Polimetrics

The Portfolio Theory

The role of the cabinet

Any problems with the core-party theory? Well, at least one…

- It is an **a-institutional theory**, that is, it does not consider any institutional element within its theoretical framework
- In particular, it does not consider the **cabinet as an institutional actor**…that could be problematic! Why?

The role of the cabinet

- The cabinet is not a purely **neutral instrument** of the «political willingness (and preferences…)» of the parliament (and its parties)
- In most democracies, the cabinet has a **strong agenda-setting power**
- Therefore, the choice of the cabinet is not like any other choice made by the parliament

➢ It is the selection of an actor that will affect in a crucial way the implemented policies!

The role of the cabinet

Moreover…

…focusing on the cabinet allows us **also** to better understand a **crucial strategic aspect**: the policy interest of a party is not necessarily guaranteed by the selection of an agreed cabinet-program closest to its ideal point of view…why that?

Enforceability problem! Agreements are not enforceable per-se!

How to deal with this aspect? The structure of the cabinet as an institutional actor could help a lot in this regard!

The role of the cabinet

The basic assumption is that cabinet Ministers have (almost) **full control over the policy dimension** associated with their ministry (the Minister of Economics over the economic dimension; the Minister of Foreign Affairs over the foreign dimension; etc.)

Let’s see an example…

The role of the cabinet

This implies that each minister is in the conditions to effectively **implement in a credible way** her own preferences when she receives the portfolio irrespective of any other considerations. That is…

- **no enforceability problem here!**

Which are the consequences of that???

The role of the cabinet

If the jurisdictions of key portfolios define the dimensions of the policy space then…

…the **program** of the **proposed cabinet coalition** on each policy dimension **must match** the preferred policy of the party to whom the portfolio that controls that dimension has been allocated

Let’s see another example…

The role of the cabinet

That amounts to say that parties in the Parliament are **not considering** to vote on any possible policy package (i.e. on any point in the policy space)…

Rather they will focus **only** on the alternative combinations of ministries allocation, cause it is **only** such allocation among the coalition partners that identifies in a **credible way** the future cabinet-policy program!

The role of the cabinet

- The **analytic purpose** of the model is then to **restrict the possible governments** that can be formed, focusing just on the **credible alternatives**, and thereby reducing the potential for voting cycles in multi-dimensional policy spaces
- The **realistic side** of its proposal is to take account of the central role of the government (the cabinet) in democratic law making, with particular consideration of its **agenda setting power**

The role of the cabinet

A central concept of the model is the **winset of a government**

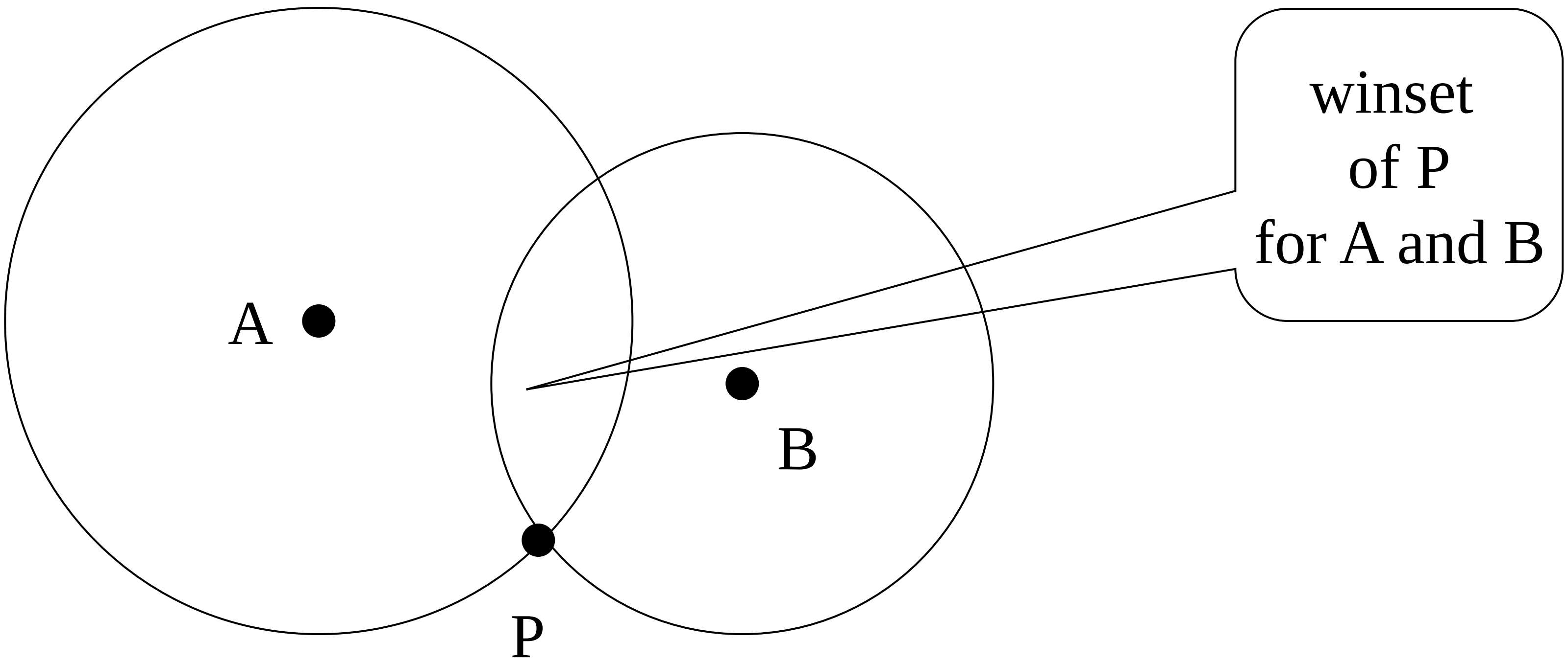
What is a winset of a given point?

