Getting a Bigger Piece of the Pie: 
Portfolio Allocation, Gamson’s Law and the Radical Right

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Abstract

Radical right parties are consistently over-compensated with cabinet posts when they enter governing coalitions. This trend runs counter to one of the most established empirical regularities in comparative politics: Gamson’s law. Gamson’s law predicts proportional allocation of portfolios based on party’s seat share as well as the predictions of formateur bias produced by a large number of formal models. Portfolio over-compensation of radical right parties points to a more general question: why do parties ever get more than their (proportional) fair share of portfolios? I argue that when a formateur party has weak bargaining power, it is better off by over-compensating a coalition partner due to coalition stability considerations and lower “costs” of some portfolios. I find support for my argument in an empirical analysis of coalition governments from 1990 to 2015 in eleven European democracies and a case study of Austria.

Key words: portfolio allocation, Gamson’s law, radical right parties
Portfolio allocation is one of the classic research questions in coalition studies that often focuses on explaining an established empirical regularity that has been elevated to the status of “law”: Gamson’s law. In 1961, Gamson showed that during the portfolio allocation stage, parties receive a share of portfolios proportional to the seats that each party contributed to the coalition. However, when radical right parties get into government in Europe, Gamson’s law often fails to predict the number of ministerial portfolios these parties get: they tend to be consistently over-compensated. The over-compensation of minor coalition partners, such as radical right parties, is especially puzzling as it stands in stark contrast to the conclusion of formal theories of coalition formation. Formal scholars routinely find that it is the largest party in a coalition that exploits its privileged position as the formateur and, by doing so, receives a disproportionately larger share of cabinet posts than the smaller coalition partners.

Why should we be concerned about the proportionality (or lack thereof) between the seat and portfolio allocations among coalition partners? The most influential studies in the field of coalition theory and democratic governments argue that the control of relevant ministries in a governing coalition determines cabinet parties’ influence on government policy and patronage power within policy areas. Thus, “who gets what” during the portfolio allocation

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1 Bäck, Debus and Dumont (2011); Budge and Keman (1990); Browne and Franklin (1973); Carroll and Cox (2007); Druckman and Roberts (2005); Falcó-Gimeno and Indridason (2013); Laver and Schofield (1990); Verzichelli (2008); Warwick and Druckman (2006).
3 Ansolabehere et al. (2005); Baron and Ferejohn (1989); Snyder, Ting and Ansolabehere (2005).
4 Budge and Keman (1990); Laver and Budge (1992); Klingemann, Hofferbert and Budge (1994); Laver and Shepsle (1996).
process largely determines the direction of the policies that will be adopted by that government. Given the extraordinary policy influence afforded to parties though portfolio allocation, it is important to understand when and why some coalition partners, including radical right parties that often campaign on authoritarian and anti-democratic policy appeals, receive more ministerial portfolios than their “fair” share as indicated by their seat share.

I offer a general theory that shows over-compensating a coalition partner with cabinet posts allows the formateur to maximize its own final utility pay-offs during the portfolio allocation process. Specifically, two considerations are important for the formateur: coalition stability and the cost of giving up additional portfolios. First, the formateur values coalition stability because its payoffs accrue when the coalition remains stable over time. Concern for stability creates incentives for over-compensating coalition partners with additional portfolios to prevent defections. However, giving up portfolios is costly. These costs are determined by how much the formateur and its coalition partner value different types of portfolios. The formateur will be more willing to give up (and the coalition partner more likely to accept) those portfolios that hold little value to the formateur but high value to the partner. I further argue that the discrepancy in how much value different parties place on the same portfolio depends on their issue priorities. Since radical right parties consistently value the socio-cultural issues more than the traditional economic left-right issues, it should be least costly for the formateur mainstream party to over-compensate coalition partners from exactly this party family. This theory provides an explanation for the puzzling observation that the radical right par-
ties are consistently over-compensated during the coalition formation process. In my empirical analysis, I address an important methodological challenge that has been largely ignored in the literature: the compositional nature of portfolio shares data. Using appropriate statistical methods, I model portfolio allocation in 11 European democracies from 1987 to 2011 and find support for my argument. A case study of portfolio allocation after Austria’s 2002 elections corroborates my cross-national findings. This paper differs from the majority of the portfolio allocation literature by showing that the allocation of portfolios depends on factors beyond the number of seats parties contribute to the cabinet, such as the value of coalition stability and the weight or importance parties place on certain types portfolios.

**Gamson’s Law and the Radical Right**

A number of empirical examples point out considerable discrepancies between the number of portfolios allocated to radical right parties and their seat shares. For example, after the 2002 Austrian elections, a radical right party, the Freedom Party of Austria (FPÖ), received over a third of all cabinet portfolios (4 out of 11) despite contributing only 10% of the seats in parliament. In other cases the over-compensation is not as large but still present. The same year, List Pim Fortyun (LPF), a Dutch radical right party, entered a governing coalition with the center right Christian Democratic Appeal (CDA) and the People’s Party for Freedom and Democracy (VVD). After a protracted coalition negotiation, LPF was granted four of the fourteen cabinet seats (29% of
Figure 1: Discrepancies between predictions based on Gamson’s law about proportional translation of seats into portfolio allocation (solid line) and actual distribution of seats vs portfolios for mainstream (empty points) and radical right (solid points) parties.

portfolios compared to the 17% of the seats won in the election). This decision was widely condemned by the other mainstream parties and the media as giving too much power to “unexperienced radicals hungry for power.”

These examples are not isolated incidents. From 1987 to 2012, radical right parties have been over-compensated with portfolios in 18 out of the 21 cabinets they joined. Figure 1 plots the distribution of seats vs portfolios for mainstream (empty points) and radical right (solid points) parties for coalition governments in eleven European democracies as well as the predicted

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5 Osborn (2002).

6 See Analysis section for the full list of countries included.
portfolio allocation generated by Gamson’s Law according to the parties’ seat shares (solid line). As Figure 1 indicates, there is a strong proportionality trend among the mainstream parties, with bigger parties being slightly under-compensated. However, the radical right parties in a governing coalition appear to be consistently over-compensated with cabinet posts compared to the number of seats they contribute to the governing coalition. Furthermore, the correlation between the share of seats and portfolios should be close to 1, according to Gamson’s law, but it is only 0.57 when looking at the subset of radical right parties.

Since the number of portfolios is finite, the over-compensation of certain coalition members inevitably leads to others losing valuable cabinet posts. If you are a minor coalition partner being under-compensated with cabinet posts, you might not have much power over the portfolio distribution process. However, since the formateur often holds a disproportionately large amount of bargaining power due to its status as a proposer during the portfolio allocation process, this observation of over-compensating coalition partners appears to be irrational. In fact, an important body of literature on government formation generally predicts that it is the formateur and not other coalition partners who should be over-compensated with portfolios. However, as Ono shows, 79.3% of the time the number of cabinet portfolios given to the formateurs party is less than proportionate to its seat share within the coalition. What explains why the formateur ever over-compensates minor coalition partners, such as radical right parties, with ministerial portfolios it could otherwise keep for itself?

