideological proximity necessarily leads to asymmetric decentralization. In many cases, ideological proximity exists, but reforms are absent. In the following part we point to several conditions which influence the likelihood of ideological proximity leading to reform.

The effect of ideological proximity holds even in specifications with different measurements of the dependent variable. A continuous measure of regional authority shifts can be estimated in panel Poisson regressions, basically assuming a count model with changing authority units and zero inflation. A disaggregation of self- and shared rule depicts no significant differences (see Table K in the Appendix Part D).

#### *4.3.12 Opportunity and structural incentives*

The coefficients of the opportunity structures have the expected directions. More parties in government reduce the likelihood for strategic consensus and significantly decrease the chances of accommodation although this effect is only significant in the full-sample regressions including regions without demand for authority. In contrast, sufficient majorities increase the likelihood for accommodation. Previous reforms of the same government do not have consistent effects.

Structural incentives as developed in conflict studies on non-democratic contexts also yield interesting results. With one exception, we observe the prohibitive factors to work in democracies the same way they have prevented the accommodation of minorities in more authoritarian contexts. A plurality of parties asking for political self-determination increases the likelihood of accommodation as Cunningham has shown (2011). It would be interesting to study which of the different mechanisms proposed by Cunningham drive these findings in democracies. Secessionist claims reduce state-wide governments' willingness to transfer authority. This finding is consistent with our insulation argument, because ideological allies in a seceding territory do not provide the same gains in future as those within the same electoral arena.

Our results confirm that kin states negatively affect the willingness to accommodate minorities. For example, Italian governments feared the irredentist potential of South Tyrolians and decided to integrate the South Tyrolian minority into Trentino until 1992 despite international contracts guaranteeing South Tyrol autonomy already in 1946.

The level of regional authority has a consistent negative effect across all models. There might be evidence for outbidding after accommodation, but our results demonstrate that radicalized demand does not necessarily result in further concessions. The inconsistent effects of the age of democracy across models do not support the functionalist argument of democracy being an adaption path to decentralization.

One of the established findings in the conflict literature seems not to travel well to accommodation games in democracies. Other demanding ethnicities in a given territory should prevent central actors from accommodation because they fear to set a precedent for even more demand elsewhere (Walter 2006). We do not find a negative effect of other concentrated minorities in a country. A brief inspection of the accommodation cases in democracies indicates why. Following the reputation building argument of Walter (2006), governments in the UK, Italy, Belgium or Spain would have strong reason to avoid accommodation in order to prevent autonomy

precedents. Contrary to that expectation the majority of claiming minorities in these countries received a significant share of authority.

#### *4.3.13 Alternative partisan rationales*

Interventionist parties are assumed to be more willing to accommodate demanding minorities and to encourage political self-determination in comparison to market-liberal ones (as suggested by Verge 2013). However, we find no significant differences between market liberal and interventionist state-wide governments. Neither does electoral importance nor does stability of regional support exert a significant effect. The size of the regional electorate could exert a positive effect on the willingness to accommodation if we assume that partisan bonds are rather flexible. We do not find empirical support in our sample for an effect of the size of the electorate. As assumed by O'Neill (2003), enduring and good performance of sub-national party branches at the regional level might increase the chances of accommodation. We do not find evidence for this argument as well. However, the O'Neill argument is tied to an intra-party calculus but in many established democracies ethnic minorities create their own parties. In these cases, multi-level linkages are better described by ideological proximity than by intra-partisan alignments.

Comparing the evidence for the arguments from the conflict literature and the partisan rationales from the comparative politics literature, we come to a surprising conclusion. Strategic constellations observed by scholars of ethnic conflict travel well to multi-level bargains over authority in established democracies. At the same time, the strategic rationales developed by scholars in comparative politics, often based on (comparative) case studies in Europe, do not systematically explain the accommodation of minorities in the very same universe of cases they are derived from. Nonetheless, we regard the factors brought forward by conflict studies as structural constants which shape the general attitude of state-wide governments but cannot explain why and when accommodation takes place. These structural incentives seem to be superimposed by the opportunity to insulate authority in areas where ideological allies prevail.

### *4.3.14 Conclusion*

Why are parties that form the state-wide government willing to accommodate the claims of ethnic or national minorities? A number of actor-centred approaches start from the electoral and organizational incentives of state-wide government parties. We reconstruct two different causal arguments from this literature: electoral vulnerability and intra-party insulation. These concepts present plausible ideas but, as we show, cannot systematically explain the transfer of authority.

Alternatively, ethnic conflict studies have brought forward several structural conditions which facilitate or impede the willingness of state-wide governments to accommodate. Our evidence supports the effectiveness of those conditions under electoral competition in democracies. However, these conditions cannot explain the different and varying positions of parties towards accommodation.

Against this, we present authority transfer from the state-wide to the regional level as not only a concession to claimant minorities and an instrument of pacification, but a conscious choice of rational state-wide parties. Our theory of ideological authority insulation predicts that power is shifted to places dominated by ideological allies. In contrast, regional minorities rarely receive resources for political self-determination when their ideological positions on the state-market dimension diverge from those of the centre.

Our core assumption is that the strategies and ideologies of sub-national parties closely interact with those of state-wide parties. However, it is not the territorial dimension that structures this interaction but, in the time period covered here, the state–market dimension which distinguishes the political left from the political right. Thus, territoriality becomes a second-order conflict which has the potential to kick-start decentralization debate, and which is superimposed on decisions over decentralization reforms. Research on multidimensional party competition has recently been enriched by the concepts of blurring and subsumption (Elias et al. 2015). Our findings suggest that superimposition should be added to the toolbox of party researchers.

Using a new dataset, which includes the territorial distributions of voters and the ideological positions of state-wide and regional parties, we model different partisan rationales according to existing theories and contrast these with a model that captures our theory of ideological authority insulation. The various statistical models show very robust evidence that ideological authority insulation provides a systematic explanation of asymmetric decentralization reforms. Our findings also illustrate specific opportunity structures on the state-wide level which facilitate the transfer of authority: namely governments with a low number of parties and sufficient majorities in parliament. Furthermore, conditions like the existence of kin states, uniform mobilization, or factions with secessionist claims impede the willingness of state-wide governments as shown before by scholars of ethnic conflict.

The theory of ideological authority insulation and our empirical findings have implications for research beyond territorial politics. Scholars working on conflict resolution in heterogeneous societies should be aware that decentralized authority is very likely to fail as an accommodation strategy if ideological distance between political elites in regions with national or ethnic minorities and the centre is large.

Finally, a number of questions arise from our findings that may inform future research. Our analysis focuses on the post-Second World War period. In earlier times as well as in times of de-alignment issues other than the market–state dimension may have been superimposed on territorial conflict. From another perspective, the generalizability of our findings may exceed the limits of the chosen scope conditions in three ways. First, ideological authority insulation may also work across countries. Many cases suggest that accommodation via authority transfers is often affected by the support and non-support of international ideological allies – data limitations prevent us from considering this in our quantitative analysis. Second, not only rulers in democratic countries but also authoritarian regimes may use an insulation strategy. Third, authority insulation may work not only in cases of decentralization, but in processes of internationalization as well.

Transfers and withdrawal of authority to international institutions such as the European Union may follow similar rationales.

### 4.4 References Part IV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## Conclusion

The main motivation of the thesis was to systematically assess a pressing issue which is the rising political indifference based on a widespread believe, within and outside the scientific world, that government ideology has faded to make a difference. In order to avoid an assessment of very peculiar political constellations, I selected an ideological dimension which I, and many others, think is a historical constant in the ideological division of political actors, the ideology of market liberalism. Market liberalism is not only dedicated to various promises on the policy level, for example deregulating the economy, reducing the generosity of the welfare state, decreasing public expenditures or levelling and minimizing corporate and individual tax burdens, market liberalism is usually also attached to the very fundamental pledge of wealth. The causal chain from government ideology of market liberalism over socio-economic policies to more aggregated measures of wealth appears picture perfect for a general assessment of the impact of government ideology in a world of highly entrenched economic activities.

As political debates about socio-economic issues are predominantly questions of the degree of trust in market mechanisms or alternative forms of regulated interactions, it was highly surprising to me, that the ideology of market liberalism, capturing exactly that divide, is missing in every textbook of modern ideologies. In order to rectify that unfortunate omission, I dedicate myself in Part I to a conceptual clarification of the ideology of market liberalism. The definition takes advantage of the morphological approach to ideologies brought forward by Michael Freeden (1996) and distinguishes philosophical, scholarly and more ubiquitous forms of discourses, usually used by political parties and their voters. It is shown that market liberalism has a philosophical core of elegant clarity which in turn gives rise to a comparably stable meaning of that ideology over time and space. Additionally, it gives rise to a denotational anchorage allowing to create a measurement of market liberalism which in contrast to other ideological dimensions is very likely to be comparable. Part II of this thesis engages with this promise and proves that in comparison to an

overall left and right dimension this is indeed the case, although the high standards of comparability or equivalence, common in disciplines like psychology, are far from being met.

Transferring the insights from the partisan measurement part to the measurement of government ideology clarifies that many applied approaches using government ideology in systematic comparisons can benefit from the manifold recent advances in the party ideology measurement community. As demonstrated on the partisan level, a core problem leading to the sobering accumulation of non-partisan findings is indeed a problematic handling of government ideology in comparative studies. Comparing conventional approaches with my own proposal demonstrates clearly that inferences on the impact of government ideology are strongly influenced by the selection of the government ideology indicator. The beforehand developed index of market liberalism systematically reveals a strong impact of government ideology across many policy areas where market liberals claim to make a difference (for example regulation, the generosity of the welfare state, tax regimes or public spending). In contrast, binary distinctions of left and right are very likely to produce null-findings across the same board of policy indicators. Alternative continuous indicators of government ideology have similar tendencies or at least show substantially weaker effects.

This inference is generated in Part III of this thesis and based on macro-level statistics which is, for good reason, regarded as highly problematic in terms of robustness and endogeneity problems. In order to limit the reservations against such approaches, I lay out a generalized procedure for the selection and non-selection of control variables which is very often rather arbitrary and with great influence on the average effect under scrutiny. The procedure is based on the back-door criteria for causal identification as proposed by Judea Pearl (2009). The procedure provides a certain clarity and systematic for the inclusion of controls but hints at an additional aspect of the endogeneity problem of causal analyses in the social sciences. Variables can have multiple characters at once. For example, they can partly be a confounders and partly be a mediator at the same time. This hybrid character of variables can only be detected on theoretical grounds and challenge causals

identification. However, knowing about such problems can help to localize average effects being closer to the upper or lower bound of the "true" effect.

The results on the policy level indicate a fairly systematic picture. The influence of the government ideology of market liberalism on many policies further translate into a changing amount and distribution of wealth. Path models can precisely model the chain from ideology over policies to more aggregated outcomes such as growth and inequality. The results of these path models demonstrate that market liberal governments reduce the amount of wealth and augment the degree of income inequality in the short term. Whereas the growth inducing policy chains of market liberal governments are offset by growth depressing policy chains, market liberals seem to consequently enforce policies where the top income earners prosper relatively to the other income groups. The ladder finding also survives an assessment of long-term implications of market liberal rule. In contrast, the growth effect of market liberal governments turns positive in the medium-term (until around 13 years after the market liberal legacy) and fades to systematically matter thereafter.

However, a closer assessment of the growth relevant aspect such as productivity or multi-factor productivity indicates that market liberal governments fulfil their pledge of wealth in an unexpected way. Long-term growth induced by market liberal governments is not about rising productivity but about the amount of economic activity. Accordingly, one of the core normative benchmarks of market liberals, namely efficiency defined as an improved input-output ratio, is not improved by market liberal governments. What is improved in the long-term is the amount of economic activity. This increased economic activity comes with substantial distributional consequences. Economic inequality, measured by the income share of the top earners, substantially increases during and after market liberal rule. Summarizing the impact of market liberal governments on highly relevant policy areas such as regulation, the welfare state and taxation as well as on higher aggregated outcomes such as economic growth and the distribution of incomes, it is no exaggeration to state that the government ideology of market liberalism substantially matters.

This holds also true for governments which at first glance appear blurring their position on the market dimension. Namely, populist radical right parties mobilizing voters predominantly via activating cultural fears. Together with Dennis Spies and Alexandre Afonso we show the highly selective but also systematic approach of the radical right towards socio-economic policies (Chapter 3.4, see also Röth et al. 2017). In fact, the shape of the economy and the modern welfare state will be highly dependent on the socio-economic preferences of populist radical right parties as many countries face difficulties to arrive at stable parliamentary majorities without these parties.

Part IV of the thesis focusses on the intersection of government ideology and territorial politics. Not only policies are increasingly determined on sub- or supranational levels, the degree of authority of these levels can be seen as a consequence of the attempt to insulate authority in territorial levels with ideologically proximate and politically stable majorities. So far, André Kaiser and I have demonstrated that this argument holds for the asymmetric accommodation of concentrated national minorities within democratic societies (Chapter 4.1 and Chapter 4.3; see also Röth et al. 2017; Röth and Kaiser 2016). In case the argument holds more generally, we can expect a constant reconfiguration of the distribution of authority between different government levels, following a partisan logic where ideological concerns superimpose genuine territorial concerns. Accordingly, supporters of the European Union or decentralization will turn into antagonists once ideological majorities on these levels changes. The degree of market liberalism has shown to be a useful indicator for ideological distances on that matter. The reason is, differences on a cultural dimension were argued to be hardly comparable on the state-wide level already. Comparability concerns multiply once we enter the world of a multi-level analysis of ideologies. Authoritarian values and nationalism, traditional morals or multiculturalism, all these core issues of cultural ideological differences turn into terrible differences in terms of meaning once multiple nationalities within one state are addressed. This is not about denying the importance of ideological differences on the cultural dimension, it is just about acknowledging how far away the social sciences are in terms of adequately using these differences in comparative studies. To focus on the ideology of

market liberalism is thereby first and foremost an attempt to improve comparability in order to assess the impact of government ideology on policies and higher aggregated outcomes of economic performance. The ideological dimension of market liberalism is, admittedly, a most-likely case to achieve both ends.

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# Appendix

## Appendix Part A – Part II

**Table A.** Selection of issues/indicators from the Manifesto Data Base

| Statement | Relevant Content | Assumed Relation-ship | % of manifestos with this statement | Absolute salience | Document-based salience | Dimension - based salience | n |
|---|---|---|---|---|---|---|---|
| Free Market Economy **(401)** | *Favorable* mentions of the *free market* and free market capitalism as an economic model | + | 66.3 | 9.4 | 2.40% | 8.00% | 3939 |
| Governmental /Administrative Efficiency **(303)** | Need for *efficiency* and economy in government and administration | + | 73 | 25.6 | 3.20% | 9.90% | 3939 |
| Incentives **(402)** | *Favorable* mentions of supply-side-oriented economic policies (assistance to business rather than consumers) | + | 74.3 | 12.6 | 2.50% | 7.40% | 3939 |
| Economic Orthodoxy **(414)** | *Need* for economically healthy government policy making. *Retrenchment* in crisis | + | 66.8 | 8.8 | 2.30% | 7.10% | 3939 |
| Welfare State Limitation **(505)** | Limiting state expenditure on social services or social security; f*avorable* mentions of the *social subsidiary principle* (i.e., private care before state care) | + | 27.4 | 2.6 | 0.50% | 1.40% | 3939 |
| Market Regulation **(403)** | *Support* for policies designed to create a *fair* and open *economic market* | - | 69 | 13.2 | 2.00% | 5.90% | 3939 |
| Economic Planning **(404)** | *Favorable* mentions of long-standing *economic planning* by government | - | 42.5 | 4.3 | 0.90% | 2.60% | 3939 |
| Keynesian Demand Management **(409)** | *Favorable* mentions of demand- side-oriented economic policies (assistance to consumers rather than business); emphasis on increasing private demand | - | 21.5 | 1.1 | 0.30% | 0.80% | 3939 |
| Welfare State Expansion **(504)** | *Favorable* mentions of need to introduce, maintain or expand any *public social service* or *social security* scheme | - | 89.9 | 40.8 | 7.10% | 21.00% | 3939 |
| Environmental Protection: Positive **(501)** | General policies *in favor* of *protecting* the *environment*, fighting climate change, and other "*green*" policies | - | 69.5 | 26 | 3.70% | 10.30% | 3939 |
| Labor Groups Positive **(701)** | *Favorable* references to all labor groups, the working class, and the unemployed ; support for trade unions and calls for employees to be well treated, including more jobs, good working conditions, fair wages, pension provision, etc. | - | 72.5 | 12.6 | 2.50% | 7.90% | 3939 |
| Equality Positive **(503)** | Concept of *social justice* and the need for *fair* treatment of all people | - | 85.6 | 20.9 | 4.10% | 12.90% | 3939 |
| Controlled Economy **(412)** | *Support* for direct *government control* of economy | - | 42.2 | 3.7 | 0.90% | 2.70% | 3939 |
| Nationalization **(413)** | *Favorable* mentions of *government ownership* of industries, either partial or complete. May also include favorable mentions of government ownership of land | - | 30.9 | 2.3 | 0.50% | 1.50% | 3939 |
| Marxist Analysis **(415)** | *Positive* references to *Marxist ideology* and specific use of Marxist–Leninist terminology | - | 5.3 | 0.5 | 0.20% | 0.50% | 3939 |

***Note:*** Phrasing of the content as in the codebook of the Marpor data (Volkens et al. 2015). Author's italics emphasize the positional framing.

**Table B:** Aggregation scheme for the issues of the CMP/Marpor data

***Description:*** The Marpor data provide specific issues for Central and Eastern European (CEE) countries. However, these issues are more precise than the traditional issue categories and they are used instead of the traditional issue categories for the Western European countries. However, they were introduced in Version 1 of the coding instructions and were gradually abandoned in most of the countries as the issues could also be coded into the three-digit main categories. Currently, the share of these categories is not included in the main categories. If analysts use observations from CEE countries for which the CEE codes were used, in order to compare them to manifestos without CEE codes they should aggregate such CEE codes into the main categories. Using the conceptual derivation of issues, I regrouped them slightly differently from the way suggested by the Marpor team (compare Volkens et al. 2015).

| |
|---|
| per401=per401+per4011+per4012+per4013+per4014 |
| per412=per412+per4121+per4122 |
| per413=per413+per4131+per4132+per4123+per4124 |
| per503=per503 |
| per505=per505+per5041+per5031 |
| per507=per507+per5061 |
| per404=per404+per405 |

**Table C.** Relation of salience to position

**Description:** The relationship between salience and position for every specific issue category is tested via multivariate fractional polynomial analysis (MFP). Fractional polynomial models are useful when one suspects relationships to be non-linear. FP as introduced by Royston & Altman (1994) and modified by Royston & Sauerbrei (2008) combines backward elimination with a systematic search for "suitable" transformation to represent the influence of each covariate on the outcome. MFP constructs a fractional polynomial transformation for each covariate at every step of "retrofitting" while fixing the current functional forms of the other covariates. The algorithm terminates when no more covariates are excluded and the functional forms of the continuous covariates no longer change. Covariates are the differently transformed issue categories and the benchmark positions serve as the dependent variable (compare Table D). The MFP model results are compared to linear regression models with differently transformed issue categories.

| **Base of salience** | **Absolut** | **Doc. based** | **Dim. based** | **Absolut** | **Doc. based** | **Dim. based** | **Best fitting Polynomial** | **Rejection of linearity with MFP analysis (p-value)** |
|---|---|---|---|---|---|---|---|---|
| Model | OLS | OLS | OLS | OLS | OLS | OLS | MFP | MFP |
| Relation | linear | linear | linear | log | log | log | Different polynomials | Different polynomials |
| **$R^2$ of the 14 Indicators from Table A** | **0.25** | **0.53** | **0.59** | **0.58** | **0.66** | **0.68** | **0.69 (variable specific powers)** | **0.012*** for every indicator at minimum** |

***Note:*** The $R^2$ of the simple fixed-effects OLS models on the benchmark party positions is shown. The number of observations is 917 in every model. The best-fitting polynomials are calculated with fractional polynomial analysis (Royston and Sauerbrei 2008).

