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Many political scientists and economists have argued that coalition governments tend to accumulate more debt than single-party governments do, but the evidence for this proposition is mixed. This article argues that only some coalition governments are more likely to increase public debt than single-party governments: those in which parties are unable to make credible promises to their partners about future policy. It introduces the concept of 'commitment potential' within coalitions and proposes a way of measuring it. The study evaluates its theoretical claims using data on 20 advanced democracies observed over a period of almost 50 years. It finds that multiparty governments with high commitment potential do not, on average, accumulate more debt than single-party governments, but that governments with low commitment potential do.

The scholarly debate that began with Roubini's and Sachs's claim that "the size and persistence of budget deficits in the industrial countries y is greatest where there have been divided governments" (1989, 905–8) has generated a vast literature in economics and political science. Yet there is little agreement on the nature of the relationship between

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multiparty government and debt. In fact, although the received wisdom in much of the literature is that there is a positive association between coalition government and increasing debt, even this basic empirical finding has been disputed in a number of studies, including early contributions by Edin and Ohlsson (1991) and de Haan and Sturm (1997). In recent years, moreover, debt has increased the most in countries with a history of single-party governments, such as Greece and the United Kingdom (Nyman 2012). The proposition that coalition governments tend[1]

HYPOTHESIS 1: Coalition government is associated with larger year-to-year increases (or lower year-to-year decreases) in debt when the government's commitment potential is low. When commitment potential is high, coalition governments pursue fiscal policies that are similar to those of single-party governments.

CONFLICTS AND COMPROMISES IN COALITION GOVERNMENTS

When does a party have reason to fear that its current coalition partners might "betray" it by coalescing with other parties (or by forming governments on their own) in the future? And when, in contrast, do governments have high "commitment potential," since the risk of betrayal is low? These questions clearly need answers before we examine the relationship between commitment potential and changes in debt.

The rich literature on coalition formation has identified a number of features of parties and party systems that are likely to affect the outcomes of government-formation processes. For example, parties that are large, centrally located, and have been in government before are more likely to enter government than small, peripheral and inexperienced parties. At the party-system level, potential governments that are of minimalwinning size, consist of ideologically similar parties and have formed before (especially incumbent governments) are more likely to emerge than governments that do not have these characteristics.

$$O_t = \beta_0 + \beta_1 A_{m-1} + \beta_2 N_t + \mathbf{X}_t \beta^{\sim} + \varepsilon_t \tag{1}$$

But it is not straightforward to apply these important insights when we attempt to conceptualize and measure the sort of mutual dependence among parties that we are concerned with here. We have therefore chosen to create a measure of commitment potential that is based on historical patterns of cooperation among parties. This is, in our view, a simple yet valid solution to the conceptualization-and-measurement problem that we face. First of all, parties very likely look to the past when they attempt to predict the future behavior of their current partners. Second, historical patterns of coalition formation should reflect the underlying regularities identified in the coalition-formation literature.

[1]footnote text

TABLE 1 *Descriptive Statistics*

Variable	Min.	Max.	Mean	SD
Debt	0.033	1.676	0.434	0.293
GDP Growth	20.089	0.123	0.025	0.027

Note: Descriptive statistics for all variables except for the fiscal rules variables are based on the sample used in Model 4, Table 2 (N5883). The descriptive statistics for the fiscal rules variables are based on the sample used in Model 6 (N5457).

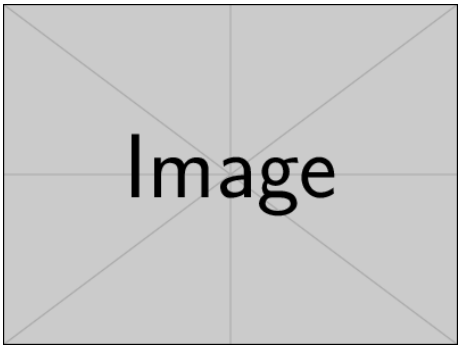

Figure 1. Debt and coalitions, 1960-2008
Note: the solid lines represent government debt over GDP. The gray areas show periods of coalition government. The dashed lines describe the commitment potential of all governments.

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gross central government debt (as a percentage of GDP) from Reinhart and Rogoff (2009). We chose a measure of central government debt rather than general government debt since our argument is concerned with the behavior of national-level decision makers. Since the Reinhart and Rogoff dataset does not include data on all the countries we are interested in, we have used data from two other sources—Armingeon et al. (2011) and the IMF Historical Debt Database (Abbas et al. 2010)—to impute missing values. The Reinhart and Rogoff and Armingeon et al. series are highly correlated (r50.95), as are the Reinhart and Rogoff series and the IMF series (r50.92). Mixing data from different sources, as we do here, is potentially risky, but since the three data series are highly correlated, we believe that the benefits of including as many observations as possible outweigh the risks. We use a measure of year-to-year changes in debt rather than a measure of deficits for three reasons: (1) deficits are more easily misrepresented through creative accounting, (2) it is the preferred measure in most of the literature that we draw on, and (3) it is available for a long time period.3

Our analysis covers the period from 1961 to 2008 (or from democratization to 2008) and includes the following countries: Australia, Austria, Belgium, Canada, Denmark (from 1967), Finland, France, Germany, Greece (from 1976, with a one-year gap in the 1990s because of missing data), Ireland (from 1976), Italy, Japan, the Netherlands, New Zealand, Norway, Portugal (from 1977), Spain (from 1978), Sweden, Switzerland and the United Kingdom. This gives us a dataset of approximately 880 country-years.

The data source that we have used to define the two main explanatory variables' coalition government and commitment potential is the ParlGov database. For both variables, where more than one cabinet was in government during a specific year, we have chosen to concentrate on the cabinet with the longest duration during that year. For the coalition variable, we have chosen to use a simple dummy (with single-party governments as the reference category) rather than a measure of the number of parties in government or the ideological range within the government, since these more nuanced measures generate virtually identical results (although the ideological range within the government is included as a control variable in some of our models).

Additional example references (Alesina and Drazen 1991) and (Alesina and Perotti 1999) are included in the sample bibtex bibliography included with this template.

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