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7 E.g. Baron and Ferejohn (1989); Yildirim (2007)
8 Ono (2010)
Rethinking Gamson’s Law

Over-compensation of minor coalition partners contradicts both the empirically established Gamson’s law of proportional portfolio distribution and the predictions of a considerable theoretical literature based on a diverse family of Baron and Ferejohn style bargaining models. Morelli and Bassi are the only scholars who offer theoretical accounts that address, albeit indirectly, the over-compensation of some cabinet members.

Morelli proposes a demand bargaining model. In his model, the parties do not vote on the formateur’s proposal as they do in the traditional coalition models, but rather they demand a given share of portfolios in light of the demands by other parties that precede them. The formateur has the agenda setting power in choosing the order in which parties can make demands. Morelli’s model predicts a small-party bias (i.e. over-compensation) in coalitions where the number of coalition parties is small and under certain institutional conditions. The main weakness of the model is the assumption that each portfolio carries an equal weight for all parties. This assumption is problematic because, conventional wisdom, as well as a number of empirical studies, show that some portfolios are simply more important than others. Furthermore, it is reasonable to assume that mainstream parties have different portfolio preferences than radical right parties, which are often considered to

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9 Baron and Ferejohn (1989).
10 Morelli (1999); Bassi (2013).
12 Druckman and Roberts (2005).
13 E.g. Ecker, Meyer and Müller (2015); Laver and Schofield (1990); Warwick and Druckman (2006).
be niche parties. When the assumption about portfolio weights is relaxed, the equilibria proposed by Morelli 1999 do not hold.

More recently, Bassi offered a noncooperative theory of government formation according to which parties enter a bargaining process and exchange their right of being formateur for a share of benefits/portfolios. In her model, the role of formateur is determined endogenously (vs the traditional models that allow the formateur to be selected exogenously by another player or nature). Similarly to Morelli, the original model assumes cabinet portfolios to be equally weighted by coalition members, which results in an equilibrium where the share of portfolios is proportional to parties’ seat share, as Gamson’s Law predicts. When the author relaxes this assumption and allows parties to extract different utilities from different cabinet posts, the resulting equilibria deviate from proportionality with some coalition partners being over-compensated.

I build on Morelli and Bassi’s insight and offer a direct argument for why we observe portfolio over-compensation in some coalitions. I argue that the formateur will be willing to give up some portfolios as a rational utility maximization strategy due to concerns about coalition stability and the lower costs of these portfolios. The next section presents my argument.

15 Bassi (2013).
16 Morelli (1999).
Portfolio over-compensation

Similarly to the existing literature, I assume that during the portfolio distribution stage the formateur is the actor with the agenda-setting power. This means that the distribution of portfolios among coalition members is primarily driven by the formateur’s utility calculations. I also assume that coalition members are rational actors who seek to maximize their payoffs. However, departing from the majority of the literature, I do not assume that portfolio allocation is a one-shot game and that the total utility from portfolio allocation is simply a sum of all the cabinet posts a party receives. Instead I argue that (1) portfolio allocation is an ongoing multistage process, which matters for parties’ value of coalition stability and (2) the total utility from portfolio allocation is determined by the type of portfolios parties get in addition to the number of portfolios received.  

Coalition stability considerations

I argue that considerations of coalition stability matter for the calculation of parties’ final utility payoffs. In reality, the benefits of ministerial posts are realized over the life of the coalition. To obtain the benefits of office (whether they are derived from policy- or office-seeking motivations), the coalition must be maintained. In other words, parties’ payoffs from portfolio distribution accrue over time rather than being realized at the moment portfolios are distributed. Each party in the coalition can enjoy the benefits of office only as

\[^{17}\] A simple formalized model, presented in the Appendix in Figure A1.1, summarizes my argument.
long as everybody cooperates. Thus, when a governing coalition collapses, all coalition partners suffer: they can lose office or be relegated to minority government status. For the coalition partner, there are costs of losing allocated portfolios and having to find a new coalition partner. For the formateur, there is also a number of externalities when a coalition partner defects, such as the costs of bargaining over and forming a new coalition and the damage to the party’s reputation resulting from voters’ perception that the coalition failed due to the formateur’s incompetence.

How much a party values coalition stability will largely depend on its bargaining power. If its bargaining power is high, then the party is more likely to have a number of (plausible) alternative coalition partners from which to choose and its probability of entering the next governing coalition is high. This in turn reduces the costs associated with a collapse of the current coalition. However, if a party finds itself in a more precarious situation in terms of bargaining power, whether due to modest electoral gains or ideological differences, the value of coalition stability increases significantly since the probability of losing the perks of the office is greater.

Scholars have shown that coalition stability matters to parties. For example, Tavits shows that parties do not only care about the spoils of office and policy outcomes during coalition bargaining, but also about the likelihood of their partners cooperating and, consequently, the coalition’s likelihood of survival.\(^\text{[18]}\) Golder and Thomas provide further evidence that the shadow of the future affects portfolio allocation.\(^\text{[19]}\) The authors find that when the threat of

\(^{18}\)Tavits (2008).

\(^{19}\)Golder and Thomas (2014).
early government termination is eliminated, the allocation of portfolios departs further away from proportionality and that the formateur has a significant advantage. In formal theory, Penn offers a dynamic voting game where players face a trade-off between the immediate value of a policy proposal and the long-term stability of the emerging coalition. She shows that, in the long run, proposers are better off by allocating shares of benefits to their coalition partners that are large enough to deter them from deviating to alternative proposals.

Depending on the costs of dissolution, coalition members should value coalition stability. However, in parliamentary systems, governments can fall at any time. One of the main reasons for the fall of a cabinet is the defection of one or more of the coalition partners. A party unhappy with the original distribution of portfolios becomes a flight risk, contributing to increased likelihood that the coalition will fail prematurely, leading to reduced payoffs for all coalition members if that party decides to improve her payoffs by leaving. It is in formateur’s best interest, then, to come up with a self-reinforcing coalition in the absence of an outside enforcement mechanism. Portfolio over-compensation becomes such mechanism. The formateur may prefer to over-compensate another coalition member in order to maintain a stable coalition and make it costly for the opposition to “buy off” that coalition member with promises of a better portfolio allocation.

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20 Penn (2009).
21 Maoz and Somer-Topcu (2010); Nyblade (2004); Savage (2013); Somer-Topcu and Williams (2008); Warwick (2006).
22 Tavits (2008) proposes another mechanism to incentivize coalition partners to stay put: punishing the defectors in future rounds of coalition negotiations. Groseclose and Snyder (1996) also show that supermajority coalitions can be used to preserve coalition stability.
Minimizing the loss from portfolio over-compensation

Since portfolio allocation is a zero-sum game and the average number of portfolios is only 22, giving up even 1 portfolio to a coalition partner can significantly increase the loss of utility to the formateur. At the same time, the gain from giving additional portfolio(s) to a coalition partner must be large enough to deter it from defecting. Thus, the importance parties assign to different portfolios plays a crucial role in determining whether or not it would be beneficial for the formateur to over-compensate its coalition partner with additional portfolio(s). If the formateur assigns low importance to certain portfolios, than their loss will not significantly impact its utility calculations.

The idea that the importance of portfolios varies is not new. Some recent works in the portfolio allocation literature incorporate the importance or salience of different portfolios. However, these studies assume that the importance placed on ministries is the same across all parties. For example, all parties think a Prime Ministership is worth more than run-of-the-mill Ministries of Sports or Culture. While this assumption is reasonable for traditional coalitions that contain only mainstream parties, I relax this assumption in my examination of coalitions that include radical right parties. In addition and in contrast to the existing literature, I do not assume that coalition partners have preferences over specific portfolios, but rather prefer certain types of portfolios that correspond to their most salient dimensions.