**Table D:** Benchmark positions and matching of the different placements[91]

***Description:*** The Morgan Expert Survey was the first expert survey asking for a continuous placement of party positions in several countries (Morgan 1976) and was very influential for the development of expert surveys in general. The survey is not publicly accessible, but exists on microfilm and can be obtained on request from the author. Morgan deals at great length with the efficiency of different aggregation procedures with small-n samples. He used three different approaches: the midmean (25% truncated), a Winsorized mean, and the sample mean. He argued strongly for the midmean as the most efficient estimator for this sample size under censored parent distributions. He also used a rescaling technique to standardize the placements. The placement of every expert was first standardized to a 0–100 scale before applying the aggregation procedures. While the rescaling changed the lower end of the distribution only slightly (because many communist parties were placed close to zero), it biased the results on the market liberal side of the dimension. Many parties received higher values than intended by the experts. Another drawback is that the party positions represent average values for the whole period from 1945 to 1975.

However, this is the only existing source covering party positions before 1975. I rescaled these data to 0–1 distribution and merged them with the economic dimension of the Chapel Hill Expert Survey (CHESS, Bakker et al. 2015). The wording of the CHESS dimension is: "Parties on the economic left want government to play an active role in the economy. Parties on the economic right emphasize a reduced economic role for government: privatization, lower taxes, less regulation, less government spending, and a leaner welfare state." (Bakker et al. 2015). I included the CHESS Candidate Survey to increase the number of CEE countries (Bakker et al. 2014). Manifesto data and CHESS diverge in the time point of investigation. I used the following rule for matches: Parties either match exactly (same year) or diverge at maximum of two years. Temporal divergence is only accepted where the manifesto data predate expert placements, because otherwise programmatic changes would not have informed the expert placements.

| Variable | Concept | n | Min | Max | Mean | Std. | Source |
|---|---|---|---|---|---|---|---|
| Benchmark | Market liberalism placements different two expert surveys | 1135 | 0 | 1 | 0.52 | 0.27 | Morgan (1976); Bakker et al. (2015) |

[91] The party positions of Franzmann & Kaiser (2006), Lowe et al. (2011), Elff (2013), and König et al. (2013), are merged to the manifesto data. Exact matches are ensured by using electoral data and party ID. I am very grateful to these authors for providing me with updated party positions.

**Table E:** Overview of model fit for principal component analysis and the generalized structural equation models with different specifications

| **Model Nr.** | **1** | **2** | **3** | **4** | **5** | | **6** | |
|---|---|---|---|---|---|---|---|---|
| **Estimation** | **FA** | **PCA** | **SEM** | **SEM** | **GSEM** | | **GSEM (multilevel)** | |
| **Salience** | **Log. dimension based** | **Log. dimension based** | **Bernoulli (binary positional indicators)** | **Log. Dimension based** | **Log. Dimension based** | | **Log. Dimension based** | |
| **Weight** | **Component** | **Component** | **Coefficient** | **Coefficient** | **Coefficient** | **Family Link** | **Coefficient** | **Family Link** |
| ***Pro market*** | | | | | | | | |
| *P303* | 0.15 | 0.14 | 1.39*** | 0.14*** | 0.22*** | Gaussian | 0.44*** | Gaussian |
| *P401* | 0.56 | 0.45 | 1*** (c) | 1*** (c) | 1*** (c) | Gaussian | 1*** (c) | Gaussian |
| *P402* | 0.22 | 0.20 | 1.44*** | 0.24*** | 0.30*** | Gaussian | 0.40*** | Gaussian |
| *P414* | 0.37 | 0.33 | 1.26*** | 0.46*** | 0.57*** | Gaussian | 0.73*** | Gaussian |
| *P505* | 0.35 | 0.31 | 0.89*** | 0.38*** | 0.90*** | Negative binomial | 1.07*** | Negative binomial |
| ***Interventionist*** | | | | | | | | |
| **P403** | -0.20 | -0.18 | 1.64*** | -0.25*** | -0.29*** | Gaussian | -0.23*** | Gaussian |
| **P404** | -0.22 | -0.20 | 1.32*** | -0.22*** | -0.50*** | Poisson | -0.51*** | Poisson |
| **P409** | -0.07 | -0.07 | 0.84*** | -0.04*** | 0.26*** | Negative binomial | -0.23*** | Negative binomial |
| **P412** | -0.22 | -0.20 | 1.05*** | -0.18*** | -0.53*** | Poisson | -0.88*** | Poisson |
| **P413** | -0.36 | -0.31 | 0.98*** | -0.30*** | -0.98*** | Negative binomial | -1.44*** | Negative binomial |
| **P415** | -0.24 | -0.22 | 0.20*** | -0.10*** | -2.66*** | Negative binomial | -2.97*** | Negative binomial |
| **P501** | -0.06 | -0.05 | 1.55*** | -0.13*** | -0.10*** | Gaussian | 0.01 | Gaussian |
| **P503** | -0.36 | -0.32 | 0.97*** | -0.48*** | -0.52*** | Gaussian | -0.53*** | Gaussian |
| **P504** | -0.21 | -0.18 | 0.89*** | -0.28*** | -0.29*** | Gaussian | -0.25*** | Gaussian |
| **P701** | -0.42 | -0.36 | 1.31*** | -0.58*** | -0.64*** | Gaussian | -0.61*** | Gaussian |
| **Eigenvalue** | 1.32 | 2.18 | - | - | - | | - | |
| **AIC** | **-** | **-** | 60,148.55 | 16,8076.2 | 15,3041.9 | | 15,0000.5 | |
| **BIC** | - | - | 60,432.76 | 16,8359.6 | 15,3312.7 | | 15,0365.7 | |
| **Iterations** | - | - | 7 | 8 | 6 | | 6 | |
| **n** | 4013 | 4013 | 4088 | 4013 | 4013 | | 4013 | |
| **Correlation with Benchmark** | 0.83 | 0.83 | 0.05 | 0.80 | 0.84 | | 0.72 | |

***Note:*** Party positions predicted with empirical Bayesian means in the GSEM models, based on the components in the PCA and the FA calculations. P401 is constrained to 1 (c) in order to make coefficients across different models comparable. Due to different distributions of the variables, family links and distributional assumptions are individually specified.

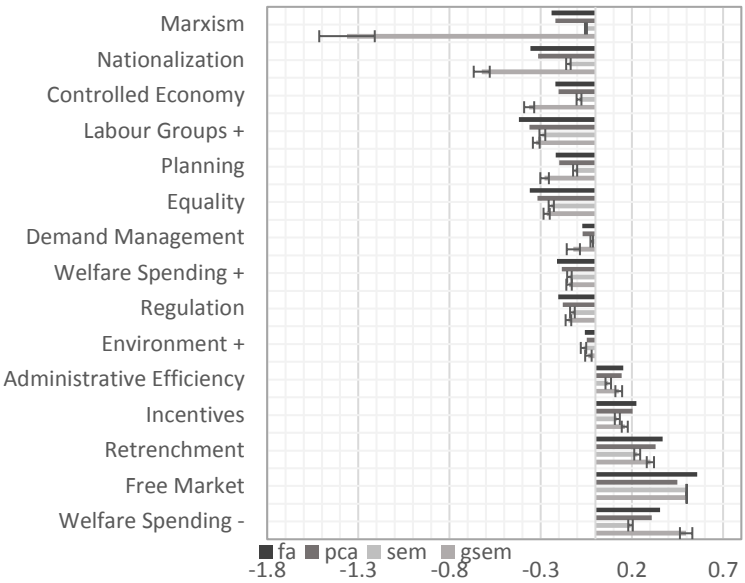
**Table F.** Evaluating counterfactual decisions on indicator transformation and position estimation

***Description:*** The table summarizes the results of a counterfactual evaluation of competing issue transformation and modeling choices. The first column describes the variation of the indicator selection. Three competing approaches, beside the author's, are simulated. Selected issues marked as insignificant are those which fail to reach the significant level of 95 percent in the GSEM models using the best specification available for the specific selection. Second, the basis of salience in combination with the salience–position relationship results in seven different ways of using salience. Third, indicators can be used unweighted, or weighted by PCA or GSEM factor loadings or coefficients respectively. Validity is measured by correlations between the estimated positions and the benchmark positions (see Table D). Average within-country validity is assigned in parentheses after the "best model" (see also Tables G–I). The Franzmann & Kaiser (2006) approach is based on time- and country-specific models. For every temporal period where the issue selection changes, a new model is specified. For example, the positions in the PCA based models are calculated by using 52 different specifications.

| | **Indicator selection (1)** | **Issues**<br>*Italics=interventionist*<br>**Bold=market liberal**<br>**___=insignificant** | | p403 p412 p413 p504 p415<br>p404 p409 p501 p503 p701<br>**p303 p401 p402 p414 p505**<br><br>**(author)** | *p413 p412 p404 p403* **p402**<br>**p414 p401**<br><br>**Elff (2013)** | *p403 p404 p406 p408 p409*<br>*p410 p411 p412 p413* **p401**<br>**p402 p407 p414**<br><br>**Bartolini & Mair (1990)** | Context-specific<br><br>**Franzmann & Kaiser (2006)** | |
|---|---|---|---|---|---|---|---|---|
| | **Basis of salience (2a)** | **Salience-position relationship (2b)** | **Indicator weights (3)** | **Validity** | **Validity** | **Validity** | **Validity**<br>**Entire salience** | **Actor-specific salience** |
| **Simple addition** | | | | | | | | |
| 1 | Binary | Linear | equal | 0.67 | 0.67 | 0.52 | - | - |
| 2 | Absolute salience | Linear | equal | 0.31 | 0.43 | 0.14 | - | - |
| 3 | Document-based salience | Linear | equal | 0.69 | 0.67 | 0.52 | 0.56 | 0.62 |
| 4 | Dimension-based salience | Linear | equal | 0.75 | 0.76 | 0.67 | 0.61 | 0.64 |
| 5 | Log. absolute salience | Logarithmic | equal | 0.61 | 0.70 | 0.42 | - | - |
| 6 | Log. source-based salience | Logarithmic | equal | 0.77 | 0.78 | 0.61 | 0.61 | 0.66 |
| 7 | Log. dimension-based | Logarithmic | equal | **0.79** | **0.78** | **0.69** | **0.62** | **0.66** |
| | | | **Best Model** | **0.79** | **0.78** | **0.69** | **0.62** | **0.66** |
| **Principal component models** | | | **n** | 917 | 917 | 905 | 912 | 855 |
| 1 | Binary | Linear | pca based | 0.73 | 0.71 | 0.70 | - | - |
| 2 | Absolute salience | Linear | pca based | 0.42 | 0.36 | 0.37 | - | - |
| 3 | Document -based salience | Linear | pca based | 0.59 | 0.18 | 0.44 | 0.69 | **0.72** |
| 4 | Dimension-based salience | Linear | pca based | 0.72 | 0.78 | 0.61 | 0.50 | 0.59 |
| 5 | Log. absolute salience | Logarithmic | pca based | 0.69 | 0.67 | 0.64 | - | - |
| 6 | Log. source-based salience | Logarithmic | pca based | 0.79 | 0.76 | 0.75 | 0.53 | 0.69 |
| 7 | Log. dimension-based | Logarithmic | pca based | **0.83** | **0.79** | **0.78** | **0.53** | 0.65 |
| | | | **Best Model** | **0.83** | **0.79** | **0.78** | **0.69** | **0.72** |
| **Latent structural equation models** | | | **n** | 917 | 917 | 905 | 912 | 855 |
| 3 | Document -based salience | Linear | gsem based | 0.64 | 0.27 | 0.40 | 0.64 | 0.64 |
| 4 | Dimension-based salience | Linear | gsem based | 0.55 | 0.55 | 0.64 | 0.61 | 0.56 |
| 6 | Log. source-based salience | Logarithmic | gsem based | 0.78 | 0.80 | 0.41 | 0.70 | **0.78** |
| 7 | Log. dimension-based | Logarithmic | gsem based | **0.82** | **0.77** | **0.77** | **0.71** | 0.76 |
| 8 | Log. dimension-based | Individual family links | gsem based | **0.84** | 0.78 | 0.73 | **-** | - |
| | | | **Best Model** | **0.84** | **0.80** | **0.77** | **0.71** | **0.78** |
| | | | **Average within-country validity** | **0.85** | **0.76** | **0.76** | **0.76** | **0.76** |
| | | | **n** | 917 | 917 | 917 | 902 | 760 |
| | | | **Number of countries** | 27 | 27 | 27 | 23 | 23 |

**Figure A.** Indicator weights with different estimation techniques

***Description:*** Figure A illustrates the different indicator weights derived from different measurement techniques: namely, a response model without specific family links, which equals an ordinary structural equation model (SEM), a principal component analysis (PCA) and a factor analysis (FA).[92] All four models converge in the sense that they place market-skeptic statements as negative related to a market dimension and allot pro-market statements a positive relation. The standard approach of aggregating different issue categories without weighting is rejected by all four approaches. Most of the indicator weights are very similar across the different techniques. However, there are major differences in at least four issues. Marxism, nationalization, controlled economy, and negative notions toward welfare spending differ systematically. They all receive lower weights with factor analytical approaches in comparison to the item response models. Free market is constrained to 0.5 in the structural equation model to make the scales comparable with the factor analytical approaches. 95% confidence levels are attached to the sem and gsem model.




[92] All models are based on the same observed indicators, which are dimension-based and logarithmized.

**Table G:** Within-country validity without weighting

***Description:*** This table illustrates the simulation of different measurement approaches using simple aggregation of the indicators without weighting. The results of these procedures are correlated with the benchmark expert placements (compare Table D). The saliency–position relationship is specified as logarithmized dimension-based salience, because these models outperform the other specification in almost every case.

| Country | Freq. | Perc. | East | Author | n | Elff | n | Bartolini & Mair | n | Franzmann & Kaiser | n |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Austria[93] | 14 | 1.49 | 0 | 0.79 | 14 | 0.58 | 14 | 0.76 | 14 | 0.73 | 14 |
| Belgium | 50 | 5.32 | 0 | 0.92 | 50 | 0.86 | 50 | 0.85 | 50 | . | . |
| Bosnia-Herzegovina | 7 | 0.74 | 1 | . | . | . | . | . | . | . | . |
| Bulgaria | 18 | 1.91 | 1 | 0.61 | 18 | 0.49 | 18 | 0.49 | 18 | 0.23 | 18 |
| Croatia | 4 | 0.43 | 1 | . | . | . | . | . | . | . | . |
| Czech Republic | 24 | 2.55 | 1 | 0.84 | 24 | 0.86 | 24 | 0.77 | 24 | 0.88 | 24 |
| Denmark | 83 | 8.83 | 0 | 0.90 | 83 | 0.83 | 80 | 0.77 | 81 | 0.82 | 83 |
| Estonia | 13 | 1.38 | 1 | 0.88 | 13 | 0.86 | 13 | 0.85 | 13 | 0.84 | 10 |
| Finland | 68 | 7.23 | 0 | 0.78 | 68 | 0.83 | 65 | 0.81 | 68 | 0.72 | 68 |
| France | 58 | 6.17 | 0 | 0.89 | 58 | 0.88 | 57 | 0.70 | 57 | 0.88 | 58 |
| Germany | 28 | 2.98 | 0 | 0.94 | 28 | 0.91 | 28 | 0.94 | 28 | 0.95 | 28 |
| Greece | 33 | 3.51 | 0 | 0.78 | 33 | 0.84 | 31 | 0.41 | 31 | 0.66 | 8 |
| Hungary | 18 | 1.91 | 1 | 0.85 | 18 | 0.69 | 18 | 0.68 | 18 | 0.03 | 13 |
| Iceland | 22 | 2.34 | 0 | 0.90 | 22 | 0.84 | 22 | 0.84 | 22 | 0.91 | 22 |
| Ireland | 24 | 2.55 | 0 | 0.90 | 24 | 0.77 | 24 | 0.75 | 24 | 0.90 | 24 |
| Israel | 28 | 2.98 | 1 | 0.94 | 28 | 0.97 | 27 | 0.95 | 28 | 0.87 | 28 |
| Italy[94] | 60 | 6.38 | 0 | 0.74 | 60 | 0.78 | 59 | 0.68 | 60 | 0.75 | 60 |
| Lithuania | 22 | 2.34 | 1 | 0.86 | 22 | 0.67 | 22 | 0.58 | 22 | 0.61 | 22 |
| Luxembourg | 18 | 1.91 | 0 | 0.72 | 18 | 0.70 | 18 | 0.13 | 18 | 0.48 | 18 |
| Macedonia | 4 | 0.43 | 1 | . | . | . | . | . | . | . | . |
| Montenegro | 4 | 0.43 | 1 | . | . | . | . | . | . | . | . |
| Netherlands | 91 | 9.68 | 0 | 0.88 | 91 | 0.66 | 91 | 0.63 | 91 | 0.85 | 78 |
| Norway | 29 | 3.09 | 0 | 0.86 | 29 | 0.89 | 29 | 0.84 | 29 | 0.87 | 29 |
| Poland | 17 | 1.81 | 1 | 0.64 | 17 | 0.67 | 17 | 0.65 | 17 | 0.67 | 17 |
| Portugal | 21 | 2.23 | 0 | 0.91 | 21 | 0.90 | 21 | 0.85 | 21 | 0.89 | 21 |
| Romania | 10 | 1.06 | 1 | 0.68 | 10 | 0.76 | 10 | 0.80 | 10 | -0.05 | 10 |
| Serbia | 4 | 0.43 | 1 | . | . | . | . | . | . | . | . |
| Slovakia | 28 | 2.98 | 1 | 0.76 | 28 | 0.75 | 28 | 0.76 | 28 | 0.80 | 28 |
| Slovenia | 17 | 1.81 | 1 | 0.58 | 17 | 0.23 | 16 | 0.17 | 17 | -0.15 | 17 |
| Spain | 41 | 4.36 | 0 | 0.80 | 41 | 0.79 | 41 | 0.59 | 41 | 0.78 | 41 |
| Sweden | 55 | 5.85 | 0 | 0.83 | 55 | 0.85 | 55 | 0.81 | 55 | 0.84 | 55 |
| Turkey | 8 | 0.85 | 1 | 0.94 | 8 | 0.91 | 8 | 0.92 | 8 | . | . |
| United Kingdom | 19 | 2.02 | 0 | 0.70 | 19 | 0.44 | 19 | 0.45 | 19 | 0.63 | 15 |
| | 940 | 100 | Overall | 0.81 | 917 | 0.76 | 905 | 0.69 | 912 | 0.67 | 809 |
| | | | West | 0.84 | 714 | 0.78 | 704 | 0.69 | 709 | 0.79 | 622 |
| | | | East | 0.78 | 203 | 0.71 | 201 | 0.69 | 203 | 0.47 | 187 |

[93] This comparatively low correlation In Austria was produced by the coding of several ÖVP manifestos, where proposed tax reductions were designated as "controlled economy," thereby moving the ÖVP significantly to the left of the expert placements.