It is the **set of alternative policies** that can (spatially) beat that point **according to some voting rule**

For a single party, it is the set of the alternatives inside the circle centered on the ideal point and passing through a given point

For more parties, **it is the intersection** of these circles

Winset of SQ for 2 players A and B

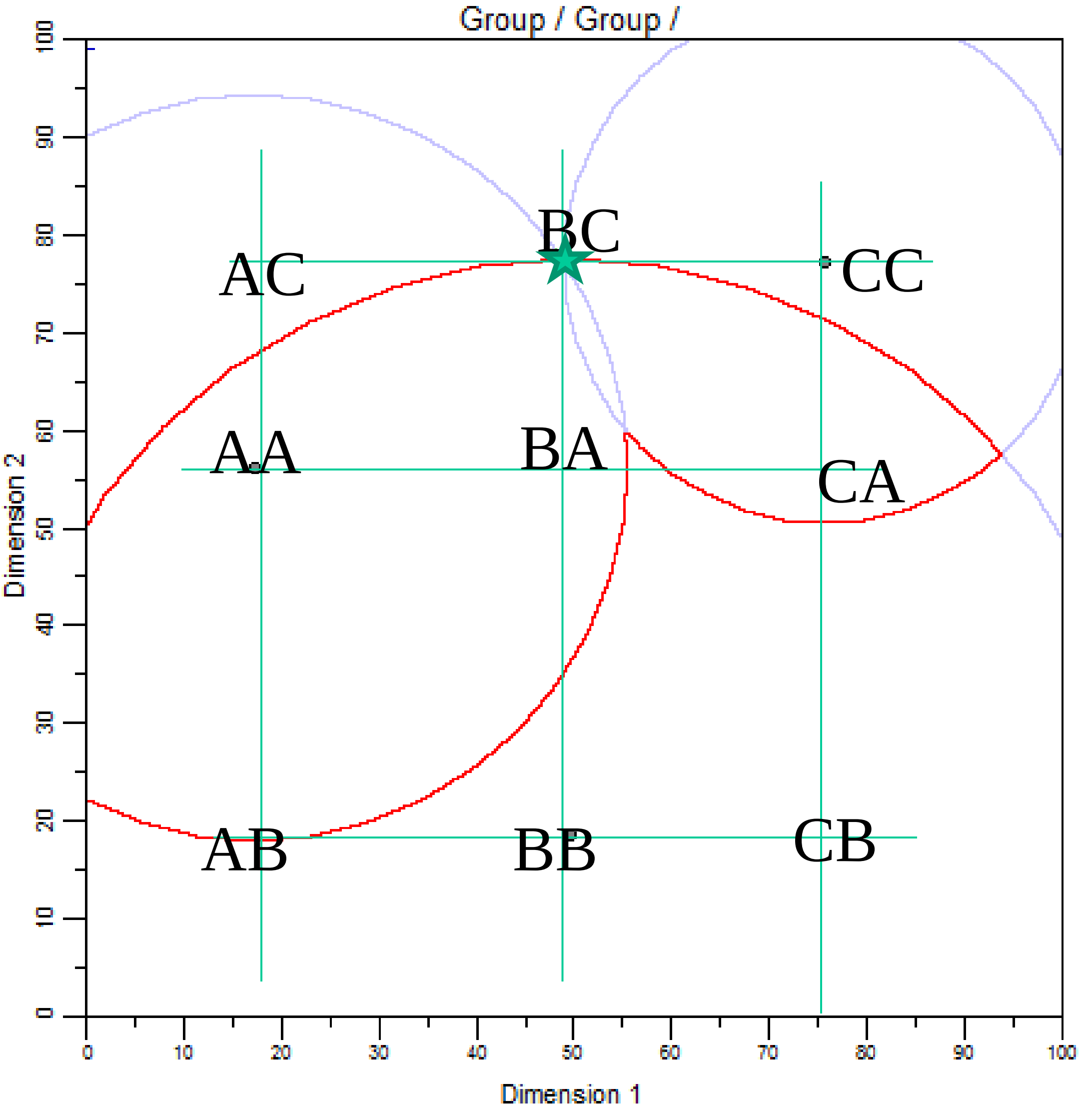


The role of the cabinet

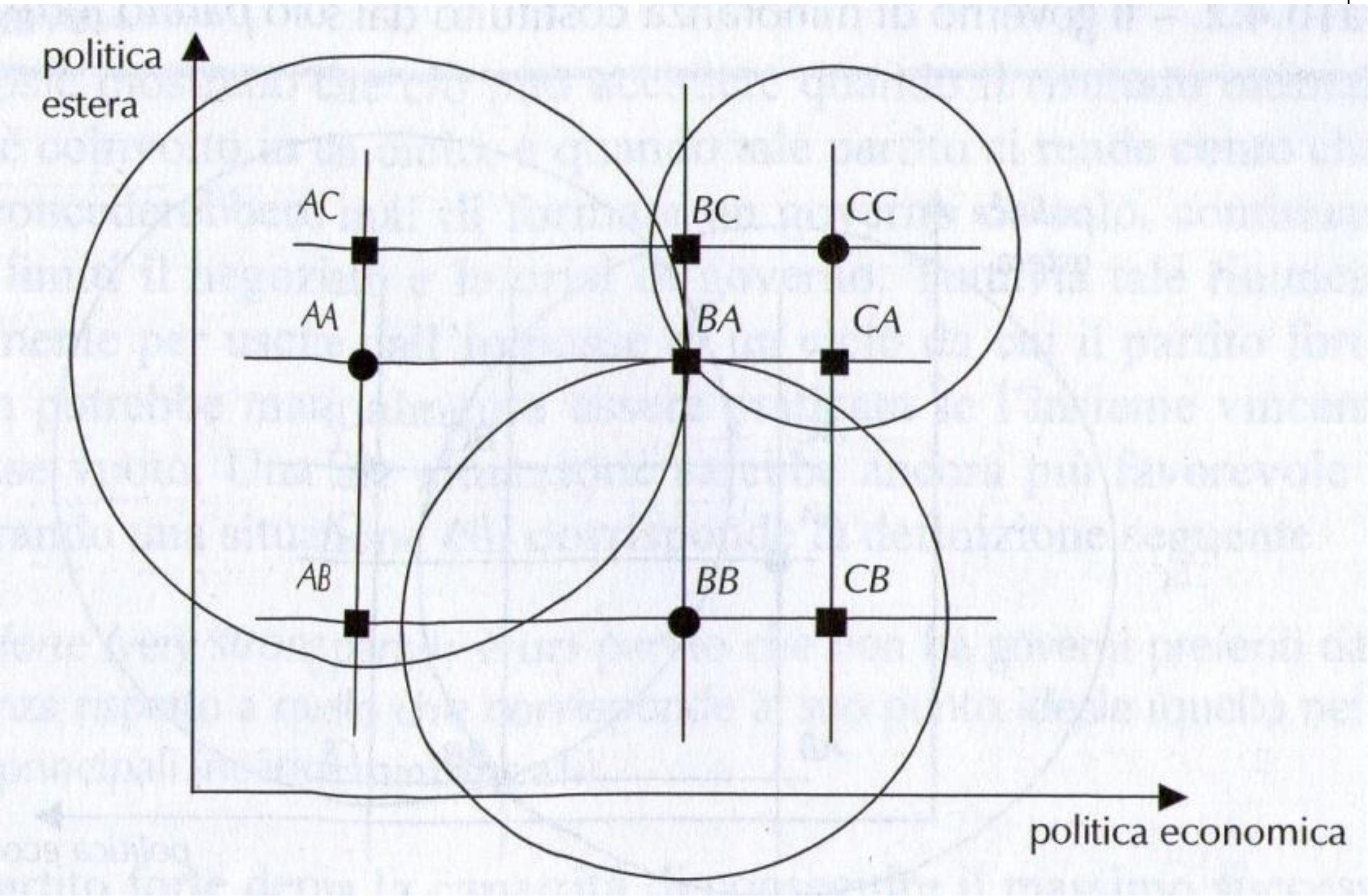
As a result of our previous discussion, the **winset of a government** is defined as the set of governments (i.e. **ministries allocations**) that **some majorities** consider better than that specific government