When coalition members value ministries differently, a coalition with the

\cite{Back2011, Budge1990, Warwick2001, Warwick2006}
same parties may have a different total payoff depending on how the ministries are allocated to the parties. Hence, the proverbial pie of cabinet posts to be divided among parties is not uniform: some parties will value certain slices more than other parties do. In order to maximize the total value of the coalition membership, the ministries should be distributed to the parties that value them the most. Schofield and Demirkaya show that under some conditions niche parties that highly value a ministry that is not valued by the other parties become desirable coalition partners because they are cheaper to “buy off” in the coalition than other mainstream parties with similar portfolio preferences as the formateur.\footnote{Demirkaya and Schofield (2015).} I argue that, in order to preserve coalition stability and minimize utility loss from the portfolios given up, the formateur is more likely to over-compensate parties that assign higher importance to the portfolios the formateur values least. In the next section, I show that is the case in coalitions between a mainstream formateur and a radical right party.\footnote{This argument can be also applied to other niche parties, such as the green, communist, or anti-EU parties. However, in these cases, it is not always clear that these niche parties do not value the same portfolios as highly as the mainstream parties. For example, while a green party might highly prize the ministry of the environment, so too can the mainstream party since a large number of environmental issues have implications for economic policy.}

**Radical right coalition partners**

Several empirical studies confirm that, for different types of parties (mainstream vs niche), some issues matter more than others. On the one hand, the economic dimension is the most important or salient for mainstream parties because it is often considered to be a dominant dimension for the majority of their voters. Lewis-Beck and Stegmaier show that, among a range of is-
sues on a typical voter’s agenda, none is more consistently present or has a stronger impact on party choice than economic considerations. Given the primary nature of these considerations, the economic dimension allows mainstream parties to find the broadest base of appeal. On the other hand, the socio-cultural dimension is most important for radical right parties who mainly campaign on value-based issues such as nationalism, cultural protectionism, and immigration. In fact, the radical right’s emphasis on these issues is by far the most pervasive explanation for the electoral success of these parties. Several scholars note the secondary role of the economic dimension in the radical right’s programmatic appeals.

I assume that the difference in issue importance between mainstream and radical right parties translates directly into how much value these parties assign to different types of portfolios. Since mainstream parties prioritize the economy and the radical right cares more about socio-cultural issues, mainstream parties place higher values on ministries that deal directly with economic issues, such as the Ministry of Economic Affairs or Finance. In contrast, radical right parties’ top cabinet posts include ministries that deal with socio-cultural issues, such as Ministry of Interior. Thus, in coalitions that contain radical right parties, the formateur can secure a radical right coalition partner’s allegiance and, consequently, coalition stability, at a relatively low cost by giving non-economic portfolios to the radical right party.

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26 Lewis-Beck and Stegmaier (2000).
27 Cole (2005); Norris (2005); Kitschelt and McGann (1997); Taggart (1995).
28 See review Mudde (2007).
29 Ideally, radical right parties would like to claim the Ministry of Immigration. However, in most countries, several ministries handle issues related to the immigration with the bulk of them being directed by an equivalent of a Ministry of Interior.
Hypotheses

My argument explains why, in some cases, we observe coalition partners being over-compensated with portfolios. I argue that the formateur over-compensates some coalition partners because it ensures coalition stability by preventing the coalition partner from defecting. Furthermore, the formateur party is more likely to over-compensate when it can minimize the costs from portfolios lost by giving up ministerial posts it values less. This argument produces several testable hypotheses.

First, when the formateur’s bargaining power is weak, the costs of forming a new coalition are high. This significantly increases the value of the coalition stability. Thus, on one hand, it becomes more beneficial for the formateur to avoid cabinet dissolution and instead use portfolio over-compensation to incentivize the coalition partner to stay. On the other hand, when the formateur’s bargaining power is strong, the formateur is more likely to accept a potential dissolution of the cabinet rather than give up valuable portfolios to the coalition partner. Based on this dynamic, I expect:

_Hypothesis 1:_ The stronger the formateur’s bargaining power is, the less likely another coalition party is to be over-compensated with portfolios.

If the formateur decides to over-compensate a coalition partner with cabinet posts, it has to balance the utility gained from coalition stability and the decrease in payoffs resulting from the loss of portfolios given up to the coalition
partner. As I argued, the formateur can minimize this decrease in payoffs by offering less valuable portfolios to the coalition partner. Thus, when parties care about policy dimensions that are orthogonal to each other, it is more cost effective for the formateur to over-compensate a coalition partner. My second hypothesis follows from this logic.

**Hypothesis 2**: The farther the distance between the formateur and the coalition partner on the importance of the economic and socio-cultural dimensions, the more likely the coalition partner is to be over-compensated with portfolios.

Finally, I argued that radical right and mainstream parties routinely assign different weights to different types of portfolios. Specifically, I contend that radical right parties value the socio-cultural dimension while mainstream parties care the most about the economic dimension. Then, following from my argument about minimizing the costs of over-compensation, I develop my third hypothesis:

**Hypothesis 3**: Radical right parties are more likely to be over-compensated with portfolios than other mainstream coalition partners.

In sum, departing from the traditional literature’s argument that proportional portfolio distribution depends primarily on a party’s seat share, I argue that in certain scenarios other considerations play a role. Specifically, when the
formateur party is weak, it might put a premium on coalition stability. Furthermore, when the coalition partner places varying importance on different type of issues, the formateur is better off over-compensating it with portfolios that the formateur places low value on to improve the chance of coalition survival. This argument can help explain the empirical puzzle of radical right parties being over-compensated with portfolios.

Analysis

Standard practice in portfolio allocation empirical literature is to run an ordinary least squares (OLS) regression of parties’ seat shares on the their share of portfolios, controlling for a number of covariates. However, there is a number of methodological issues associated with using OLS to evaluate portfolio allocation. I now turn to considering these methodological issues and, subsequently, testing the hypotheses derived from my argument using more appropriate statistical methods.

Methodological challenges

There are three major, but often overlooked, methodological factors to consider when estimating a party’s share of portfolios. A party’s share of portfolios is compositional data. While political scientists have been studying different types of compositional data for a while, only a handful of scholars openly discuss methodological challenges associated with modeling these data. All

\footnote{Indridason (2015); Katz and King (1999); Philips, Rutherford and Whitten (2016).}
compositional data, including share of portfolios in this case, are bounded, which means that it consists of components that are a proportion or percentage of a whole and whose sum must equal one. In the case of portfolio allocation, it means that a coalition party can not be allocated less than 0% or more than 100% of portfolios. The first problem arises when scholars treat compositional data as a continuous variable and rely on OLS as their preferred choice of analysis, which results in biased and inefficient estimates that produce impossible predictions. The second problem originates in the fact that all changes among components must sum to zero. In other words, an increase in one component must be offset by an equivalent decrease in another component(s), which leads to correlated error terms for the components. Finally, including data for all components assumes that data contain more information than it does in reality because excluding one component still completely characterizes the data. In this case, estimating an OLS model is equivalent to “artificially shrinking standard errors of the estimates.”