[94] Low correlations in Italy are due to the difficulty of a party concept in its mixed electoral system. Alliances dominate the election of direct candidates, whereas parties compete over lists. Manifesto-based and expert placements do not always describe exactly the same thing.

**Table H:** Within-country validity with PCA-based weighting

***Description:*** This table illustrates the simulation of different measurement approaches using PCA as a confirmatory approach for a latent dimension and the component as weights for the different issues. The results of these procedures are correlated with the benchmark expert placements (compare Table D). The saliency–position relationship is specified as logarithmized dimension-based salience, because these models outperform the other specification in almost every case.

| Country | Freq. | Perc. | East | Author | n | Elff | n | Bartolini & Mair | n | Franzmann & Kaiser | n |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Austria[95] | 14 | 1.49 | 0 | 0.78 | 14 | 0.52 | 14 | 0.62 | 14 | 0.78 | 14 |
| Belgium | 50 | 5.32 | 0 | 0.89 | 50 | 0.87 | 50 | 0.86 | 50 | . | |
| Bosnia-Herzegovina | 7 | 0.74 | 1 | . | | . | | . | | . | |
| Bulgaria | 18 | 1.91 | 1 | 0.61 | 18 | 0.55 | 18 | 0.60 | 18 | 0.27 | 18 |
| Croatia | 4 | 0.43 | 1 | . | | . | | . | | . | |
| Czech Republic | 24 | 2.55 | 1 | 0.83 | 24 | 0.88 | 24 | 0.85 | 24 | 0.72 | 24 |
| Denmark | 83 | 8.83 | 0 | 0.92 | 83 | 0.84 | 80 | 0.83 | 81 | 0.90 | 83 |
| Estonia | 13 | 1.38 | 1 | 0.90 | 13 | 0.87 | 13 | 0.88 | 13 | 0.60 | 10 |
| Finland | 68 | 7.23 | 0 | 0.89 | 68 | 0.86 | 65 | 0.87 | 68 | 0.78 | 68 |
| France | 58 | 6.17 | 0 | 0.87 | 58 | 0.90 | 57 | 0.86 | 57 | 0.80 | 58 |
| Germany | 28 | 2.98 | 0 | 0.95 | 28 | 0.92 | 28 | 0.93 | 28 | 0.93 | 28 |
| Greece | 33 | 3.51 | 0 | 0.88 | 33 | 0.85 | 31 | 0.80 | 31 | 0.84 | 8 |
| Hungary | 18 | 1.91 | 1 | 0.85 | 18 | 0.70 | 18 | 0.74 | 18 | 0.51 | 13 |
| Iceland | 22 | 2.34 | 0 | 0.90 | 22 | 0.91 | 22 | 0.90 | 22 | -0.37 | 22 |
| Ireland | 24 | 2.55 | 0 | 0.88 | 24 | 0.78 | 24 | 0.81 | 24 | 0.77 | 24 |
| Israel | 28 | 2.98 | 1 | 0.98 | 28 | 0.98 | 27 | 0.95 | 28 | 0.95 | 28 |
| Italy[96] | 60 | 6.38 | 0 | 0.76 | 60 | 0.83 | 59 | 0.83 | 60 | 0.74 | 60 |
| Lithuania | 22 | 2.34 | 1 | 0.79 | 22 | 0.65 | 22 | 0.73 | 22 | 0.59 | 22 |
| Luxembourg | 18 | 1.91 | 0 | 0.83 | 18 | 0.55 | 18 | 0.55 | 18 | 0.96 | 18 |
| Macedonia | 4 | 0.43 | 1 | . | | . | | . | | . | |
| Montenegro | 4 | 0.43 | 1 | . | | . | | . | | . | |
| Netherlands | 91 | 9.68 | 0 | 0.86 | 91 | 0.63 | 91 | 0.67 | 91 | 0.87 | 78 |
| Norway | 29 | 3.09 | 0 | 0.92 | 29 | 0.90 | 29 | 0.89 | 29 | 0.82 | 29 |
| Poland | 17 | 1.81 | 1 | 0.71 | 17 | 0.71 | 17 | 0.74 | 17 | 0.70 | 17 |
| Portugal | 21 | 2.23 | 0 | 0.93 | 21 | 0.91 | 21 | 0.89 | 21 | 0.80 | 21 |
| Romania | 10 | 1.06 | 1 | 0.71 | 10 | 0.75 | 10 | 0.79 | 10 | 0.03 | 10 |
| Serbia | 4 | 0.43 | 1 | . | | . | | . | | . | |
| Slovakia | 28 | 2.98 | 1 | 0.80 | 28 | 0.76 | 28 | 0.80 | 28 | 0.87 | 28 |
| Slovenia | 17 | 1.81 | 1 | 0.54 | 17 | 0.32 | 16 | 0.26 | 17 | 0.33 | 17 |
| Spain | 41 | 4.36 | 0 | 0.79 | 41 | 0.78 | 41 | 0.71 | 41 | 0.73 | 41 |
| Sweden | 55 | 5.85 | 0 | 0.87 | 55 | 0.85 | 55 | 0.86 | 55 | 0.89 | 55 |
| Turkey | 8 | 0.85 | 1 | 0.91 | 8 | 0.90 | 8 | 0.89 | 8 | . | |
| United Kingdom | 19 | 2.02 | 0 | 0.77 | 19 | 0.55 | 19 | 0.45 | 19 | 0.67 | 15 |
| | 940 | 100 | Overall | 0.83 | 917 | 0.77 | 905 | 0.77 | 912 | 0.67 | 809 |
| | | | West | 0.86 | 714 | 0.79 | 704 | 0.78 | 709 | 0.74 | 622 |
| | | | East | 0.79 | 203 | 0.73 | 201 | 0.75 | 203 | 0.56 | 187 |

[95] This comparatively low correlation In Austria was produced by the coding of several ÖVP manifestos, where proposed tax reductions were designated as "controlled economy," thereby moving the ÖVP significantly to the left of the expert placements.

[96] Low correlations in Italy are due to the difficulty of a party concept in its mixed electoral system. Alliances dominate the election of direct candidates, whereas parties compete over lists. Manifesto-based and expert placements do not always describe exactly the same thing.

**Table I:** Within-country validity with GSEM-based weighting

***Description:*** This table illustrates the simulation of different measurement approaches using generalized structural equation modeling as a confirmatory approach for a latent dimension and the component as weights for the different issues. The results of these procedures are correlated with the benchmark expert placements (compare Table D). The saliency–position relationship is specified as logarithmized dimension-based salience, because these models outperform the other specification in almost every case. For every temporal period where Franzmann & Kaiser (2006) identify a new issue selection, a new model is specified. The Franzmann & Kaiser positions are calculated by using 104 different GSEM specifications (54 with actor-specific salience and 54 with entire salience measures).

| Country | Freq. | Perc. | East | Author | n | Elff | n | Bartolini & Mair | n | Franzmann & Kaiser | n |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Austria[97] | 14 | 1.49 | 0 | 0.79 | 14 | 0.47 | 14 | 0.50 | 14 | 0.75 | 14 |
| Belgium | 50 | 5.32 | 0 | 0.91 | 50 | 0.85 | 50 | 0.84 | 50 | . | |
| Bosnia-Herzegovina | 7 | 0.74 | 1 | . | | . | | . | | . | |
| Bulgaria | 18 | 1.91 | 1 | 0.65 | 18 | 0.58 | 18 | 0.60 | 18 | . | |
| Croatia | 4 | 0.43 | 1 | . | | . | | . | | . | |
| Czech Republic | 24 | 2.55 | 1 | 0.80 | 24 | 0.87 | 24 | 0.88 | 24 | 0.86 | 24 |
| Denmark | 83 | 8.83 | 0 | 0.91 | 83 | 0.85 | 83 | 0.83 | 83 | 0.91 | 83 |
| Estonia | 13 | 1.38 | 1 | 0.94 | 13 | 0.86 | 13 | 0.85 | 13 | . | |
| Finland | 68 | 7.23 | 0 | 0.90 | 68 | 0.85 | 68 | 0.86 | 68 | 0.77 | 68 |
| France | 58 | 6.17 | 0 | 0.86 | 58 | 0.91 | 58 | 0.89 | 58 | 0.81 | 58 |
| Germany | 28 | 2.98 | 0 | 0.95 | 28 | 0.90 | 28 | 0.90 | 28 | 0.93 | 28 |
| Greece | 33 | 3.51 | 0 | 0.91 | 33 | 0.74 | 33 | 0.73 | 33 | 0.94 | 8 |
| Hungary | 18 | 1.91 | 1 | 0.87 | 18 | 0.65 | 18 | 0.69 | 18 | 0.53 | 13 |
| Iceland | 22 | 2.34 | 0 | 0.87 | 22 | 0.94 | 22 | 0.95 | 22 | 0.85 | 22 |
| Ireland | 24 | 2.55 | 0 | 0.91 | 24 | 0.80 | 24 | 0.81 | 24 | 0.79 | 24 |
| Israel | 28 | 2.98 | 1 | 0.94 | 28 | 0.95 | 28 | 0.90 | 28 | 0.83 | 28 |
| Italy[98] | 60 | 6.38 | 0 | 0.75 | 60 | 0.85 | 60 | 0.85 | 60 | 0.74 | 60 |
| Lithuania | 22 | 2.34 | 1 | 0.79 | 22 | 0.64 | 22 | 0.68 | 22 | 0.70 | 22 |
| Luxembourg | 18 | 1.91 | 0 | 0.87 | 18 | 0.53 | 18 | 0.60 | 18 | 0.94 | 18 |
| Macedonia | 4 | 0.43 | 1 | . | | . | | . | | . | |
| Montenegro | 4 | 0.43 | 1 | . | | . | | . | | . | |
| Netherlands | 91 | 9.68 | 0 | 0.87 | 91 | 0.60 | 91 | 0.61 | 91 | 0.78 | 78 |
| Norway | 29 | 3.09 | 0 | 0.93 | 29 | 0.91 | 29 | 0.92 | 29 | . | |
| Poland | 17 | 1.81 | 1 | 0.70 | 17 | 0.73 | 17 | 0.74 | 17 | 0.71 | 17 |
| Portugal | 21 | 2.23 | 0 | 0.93 | 21 | 0.90 | 21 | 0.89 | 21 | 0.85 | 21 |
| Romania | 10 | 1.06 | 1 | 0.60 | 10 | 0.71 | 10 | 0.75 | 10 | -0.05 | 10 |
| Serbia | 4 | 0.43 | 1 | . | | . | | . | | . | |
| Slovakia | 28 | 2.98 | 1 | 0.89 | 28 | 0.75 | 28 | 0.77 | 28 | 0.90 | 28 |
| Slovenia | 17 | 1.81 | 1 | 0.72 | 17 | 0.38 | 17 | 0.37 | 17 | . | |
| Spain | 41 | 4.36 | 0 | 0.80 | 41 | 0.76 | 41 | 0.71 | 41 | 0.74 | 41 |
| Sweden | 55 | 5.85 | 0 | 0.87 | 55 | 0.85 | 55 | 0.86 | 55 | 0.91 | 55 |
| Turkey | 8 | 0.85 | 1 | 0.92 | 8 | 0.88 | 8 | 0.86 | 8 | . | |
| United Kingdom | 19 | 2.02 | 0 | 0.79 | 19 | 0.62 | 19 | 0.53 | 19 | 0.61 | 15 |
| | 940 | 100 | Overall | 0.85 | 917 | 0.76 | 917 | 0.76 | 917 | 0.76 | 735 |
| | | | West | 0.87 | 714 | 0.78 | 714 | 0.78 | 714 | 0.82 | 593 |
| | | | East | 0.80 | 203 | 0.73 | 203 | 0.74 | 203 | 0.64 | 142 |

[97] This comparatively low correlation In Austria was produced by the coding of several ÖVP manifestos, where proposed tax reductions were designated as "controlled economy," thereby moving the ÖVP significantly to the left of the expert placements.

[98] Low correlations in Italy are due to the difficulty of a party concept in its mixed electoral system. Alliances dominate the election of direct candidates, whereas parties compete over lists. Manifesto-based and expert placements do not always describe exactly the same thing.

**Table J:** Measurement of the Cultural Dimension

To map the cultural dimension we use CMP/MARPOR data (Volkens et al. 2015). The following issue categories are selected and confirmed via general structural equation modelling. The coefficients are significant at least at the 1 per cent level (except law and order + and multiculturalism -) and the magnitude of the coefficients is illustrated in Table J. Following Chapter 2, we use transformed salience measures of the pre-coded issue categories. The given salience measures are transformed into dimension-based saliencies (using the sum of emphases on a deductively defined dimension as the new base) and logarithmized to capture the marginal decreasing signalling capacity of repeated emphasis. The model contains all parties from the dataset. Only observations based on original manifestos or policy statements are included (progtype==1).

| Concept | Variable | Coefficient | p-value | Specified Link |
|---|---|---|---|---|
| **Multiculturalism +** | Per607 | 2.7 (constraint) | 0.000 | Poisson |
| **Democracy +** | Per202 | 1.29 | 0.000 | Logit |
| **Political Authority +** | Per305 | -1.31 | 0.000 | Logit |
| **National Way of Life +** | Per601 | -1.94 | 0.000 | Logit |
| **National Way of Life -** | Per602 | 9.00 | 0.000 | Poisson |
| **Traditional Morality +** | Per603 | -1.06 | 0.000 | Logit |
| **Traditional Morality -** | Per604 | 5.66 | 0.000 | Poisson |
| **Law and Order +** | Per605 | 0.07 | 0.650 | Logit |
| **Civic Mindedness +** | Per606 | -0.31 | 0.017 | Logit |
| **Multiculturalism -** | Per608 | 0.10 | 0.183 | Logit |
| **Underprivileged Minority Groups +** | Per705 | 2.01 | 0.000 | Poisson |
| **Non-economic Demographic Groups** | Per 706 | 1.67 | 0.000 | Logit |

***Note:*** Fixed-effects model converges after 5 and full model after 9 Iterations. Model fit indicators are not comparable across models in gsem models (AIC = 131298.8 and BIC = 131499.5).

**Replication Procedure Chapter II**

Every model in the paper is calculated with Stata 13 and is based on the same data-set which is provided by the author. The counterfactual analysis of the different approaches are distinguished in separate do-files but relevant results are automatically transferred into the provided excel file. Thereby, the replicated results in the excel file should exactly mirror the model results in the different tables in the paper.

**Replication material on request:**

1) **Dataset: final_dataset.dta**
2) **Do-file 1: authors_approach.do**
3) **Do-file 2: elf_approach.do**
4) **Do-file 3: bartolini_approach.do**
5) **Do-file 4: franzmann_approach.do**
6) **Result sheet: results.xls**

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## Appendix Part B – Part III

**Table A:** Data and sources

| ***Dependent Variables*** | **mean** | **Std.** | **min** | **Max** | **n** | **Description & source** |
|---|---|---|---|---|---|---|
| Top 10% Income Share | **31.31** | **7.39** | **8.39** | **61.45** | **998** | Pre-tax national income share held by a given percentile group. Pre-tax national income is the sum of all pre-tax personal income flows accruing to the owners of the production factors, labor and capital, before taking into account the operation of the tax/transfer system, but after taking into account the operation of pension system. The central difference between personal factor income and pre-tax income is the treatment of pensions, which are counted on a contribution basis by factor income and on a distribution basis by pre-tax income. The population is comprised of individuals over age 20. The base unit is the individual (rather than the household). This is equivalent to assuming no sharing of resources within couples (WWID 2018). |
| Top 1% Income Share | **9.44** | **3.67** | **3.97** | **22.45** | **841** | See top 10% income share. |
| Top 10% - Top 1% Income share | **23.58** | **2.98** | **14.45** | **32.98** | **839** | See top 10% income share. |
| Marginal top income taxes | **50.98** | **14.94** | **6.56** | **96.3** | **1274** | Data for various countries are taken from (TPC 2018) and OECD Tax Database (2018a). Additional data on Austria, Belgium, United States and Germany are added by the author. |
| Value added tax | **13.85** | **8.81** | **0** | **25.5** | **1296** | Own compilation. Various sources (detailed list of sources on demand). |
| Coporate tax | **35.82** | **14.74** | **7** | **94** | **1115** | Own compilation. Various sources (detailed list of sources on demand). |
| Average Income Tax at 67% of the average wage | **34.30** | **9.23** | **13** | **51.4** | **524** | OECD Tax Database (2018a). |
| Average Income Tax at 167% of the average wage | **42.75** | **8.70** | **22** | **62.6** | **524** | OECD Tax Database (2018a). |
| Regulation | **3.96** | **1.44** | **0.79** | **6** | **1075** | The OECD indicators of regulation in energy, transport and communications (ETCR) summarise regulatory provisions in seven sectors: telecoms, electricity, gas, post, rail, air passenger transport, and road freight. The ETCR indicators have been estimated in a long-time series and are therefore well suited for time-series analysis. The ETCR time series was updated, revised and now cover 34 OECD countries and a set of non-OECD countries for 2013. Users of the data must be aware that they may no longer fully reflect the current situation in fast reforming countries. Not all data are available for all countries for all years (OECD 2018b) |
| Public Spending | **42.75** | **8.17** | **20.62** | **68.62** | **1374** | Total outlays (disbursements) of general government as a percentage of GDP. Data taken from Armingeon et al. (2017) and complemented by (OECD 2018c). |