As for a two-dimensional policy space on which we will focus, that amounts to consider governments characterized by two key ministries

With BC as a cabinet, 4 alternatives in its win-set



The role of the cabinet



In this case the win-set of BA is empty

The role of the cabinet

Which is the main characteristic of BA?

It is a cabinet consisting of the two key portfolios allocated to parties that are at the median position along the two key policy dimensions, i.e., BA is a **dimension-by-dimension median (DDM) cabinet**

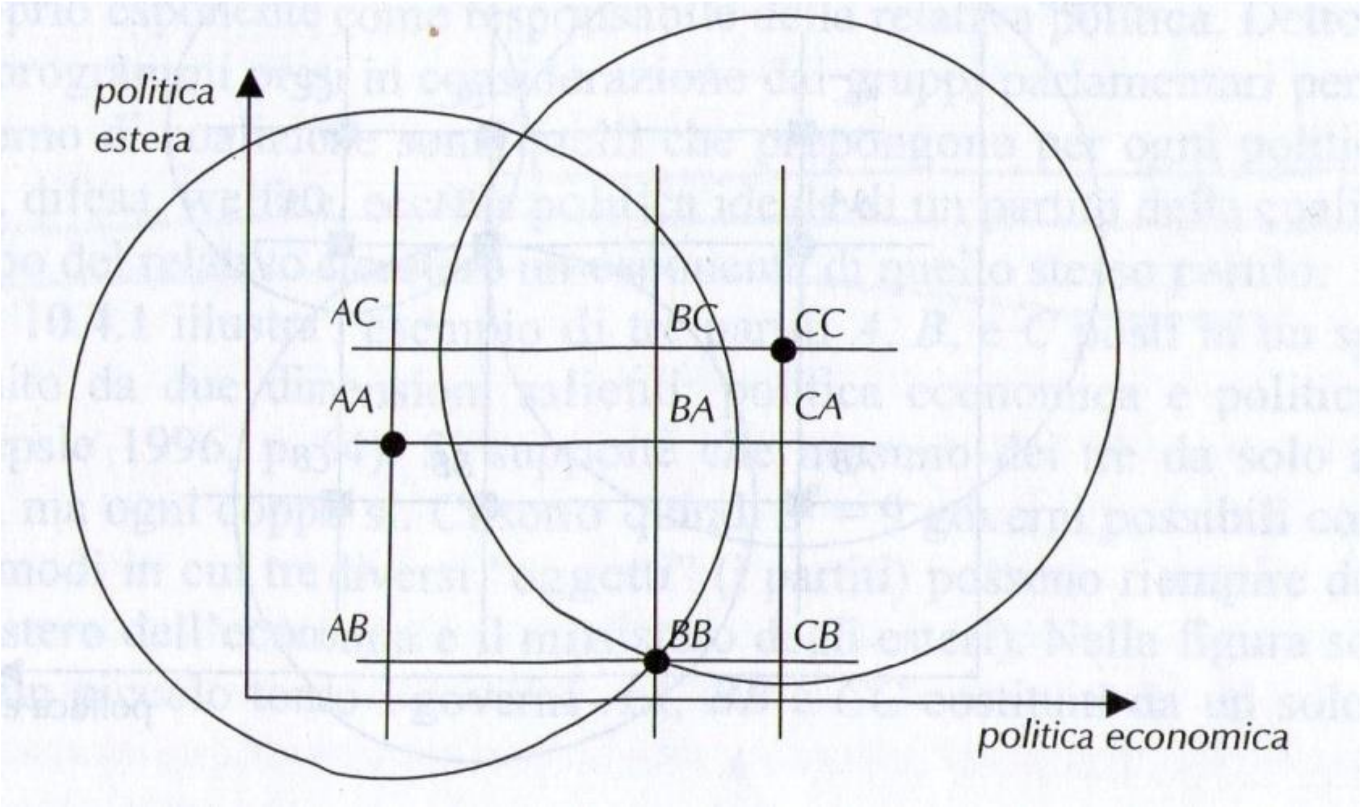
The role of the cabinet

Stability of a DDM cabinet:

- a DDM is an **equilibrium cabinet** if there is **no alternative government** in its winset. In other words, if there is no new assignment of ministries that is preferred by an alternative legislative majority, the dimension-by-dimension median (DDM) cabinet is a stable solution of the game of forming a majority government

The DDM cabinet is in fact the **only point** in the policy space that can have an empty winset!

The strong party



If we are ready to assume that no party can be forced against its willingness to join a cabinet, then if we had to start with BB, also this latter cabinet **would result in a stable equilibrium**!

The strong party

Which is the main characteristic of party B?

Party B is a **(merely) strong party**

A merely ***strong party*** is a party which participates in all cabinets preferred by a legislative majority to that party's ideal cabinet

A merely strong party's ideal point has a **nonempty winset**, but all lattice points in the winset imply cabinet allocations of which it is party

Such party is strong because it **can veto shifts** away from its ideal point, and thereby tends to control the making and breaking of governments