Few studies that examine portfolio allocation have tried to indirectly address the compositional nature of portfolio data. The most common approach is to drop one coalition member from each cabinet. However, as Indridason (2015) points out, of the three problems mentioned above, this approach only solves the problematic degrees of freedom. To address correlated errors, Warwick and Druckman include clustered standard errors. However, by doing

\[31^{31} Aitchison (1982)\].
\[32^{32} Katz and King (1999)\].
\[33^{33} Aitchison (1982); Indridason (2015); Philips, Rutherford and Whitten (2016)\].
\[34^{34} Indridason (2015, p.16)\].
\[35^{35} Frechette, Kagel and Morelli (2005); Carroll and Cox (2007)\].
\[36^{36} Warwick and Druckman (2006)\].
so, the authors return to the problem of excessive degrees of freedom resolved by the studies mentioned above. All three studies fail to address the bounded characteristic of the compositional data.\(^{37}\)

Only three studies directly handle the challenges of the compositional data. First, Katz and King propose using an additive logratio transformation, which makes the data unbounded, and replacing the additive normal distribution in OLS with a multivariate \(t\) distribution.\(^{38}\) In addition, Tomz et al. employ seemingly unrelated regressions (SUR) to overcome the problem of having components of the compositional data sum up to one.\(^{39}\) Most recently, Philips et al. improve on these two studies by introducing error correction models (ECM), an approach that models compositional data in over-time dynamic contexts and across multiple alternatives.\(^{40}\) These efforts have greatly helped to shape the ways in which scholars deal with the estimation and interpretation of compositional models. However, these approaches are not appropriate for modeling the distribution of cabinet portfolios among coalition members for a number of reasons. SUR-type methods (including ECMs) require the same number of components across all observations. This is clearly violated in my sample, where the components (which is the number of coalition parties) ranges from two to seven. Another problem for the portfolio allocation data I am employing is that one component (a coalition party) must be used as a “reference” component: for example, FPÖ in the 1999 coalition.\(^{41}\) However, when

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\(^{37}\) Indridason (2015).

\(^{38}\) Katz and King (1999).

\(^{39}\) Tomz, Tucker and Wittenberg (2002).

\(^{40}\) Philips, Rutherford and Whitten (2016).

\(^{41}\) Tomz, Tucker and Wittenberg (2002).
modeling portfolio allocation using a cross-national dataset, where the number of components varies across countries and occasionally time, the selection of a “reference” component becomes a subjective exercise. Finally, ECMs require measures over a sufficient number of equally spaced time points. Since only major parties regularly enter governing coalitions and obtain portfolios, there are simply not enough observations of smaller coalition partners to reliably estimate an ECM.

To address the challenging compositional nature of portfolio allocation data, I follow Indridason (2015) and use a Dirichlet multinomial regression. Guinmaraes and Lindrooth show that a Dirichlet-multinomial regression can be estimated using fixed effects count models with a Poisson or a negative binomial specification. When modeling the allocation of portfolios as a Poisson regression with fixed effects, the dependent variable is the number and not share as is traditional in the portfolio allocation literature of portfolios allocated to a given coalition member. This allows treating the number of portfolios allocated to a party as count data. When portfolio allocation is treated

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42 Indridason (2015).
43 The literature disagrees on what the “appropriate” number is exactly. Philips, Rutherford and Whitten (2016) deem 30 observations across time to be reasonable. In general, the range in the literature appears to be anywhere from 15 to 50 (e.g. Beck (2001); McCleary et al. (1980)).
44 Most recently, Cutler et al. (2014) bring up methodological issues inherent to the study of portfolio allocation. The authors use a zero-inflated beta model to analyze the distribution of portfolios. However, their theoretical model includes predictions for both the likelihood that a party enters a governing coalition and its pay-offs in cabinet seats, which they test on a sample of all parties in a government formation situation. This results in a sample that contains large numbers of values that are at a single point, and a dependent variable that has a high number of zeros that arise whenever a given party is not included in the government. Thus, this modeling strategy is not appropriate for my sample that only contains parties that entered a governing coalition.
as count data rather than compositional data, the ‘boundedness” problem is
directly addressed. First, there is a clear lower bound. Second, while a specific
upper bound is harder to define since the number of portfolios varies across
countries and time, introducing fixed effects for cabinets accounts for this vari-
ation. Consequently, party-level independent variables are estimated from the
differences in party characteristics within each cabinet.[46]

**Modeling portfolio over-compensation**

My unit of analysis is a party in a cabinet. Since my argument makes pre-
dictions about parties in coalitions, I exclude all single party governments.
In addition, I exclude all formateur parties from my sample since I am inter-
ested in the effect of the formateur’s bargaining power and the distance on
importance of issues between the coalition partner and the formateur (it also
allows me to avoid problems with the degrees of freedom and correlated er-
rors as discussed in the previous section). In total I have observations for 175
cabinet partners from 88 government formation opportunities. My sample
includes 11 parliamentary democracies in Europe with contrasting democratic
histories, patterns of industrial development, and political institutions. The
years included are from 1987 to 2011. Countries in my sample are: Austria,
Denmark, Finland, Italy, Latvia, the Netherlands, Norway, Poland, Portugal,
Slovakia, and Slovenia.[47]

My dependent variable, *Portfolio over-compensation*, is the difference in the

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[47] Table A2.1 in the Appendix provides a full of the list of parties, countries, and years
included in the analysis.
number of portfolios a coalition party receives and the number of portfolios
the party should have received, rounded up to the whole number, based on the
proportional allocation from its seat share based on Gamson’s law. If the
coalition partner received a “fair” share of portfolios based on its seat share or
if it is under-compensated (which is the case for ten parties in my sample), the
variable is assigned 0. In most cases coalition partners do not receive more
than three portfolios above their proportional share (inter-quartile range: 0 to
3).

My argument suggests that it is not just the party’s seat share that mat-
ters for over-compensation, but also the Formateur’s bargaining power. I mea-
ure the formateur’s bargaining power using the Banzhaf power index. The
Banzhaf index is a measure of a party’s probability of changing the outcome
of the coalition bargaining process. It is calculated using the following formula

\[ b_i = \frac{b'_i}{\sum_{i=1}^{n} b'_i} \]

where \( \sum_{i=1}^{n} b_i = 1 \) for \( i = 1, \ldots, n \) players. If the formateur has many choices
in terms of alternative coalition partners, the costs of forming a new coalition
will be low. Thus the formateur will not value coalition stability as much and
might not be willing to share the spoils of office by over-compensating current
coalition partners. However, if its bargaining power is weak, the formateur

\[ 48 \text{The data for election results, seat shares and party of the formateur are from the}
\text{Parliament and Government Composition Database (Parlgov): } \text{http://www.parlgov.org.}
\text{The data on cabinet seats are derived from the Party Government dataset by Seki and}
\text{Williams (2014).}
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\[ 49 \text{The results are robust to alternative measurements of over-compensation.}
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\[ 50 \text{Banzhaf (1964).} \]
will have to weight the costs of forming a new coalition vs attempting to buy off its coalition partner(s) from defecting with extra portfolios.