| ***Dependent Variables*** | **mean** | **Std.** | **min** | **Max** | **n** | **Description & source** |
|---|---|---|---|---|---|---|
| Employment protection (regular and fixed term) | **2.16** | **0.86** | **0.26** | **5** | **724** | The OECD indicators of employment protection legislation measure the procedures and costs involved in dismissing individuals or groups of workers and the procedures involved in hiring workers on fixed-term or temporary work agency contracts (OECD 2018d). |
| Change in labour productivity | **2.16** | **2.51** | **-10.95** | **21.79** | **1246** | GDP per hour worked is a measure of labour productivity. It measures how efficiently labour input is combined with other factors of production and used in the production process. Labour input is defined as total hours worked of all persons engaged in production. Labour productivity only partially reflects the productivity of labour in terms of the personal capacities of workers or the intensity of their effort. The ratio between the output measure and the labour input depends to a large degree on the presence and/or use of other inputs (e.g. capital, intermediate inputs, technical, organisational and efficiency change, economies of scale). This indicator is measured in USD (constant prices 2010 and PPPs) and indices (OECD 2018e). |
| Change in mulifactor productivity | **0.87** | **1.58** | **-6.6** | **7.6** | **473** | Multifactor productivity (MFP) reflects the overall efficiency with which labour and capital inputs are used together in the production process. Changes in MFP reflect the effects of changes in management practices, brand names, organizational change, general knowledge, network effects, spillovers from production factors, adjustment costs, economies of scale, the effects of imperfect competition and measurement errors. Growth in MFP is measured as a residual, i.e. that part of GDP growth that cannot be explained by changes in labour and capital inputs. In simple terms therefore, if labour and capital inputs remained unchanged between two periods, any changes in output would reflect changes in MFP. This indicator is measured as an index and in annual growth rates (OECD 2018f). |
| Welfare Generosity | **31.19** | **6.98** | **10.8** | **46.6** | **755** | Scruggs et al. (2017). |

| ***Opportunity structures*** | **mean** | **Std.** | **min** | **max** | **n** | **Description & source** |
|---|---|---|---|---|---|---|
| Days government per year | **316.30** | **75.36** | **8** | **365** | **1899** | Own calculation based on cabinet start and end dates. |
| Number of cabinet parties | **2.18** | **1.31** | **1** | **8** | **1899** | Own calculation based on cabinet composition. Cabinet composition partly based on Döring and Manow (2016). |
| Seat share of government | **60.41** | **16.75** | **11.2** | **100** | **1923** | Own calculation based on election results and cabinet composition. Care taker governments are excluded. |
| Level of democracy | **9.83** | **0.64** | **6** | **10** | **574** | Based on Polity IV (Marshall et al. 2016). |
| Electoral fractionalization | **0.73** | **0.10** | **0.42** | **0.92** | **1607** | Index of electoral fractionalization of the party system according to the formula proposed by Rae (1968). Data taken from Armingeon et al. (2017). |
| Turnout | **76.28** | **14.43** | **35** | **97.2** | **1606** | Data taken from Armingeon et al. (2017). |
| ***Economic constraints*** | **mean** | **Std.** | **min** | **max** | **n** | **Description & source** |
| Working days under strike | **1805.12** | **5181.04** | **0** | **66413.8** | **1312** | Data taken from Armingeon et al. (2017). |
| Union density | **40.15** | **20.01** | **6.53** | **99.07** | **1332** | Net union membership as a proportion wage and salary earners in employment Taken from Visser (2015) |
| Per capita GDP (logarithmized) | **14062.88** | **6720.02** | **1211** | **39115** | **1892** | World Bank (2018a) |
| Stock market capitalization | **49** | **45.15** | **0** | **265** | **1323** | Market capitalization of listed domestic companies (% of GDP) (World Bank 2018b) |
| Currency crisis | **0.01** | **0.12** | **0** | **1** | **1923** | An annual depreciation versus the US dollar (or the relevant anchor currency) of 15% or more (Reinhardt et al. 2010). |
| Banking crisis | **0.02** | **0.13** | **0** | **1** | **1923** | Type I systemic crisis or Type II financial distress (see Reinhardt et al. (2010). |
| GDP growth | **2.90** | **3.35** | **-21.26** | **26.26** | **1540** | GDP growth in percentage of GDP (World Bank 2018c). |
| ***International constraints*** | **mean** | **Std.** | **min** | **max** | **n** | **Description & source** |
| Member of the European Monetary Union | **0.13** | **0.33** | **0** | **1** | **1923** | Own compilation. |
| EU member | **0.40** | **0.49** | **0** | **1** | **1923** | Taken from Armingeon et al. (2017). |
| Capital openness | **0.73** | **0.32** | **0** | **1** | **1260** | Index for the degree of openness in capital account transactions. Taken from Armingeon et al. (2017). |
| Openness of the economy | **80.35** | **53.10** | **8.93** | **374** | **1578** | Openness of the economy, measured as total trade (sum of import and export) asa percentage of GDP, in current prices. Taken from Armingeon et al. (2017). |
| Former communist country | **0.17** | **0.37** | **0** | **1** | **1614** | Taken from Armingeon et al. (2017). |

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## Appendix Part C – Chapter 3.4

### Section A – Indicators and Balance of Data and other Complementary Regression Models

**Table A:** Structural Equation Model of the Regulative Dimension

The regulation of financial markets (*financialmarketstand*) is captured by the index developed by Abiad and Mody (2005) covering six policy fields. The privatization of infrastructure (*reprovstand*) consists of seven indicators tapping the regulation in energy, transport and communications (OECD, 2011). Labor market regulation (*labormarketstand*) measures the strictness of regulation of individual dismissal of employees on indefinite and on fixed-term contracts with eight items (OECD 2013). Variables are standardized before estimation.

| | | | |
|---|---|---|---|
| Structural equation model | | Number of obs. = | 697 |
| Estimation method = mlmv | | | |
| Log likelihood = 45.465851 | | | |

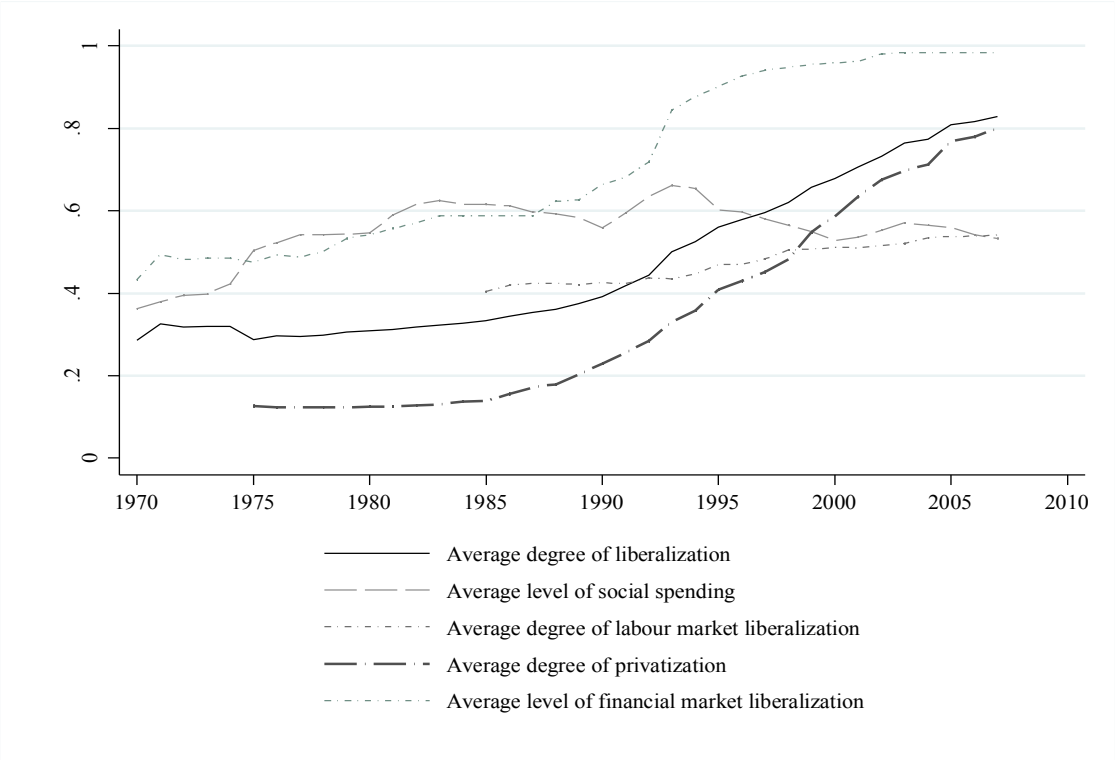
| Measurement | Coefficient | | OIM std. Err. | z | P>\|z\| |
|---|---|---|---|---|---|
| financialmarketstand <- L1 | 1.00 | (constrained) | | | |
| _cons | 0.73 | | 0.01 | 65.63 | 0.00 |
| regprovstand <- L1 | 1.09 | | 0.11 | 9.59 | 0.00 |
| _cons | 0.35 | | 0.01 | 30.54 | 0.00 |
| labormarketstand <- L1 | 0.50 | | 0.06 | 8.96 | 0.00 |
| _cons | 0.44 | | 0.01 | 36.34 | 0.00 |
| var(e.financialmarketstand) | 0.03 | | 0.01 | | |
| var(e.regprovstand) | 0.01 | | 0.01 | | |
| var(e.labormarketstand) | 0.04 | | 0.00 | | |
| var(L1) | 0.05 | | 0.01 | | |

| Fit Statistics | |
|---|---|
| Rmsea | 0.00 |
| CFI | 1.00 |
| TLI | 1.00 |
| CD | 0.85 |

***Note:*** Own calculation

**Figure A:** Development of Liberalization Indicators

The regulation of financial markets (financialmarketstand) is captured by the index developed by Abiad and Mody (2005) covering six policy fields. The privatization of infrastructure (reprovstand) consists of seven indicators tapping the regulation in energy, transport and communications (OECD, 2011). Labor market regulation (labormarketstand) measures the strictness of regulation of individual dismissal of employees on indefinite and on fixed-term contracts with eight items (OECD 2013). For social spending compare Armingeon et al. (2012). Liberalization is measured as an additive index of labor market liberalization, privatization and financial liberalization.




***Note:*** Own calculation.

**Table B:** Overview of the Balance

The distribution below are based the entropy balancing procedure proposed by Hainmüller & XU (2011). Note that the lagged level of public debt and the logarithmized GDP per capita index failed to balance. For a description of the variables and their sources please compare the descriptive part in the article.

Treated units: 46 (cabinets with formal or informal PRRP participation), total of weights: 46
Control units: 567, total of weights: 46
Convergence after 13 Iteration

| **Before: without weighting** | treat mean | treat variance | skewness | control mean | control variance | skewness |
|---|---|---|---|---|---|---|
| Market Liberalism of Gov. | 0.68 | 0.00 | 0.08 | 0.49 | 0.03 | 0.6 |
| Government Duration | 22.67 | 147.50 | 0.52 | 26.91 | 345.30 | 2.22 |
| Lagged Unemployment | 5.05 | 4.54 | 1.19 | 6.21 | 15.46 | 0.68 |
| Δ Public Debt | 1.08 | 25.43 | 1.12 | 0.95 | 23.29 | 1.01 |
| Government seats | 0.52 | 0.04 | 0.54 | 0.54 | 0.02 | 0.40 |
| Lagged Share of Union Membership | 43.82 | 453.6 | 0.43 | 43.46 | 391.8 | 0.22 |
| Immigration Rate | 3.77 | 7.14 | 0.65 | 2.25 | 12.78 | 1.03 |
| Δ Unemployment | 0.36 | 0.92 | 1.84 | 0.10 | 0.86 | 1.00 |
| Lagged level of Deindustrialization | 0.70 | 0.02 | -0.11 | 0.61 | 0.01 | 0.04 |
| Lagged Level of Liberalization | 0.74 | 0.02 | -1.24 | 0.52 | 0.04 | 0.04 |
| Δ GDP | 1.31 | 4.90 | -1.26 | 2.61 | 5.94 | -0.50 |
| Δ Population Share >65 | 0.15 | 0.03 | 1.28 | 0.13 | 0.03 | -0.57 |
| Δ Population Share <15 | -0.10 | 0.02 | -0.38 | -0.22 | 0.06 | 0.57 |
| Lagged Level of Open Economy | 80.22 | 428.8 | -0.03 | 81.99 | 2181.00 | 2.10 |
| Δ Open Economy | 1.72 | 29.86 | -0.36 | 1.06 | 31.84 | 0.11 |

| **After: with weighting** | treat mean | treat variance | skewness | control mean | control variance | skewness |
|---|---|---|---|---|---|---|
| Market Liberalism of Gov. | 0.69 | 0.00 | 0.09 | 0.69 | 0.02 | 0.46 |
| Government Duration | 22.67 | 147.90 | 0.52 | 22.67 | 162.80 | 0.98 |
| Lagged Unemployment | 5.05 | 4.54 | 1.19 | 5.05 | 6.75 | -0.19 |
| Δ Public Debt | 1.08 | 25.43 | 1.12 | 1.08 | 19.25 | 1.08 |
| Government seats | 0.52 | 0.04 | 0.54 | 0.52 | 0.04 | -0.44 |
| Lagged Share of Union Membership | 43.82 | 453.60 | 0.43 | 43.82 | 461.40 | 0.39 |
| Immigration Rate | 3.77 | 7.14 | 0.65 | 3.77 | 21.25 | 0.92 |
| Δ Unemployment | 0.36 | 0.92 | 1.84 | 0.36 | 0.72 | 1.18 |
| Lagged level of Deindustrialization | 0.70 | 0.00 | -0.11 | 0.70 | 0.01 | 0.30 |
| Lagged Level of Liberalization | 0.74 | 0.02 | -1.24 | 0.74 | 0.04 | -1.34 |
| Δ GDP | 1.31 | 4.89 | -1.26 | 1.31 | 5.11 | -0.44 |
| Δ Population Share >65 | 0.15 | 0.03 | 1.28 | 0.15 | 0.03 | 0.11 |
| Δ Population Share <15 | -0.10 | 0.02 | 0.38 | -0.10 | 0.03 | 0.56 |
| Lagged Level of Open Economy | 80.22 | 428.80 | -0.03 | 80.21 | 1195.00 | 2.02 |
| Δ Open Economy | 1.72 | 29.86 | -0.36 | 1.72 | 22.52 | 1.03 |

***Note:*** Own calculation.

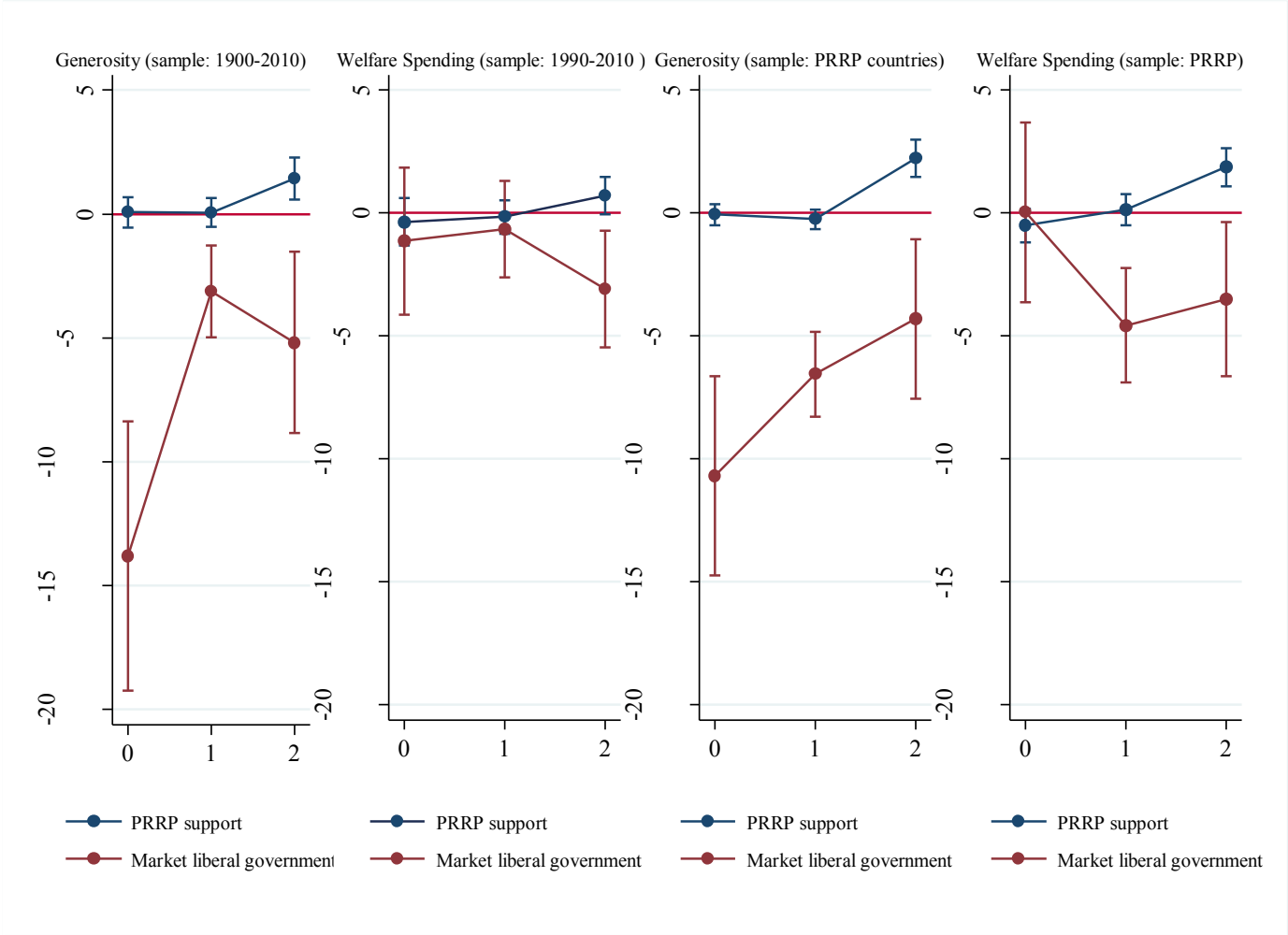
**Table C:** Regression Models for Redistribution and Deregulation

| **Dependent Variable** | Δ Social Spending | Δ Social Spending |
|---|---|---|
| **Estimator** | Model: pcse, entropy balanced data IV's | Model: pcse, entropy balanced data IV's |
| **Model Number** | (3) | (4) |
| **Hypothesis involved** | **H1** | **H1** |
| PRRP gov. support | 0.08 | -0.48** |
| PRRP* Gov. duration | - | 0.69** |
| Market liberalism of government | -4.09*** | -6.31*** |
| Market liberalism*Gov. duration | - | 1.80 |
| Gov. duration (in months) | -2.05* | -1.82* |
| Gov. seat share | -0.16 | -0.33 |
| l. union density | 1.00*** | 0.86*** |
| Δ unemployment | 5.41*** | 5.40*** |
| l. unemployment | -1.61 | -1.14 |
| De-industrialization | -1,72* | -2.61*** |
| l. debt | 0.01*** | 0.01*** |
| Δ debt | 1.04 | 1.27* |
| Δ GDP | 0.54 | 0.66 |
| Ln GDP | -1.06 | -1.47 |
| Δ pop >65 | 1.48* | 1.35* |
| Δ pop <15 | 3.68** | 4.33*** |
| l. Level Social Spending (2a-2b) | -0.10*** | -0.11*** |
| Migration rate | -2.97 | -4.45** |
| l. Globalization | 0.34 | 1.19 |
| Δ Globalization | 1.29 | 0.84 |
| EMU-Integration | -0.34 | -0.24 |
| Cons. | 1.31 | 4.33* |
| $R^2$ | 0.51 | 0.55 |
| Number of countries | 17 | 17 |
| Time frame | 1970-2010 | 1970-2010 |
| n | 235 | 235 |
| Positive cases | 19 | 19 |
| Robustness (Online Appendix) | Figure B | Figure B |

***Notes:*** * < 0.90; **<0.95; ***<0.99 levels of confidence. All coefficients are standardized by beta weights and consequently coefficients are comparable. Δ refers to changes and l to lagged variables.