The strong party

Note that we can also have a **very strong party**: a party that is dimension-by-dimension median and whose winset does not contain any lattice points

In this case there would be no allocation of cabinet posts that could defeat its filling both portfolio posts

A **very strong party** is a party that, thanks to its spatial centrality and size, is able to form a viable (and stable) government, where it controls all the portfolios by itself (see Laver and Shepsle, 1996)

The strong party

Note: a **core party** is always a **very strong party**, even if the reverse is not necessarily true

In particular, if a (structurally stable) core party **must always be** the largest party in a legislature, you can have a very strong party that is not the largest one (we will see in the lab class an example)!

Which consequences?

Cabinet composition

If we have a strong party, it will be part of the cabinet

It could also create a **minority cabinet**: the portfolio theory can account for and indeed predicts minority governments, as for example, when a party with less than a majority of the seats in the parliament is very strong

Given the absence of a strong party, we should expect the creation of a **DDM cabinet** (as long as parties do care about stability…)

Which consequences?

Cabinet (& policy) stability

If **no DDM cabinet exists** with empty winset in a given legislature, we could rank the different scenarios of government instability accordingly to the number of alternative governments that are present in the winset of the DDM cabinet:

✓ the **higher that number is**, the more cabinet cycles are likely, and therefore the less cabinet stability is granted (see Warwick 1999 for a similar approach)