Another independent variable of interest is the *Difference in issue importance* on different issue dimensions. I use Comparative Manifesto Project (CMP) data to capture the importance placed on ideological dimensions by coalition partners. CMP data are based on the “saliency approach” scheme which allows the data to capture not only the ideological position of the parties but also the saliency of the issues. Specifically, I use the estimates of importance of economic (*Welfare state scale*) and socio-cultural (*Social liberal-conservative scale*) dimensions introduced by Lowe et al. which is based on scaled CMP data using log odds-ratios, to adjust for the bias introduced by the coding of proxy documents. Specifically, I have three versions of this measure. First, I take the absolute difference in issue importance on each dimension between the formateur and the coalition partner and consider them separately. Then I add up the differences in importance on each dimension to consider the impact of the overall differences. Specifically,

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51 Budge et al. (2001); Klingemann et al. (2007).
52 On the one hand, CMP data are considered to have a greater degree of impartiality. They objectively place parties in a common policy space without requiring further knowledge about their policy record. In addition, manifesto data facilitates cross-national time series comparisons by surpassing any other approach to studying parties’ ideological locations in the number of years and countries available for analysis. On the other hand, CMP faces a number of criticism. Most important is the question of how to construct a left-right scale from the normalized sentence counts. This has led to a lively debate on the advantages and disadvantages of the various methods (see Laver and Garry (2000); Budge et al. (2001); Marks et al. (2007); Benoit and Laver (2007). To account for the scaling criticism, I use CMP data scaled and validated by Lowe et al. (2011).
53 Lowe et al. (2011).
54 See Lowe et al. (2011) for more specification on the scaling methods and validation checks.
Difference in importance_{eco} = |F score on importance_{eco} - CP score on importance_{eco}|.

Difference in importance_{soc-cult} = |F score on importance_{soc-cult} - CP score on importance_{soc-cult}|

Difference in importance_{both} = difference in importance_{eco} + difference in importance_{soc-cult}

where F stands for formateur and CP for coalition partner.

I argue that the decrease in utility from the portfolios “lost” in over-compensation can be greatly decreased if the formateur and the coalition partner place different importance on different ideological dimensions. Thus, the larger the distance on the measure of importance of different portfolios, the more likely the coalition partner is to get over-compensated. Since the formateur is the one driving the bargaining process, I expect the difference in importance on the economic dimension to make the most impact since it is the most important ideological dimension for the formateur. In other words, when the formateur and the coalition partner value the economic dimension differently, the formateur is more likely to over-compensate the coalition partner.

Finally, given the discussion about varying degrees of importance placed on different types of issues by mainstream and radical right parties, I argue that radical right coalition partners are more likely to get over-compensated with portfolios. I create a Radical right variable that codes radical right parties as 1 and mainstream parties as 0. I use the standard definition accepted in the literature on radical right parties. I define radical right parties as a family of right-wing parties that share a fundamental core of ethno-nationalist xeno-
phobia, anti-political populism, and emphasis on immigration.\textsuperscript{55} My sample includes 13 radical right parties with varying degrees of electoral success.\textsuperscript{56}

In addition to the main independent variables of interest, I control for \textit{Minority cabinet} status. A minority government occurs when a governing coalition does not have the majority of seats in the legislature. When parties in the governing coalition hold only a minority of seats, they should automatically be over-compensated with portfolios. There are 45 minority cabinets in my sample. Excluding these observations from my analysis does not change the results.

\textbf{Results}

The results of the Poisson regressions are shown in Table 1.\textsuperscript{57} Model 1 uses a radical right dummy as a coarse proxy for the distance on importance between the formateur and the coalition partner. Model 2 includes the combined distance between the formateur and the coalition partner on the importance of the economic and socio-cultural dimensions. Model 3 considers the difference in importance of the two dimensions separately. All results are in line with theoretical expectations and provide empirical support for hypotheses 1, 2, and 3. To interpret the coefficients for each model, I exponentiate and treat them as multiplicative effects.

\textsuperscript{55}Kitschelt (2007); Mudde (2007); Norris (2005); Rydgren (2002).

\textsuperscript{56}See Table A2.1 in the Appendix for the full list of parties designated as radical right.

\textsuperscript{57}Similar results, included in Tables A2.2 and A2.3 in the Appendix, are obtained when analogous models are estimated using OLS (with and without dependent variable transformation to approximate normal distribution). All variables are in the same direction but some fail to reach statistical significance. The fit of all the OLS models is relatively poor with $R^2$ between 0.10 and 0.25.
First, as expected, the formateur’s bargaining power and cabinet minority status exert strong influences on portfolio over-compensation. In all three models, the larger the formateur’s bargaining power, the smaller the number of “extra” portfolios a coalition member will get. Based on coefficients in model 3, when the formateur’s bargaining power increases by 0.1,\(^{58}\) we expect a 6% decrease in the number of over-compensated portfolios the coalition partner gets. This coefficient remains quiet robust to changing the specification of the other independent variables. Similarly, going from majority to minority status yields an increase of 98% in portfolio over-compensation rate.

Second, all three models provide support for hypotheses 2 and 3 regarding the effect of distance on the importance of ideological dimensions between the coalition partner and the formateur. Using a radical right dummy variable as a coarse proxy for how different types of parties (mainstream vs niche) place importance on different dimensions indicates that radical right parties in governing coalitions experience an increase in over-compensated portfolios compared to mainstream parties. According to model 1, in a non-minority cabinet with a formateur who holds average bargaining power, mainstream coalition partners are predicted to receive not quite a full “extra” portfolio (0.71) while radical right parties are expected to receive three “extra” portfolios. This is a substantively significant difference, considering that, on average, coalition partners do not get more than one extra portfolio.

Model 2 includes a more refined measure of the different weights parties place on dimensions: the sum of differences on measures of importance between

\(^{58}\)The range of the variable is from 0 to 1. The mean and standard deviation are 0.31 and 0.15 respectively.
Table 1: Portfolio allocation (Poisson regression with fixed effects)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radical right dummy</td>
<td>0.24*</td>
<td>0.25</td>
<td>0.20</td>
</tr>
<tr>
<td></td>
<td>(0.13)</td>
<td>(0.16)</td>
<td>(0.14)</td>
</tr>
<tr>
<td>Difference in importance: both dimensions</td>
<td>0.08*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference in importance: economic dimension</td>
<td></td>
<td>0.21*</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.06)</td>
<td></td>
</tr>
<tr>
<td>Difference in importance: socio-cultural dimension</td>
<td></td>
<td>-0.14</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.10)</td>
<td></td>
</tr>
<tr>
<td>Formateur’s bargaining power</td>
<td>-0.85*</td>
<td>-0.92*</td>
<td>-0.92*</td>
</tr>
<tr>
<td></td>
<td>(0.34)</td>
<td>(0.35)</td>
<td>(0.35)</td>
</tr>
<tr>
<td>Minority cabinet</td>
<td>0.66*</td>
<td>0.65*</td>
<td>0.68*</td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
<td>(0.11)</td>
<td>(0.11)</td>
</tr>
<tr>
<td>Party’s seat share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(N)</td>
<td>175</td>
<td>175</td>
<td>175</td>
</tr>
</tbody>
</table>

Robust standard errors are in parentheses.

\(^*p \leq 0.05\)

the formateur and the coalition partner on the economic and socio-cultural dimensions. Again the results are in the expected direction and reach statistical significance at conventional levels. Coalition partners who are further away from the formateur on the combined importance of the two dimensions receive portfolios above and beyond the number of portfolios their seat share alone would predict.