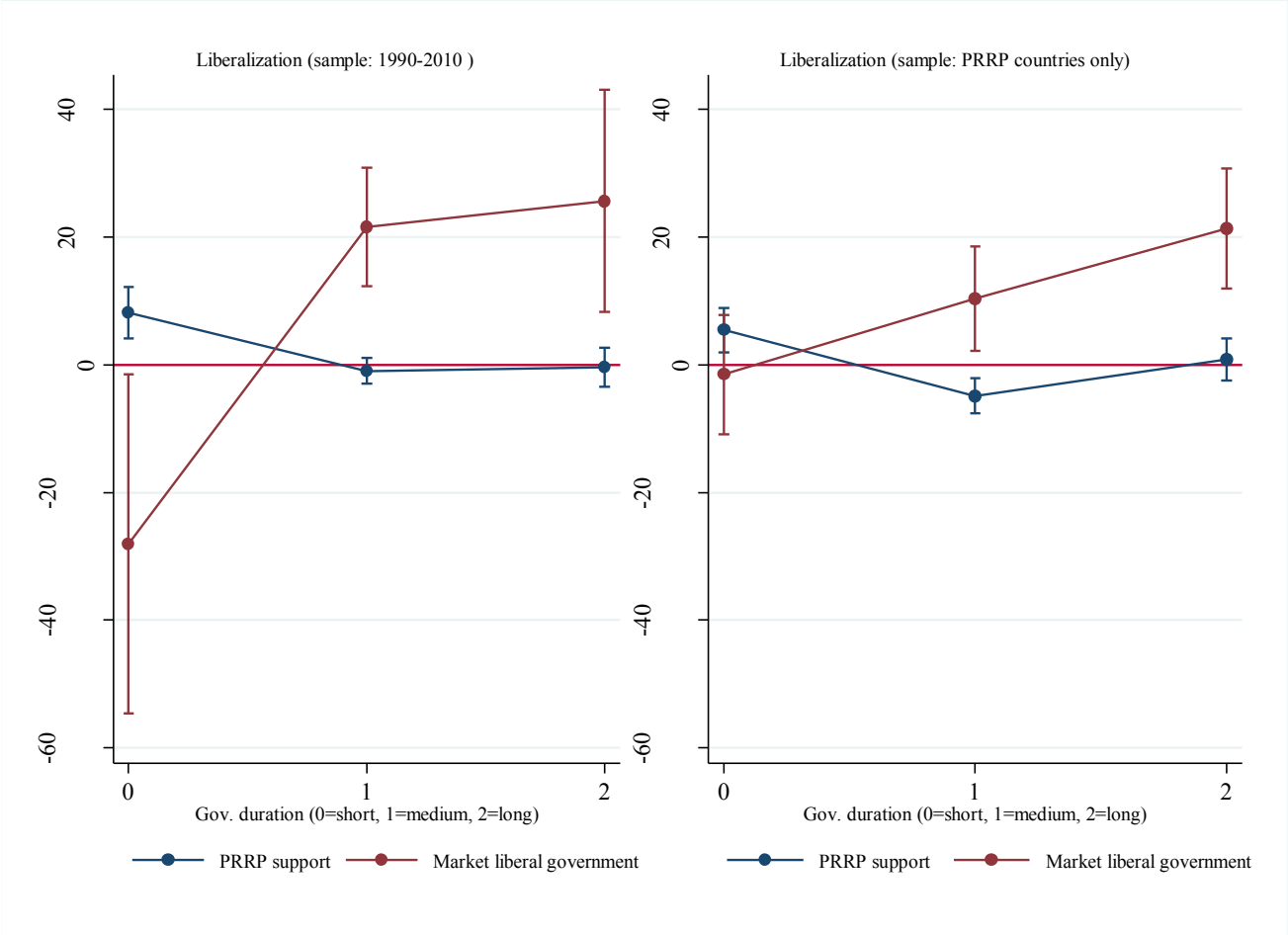
## Section B – Robustness

**Figure B:** Subsample regression: Average marginal effects (AME) on redistribution conditional on government duration



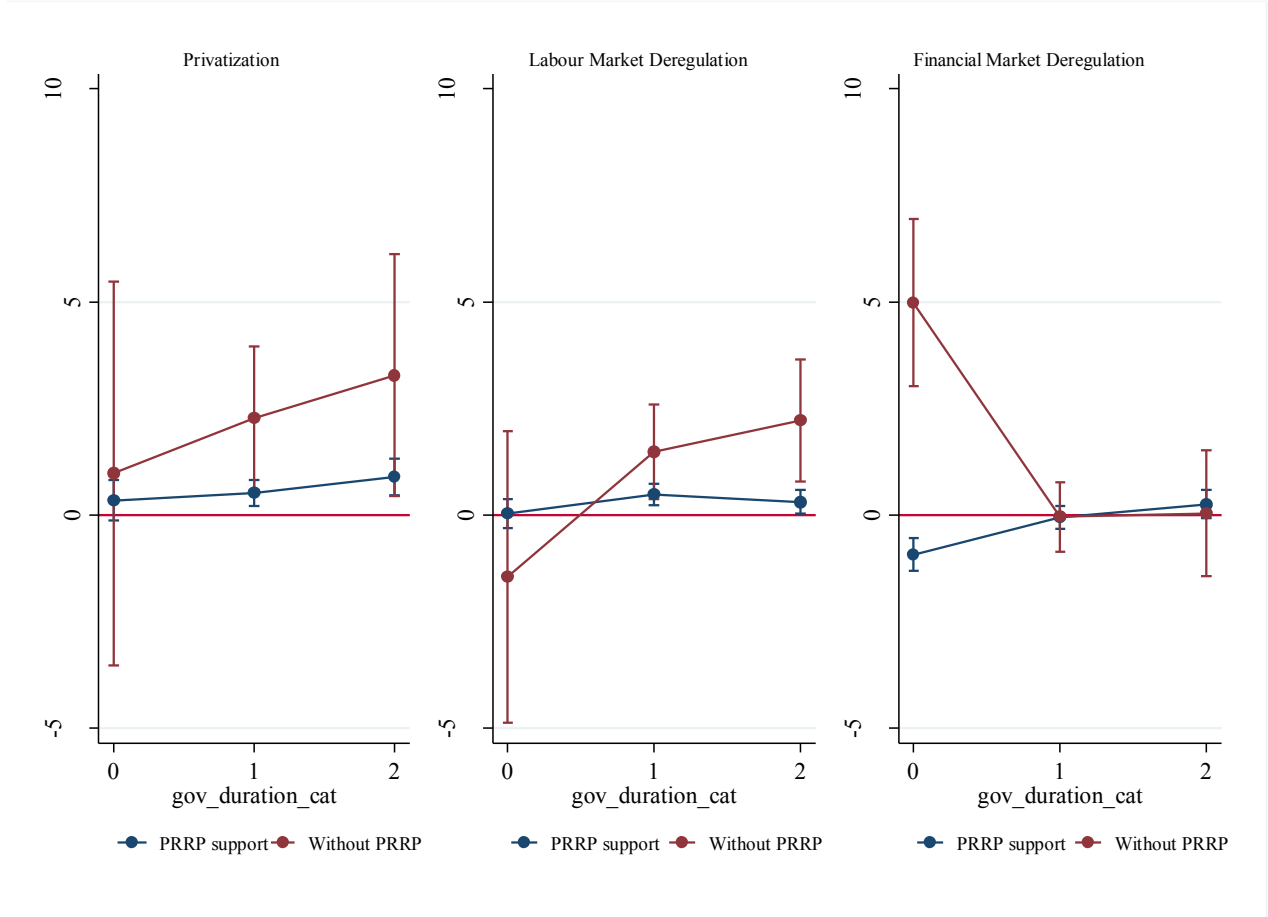

***Note:*** Own calculation.

**Figure C:** Subsample regression: Average marginal effects (AME) on deregulation conditional on government duration




***Note:*** Own calculation.

**Figure D:** Average marginal effects (AME) on the sub dimensions of deregulation conditional on government duration




***Note:*** Own calculation.

## Section C: Case Selection

Table E shows potential cases for the qualitative part. As a case is defined as one cabinet, those cabinets with PRRP inclusion are listed first. Additionally, the values of the dependent variables are pictured. Finally, potential cases for comparison without PRRP government participation are illustrated in the last column. Cabinets with PRRP inclusion and the comparison cases are calculated by using coarsened exact matching (CEM; Iacus et al. 2012; see table F).

**Table D:** Potential comparisons after CEM

| Cabinet | | Year | Δ Social Spending | Δ Deregulation | Δ Generosity | Potential Comparison after CEM |
|---|---|---|---|---|---|---|
| Balkenende | I | 2003 | 0.34 | 2.39 | 0.20 | **Lubbers I (1984); Kok I (1995-1996); Balkenende II (2004-2006);** Rasmussen F II (2007, Denmark) |
| Berlusconi | I | 1994 | 0.23 | 1.49 | -0.30 | **Amato I (1992)**; **Craxi II (1987)** |
| Berlusconi | II | 2001-2004 | -0.20 | 6.81 | -0.20 | |
| Berlusconi | III | 2005 | 0.07 | 9.19 | 0.10 | |
| Schuessel | I | 2000-2002 | -0.12 | 4.63 | 0.30 | **Klima I (1997-1999);** Schluter I+II (1983+1987, Denmark); Rasmussen F II (2005-2006, Denmark) Kohl II (1986, Germany); Van Agt I (1978-1980, Netherlands); Willoch I+II (1982-1983, Norway) |
| Schuessel | III | 2003-2004 | 0.28 | 0.93 | 0.10 | **Klima I (1997-1999);** Schluter I+II (1983+1987, Denmark); Rasmussen F II (2005-2006, Denmark) Kohl II (1986, Germany); Van Agt I (1978-1980, Netherlands); Willoch I+II (1982-1983, Norway) |
| Schuessel | IV | 2005-2006 | -0.34 | 3.54 | 0.20 | |
| Bundesrat | 1999 | 2000-2002 | -0.45 | 2.44 | 0.00 | **Bundesrat (1979, 1987, 1995)** and different cabinets from seven other countries. |
| Bundesrat | 1999 | 2003 | 0.71 | 0.00 | 0.20 | **Bundesrat (1979)**; Reinfeldt I (2008); Falldin III (1981); Socrates I (2008); Schroeder II (2003); Fillon II (2008) |
| Bundesrat | 2003 | 2004-2007 | -0.07 | 0.61 | 0.00 | **Bundesrat (1979, 1987, 1995)** and different cabinets from seven other countries. |
| Bundesrat | 2008 | 2009-2010 | 1.15 | . | -0.30 | |

***Note:*** The criteria where defined as having a CEM match in the same country. Matches fulfilling this criteria are in bold letters.

Coarsened exact matching does not converge on solution using variables with their original distributions. As many of them are continuous an exact match is very unlikely. The coarsening procedure entails a manual categorization of some variables based on their distribution. The CEM procedure matches 21 positive cases (cabinets with PRRP inclusion) with 86 cabinets without PRRP inclusion. From 670 cases 586 remain unmatched. The following Table shows the coarsened variables, their thresholds, the univariate imbalance (scott break method) and the mean distance:

**Table E:** Matching Results

| Variable | Manual thresholds | Univariate Imbalance (L1) | Mean distance |
|---|---|---|---|
| Market liberalism of government | (0 0.4 0.55 0.7 1) | .42529 | .02546 |
| Lagged level of debt | (0 90 120 160) | .37063 | 6.0528 |
| Lagged level of industrialization | (0 0.5 0.8 1) | .2607 | .03579 |
| Delta Unemployment | (-4 -1 1 3 8) | .3111 | .04548 |
| Growth GDP | (-10 -5 0 4 7 20) | .19106 | .05173 |
| Lagged Open Economy | (0 10 50 100 200) | .40334 | 14.411 |

***Note:*** Own calculation using the cem command in stata (Iacus et al. 2012).

## Appendix Part D – Chapter 4.2

**Table A:** Party Names and Abbreviations

| Party Abbreviation | Party Name (English) | Party Name (Turkish/Kurdish) |
|---|---|---|
| AKP | Justice and Development Party | Adalet ve Kalkinma Partisi |
| ANAP | Motherland Party | Anavatan Partisi |
| BDP | Peace and Democracy Party | Baris ve Demokrasi Partisi |
| CHP | Republican People´s Party | Cumhuriyet Halk Partisi |
| DEHAP | Democratic People´s Party | Demokratik Halk Partisi |
| DEP | Democracy Party | Demokrasi Partisi |
| DSP | Democratic Left Party | Demokratik Sol Parti |
| DTH | Democratic Society Movement | Demokratik Toplum Hareketi |
| DTK | Democratic Society Congress | Demokratik Toplum Kongresi |
| DTP | Democratic Society Party | Demokratik Toplum Partisi |
| DYP | True Path Party | Dogru Yol Partisi |
| FP | Virtue Party | Fazilet Partisi |
| HADEP | People´s Democracy Party | Halkin Demokrasi Partisi |
| HDP | Peoples´ Democratic Party | Halklarin Demokratik Partisi |
| HEP | People´s Labor Party | Halkin Emek Partisi |
| MHP | Nationalist Movement Party[99] | Milliyetci Hareket Partisi |
| RP | Welfare Party | Refah Partisi |
| SHP | Social Democratic Populist Party | Sosyaldemokrat Halkci Parti |

**Table B:** Data Availability in the Pre-coded MARPOR Dataset

| Election | Party A | Party B | Party C | Combined Vote Share | Combined Seat Share |
|---|---|---|---|---|---|
| **1987** | **ANAP** | **SHP** | **DYP** | 89.1 | 100 |
| **1991** | *DYP* | *ANAP* | *SHP* | 71.8 | 84.8 |
| **1995** | *RP* | *DYP* | *ANAP* | 51.3 | 77.2 |
| **1999** | *DSP* | **MHP** | **FP** | 55.6 | 68.4 |
| **2002** | *AKP* | *CHP* | | 53.7 | 98.4 |
| **2007** | *AKP* | *CHP* | *MHP* | 81.9 | 92.9 |
| **2011** | *AKP* | *CHP* | *MHP* | 88.8 | 93.6 |
| **2015 (a)** | **AKP** | **CHP** | **MHP** | 82.2 | 85.4 |
| **2015 (b)** | **AKP** | **CHP** | **MHP** | 85.7 | 89.3 |

Note: Party documents in italics are available and pre-coded. Bold ones coded by the authors.

[99] MARPOR uses the names Nationalist Action Party or National Action Party

## Measurement of the Economic Dimension

To map the economic dimension we use CMP/MARPOR data (Volkens et al. 2015). The following issue categories are selected and confirmed via general structural equation modelling. The coefficients are significant at least at the 1 per cent level (except environmental protection) and the magnitude of the coefficients is illustrated in Table C. Following Röth (2016), we use transformed salience measures of the pre-coded issue categories. The given salience measures are transformed into dimension-based saliencies (using the sum of emphases on a deductively defined dimension as the new base) and logarithmized to capture the marginal decreasing signalling capacity of repeated emphasis. The model contains all parties from the dataset, including the Turkish parties, to estimate the positions (n=3374). Eight observations are added by manual coding of the Kurdish parties (HEP 1991; HADEP 1994, 1999; DEHAP 2002; DTP 2007; BDP 2011; HDP 2015a, 2015b). Only observations based on original manifestos or policy statements are included (progtype==1).

**Table C:** Measurement Results of the Economic Dimension

| Concept | Variable | Coefficient | P | Specified Link |
|---|---|---|---|---|
| Free Market Economy | Per401 | 1 (constraint) | 0.000 | Logit |
| Economic Orthodoxy | Per414 | 0.74 | 0.000 | Logit |
| Incentives | Per402 | 0.42 | 0.000 | Logit |
| Regulation | Per403 | -0.24 | 0.000 | Logit |
| Controlled Economy | Per412 | -0.81 | 0.000 | Poisson |
| Nationalization | Per413 | -1.15 | 0.000 | Poisson |
| Welfare State + | Per504 | -0.24 | 0.000 | Logit |
| Marxist Analysis | Per415 | -4.63 | 0.000 | Poisson |
| Administrative Efficiency | Per303 | 0.39 | 0.000 | Logit |
| Welfare State - | Per505 | 1.27 | 0.000 | Poisson |
| Economic Planning | Per404 | -0.59 | 0.000 | Poisson |
| Keynesian Demand Management | Per409 | -0.40 | 0.000 | Poisson |
| Environmental Protection | Per501 | 0.04 | 0.302 | Logit |
| Equality + | Per503 | -0.49 | 0.000 | Logit |
| Labor Groups + | Per701 | -0.65 | 0.000 | Logit |

***Note:*** Fixed-effects model converges after 5 and full model after 8 iterations. Model fit indicators are hard to compare in gsem models (AIC = 127992.6 and BIC =128231.4).

## Measurement of the Cultural Dimension

To map the cultural dimension we use CMP/MARPOR data (Volkens et al. 2015). The following issue categories are selected and confirmed via general structural equation modelling. The coefficients are significant at least at the 1 per cent level (except law and order + and multiculturalism -) and the magnitude of the coefficients is illustrated in Table D. Following Röth (2016), we use transformed salience measures of the pre-coded issue categories. The given salience measures are transformed into dimension-based saliencies (using the sum of emphases on a deductively defined dimension as the new base) and logarithmized to capture the marginal decreasing signaling capacity of repeated emphasis. The model contains all parties from the dataset, including the Turkish parties, to estimate the positions (n=3374). Eight observations are added by manual coding of the Kurdish parties (HEP 1991; HADEP 1994, 1999; DEHAP 2002; DTP 2007; BDP 2011; HDP 2015a, 2015b). Only observations based on original manifestos or policy statements are included (progtype==1).