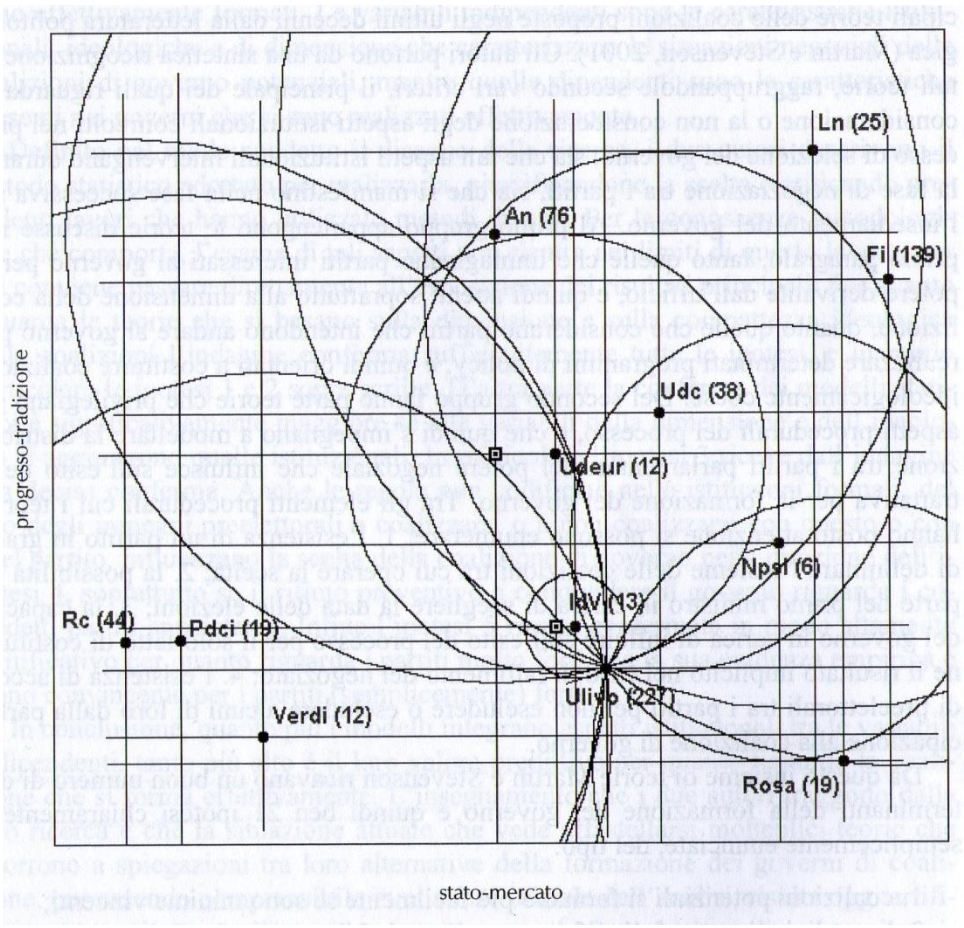
Contrary to the core party theory (**whenever the core party is absent**), the portfolio theory also **identifies precisely** which are the policy payoffs of each party (defined as the intersection of the ideal points of the Ministers)

Evaluating the stability of a cabinet: Italy post-2006 election

	Partiti	*Seggi*
Unione = coalizione di centro-sinistra	RC	44
	PdCI	19
	Verdi	12
	Ulivo	227
	Rosa	19
	IdV	13
	Udeur	12
Casa delle libertà = coalizione di centro-destra	Npsi	6
	UDC	38
	FI	139
	AN	76
	LN	25

Was the second Prodi cabinet a stable one?

The Prodi cabinet (source of data: expert survey)



The win-set of the Ulivo-Ulivo cabinet (Romano Prodi as PM and Tommaso Padoa Schioppa as the Finance Minister for the economic dimension) included 11 alternatives…

The role of the cabinet

- The portfolio theory relies on a crucial assumption: the cabinet Ministers are effective “policy dictators” on the policy dimension associated with their ministry
- But is this realistic?
- The role played by the PM…
- …and by the **junior ministers**: they often come from a different party than the one of the Minister. Their role is to check the behaviour of the Minister

Summing up

The **core party theory** models the selection of a cabinet program among parliamentary parties

The cabinet is considered as an **instrument of a parliamentary majority** that can also decide to change it without affecting the policy equilibrium on which it is based

It is therefore a theory that recognizes the centrality of the Parliament within a democracy, i.e., it is (more) coherent with a **consensual idea of democracy** (Arend Lijphart, do you remember?)

Summing up

- The **portfolio theory** models the way a cabinet is formed from an institutional point of view
- Such institutional formation guarantees to cabinet parties the credible enforceability of the cabinet program
- It is therefore a theory that recognizes the central role played by a cabinet (and by its institutional frame) within a democratic frameworki.e., it is (more) coherent with a **majoritarian idea of democracy**

Summing up

So which of the two theories should you select?

The model more apt according to the case under study!!!

For example, does the cabinet you are studying present a strong or a weak agenda-setting power?

If the answer is «weak» the core-party theory makes a lot of sense. If the answer is «strong» then the portfolio theory could be a better choice