However, separating the measures of importance of the two dimensions, as I do in model 3, indicates that it is the difference on the importance of the economic dimension that matters for over-compensation. When the difference
on importance of the economic dimension increases by 1, there is a 23% increase in the expected number of extra portfolios granted to a coalition partner. Surprisingly, the coefficient for the importance on the socio-cultural dimension is in the opposite direction indicating that larger differences on the importance on this dimension actually lead to fewer rather than more portfolios. However, this coefficient fails to reach statistical significance. Finally, as expected, since model 2 and 3 include more robust measures of the distance on importance, the coefficient for the radical right dummy fails to reach statistical significance. This is because the variation in over-compensation is better captured by these measures.

**Austria**

Since the results of a Poisson model are not always straightforward to interpret, I use the case of Austria to illustrate the effects of the formateur’s bargaining power and the differences on ideological dimensions on portfolio over-compensation. My model performs relatively well at explaining the puzzling portfolio distribution that took place after Austria’s 2002 elections. After the 2002 elections, the radical right Freedom Party of Austria (FPÖ) received 4 out of 11 cabinet posts (Finance, Social Affairs, Justice, Transport and Technology) despite obtaining only 10% of the seats. The CMP data indicate that the distance on importance of the economic dimension between the coalition partners was large: 3.33 points (the range in my sample is from 0 to 4.51 with a mean of 1.64). The distance on importance of the socio-cultural dimension is somewhat smaller, 1.02, but the data are much more spread out, with the ma-
ajority of the data concentrated between 0 and 0.43. According to Gamson’s law, the FPÖ should not have received more than one portfolio given the small number of seats the party held. Based on the actual values of the co-variates, model’s 3 prediction of 3.86 portfolios are close to the FPÖ’s actual allocation.

What explains why the FPÖ was able to secure 4 out of 11 cabinet posts despite its poor electoral performance? Put differently, why did the formateur, Austrian People’s Party (ÖVP), sacrifice additional portfolio seats? First, several scholars note that the ÖVP was in a precarious position as a formateur. Table 2 presents the results of the 2002 parliamentary elections. There were four parties total that obtained seats in the parliament: ÖVP, SPÖ, FPÖ, and Greens. The Greens had excluded a coalition with the ÖVP from its range of options before the elections. Thus, in order to form a majority coalition, the ÖVP had to pick from SPÖ and FPÖ. While an SPÖ-FPÖ-Greens coalition seemed unlikely, there were rumors of SPÖ elites leading secret negotiations with FPÖ.

Luther presents a study of this particular instance of portfolio allocation based on interviews with party elites. He shows that the ÖVP originally entered coalition negotiations with the mainstream SPÖ to form an over-sized cabinet of the two largest mainstream political parties, a combination known as a “grand coalition.” Simultaneously, Jörg Haider, the controversial leader of the FPÖ, let it be known that his party would concede the chancellorship and a number of other “top” portfolios, such as the Ministry of Economics.

\[^{59}\text{With a mean of 0.34 and a maximum of 4.05.}\]
\[^{60}\text{Luther (2011); Müller (2004).}\]
\[^{61}\text{Müller (2004).}\]
\[^{62}\text{Luther (2011).}\]
### Table 2: Portfolio allocation (Poisson regression with fixed effects)

<table>
<thead>
<tr>
<th>Party</th>
<th>Votes (%)</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Democratic Party of Austria (SPÖ)</td>
<td>36.5</td>
<td>69</td>
</tr>
<tr>
<td>Austrian People’s Party (ÖVP)</td>
<td>42.3</td>
<td>79</td>
</tr>
<tr>
<td>Freedom Party of Austria (FPÖ)</td>
<td>10.0</td>
<td>18</td>
</tr>
<tr>
<td>Greens</td>
<td>9.5</td>
<td>17</td>
</tr>
<tr>
<td>Liberal Forum (LF)</td>
<td>1.0</td>
<td>0</td>
</tr>
<tr>
<td>Communist Party of Austria (KPÖ)</td>
<td>0.6</td>
<td>0</td>
</tr>
<tr>
<td>The Democrats</td>
<td>0.1</td>
<td>0</td>
</tr>
<tr>
<td>Socialist Left Party (SLP)</td>
<td>0.1</td>
<td>0</td>
</tr>
</tbody>
</table>

* Total number of seats: 183

and Labor as well as Ministry of Defense and Ministry for Foreign Affairs, in exchange for the Ministry of Social Affairs and the Finance Ministry. Although reluctant at first, the ÖVP eventually ceded the Finance Ministry to FPÖ.

It appears that the ÖVP made a considerable concession in granting that Finance Ministry, which deals with economic issues, to the radical right FPÖ. At first glance, the ÖVP’s choice seems to run counter to my argument. However, this is not necessarily the case in the Austrian context: the ÖVP retained the top economic portfolio, the Ministry of Economics and Labor. This choice had clear policy implication, as the Ministry of Economics and Labor handles most major economic decisions and is allocated over 50% of the federal budget compared to the 10% of the budget allocated by the Ministry of Finance.\(^\text{63}\)

\(^\text{63}\)Source: [https://www.bmf.gv.at/budget/das-budget/budget-2012.html](https://www.bmf.gv.at/budget/das-budget/budget-2012.html). Numbers are based on the most recently available budget of 2009. However, given the “stickiness” of budget allocations, there is no reason to suspect that these numbers varied differently from those in 2002 when the elections took place.
Furthermore, Luther notes that after the FPÖ had publicly committed to market liberalization reforms and a universal child allowance, two key features of the ÖVP’s electoral platform, giving up the Ministry of Finance was less costly for the ÖVP because it could still take credit in front of its voters for keeping its electoral promises. Moreover, giving up the Social Affairs Ministry was an “easy” part of the bargain for the ÖVP because it did not have clear campaign promises on these issues. In contrast, that portfolio was essential for the radical right FPÖ. The party had primarily campaigned on tightening immigration and asylum policies, both under the jurisdiction of the Social Affairs policy. Muller also notes that the FPÖ was “a much cheaper coalition partner than the SPÖ in terms of cabinet positions.”

None of these studies explicitly address why the formateur went above and beyond in giving up two additional portfolios, the Ministry of Justice and the Ministry of Transport and Technology, to the radical right coalition partner. However, I contend that these ministries were of high value to the FPÖ because they dealt with issues prominent in their electoral program, specifically law and order and improvement in the nation’s infrastructure. Looking at the original FPÖ manifesto from 2002 coded by the Comparative Manifesto Group, these topics (out of 41 total mentioned) take up roughly 20% of the overall manifesto space, or 9.2% and 10.3% respectively. These topics are in the top five most mentioned categories next to the “national way of life (positive),” “traditional morality (positive),” and “multiculturalism (negative)” categories.

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64 Luther (2011).
65 Luther (2011).
67 “Available at: manifestoproject.wzb.eu.”
that take up 17.3%, 16.6%, and 10.8% of the FPÖ manifesto respectively. This list contrasts starkly to the formateur’s top five most mentioned categories: “welfare state expansion” (19.2%), “education expansion” (16.9%), “environmental protection (positive)” (5.4%), “economic incentives” (5.1%), and “free market economy” (4.8%). Thus, while these portfolios had high value for FPÖ, it does not appear that the ÖVP placed a lot of importance on them.