**Table D:** Measurement Results of the Cultural Dimension

| Concept | Variable | Coefficient | P | Specified Link |
|---|---|---|---|---|
| Multiculturalism + | Per607 | 2.7 (constraint) | 0.000 | Poisson |
| Democracy + | Per202 | 1.29 | 0.000 | Logit |
| Political Authority + | Per305 | -1.31 | 0.000 | Logit |
| National Way of Life + | Per601 | -1.94 | 0.000 | Logit |
| National Way of Life - | Per602 | 9.00 | 0.000 | Poisson |
| Traditional Morality + | Per603 | -1.06 | 0.000 | Logit |
| Traditional Morality - | Per604 | 5.66 | 0.000 | Poisson |
| Law and Order + | Per605 | 0.07 | 0.650 | Logit |
| Civic Mindedness + | Per606 | -0.31 | 0.017 | Logit |
| Multiculturalism - | Per608 | 0.10 | 0.183 | Logit |
| Underprivileged Minority Groups + | Per705 | 2.01 | 0.000 | Poisson |
| Non-economic Demographic Groups | Per 706 | 1.67 | 0.000 | Logit |

***Note:*** Fixed-effects model converges after 5 and full model after 9 Iterations. Model fit indicators are hard to compare in gsem models (AIC = 131298.8 and BIC = 131499.5).

## Party Positions

Latent positions on the two pre-defined dimensions are listed for all relevant Turkish parties. Using the MARPOR coding scheme, we coded additional party manifestos which are not included in the MARPOR dataset (Volkens et al. 2015). The point estimates of these parties are listed below in Table E.

**Table E:** Ideological Positions (0-1 standardized)

| Party | Year | Market Dimension | Cultural Dimension |
|---|---|---|---|
| **HEP** | **1991** | .0005119 | .0566575 |
| **HADEP** | **1994** | .0269862 | .0436626 |
| **HADEP** | **1999** | .0269862 | .0436626 |
| **DEHAP** | **2002** | .1850552 | .0091467 |
| **DTP** | **2007** | .1374982 | .0672338 |
| **BDP** | **2011** | .0542666 | .0212438 |
| **HDP** | **2015a** | .1539023 | .0214107 |
| **HDP** | **2015b** | .1539023 | .0214107 |

**Table F:** Overview of the Party Documents Coded and Analysed

| ***Party*** | ***Year*** | ***Type of Programme*** | ***Source*** |
|---|---|---|---|
| *HEP (People´s Labor Party)* | 1990 | Party Programme | https://www.tbmm.gov.tr/develop/owa/e_yayin.eser_bilgi_q?ptip=SIYASI%20PARTI%20YAYINLARI&pdemirbas=199004408Archive of the Grand National Assembly of Turkey (TBMM) |
| *HADEP (People´s Democracy Party)* | 1994 | Party Programme | http://acikerisim.tbmm.gov.tr:8080/xmlui/handle/11543/745?show=fullArchive of the Grand National Assembly of Turkey (TBMM) |
| *HADEP (People´s Democracy Party)* | 1995 | Parliamentary Election Programme | https://www.tbmm.gov.tr/develop/owa/e_yayin.eser_bilgi_q?ptip=SIYASI%20PARTI%20YAYINLARI&pdemirbas=199600972Archive of the Grand National Assembly of Turkey (TBMM) |
| *DEHAP (Democratic People´s Party)* | 2003 | Party Programme | https://www.tbmm.gov.tr/eyayin/GAZETELER/WEB/KUTUPHANEDE%20BULUNAN%20DIJITAL%20KAYNAKLAR/KITAPLAR/SIYASI%20PARTI%20YAYINLARI/200707309%20DEHAP%20PROGRAM%20VE%20TUZUK%202003/200707309%20DEHAP%20PROGRAM%20VE%20TUZUK%202003.pdf Archive of the Grand National Assembly of Turkey (TBMM) |
| *DTP (Democratic Society Party)* | 2005 | Party Programme | https://www.tbmm.gov.tr/develop/owa/e_yayin.eser_bilgi_q?ptip=SIYASI%20PARTI%20YAYINLARI&pdemirbas=200707129Archive of the Grand National Assembly of Turkey (TBMM) |
| *BDP (Peace and Democracy Party)* | 2009 [100] | Party Programme | https://bdpblog.wordpress.com/parti-programimiz/ |
| *BDP (Peace and Democracy Party)* | 2011 | Parliamentary Election Programme | http://www.ertugrulkurkcu.org/haberler/ emek-demokrasi-ve-ozgurluk-bloku-secim-beyannamesi/ https://manifesto-project.wzb.eu//down/originals/2015-1/74325_2011.pdf |
| *HDP (Peoples´ Democratic Party)* | 2015a | Parliamentary Election Programme | www.hdp.org.tr |
| *HDP (Peoples´ Democratic Party)* | 2015b | Parliamentary Election Programme | http://www.hdp.org.tr/guncel/haberler/buyuk-insanlik-buyuk-baris/6396 |
| *ANAP (Motherland Party)* | 1987 | Parliamentary Election Programme | https://manifesto-project.wzb.eu/ /down/originals/74623_1987.pdf |
| | 1991 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74623_1991.pdf |
| | 1995 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74623_1995.pdf |
| *DYP (True Path Party)* | 1987 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74624_1987.pdf |
| | 1991 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74624_1991.pdf |
| | 1995 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74624_1995.pdf |
| *SHP (Social Democratic Populist Party)* | 1987 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74323_1987.pdf |
| | 1991 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74323_1991.pdf |
| *RP (Welfare Party)* | 1995 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74715_1995.pdf |

[100] The homepage unfortunately does not provide any information about the date of the party programme. After 2014 the BDP was transformed into the DBP (Democratic Regions Party). Thus official party documents are missing, so we used secondary sources, such as the homepages of former BDP MPs.

| | | | |
|---|---|---|---|
| *DSP (Democratic Left Party)* | 1999 | Parliamentary Election Programme | https://www.tbmm.gov.tr/eyayin/GAZETELER/WEB/KUTUPHANEDE%20BULUNAN%20DIJITAL%20KAYNAKLAR/KITAPLAR/SIYASI%20PARTI%20YAYINLARI/199903941%20DEMOKRATIK%20SOL%20PARTI%20SECIM%20BILDIRGESI/199903941.pdf |
| *FP (Virtue Party)* | 1999 | Parliamentary Election Programme | https://www.tbmm.gov.tr/eyayin/GAZETELER/WEB/KUTUPHANEDE%20BULUNAN%20DIJITAL%20KAYNAKLAR/KITAPLAR/SIYASI%20PARTI%20YAYINLARI/199902131%20FAZILET%20PARTI%20SECIM%20BEYANNAMESI%201999/199902131%20FAZILET%20PARTI%20SECIM%20BEYANNAMESI%201999.pdf |
| *AKP (Justice and Development Party)* | 2002 | Parliamentary Election Programme | http://www.akparti.org.tr/site/dosyalar#!/secim-beyannameleri |
| | 2007 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74628_2007.pdf |
| | 2011 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74628_2011.pdf |
| | 2015a | Parliamentary Election Programme | http://www.akparti.org.tr/site/dosyalar#!/secim-beyannameleri |
| | 2015b | Parliamentary Election Programme | http://www.akparti.org.tr/site/dosyalar#!/1-kasim-secim-beyannamesi |
| *CHP (Republican People´s Party)* | 2002 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74321_2002.pdf |
| | 2007 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74321_2007.pdf |
| | 2011 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74321_2011.pdf |
| | 2015a | Parliamentary Election Programme | http://www.radikal.com.tr/secim-2015/chpnin-2015-secim-bildirgesinin-tam-metni-1339188/ |
| | 2015b | Parliamentary Election Programme | https://www.chp.org.tr/Public/1/Folder//52608.pdf |
| *MHP (Nationalist Movement Party)* | 1999 | Parliamentary Election Programme | https://www.tbmm.gov.tr/eyayin/GAZETELER/WEB/KUTUPHANEDE%20BULUNAN%20DIJITAL%20KAYNAKLAR/KITAPLAR/SIYASI%20PARTI%20YAYINLARI/199906498%20MHP%20SECIM%20BEYANNAMESI%201999/199906498%20MHP%20SECIM%20BEYANNAMESI%201999.pdf |
| | 2011 | Parliamentary Election Programme | https://manifesto-project.wzb.eu//down/originals/74712_2011.pdf |
| | 2015a | Parliamentary Election Programme | https://www.mhp.org.tr/usr_img/mhpweb/MHP_Secim_Beyannamesi_2015_tam.pdf |
| | 2015b | Parliamentary Election Programme | https://www.mhp.org.tr/usr_img/mhpweb/1kasimsecimleri/beyanname_1kasim2015.pdf |

**Table G:** Overview of Law Proposals and their Implementation

| Title of Legislation | Number | Date of Adoption by the Assembly | Decision of the President of the Republic | Decision of the Constitutional Court | Decision of the Council of State | Outcome |
|---|---|---|---|---|---|---|
| Establishment of metropolitan municipalities | 3030 | 1984 | Agreement | - | - | Came into force |
| Law on basic principles and reform of the public administration | 5227 | 15.07.2004 | Veto – 3.08.2004 | - | - | Did not come into force |
| Law on municipalities | 5215 | 09.07.2004 | Veto – 22.07.2004 | | | Did not come into force |
| | 5272 | 07.12.2004 | Agreement | Nullification for procedural reason following appeal by the CHP – 18.01.2005 | | Did not come into force |
| Municipality law | 5393 | 03.07.2005 | Agreement | Nullification of some articles, including art. 14, giving municipal authorities the power to open kindergartens and granting them general powers – 24.01.2007 | | In force, except for nullified articles |
| Law on metropolitan municipalities | 5216 | 10.07.2004 | Agreement | | | In force |
| Law on special administration of provinces | 5197 | 24.06.2004 | Veto – 10.07.2004 | | | Did not come into force |
| Law on special provincial Administrations | 5302 | 22.02.2005 | Agreement | Nullification of some articles including art. 10/h, on peaceful solution of problems with debts owed to the provinces, and art. 15, on publication of the decisions of the provincial council by the prefect – 18.01.2007 | | In force, except for nullified articles |
| Law on Regional Development Agencies | 5449 | 25.01.2006 | Agreement | Nullification of some minor articles, but general agreement on the law – 30.11.2007 | | In force |
| Law on nullification of the municipal status of certain districts | 5747 | 22.05.2008 | Agreement | Nullification of some articles and of the closure of some municipalities – 31.10.2008 | | In force |
| Law on regulation of local government revenues | 5779 | 2008 | Agreement | | | In force |

## Appendix Part D – Chapter 4.3

**Figure A:** Distribution of ideological proximity

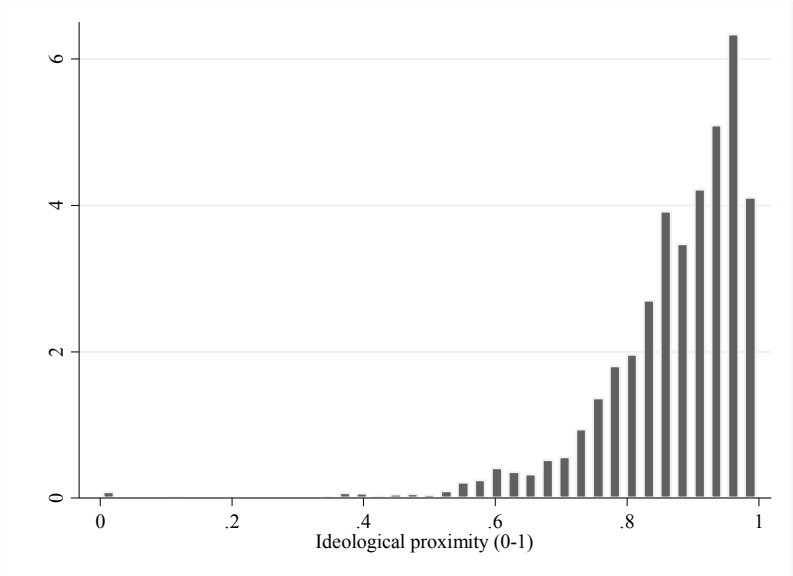



**Table A:** Description of variables

| Variable | Source | Explanation and Coding Rules |
|---|---|---|
| Asymmetric reform (0 1) | Hooghe et al. (2016) | See Tables C and D for an overview |
| Ideological proximity (0-1) | Own calculation | Distance between *Market Liberalism of Major Party in Government* and the *Centre of Gravity*. |
| Congruence over time (0-4) | Own calculation | Accumulation of *Congruence* over four successive periods. |
| Congruence (0 1) | Own calculation | Congruence is 1 when the major government party has the highest vote share in a region. |
| Electoral importance (0-1) | Own calculation | The share of votes from the total votes of the major government party from a region. |
| Market liberalism of major party (0-1) | *blinded* | Degree of market liberalism of major government party. |
| National electoral stability (0-3) | Own calculation | Accumulation of a party's successive national electoral victories leading to government formation. |
| Number of parties in government (0-9) | Döring & Manow (2016) | Number of parties in government. |
| Government duration (in months) | Own calculation | Government duration in months. |
| Seat share of government (0-100) | Döring & Manow (2016) | Government share of seats from the total number of parliamentary seats. |
| Previous reform (0 1) | Own calculation | Cases where the same major government party implemented a reform in a previous cabinet period. |
| Age of democracy (in years) | Own calculation | Years of uninterrupted periods with Polity IV values > 6. For example our values for Canada start with 45 in 1965, because Canada became an independent democracy in 1921. |
| Level of regional authority (0-26.5) | Hooghe et al. (2016) | Level of regional authority (compare Hooghe et al. 2016) |
| Population (in thousands) | Own calculation | We measure electorally relevant population as the voters on the roll. |
| Centre of gravity (0-1) | | We measure the ideological centre of gravity by weighting party positions with the regionally disaggregated relative vote share from national elections. Relative vote share is the vote share divided by the sum of all available vote shares. |
| Coverage of voters (for centre of gravity) | Own calculation | The percentage of valid voters covered for the calculation of the centre of gravity. |
| Number of regions (3-81) | Own calculation | Number of regions per year and country. |
| Demanding secession (0 1) | Own calculation | 1 in cases where at least one of the regional movements or parties demands secession. |
| Demanding others (0-11) | Own calculation | Number of authority claiming minorities in other parts of the same country. |
| Kin state (0 1) | Own calculation | Existence of a bordering kin state. |
| Divided claim | Own calculation | 1 in cases where several parties demand authority. |

***Note:*** All authors' calculated variables are based on a newly compiled dataset.

**Table B:** Distribution and overlap of variables

| | All cases | | | | | Cases with Ideological ***Proximity*** | | | Cases with Ideological ***Distance*** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Treatment | | | Control | | |
| | Obs. | Mean | Std. | Min | Max | Mean | Variance | Skewness | Mean | Variance | Skewness |
| Ideological proximity | 4298 | 0.87 | 0.11 | 0 | 1.00 | - | - | - | - | - | - |
| Number of parties in gov. | 4289 | 2.25 | 1.47 | 0 | 9.00 | 2.12 | 1.88 | 1.06 | 2.54 | 2.77 | 1.39 |
| Duration of gov. (in month) | 4298 | 25.52 | 16.79 | 0 | 72.00 | 25.45 | 276.30 | 0.36 | 25.54 | 294.50 | 0.43 |
| Seat share of gov. | 4289 | 57.08 | 14.48 | 0 | 89.50 | 56.59 | 154.60 | -0.76 | 57.88 | 334.90 | -0.29 |
| Age of democracy | 4294 | 41.29 | 38.34 | 0 | 164.00 | 35.22 | 1029.00 | 1.69 | 54.73 | 2158.00 | 1.01 |
| Previous reform | 4289 | 0.02 | 0.13 | 0 | 1 | 0.02 | 0.02 | 6.80 | 0.01 | 0.01 | 9.77 |
| Level of authority | 4298 | 11.01 | 7.31 | 0 | 26.50 | 10.43 | 46.68 | 0.87 | 12.32 | 65.44 | 0.55 |
| Population | 4281 | 29987.96 | 191465.00 | 2 | 2236161.00 | 22194.00 | 26400000000.00 | 9.06 | 48946.00 | 61100000000.00 | 5.60 |
| Demanding others | 4298 | 1.94 | 3.18 | 0 | 11.00 | 2.41 | 11.83 | 1.10 | 0.92 | 4.85 | 2.55 |
| Secessionist claims | 4298 | 0.12 | 0.33 | 0 | 1.00 | 0.11 | 0.10 | 2.45 | 0.13 | 0.12 | 2.15 |
| Kin states | 4298 | 0.03 | 0.16 | 0 | 1.00 | 0.03 | 0.03 | 5.83 | 0.03 | 0.03 | 5.54 |
| Divided claims | 4298 | 0.10 | 0.16 | 0 | 1.00 | 0.11 | 0.10 | 2.48 | 0.09 | 0.08 | 2.82 |
| Electoral stability (state-wide) | 4298 | 1.11 | 1.13 | 0 | 3.00 | 1.29 | 1.35 | 0.36 | 0.70 | 0.91 | 1.22 |
| Electoral importance | 4298 | 0.05 | 0.09 | 0 | 0.95 | 0.05 | 0.01 | 5.31 | 0.06 | 0.01 | 4.88 |
| Congruence | 4298 | 0.16 | 0.46 | 0 | 4.00 | 0.17 | 0.18 | 7.28 | 0.15 | 0.30 | 6.37 |
| Market liberalism | 4258 | 0.51 | 0.16 | 0 | 1.00 | 0.51 | 0.01 | -0.87 | 0.52 | 0.05 | -0.10 |
| Number of regions | 4298 | 33.91 | 26.02 | 3 | 81.00 | 36.22 | 740.9 | .842 | 27.63 | 452.9 | 1.718 |

***Note:*** Calculated with the Stata ebalance package (Hainmueller and Xu 2013). We assign ideological proximity for values higher than 0.85 (see distribution in Figure A above).

**Table C:** Universe of cases

| Country | Selected | No. | Group of asymmetric claims | Region(s) of Group | Time Under Democratic Rule (between 1950 and 2010) | Asymmetric Reform(s) | MAR code |
|---|---|---|---|---|---|---|---|
| Australia | No | 1 | Aborigines | Northern Territory | 1950-2010 | Yes | 90001 |
| Bangladesh | No | 2 | Chittagong Hill Tribes | Chittagong | 1991-2007 | No | 77101 |
| Belgium | No | 3 | Flemings, Walloons, Germans | Vlaamse Gemeenschap, Communauté Française, Région Wallonne, Deutsche Gemeinschaft | 1982-2010 | Yes | . |
| Canada | Yes | 4 | Québécois, French Canadians, Indigenous People | Quebec, Northwest Territories, Yukon, Nunavut | 1950-2010 | Yes | 2001, 2003 |
| Croatia | No | 5 | Serbs | Serbian Republic of Krajina | 2000-2010 | No | 34401 |
| Denmark | Yes | 6 | Faroese, Inuit | Faroe Islands, Kalaallit Nunaat/ Grønland | 1950-2010 | Yes | . |
| Finland | No | 7 | Swedes | Åland, Kainuu | 1950-2010 | Yes | . |
| France | Yes | 8 | Corsicans, Bretons, Basques | Corsica | 1950-2010 | Yes | 22004, 22003, 22002 |
| Georgia | No | 9 | Abkhazians, Adzhars, Ossetians | Abkhazia, Adjara, South Ossetia | 2004-2010 | Yes | 37201, 37202, 37203 |
| Ghana | No | 10 | Ewe, Ashanti | Volta, Ashanti region | 2001-2010 | No | 45202, 45201 |
| India | No | 11 | Kashmiris, Nagas, Sikhs, Mizos, Bodos, Tripuras, Assamese | Kashmir, Nagaland, Punjab, Mizoram, Bodoland, Tripura, Assam | 1950-2010 | Yes | 75007, 75009, 75012, 75013, 75016, 75014, 75014 |
| Indonesia | No | 12 | Acehnese, Papuans, East Timorese | Aceh, Papua, Timor Timur, | 1999-2010 | Yes | 85006, 85005, 85004 |
| Israel | No | 13 | Palestinians | Judea and Samaria or 'the Territories' | 1950-2010 | No | 66603 |
| Italy | Yes | 14 | South Tyroleans, Sardinians, Sicilians | Trentino–Alto Adige/Südtirol, Sardinia, Sicily | 1950-2010 | Yes | 32503, 32501 |
| Lithuania | No | 15 | Poles | Vilnius County | 1991-2010 | No | 36801 |
| Malaysia | No | 16 | Dayaks, Kadazans | Sarawak, Sabah | 1957-1968 | No | 82002, 82004 |

| Country | Selected | No. | Group of asymmetric claims | Region(s) of Group | Time Under Democratic Rule | Asymmetric Reform(s) | MAR code |
|---|---|---|---|---|---|---|---|
| Mexico | No | 17 | Zapotecas | Oaxaca | 1997-2010 | No | 7003 |
| Moldova | No | 18 | Gagauz, Slavs | Gagauz-Yeri (Gagauzia Aut.Rep.) | 1993-2010 | Yes | 35901, 35902 |
| Namibia | No | 19 | Basters, East Caprivians, San Bushmen | Reheboth , Caprivi Oos (Liambezi), Bushmanland | 1990-2010 | ? | 56503, 56504, 56501 |
| Nicaragua | Yes | 20 | Indigenous people | Región Autónoma del Norte, Región Autónoma del Sur | 1990-2010 | Yes | 9302 |
| Pakistan | No | 21 | Pashtuns, Sindhis, Baluchis | Northwest Frontier Province (NWFP), Sindh, Baluchistan | 1988-1998 | No | 77005, 77006, 77002 |
| Philippines | No | 22 | Moros, Igorots | Mindanao, Cordillera Adm.Reg.(CAR) | 1987-2010 | Yes | 84003, 84002 |
| Portugal | Yes | 23 | Azoreans, people from Madeira | Madeira, Azores | 1976-2014 | Yes | . |
| Romania | No | 24 | Magyars | Transylvania | 1996-2010 | No | 36002 |
| Senegal | No | 25 | Diolas in Casamence | Casamance Region | 2000-2010 | No | 43301 |
| Serbia | Yes | 26 | Various minorities | Vojvodina | 2006-2010 | Yes | . |
| South Africa | No | 27 | Zulus, Xhosa | Kwa-Zulu Natal, Eastern Cape | 1994-2010 | No | 56005 |
| South Korea | No | 28 | Honamese | Cholla (Honam) | 1988-2010 | No | 73201 |
| Spain | Yes | 29 | Catalans, Basques, Andalusians, Galicians | Catalonia, the Basque Country,Andalucía, Galicia, Ceuta, Melilla | 1978-2010 | Yes | 23002, 23001 |
| Switzerland | Yes | 30 | Jurassians | Canton of Jura | 1950-2010 | No | 22501 |
| Thailand | No | 31 | Malay Muslims | South | 1992-2005 | No | 80002 |
| Turkey | Yes | 32 | Kurds | OHAL Region | 1983-2010 | No | 64005 |
| Ukraine | No | 33 | Crimean Russians, Crimean Tatars | Crimean Republic | 1991-2010 | Yes | 36905, 36904 |
| United Kingdom | Yes | 34 | Northern Ireland Catholics, Scots, Welsh | Northern Ireland, Scotland, Wales | 1950-2010 | Yes | 20003, 20004 |

***Note:*** Spatially concentrated minorities with asymmetric claims are identified via two indices: "Separatism Index" values "2" or "3" and "Group Spatial Distribution" values higher than "0" (Gurr 1999, codebook, 7-8). A sufficient level of democracy is measured by Polity IV including cases with values equal or higher than six (Marshall et al. 2014). We exclude countries with democratic periods shorter than 10 years. "MAR code" refers to the ethnic group identifier of the Minorities at Risk dataset.

**Table D:** Dependent variable: asymmetric decentralization reforms captured by the Regional Authority Index

| Region | No. | Country | Cabinet name | Government party | Change in RAI | Self-rule change | Shared-rule change | Relative vote share of party | Congruence | Ideological proximity | Law |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Andalusia | 1 | Spain | Suarez II | Ucd | 6.5 | Yes | Yes | 0.15 | 0 | 0.85 | N.º 1/1981 |
| Azores | 2 | Portugal | Soares I | Ps | 15.5 | Yes | Yes | 0.02 | 0 | 0.94 | N.º 318-B/1976 |
| Azores | 3 | Portugal | Carneiro I | Psd | 1 | Yes | No | 0.03 | 1 | 0.85 | N.º 39/1980 |
| Azores | 4 | Portugal | Guterres I | Ps | 3 | Yes | Yes | 0.02 | 0 | 0.93 | N.º 61/1998 |
| Catalonia | 5 | Spain | Suarez I | Ucd | 9.5 | Yes | Yes | 0.08 | 0 | 0.91 | C 1978, Art. 143; 150-151<br>N.º 4/1979 |
| Ceuta | 6 | Spain | Suarez I | Ucd | 11 | Yes | Yes | 0.00 | 1 | 0.95 | C 1978 |
| Ceuta | 7 | Spain | Suarez II | Ucd | 4 | Yes | No | 0.00 | 1 | 0.92 | Directly elected councils |
| Ceuta | 8 | Spain | Gonzalez IV | Psoe | 6 | Yes | Yes | 0.00 | 0 | 0.87 | C 1978; N.º 1-2/1995 |
| Faroe Islands | 9 | Denmark | Hedtoft I | Sdp | 25 | Yes | Yes | 0.00 | 1 | 1.00 | 31.03.1948 Autonomy Statute |
| Friuli Venezia Giulia | 10 | Italy | Moro II | Dc | 7 | Yes | Yes | 0.03 | 1 | 0.97 | N.º 1/1963 |
| Galicia | 11 | Spain | Suarez I | Ucd | 6.5 | Yes | Yes | 0.10 | 1 | 0.99 | C 1978, Art. 143; 150-151, 17N.º 6/1981 |
| Greenland | 12 | Denmark | Jorgensen I | Sdp | 6 | Yes | No | 0.00 | 0 | 0.94 | 1972 |
| Greenland | 13 | Denmark | Jorgensen IV | Sdp | 13 | Yes | Yes | 0.00 | 0 | 0.94 | N.º 577/1978 |
| Madeira | 14 | Portugal | Silva II | Psd | 2 | Yes | No | 0.03 | 1 | 0.98 | N.º 13/1991 |
| Madeira | 15 | Portugal | Guterres I | Ps | 3 | Yes | Yes | 0.02 | 0 | 0.93 | N.º 13/1999 |
| Madeira | 16 | Portugal | Barroso | Psd | 0 | Yes | Yes | 0.03 | 1 | 0.94 | N.º 1/2004 |
| Madeira | 17 | Portugal | Santana Lopes | Psd | 2 | Yes | Yes | 0.03 | 1 | 0.94 | N.º 1/2004 |

| Region | No. | Country | Cabinet name | Government party | Change in RAI | Self-rule change | Shared-rule change | Relative vote share of party | Congruence | Ideological proximity | Law |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Melilla | 18 | Spain | Suarez I | Ucd | 11 | Yes | Yes | 0.00 | 1 | 0.99 | C 1978 |
| Melilla | 19 | Spain | Suarez II | Ucd | 4 | Yes | No | 0.00 | 0 | 0.93 | Directly elected councils |
| Melilla | 21 | Spain | Gonzalez IV | Psoe | 6 | Yes | Yes | 0.00 | 1 | 0.89 | C 1978;N.º 1-2/1995 |
| Navarra | 22 | Spain | Suarez I | Ucd | 4 | Yes | Yes | 0.01 | 0 | 0.90 | C 1978, Art. 143; 150-151, N.º 3/1979 |
| Navarra | 22 | Spain | Gonzalez I | Psoe | 11.5 | Yes | No | 0.01 | 1 | 0.93 | N.º 13/1982, Art. 43, 45 |
| Northern Ireland | 23 | United Kingdom | Blair I | Labour | 17.5 | Yes | Yes | 0.01 | 0 | 0.86 | N.º 47/1998 |
| Northern Ireland | 24 | United Kingdom | Brown | Labour | 17.5 | Yes | Yes | 0.00 | 0 | 0.99 | N.º 53/2006 |
| Northwest Territories | 25 | Canada | Pearson II | Lp | 5 | Yes | No | 0.00 | 1 | 0.99 | 1966, devolved authority over education, housing and social services |
| Northwest Territories | 26 | Canada | Trudeau P IV | Lp | 2 | Yes | No | 0.00 | 0 | 0.89 | 1975 |
| Northwest Territories | 27 | Canada | Mulroney I | Pcp | 7 | Yes | No | 0.00 | 1 | 0.83 | N.º 27/1985, Art 16 |
| Northwest Territories | 28 | Canada | Chretien II | Lp | 2 | Yes | Yes | 0.00 | 1 | 0.96 | N.º 28/1993, Art 23; enacted in 1999 |
| Nunavut | 29 | Canada | Chretien II | Lp | 17 | Yes | Yes | 0.00 | 1 | 1.00 | 01.04.1999 Nunavut Act completed; initial acts passed in 1993 |
| Basque Country | 30 | Spain | Suarez I | Ucd | 12.5 | Yes | Yes | 0.02 | 0 | 0.93 | C 1978, Art. 143; 150-151N.º 3/1979 |
| Quebec | 31 | Canada | Trudeau IV | Lp | 1 | Yes | No | 0.32 | 1 | 0.99 | 1978 Cullen-Couture Agreement (Immigration) |
| Quebec | 32 | Canada | Mulroney II | Pcp | 1 | Yes | No | 0.22 | 1 | 0.83 | Canada-Quebec Accord 1991, Art. 12 |
| Región Autónoma Atlantico Norte | 33 | Nicaragua | Ortega I | Fsln | 11 | Yes | Yes | 0.01 | 0 | 0.87 | Constitution 1987, N.º 28/1987 Autonomy Statute 1990 |

| Region | No. | Country | Cabinet name | Government party | Change in RAI | Self-rule change | Shared-rule change | Relative vote share of party | Congruence | Ideological proximity | Law |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Región Autónoma Atlantico Norte | 34 | Nicaragua | Chamorro | Uno | 1 | Yes | No | | | | Amendments N.º 192/1995 |
| Región Autónoma Atlantico Norte | 35 | Nicaragua | Geyer | Plc | 6 | Yes | Yes | 0.03 | 1 | 0.60 | N.º 330/2002 and N.º 527/2005; Decree N.º 3584/2003 on Regulation of Law 28. |
| Región Autónoma Atlantico Sur | 36 | Nicaragua | Ortega I | Fsln | 11 | Yes | Yes | 0.01 | 0 | 0.87 | Constitution 1987, N.º 28/1987 Autonomy Statute 1990 |
| Región Autónoma Atlantico Sur | 37 | Nicaragua | Chamorro | Uno | 1 | Yes | No | | | | Amendments N.º 192/1995 |
| Región Autónoma Atlantico Sur | 38 | Nicaragua | Geyer | Plc | 6 | Yes | Yes | 0.03 | 1 | 0.60 | N.º 330/2002 and N.º 527/2005; Decree N.º 3584/2003 on Regulation of Law 28. |
| Sardinia | 39 | Italy | De Gasperi VI | Dc | 7 | Yes | Yes | 0.02 | 1 | 0.98 | 1952 |
| Scotland | 40 | United Kingdom | Blair I | Labour | 18.5 | Yes | Yes | 0.10 | 1 | 0.88 | N.º 38/1998; 46/1998 |
| Sicily | 41 | Italy | De Gasperi VI | Dc | 7 | Yes | Yes | 0.08 | 1 | 0.97 | 1952 |
| Trentino–Alto Adige | 40 | Italy | De Gasperi VI | Dc | 7 | Yes | Yes | 0.02 | 1 | 0.95 | 1952 |
| Trentino–Alto Adige[101] | 42 | Italy | Colombo | Dc | 6 | Yes | No | 0.02 | 0 | 0.96 | N.º 1/1971 |
| Valle d'Aosta | 43 | Italy | De Gasperi VI | Dc | 7 | Yes | Yes | 0.00 | 1 | 0.98 | 1952 |
| Vojvodina | 44 | Serbia | Cvetkovic | Srs | 12.5 | Yes | Yes | 0.30 | 1 | 0.94 | Approval of the Omnibus Law from 2002 on 30 November 2009 |
| Wales | 45 | United Kingdom | Blair I | Labour | 13.5 | Yes | Yes | 0.07 | 1 | 0.93 | N.º 38/1998; 46/1998 |

[101] Trentino– Alto Adige was in fact disempowered and the provinces of Trentino and Südtirol received greater authority comparable to the autonomous regions (Alcock 2001; Law No. 1/1971).

| Region | No. | Country | Cabinet name | Government party | Change in RAI | Self-rule change | Shared-rule change | Relative vote share of party | Congruence | Ideological proximity | Law |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Yukon | 46 | Canada | Trudeau II | Lp | 1 | Yes | No | 0.00 | 0 | 0.98 | 1970 |
| Yukon | 47 | Canada | Trudeau IV | Lp | 10 | Yes | No | 0.00 | 0 | 0.97 | 1978; control over budget and elected legislative assembly |
| Yukon | 48 | Canada | Chretien II | Lp | 4 | Yes | Yes | 0.00 | 0 | 0.92 | N.º 28/1993; enacted in 1999; extensive new policy competences (not captured in RAI) |
| Yukon | 49 | Canada | Chretien III | Lp | 3 | Yes | Yes | 0.00 | 0 | 0.93 | N.º 7/2002 |

***Note:*** Data on cabinets are mainly based on Döring and Manow (2016). Decentralization statutes are taken mainly from the country profiles of the Regional AuthorityIindex (Hooghe et al. 2016).

**Table E:** Additional cases not captured by the Regional Authority Index

| Region | | Country | Cabinet name | Main government party | Start date | End date | Change in RAI | Relative Vote Share of Party | Congruence | Ideological Proximity | Law |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Azores | 50 | Portugal | Socrates I | Ps | 12.03.2005 | 26.10.2009 | 0 | 0.02 | 0 | 1.00 | N.º 2/2009 |
| Faroe Islands | 51 | Denmark | Rasmussen F II | Lp | 18.02.2005 | 23.11.2005 | 0 | 0.00 | 0 | 0.96 | N.º 578/2005 579/2005 |
| Greenland | 52 | Denmark | Rasmussen L I | Lp | 04.05.2009 | 02.10.2011 | 0 | 0.00 | 0 | 0.83 | N.º 473/2009 |
| South Tyrol | 53 | Italy | Andreotti VII | Dc | 13.04.1991 | 28.06.1992 | 0 | 0.05 | 0 | 0.98 | 22.04.1992, South Tyrol Autonomy Statute |

***Note:*** Data on cabinets are mainly based on Döring and Manow (2016). Decentralization statutes are taken mainly from the country profiles of the Regional Authority Index (Hooghe et al. 2016).

## Identifying regional authority demand

We measure regional authority demand in the following way. The first is to identify those regions with specific authority demand in general. To do so, we focus on different means of articulation. These might be political parties claiming authority and being backed up by voter support. We use regional election results if available. Otherwise we use regionally disaggregated national election results. Often regional demand precedes the existence of regionalist parties because electoral institutions are stimulated by that demand. In these cases referendums are the typical starting point in democracies to reply to regionalist pressure and we code support for more autonomy as a general demand from the moment of the referendum until emerging party systems update our knowledge. Table F lists the parties we consider as regionalist and the referendums whose support rate we coded.