In sum, the results of the empirical analysis and a brief case-study of Austria suggest that portfolio allocation is driven by more than just election results and party’s seat shares. While seat shares determine parties’ bargaining strength during coalition negotiations, other considerations, such as coalition stability and ideology, also play a role. I have shown that when a formateur and a coalition partner value different ideological dimensions, the formateur is more likely to over compensate the coalition partner with extra portfolios.

**Conclusion**

In this paper I show that the allocation of portfolios is not simply a matter of the legislative seat shares of the government parties themselves, except to the extent that they are a sufficient statistic for the bargaining power calculations, but that it also depends on considerations such as the value of coalition stability and the weight or importance parties place on certain portfolios. I have proposed an argument for why we observe portfolio over-compensation of radical right parties, an empirical regularity that is not predicted by the standard bargaining models of coalition formation. A common feature of these
models is that portfolio allocation is treated as a one-shot game: once the deal between coalition partners is struck and a coalition is formed, the game ends and the parties realize their payoffs from assigned portfolios. My argument departs from these models in that it takes into account the fact that parties, particularly the formateur party, value coalition stability because the benefits of forming a coalition are not all reaped at the moment it is formed but rather throughout the life of the coalition. The implication of my argument is that the formateur will be willing to pay extra costs, in the form of additional portfolios to its coalition partner to ensure coalition stability. A coalition partner that receives a larger than “fair,” according to the Gamson’s law, share of portfolios is less likely to defect from the coalition, which would lead to the coalition’s collapse. Furthermore, the formateur party can reduce the costs of losing the extra portfolios to the coalition partner if it gives up portfolios on an ideological dimension that it values less. In coalitions between a mainstream formateur and a radical right party, the radical right party’s allegiance is often especially cheap for the formateur to secure since radical right parties highly value the socio-cultural dimension while mainstream parties typically value the economic dimension most. This can explain why mainstream parties are often willing to over-compensate radical right parties.

To be clear, my argument is not to dismiss the strong relationship between seats and portfolio allocation. Gamson’s Law clearly indicates that there is. That said, my argument highlights a shortcoming of Gamson’s Law and suggests that the focus on seat and portfolio proportionality is misplaced. Instead, there should be greater emphasis on the development of theories that offer in-
sights into what other factors influence portfolio allocation. The need for such theories is especially apparent in cases where Gamson’s Law fails to explain unexpected empirical trends such as consistent portfolio over-compensation of radical right parties.

Understanding what explains portfolio over-compensation of radical right parties is the first step in assessing the implications of having radical right parties participate in governing coalitions. This is a major concern routinely raised by scholars as well as the media. First, there is a concern about the potential policy implications. While there is disagreement over the degree to which cabinet ministers have autonomy over the policies that fall under the purview their portfolios, most scholars agree that heading a portfolio allows non-trivial discretion within that policy domain. When ministers operate in systems with high party discipline, such as in parliamentary regimes, their respective parties hold the reins over the ideological direction of adopted policies. Radical right parties often campaign on policy appeals that have been deemed authoritarian and anti-democratic. The concern of pundits and scholars alike is that these controversial campaign promises will become policy. It remains to be seen if this will be the case or if, instead, the incumbent parties and coalition building processes will have a moderating effect on the the radical right’s policy proposals.

Second, there is a more general concern about implications of the radical right’s government participation for the normative role of democratic institutions. One of the advantages of democracy is its potential to keep extremism

\[ \text{E.g. } \text{Martin and Vanberg (2004).} \]

\[ \text{Mudde (2007); Norris (2005).} \]
at bay by taking into account the will of the majority. Thus, the radical right parties that often enjoy only modest electoral support should be the least likely parties to be over-compensated with portfolios. However, my argument implies that these parties are the most likely to get the “extra” portfolios. Thus, the argument that democratic institutions guard the political system from extremist tendencies comes into question.

There are good reasons to believe that the study of portfolio allocation has important implications. Understanding the complex factors that shape the outcome of this bargaining process is, therefore, crucial to our understanding of the functioning of parliamentary democracies.
References


Appendix

A1: Formalized model

To clarify the logic of my argument, consider the simple, highly stylized model of distributive bargaining dynamics during the portfolio allocation process depicted in Figure A1.1. There are two actors: the formateur, F, and another coalition partner, CP. There is total utility from portfolio payoffs, $\mu$, to be shared between the formateur and the radical right party, which equals 1 and consists of the sum of the portfolios obtained by each party and weighted by parties’ saliency of each portfolio, $w_{CP}$ and $w_F$. There are a number of possible costs each actor can incur. There are costs to each party for defecting from the coalition: $\varepsilon$ are costs for the coalition partner when it defects from the coalition and $\varphi$ represents the costs incurred by the formateur when the coalition partner defects and a new coalition must be formed. In addition, both parties experience a stability discount factor, $v$, when the portfolio negotiations stretch throughout several stages and the government risks dissolution. Finally, $\pi$ represents the coalition partner’s bargaining power (i.e. its likelihood of entering a new governing coalition if the current coalition dissolves).

In the first stage, F proposes a proportional distribution of portfolios based on seat share in an attempt to receive the maximum number of available portfolios without alienating CP. After the proposal, CP can accept or reject F’s proposal. If CP accepts, the game ends and all players realize the payoffs described in $U_1$. Otherwise, CP can reject F’s original proposal of portfolio.

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70 The model can be extended to include additional coalition partners.
Stage 1: Formateur proposes proportional portfolio distribution

Stage 2: Coalition partner

Accepts

Rejects

\[ U_1 = [\mu w_{CP}; \mu w_F] \]

Formateur Stage 3

Stage 3: Offers \( x \) more portfolios

Does not change the offer

\[ U_2 = [(\mu + x)w_{CP}; (\mu - x)w_F] \]

Coalition partner Stage 4

Accepts

Rejects and defects from the coalition

\[ U_3 = [\mu w_{CP} + \pi - v - \varepsilon; \mu w_F - v - \varphi] \]

\[ U_4 = [\mu w_{CP} - v; \mu w_F - v] \]

A1.1: Portfolio distribution model. Notes: \( \mu \) = utility form portfolio payoffs, \( w_{CP} \) and \( w_F \) weights by party assigned to portfolios, \( v \) = stability discount factor, \( \varepsilon \) = defection costs for the coalition partner, \( \varphi \) = costs incurred by the formateur when the coalition party defects and a new coalition must be formed, and \( \pi \) is coalition partner’s bargaining power. Actors’ payoffs are indicated in square brackets and kept separated by a semicolon. Coalition partner’s payoffs are indicated first, followed by the formateur’s payoffs.

distribution if it believes it can credibly defect and gain higher utility in an alternative coalition with an opposition party. Then F can propose a new deal that attempts to buy off CP with \( x \) more portfolios or refuse to change the original proportional portfolio allocation based on seat share. If F makes a better proposal, CP accepts it, the game ends and all players realize payoffs \( U_2 \), where CP is over-compensated with portfolios. If F leaves the proposal...
unchanged, CP has a chance to once again accept or reject the original proposal. If CP thinks that it can do better in a different coalition than the payoffs realized from the original proposal ($\pi$ is large) and the defection costs, $\varepsilon$, are small, it will reject that proposal and defect from the coalition. In this case both parties realize utility payoffs described by $U_3$, where both parties are penalized by the costs incurred from the dissolution of the cabinet and stability discount factor. If CP finally accepts the original proposal, both parties realize payoffs similar to $U_1$ but discounted by $v$ given the time it took to negotiate and reach the agreement.

Using backward induction, we can draw some observations about when we should expect to see coalition partners over-compensated with portfolios (for summary see Table A1.2). In stage 4, CP can either defect or accept F’s original proposal discounted by the stability factor $v$. As long as his defection costs $\varepsilon$ are higher than his bargaining power, $\pi$, CP will prefer to accept F’s original proposal, resulting in the utility payoffs described in $U_4$. However, this is a suboptimal outcome both for F and CP, who would be better off with $U_1$ payoffs. Thus, the CP will accept F’s original proportional distribution of portfolios. This theoretical expectation follows the empirical regularity of Gamson’s law.

However, in stage 4, if CP’s bargaining power is large, i.e. it can credibly commit to defecting from a coalition and realizing bigger payoffs than the original offer from the formateur ($\pi > \varepsilon$), then CP will choose to defect from

\footnote{Note that stages 3 and 4 can occur at any time during the coalition’s life. Thus CP can accept the original proposal, but re-enter bargaining at any point he perceives that he can get higher utility from defecting.}
the coalition. In this scenario, F’s utility calculations are important. If it is expensive for F to form a new coalition and she highly values the stability of the coalition (\( \varphi \) and \( v \) are large), then \( U_3 \) is the worst outcome for F as her payoffs are penalized the most when CP defects. Thus, F would prefer to avoid this outcome. If the value of coalition stability and the costs of forming a new coalition are high compared to the value of portfolios lost \( (v + \varphi > -xw_F) \), then F prefers giving up some portfolios to maximize her utility, which results in the equilibrium \( U_2 \). In other words, F would rather prevent CP from defecting from the coalition and incur the cost of building a new cabinet (assuming \( \varphi \) and \( v \) are large), and maintain a durable coalition in exchange for some extra portfolios given up to CP. However, if F has a number of potential coalition partners to pick from, bringing down his costs of forming a new coalition, the loss of utility from the portfolios she gives up might not be worth it and, consequently, F is better off insisting on the original proposal and facing the dissolution of the coalition. This outcome results in equilibrium \( U_4 \).
A2: Additional tables

A2.1: Countries, parties, and years included in the analysis

<table>
<thead>
<tr>
<th>Country</th>
<th>Party</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Austrian Freedom Party</td>
<td>1990 – 2008</td>
</tr>
<tr>
<td>Denmark</td>
<td>Danish People’s Party</td>
<td>1990 – 2011</td>
</tr>
<tr>
<td>Finland</td>
<td>True Finns Party</td>
<td>1991 – 2011</td>
</tr>
<tr>
<td>Italy</td>
<td>Forza Italia</td>
<td>1992 – 2008</td>
</tr>
<tr>
<td></td>
<td>National Alliance (previously Italian Social Movement)</td>
<td>1992 – 2008</td>
</tr>
<tr>
<td>Latvia</td>
<td>For Fatherland and Freedom and National Alliance</td>
<td>1998 – 2002</td>
</tr>
<tr>
<td>Netherlands</td>
<td>List Pim Fortuyn</td>
<td>2001 – 2010</td>
</tr>
<tr>
<td>Norway</td>
<td>Progress Party</td>
<td>1997 – 2009</td>
</tr>
<tr>
<td>Poland</td>
<td>United Poland and League of Polish Families</td>
<td>1991 – 2007</td>
</tr>
<tr>
<td>Portugal</td>
<td>People’s Party</td>
<td>1987 – 2011</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Slovenian Democratic Party</td>
<td>2000 – 2011</td>
</tr>
</tbody>
</table>
### A2.2: Portfolio allocation (OLS)

<table>
<thead>
<tr>
<th>Model</th>
<th>(Intercept)</th>
<th>Formateur bargaining power</th>
<th>Minority cabinet</th>
<th>Radical right dummy</th>
<th>Distance on importance on both dimensions</th>
<th>Distance on importance on economic dimension</th>
<th>Distance on importance on socio-cultural dimensions</th>
<th>Party’s seat share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.72* (0.45)</td>
<td>-2.13 (1.33)</td>
<td>2.03* (0.51)</td>
<td>0.57 (0.55)</td>
<td>0.22 (0.18)</td>
<td>0.58* (0.27)</td>
<td>-0.35 (0.37)</td>
<td>8.61 (2.12)</td>
</tr>
<tr>
<td>2</td>
<td>2.51* (0.48)</td>
<td>-2.30* (1.33)</td>
<td>2.02* (0.51)</td>
<td>0.63 (0.55)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2.53* (0.48)</td>
<td>-2.26* (1.32)</td>
<td>2.10* (0.51)</td>
<td>0.48 (0.55)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>1.35* (0.56)</td>
<td>-1.37* (1.29)</td>
<td>2.18* (0.50)</td>
<td>0.41 (0.53)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Robust standard errors are in parentheses.

* indicates statistical significance at $p = 0.01$ or higher.
A2.3: Portfolio allocation (OLS: $DV^2$ transformation)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
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<tbody>
<tr>
<td>(Intercept)</td>
<td>1.53*</td>
<td>1.53*</td>
<td>1.54*</td>
<td>1.05*</td>
</tr>
<tr>
<td></td>
<td>(0.15)</td>
<td>(0.16)</td>
<td>(0.16)</td>
<td>(0.18)</td>
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<tr>
<td>Formateur bargaining power</td>
<td>−1.05</td>
<td>−1.04*</td>
<td>−1.04*</td>
<td>−0.67</td>
</tr>
<tr>
<td></td>
<td>(0.44)</td>
<td>(0.44)</td>
<td>(0.44)</td>
<td>(0.42)</td>
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<tr>
<td>Minority cabinet</td>
<td>0.61*</td>
<td>0.61*</td>
<td>0.62*</td>
<td>0.66*</td>
</tr>
<tr>
<td></td>
<td>(0.17)</td>
<td>(0.17)</td>
<td>(0.17)</td>
<td>(0.16)</td>
</tr>
<tr>
<td>Radical right dummy</td>
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<td>0.12</td>
<td>0.09</td>
<td>0.06</td>
</tr>
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<td></td>
<td>(0.18)</td>
<td>(0.18)</td>
<td>(0.18)</td>
<td>(0.17)</td>
</tr>
<tr>
<td>Distance on importance on both dimensions</td>
<td>−0.01</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>(0.06)</td>
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</tr>
<tr>
<td>Distance on importance on economic dimension</td>
<td>0.06</td>
<td>0.01</td>
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<tr>
<td></td>
<td>(0.09)</td>
<td>(0.08)</td>
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</tr>
<tr>
<td>Distance on importance on socio-cultural dimensions</td>
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<td>-0.14</td>
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<tr>
<td></td>
<td>(0.12)</td>
<td>(0.11)</td>
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<td>Party’s seat share</td>
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<td>(0.68)</td>
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<td>175</td>
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</table>

Robust standard errors are in parentheses.

* indicates statistical significance at $p = 0.01$ or higher.