**Table F:** Parties with regionalist authority demand

| Regionalist parties | Countries |
|---|---|
| *Quebec* | Canada |
| BQ (Bloc Québécois), PNQ (Parti Nationaliste du Quebec) QLP (Quebec Liberal Party) RIN (Rassemblement pour l`Indépendence Nationale) RN (Ralliement Nationale) PQ (Party Québécois) UN (Union Nationale) E (Equality) AD (Action Démocratic) CAQ (Coalition Avenir Québec) | |
| We use cumulated vote shares in regional elections. | |
| *Yukon* | |
| TYP (The Yukon Party) | |
| *Nunavut* | |
| Referendum on the creation of the territory of Nunavut (5.11.1992; 69% approval). Nunavut does not presently recognize political parties. | |
| *Northwest Territories* | |
| NT does not presently recognize political parties. | |
| *Faroe Islands* | |
| Referendum 1946 (48.7% in favour of secession). | Denmark |
| FF (Fólkaflokkurin), SSF (Sjálvstýrisflokkurin), TV (Tjóôveldi), M (Miðflokkurin), F (Framsókn), | |
| *Greenland* | |
| The Referendum on joining the ECM in 1972 was used to mobilize for Greenland's autonomy (disapproval 70.8%). Referendum on Home Rule in 1979 (70.1% approval). Afterwards we use cumulated vote shares in regional elections. Autonomist parties: IA (Inuit Ataqatigiit), S (Siumut), SP (Sulissartut Partiat), IP (Issittup Partiia). AP (Akulliit Partiiat). | |
| *Alsace* | France |
| ADA (Alsace d'Abord). | |
| *Bretagne* | |
| UDB (Union Democratique Bretonne) | |
| *Corse* | |
| ANC (Accolta Naziunale Corsa), UPC (Unione di u Populu Corsu) | |
| *South Tyrol and Trentino* | Italy |
| We use cumulated vote shares in regional elections. Since the regional election of 2003 we use Trentino and South Tyrol separately. SVP (Südtiroler Volkspartei), TV (Trentiner Volkspartei), SFP (Soziale Fortschrittspartei Südtirols), SPS (Sozialdemokratische Partei Südtirols), UATT (Unione Autonomista Trentino Tirolese), AI (Autonomia Integrale), SHB (Südtiroler Heimatverbund), df (Die Freiheitlichen), PATT (Partito Autonomista Trentino Tirolese), LN (Lega Nord), UfS (Union für Südtirol) | |
| *Friuli Venezia Giulia* | |
| We use cumulated vote shares in regional elections. SSk (Slovenska skupnost), AR (Autonomia Responsable), LN (Lega Nord), LA (Libertà e Autonomia) | |
| *Lombardia* | |

| | |
|---|---|
| LN (Lega Nord), LL (Lega Lombardia), LPL (Lega Padana Lombardia)<br>*Sardinia*<br>PSd'Az (Partido Sardo D'Azione), PSd'AzS (Partito Sardo d'Azione Socialista), LS (Lega Sarda), SN (Sardegna Natzione), ASP (Autonomist Sardist Party), RS (Riformatori Sardi), UDS (Unione Democratica Sarda), iRS (Indipendèntzia Repùbrica de Sardigna)<br>*Sicily*<br>MIS (Movimento Indipendentista Siciliano), UDN (Unione Democratica Nazionale), NS (Nuova Sicilia), WS (We Sicilians), SP (Sicilian Spring), AS (Alleanza Siciliana), Rita, United for Sicily, MpA (Movimento per le Autonomie), GS (Grande Sud), PdS (Partito dei Sicilliani)<br>*Valle D'Aosta*<br>UVA (Union Valdôtaine), LN (Lega Nord), Aosta Valley Regional Rally, RV (Rassemblement Valdôtain), UVP (Union Valdôtaine Progressiste), ADP (Autonomistes Démocrates Progressistes), PVdA (Pour la Vallée d'Aoste), Autonomistes, FA (Fédération Autonomiste), SA (Stella Alpina), AVA (Arcobaleno Valle d'Aosta), AV (Alé Vallée), RV (Renouveau Valdôtain) | |
| *RAAS & RAAN*<br>We use cumulated seat shares for autonomist parties in regional elections. Yatama (Yapti Tasba Masraka Nanih Aslatakanka), M (Misurasata), PIM (Partido Indígena Multiétnico), MAAC (Authentic Costeno Movement), PAMUC (Multiethnic Party for Coast Unity), ADECO (Costeno Democratic Alliance) | Nicaragua |
| *Madeira & Azores*<br>PSD (Partido Social Democrata, party branches on the Acores and Madeira), PS (Socialist Party, party branch on the Azores after 1990). | Portugal |
| LSDV (Liga socijaldemokrata Vojvodine), AVH (Savez vojvođanskih Mađara) | Serbia |
| [For regions in Spain we use cumulated vote shares of autonomist parties in regional elections].<br>*Andalusia*<br>PSA-PA (Partido Andalucista), PSOE-A (Partido Socialista Obrero Español de Andalucía), NA (Nación Andaluza), IU-A (Izquierda Unida de Andalucia, since 1994)<br>*Aragon*<br>CHA (Chunta Aragonesista), PAR (Partido Aragonés),<br>*Asturia*<br>ENA (Ensame Nacionalista Astur), PAS (Partíu Asturianista), AA (Andecha Astur), URAS (Asturian Renewal Union), U (Unidá), FAC (Foro Asturias)<br>*Canary Islands and Balearic Islands*<br>AIC (Coalición Agrupaciones Independientes de Canarias), CC (Coalición Canaria), UM (Unió Mallorquina), CCN (Centro Canario), PSM (Partit Socialista de Mallorca (-EN))<br>*Catalonia*<br>CiU (Convergéncia I Unió), ERC (Esquerra Republicana de Catalunya), PSUC (Partit Socialista Unificat de Catalunya), PCC (Partit dels i les Comunistes de Catalunya), ICV (Iniciativa per Catalunya Verds), SI (Solidaritat Catalana per la Independència)<br>*Extremadura*<br>EU (Extremadura Unida), PREX (Partido Regionalista Extremeño), CE (Coalición Extremeña)<br>*Galicia*<br>PG (Partido Galeguista), BNG (Bloque Nacionalista Gallego), PsdeG-PSOE (Partido dos Socialistas de Galicia), EG (Esquerda Galega), CG (Coalición Galega), PSG-EG (Partido Socialista Galego-Esquerda Galega), UG (Unidade Galega)<br>*Rioja*<br>PR (Partido Riojano)<br>*Navarra*<br>UPN (Unión del Pueblo Navarro), HB-BA (Herri Batasuna-Heuskal Herritarrok-Batasuna), AMAIUR (Agrupaciones Electorales de Merindad), PNV (Euzko Alderdi Jeltzalea-Partido Nacionalista Vasco), UNAI (Unión Navarra de Izquierdas), EE (Euskadiko Ezkerra), CDN (Convergencia de Demócratas de Navarra), EA (Eusko Alkartasuna), AR (Aralar), NA-BAI (Coalición Electoral Nafarroa Bai)<br>*Basque Country* | Spain |

| | |
|---|---|
| EMK (Euskadi Mugimendu Komunista), PNV (Euzko Alderdi Jeltzalea-Partido Nacionalista Vasco), HB-BA (Herri Batasuna-Heuskal Herritarrok-Batasuna), EE (Euskadiko Ezkerra), EH (Basque Citizens), EA (Eusko Alkartasuna), EHAK (Euskal Herrialdeetako Alderdi Komunista),<br>*Valencia*<br>UV (Unió Valenciana), BNV (Bloc Nacionalista Valencià). | |
| *Jura and Tessin*<br>LT (Lega dei Ticinesi), PSA (Parti Socialiste Autonome; Jura) | Switzerland |
| *Kurdish-dominated areas*<br>BDP (Peace and Democracy Party), DEHAP (Democratic People´s Party), HEP (People´s Labor Party), HADEP (People´s Democracy Party), DTP (Democratic Society Party), HDP (Peoples´ Democratic Party) | Turkey |
| *Scotland*<br>Scottish Covenant 1950 (56.6% in favour of more autonomy); referendum of 1979 (51.6 % approval). After the 1997 reform we use cumulated seat shares for autonomist parties in regional elections.<br>SG (Scottish Greens), SNP (Scottish National Party), SS (Scottish Socialist)<br>*Wales*<br>Referendum 1979 (20% approval); referendum in 1997 (50.3% approval). After the 1997 referendum we use vote shares of PC in regional elections.<br>PC (Plaid Cymru)<br>*Northern Ireland*<br>We use cumulated vote shares in regional election (from 1981 to 1999 we use disaggregated national election results).<br>SF (Sinn Fein), SDLP (Social Democratic and Labour Party), NIP (Northern Ireland Labour), N (Nationalist), ND (National Democratic), RP (Republican Labour) | United Kingdom |

***Note:*** The selected regionalist parties are qualitatively identified based on regional and national election results.

**Correspondence of national and regional platforms in Spain**

We compare party positions of national and regional party manifestos. National party positions are based on manifesto data (Volkens et al. 2016) and are transformed into an economic and a cultural dimension following the procedure in Table D. In the cases of Spain, we use the regional manifesto data (Alonso et al. 2013). Regional manifesto data in Spain also transformed using the approach of Part II.

Time points between regional elections and national elections differ. When the year of elections on the national and regional level coincide, correlations on the economic dimension are very high 0.88. The correlations marginally decrease if we include the closest match in terms of the election year (0.84). The same holds true for the similarities on the cultural dimension. The differences between regional and national party platforms are more pronounced on the cultural dimension (0.65 and 0.57). As these differences are common to both countries, we see the assumption confirmed that the cultural dimension is less suitable for inter-territorial comparisons or parties simply state very different priorities on the cultural dimension.

**Table G:** Correspondence of national and regional platforms in Spain

| | **Economic Dimension (regional)** | **Cultural Dimension (regional)** |
|---|---|---|
| **Country** | **Spain** | **Spain** |
| Economic Dimension (national) | 0.77 | - |
| Cultural Dimension (national) | - | 0.27 |
| Temporal match | extended | extended |
| **Regional source** | Alonso et al 2013 (structural equation model on regional manifestos) | Alonso et al 2013 (structural equation model on regional manifestos) |
| | **N=154** | **N=154** |

**Table H:** Discriminant validity: the state– market dimension versus alternative procedures and left and right

| Benchmark | Economic Dimension | Economic Dimension | Economic Dimension | Left Right | Left Right | Left Right |
|---|---|---|---|---|---|---|
| Geography | Every Country | Western Europe | Eastern Europe | Every Country | Western Europe | Eastern Europe |
| Market Liberalism (*blinded*) | 0.86 | 0.87 | 0.84 | 0.74 | 0.79 | 0.46 |
| Economic Dimension (Elff 2013) | 0.76 | 0.77 | 0.67 | 0.65 | 0.71 | 0.33 |
| Economic (Franzmann and Kaiser 2006) | 0.71 | 0.73 | 0.56 | 0.68 | 0.71 | 0.41 |
| Free Market (Lowe et al. 2011) | 0.69 | 0.71 | 0.54 | 0.60 | 0.64 | 0.28 |
| Left Right (König et al. 2013) | 0.73 | 0.75 | 0.49 | 0.83 | 0.84 | 0.75 |
| Left Right (Franzmann and Kaiser 2006) | 0.76 | 0.79 | 0.36 | 0.84 | 0.88 | 0.62 |
| Rile (Laver and Budge 1992) | 0.67 | 0.69 | 0.31 | 0.70 | 0.73 | 0.40 |
| Two-Level Model (country) | 0.78 | 0.81 | 0.78 | 0.70 | 0.75 | 0.47 |
| n | 519 | 468 | 51 | 284 | 234 | 50 |

***Note:*** The 51(50) observations for Eastern European parties are from Czech Republic, Hungary, Lithuania, Poland, Slovakia and Slovenia. Party positions for the correlations in this table are based on the published procedures of the different authors. As benchmark we use the economic dimension of the Chapel Hill Expert Survey with the rescaled values corrected with anchoring vignettes (Bakker et al. 2014a; 2014b) and the left–right dimension without rescaling.

## Robustness

*Controls and countries*

The following table depict the change of the coefficient dependent on the exclusion of different controls or the exclusion of countries. We start from Model 4 as in the paper, regressing ideological proximity on reforms. The coefficient of ideological proximity in the baseline model is 7.45 and significant at the 99% level. A negative value indicates a reduction of the average effect through the exclusion of the respective control variable or the disintegration of a specific country. Independent of model choice, the effect of ideological proximity remains always positive and significant. The control variables marginally change the average effect. The exception is a kin state. The exclusion of countries asserts stronger effects on the average effects of ideological proximity. In countries like Canada or Nicaragua we find weaker evidence for our hypothesis and hence, the exclusion of those countries increases the average effect. On the contrary, for regions in the UK, Denmark, Spain and Italy we find strong effects of ideological proximity and the inclusion of those countries are deemed to be raise the average effect.

**Table I:** Exclusion of controls and countries

| Excluded variable | Full model effect of proximity | Effect with exclusion of… | Significance level of Proximity | Effect difference |
|---|---|---|---|---|
| Number of parties in gov. | 7.45 | 7.05 | *** | -0.4 |
| Duration of gov. (in month) | 7.45 | 7.71 | *** | 0.26 |
| Seat share of gov. | 7.45 | 7.19 | *** | -0.26 |
| Previous Reform | 7.45 | 7.24 | *** | -0.21 |
| Age of democracy | 7.45 | 7.79 | *** | 0.34 |
| Level of authority | 7.45 | 7.02 | *** | -0.43 |
| Population | 7.45 | 6.96 | *** | -0.49 |
| Demanding others | 7.45 | 7.62 | *** | 0.17 |
| Secessionist claims | 7.45 | 7.37 | *** | -0.08 |
| Kin states | 7.45 | 5.97 | ** | -1.48 |
| Divided claims | 7.45 | 7.67 | *** | 0.22 |
| Electoral stability (state-wide) | 7.45 | 7.49 | *** | 0.04 |
| Electoral importance | 7.45 | 7.46 | *** | 0.01 |
| Congruence stability | 7.45 | 7.46 | *** | 0.01 |
| Market liberalism | 7.45 | 6.96 | *** | -0.49 |
| **Excluded country** | | | | |
| Canada | 7.45 | 12.81 | *** | 5.36 |
| Denmark | 7.45 | 5.32 | ** | -2.13 |
| France | 7.45 | 6.75 | *** | -0.7 |
| Italy | 7.45 | 5.95 | ** | -1.5 |
| Nicaragua | 7.45 | 9.28 | *** | 1.83 |
| Portugal | 7.45 | 8.41 | *** | 0.96 |
| Serbia | 7.45 | 9.7 | *** | 2.25 |
| Spain | 7.45 | 6.23 | ** | -1.22 |
| Switzerland | 7.45 | 7.41 | *** | -0.04 |
| Turkey | 7.45 | 6.57 | ** | -0.88 |
| United Kingdom | 7.45 | 4.45 | * | -3 |

***Note:*** All models entail the controls of Model 4 in the paper.

*Estimators*

In this section we demonstrate the consistency of the results across different estimators. We believe, that a penalized maximum likelihood estimator is the most appropriate estimator because we deal with rare positive cases with an absolute amount below 200. However, more conventional models such as Panel Probit or Panel Logit estimators reveal similar significance levels although with lower substantial effect size. A praise-Winston transformation reveals similar effects as a simple OLS regression and the Durbin-Watson statistic is not significant. Hence, we can cautiously infer that the effects are not driven by heteroscedasticity.

**Table J:** Alternative estimators

| | **Simple OLS** | **GLS (Praise-Winsten AR(1))** | **Panel Probit** | **Panel Logit** |
|---|---|---|---|---|
| Coefficient of ideological proximity | 0.17** | 0.17** | 3.40** | 6.25** |
| Durbin-Watson statistic (transformed) | - | 1.74 | | - |

***Note:*** All models entail the controls of Model 4 in the paper.

*Alternative dependent variables*

We argue for a binary dependent variable indicating accommodative reform or not. However, it is also interesting to test if more or less shifted authority can be related to ideological proximity. To test this, we use the change of the Regional Authority Index as the dependent variable. Due to the distribution of a quasi-continuous dependent variable with zero inflation, we model the process as a zero-inflated count process using Panel Poisson regression to determine the shifted authority units. In fact, the results confirm that ideological proximity relates to more shifted authority units. Additionally, we split reforms either in a quasi-continuous or binary operationalization into a self-rule and shared-rule part. Again, the models show significant results and interestingly vary very little in significant level and magnitude.

**Table K:** Alternative dependent variables

| **Dependent variable** | **Continuous change of regional authority** | **Continuous change of regional self-rule** | **Continuous change of regional shared-rule** | **Binary change of regional self-rule** | **Binary change of regional shared rule** |
|---|---|---|---|---|---|
| Estimator | Panel Poisson | Panel Poisson | Panel Poisson | Firth logit | Firth logit |
| Coefficient of ideological proximity | 2.99** | 4.96*** | 4.69** | 7.81*** | 7.14*** |

***Note:*** All models entail the same controls as Model 4 in the paper.

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_____ **Ort und Datum:**

**Eidesstattliche Erklärung nach § 6 der Promotionsordnung vom 16. Januar 2008**

"Hiermit erkläre ich an Eides statt, dass ich die vorgelegte Arbeit ohne Hilfe Dritter und ohne Benutzung anderer als der angegebenen Hilfsmittel angefertigt habe. Die aus anderen Quellen direkt oder indirekt übernommenen Aussagen, Daten und Konzepte sind unter Angabe der Quelle gekennzeichnet. Bei der Auswahl und Auswertung folgenden Materials haben mir die nachstehend aufgeführten Personen in der jeweils beschriebenen Weise entgeltlich/ unentgeltlich geholfen: Weitere Personen – neben den in der Einleitung der Arbeit aufgeführten Koautorinnen und Koautoren - waren an der inhaltlich-materiellen Erstellung der vorliegenden Arbeit nicht beteiligt. Insbesondere habe ich hierfür nicht die entgeltliche Hilfe von Vermittlungs- bzw. Beratungsdiensten in Anspruch genommen. Niemand hat von mir unmittelbar oder mittelbar geldwerte Leistungen für Arbeiten erhalten, die im Zusammenhang mit dem Inhalt der vorgelegten Dissertation stehen. Die Arbeit wurde bisher weder im In- noch im Ausland in gleicher oder ähnlicher Form einer anderen Prüfungsbehörde vorgelegt. Ich versichere, dass ich nach bestem Wissen die reine Wahrheit gesagt und nichts verschwiegen habe."

**Unterschrift:**

**Academic CV**

| | |
|---|---|
| Since 03/2013 | Doctoral thesis (rer. pol.), Universität zu Köln.<br>- Title: "Political Parties and the Market Dimension. Towards a Comparable Assessment of Market Liberalism".<br>- Supervisors: Prof. Dr. André Kaiser und Prof. Dr. Ingo Rohlfing. |
| Since 07/2014 | Project Management of the DFG funded research projects: "Decentralization and Electoral Geographies I + II" (GZ: KA 1741/10-1 & GZ: KA 1741/10-2).<br>- Supervision of doctoral students and student assistants.<br>- Supervision of the data collection of sub-national electoral data and ideological positions as well as cabinet data in over 30 countries on the regional and state-wide level (1900-today).<br>- Budgeting and project planning.<br>- Invitation and host of external researchers for collaborations and teaching (Dr. Sandra Leon, Dr. Emmanuele Massetti, Prof. Arjan Schakel).<br>- Conceptualization, analyses of the data and writing of the research papers in collaboration with Prof. André Kaiser. |
| 07/2017 – 08/2017 | Visiting Researcher at the EURAC Institut in Bozen (Host: Prof. Francesco Palermo).<br>- Teaching Workshop on ideology and national minorities.<br>- Researching the archives on territorial conflict in South Tyrol. |
| 03/2013 – 04/2013 | Visiting Researcher at the University of Stockholm (Host: Prof. Jonas Tallberg).<br>- Semi-structured interviews with Swedish parliamentarians about market liberalism. |

| | |
|---|---|
| Since 05/2012 | Researcher at the Chair for Comparative Politics (Prof. André Kaiser).<br>- Supervision of assignments and final theses. Methodical advice for doctoral students.<br>- Teaching courses on comparative politics.<br>- Organization of a research seminar for master, doctoral students and invited guests.<br>- Coordination of student assistants. |
| 08/2011– 04/2012 | Researcher at the Rheinisch-Westfälischen Institut für Wirtschaftsforschung (RWI), Department of Environment and Ressources.<br>- Analysis of quantitative survey data from the IOB field work in Ruanda.<br>- Analysis of semi-structured interviews with local entrepreneurs in Ruanda (in French and English). |
| 03/2011 – 06/2011 | IOB Evaluation Ruanda, IOB field evaluation of electrification impacts on rural areas (EnDEV).<br>- Project coordination in the field. Randomized controlled trial with around 1000 household interviews in (overall principal investigator: Prof. Jörg Peters).<br>- Conducting around 100 semi-structured expert interviews in English and French.<br>- Own study with 50 qualitative interviews of energy usage in local companies. |
| 10/2005 – 03/2012 | Study of social sciences (Economics and political science, diploma) at the University of Cologne (Grade 1.5; scale 1 excellent – 5 fail). |
| 10/2002 – 07/2003 | Study of philosophy and economics at the University of Bielefeld. |