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Institutions and Coalition Formation: The German Election of 2005

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The German election of 2005 creates three puzzles for the literature on coalition formation. First, the election led to a rare event in German politics and in parliamentary systems more generally, a 'grand coalition' between the two largest parties. Second, a minority government, something which has never occurred in postwar Germany (except briefly as the result of the breakdown of a government coalition), was in fact one of the two most likely governments to form. Third, the parties of the left retained a comfortable majority in the Bundestag; however they did not form a coalition. The election of 2005 appears unique in German politics, but we argue that its outcome is easily understood using existing institutional theories of coalition formation. We examine party positions in two dimensions (economic and social) using computer-based word scoring of party manifestos. We demonstrate that the conditions for a SPD minority government were present in Germany due to its central location in the policy space. While the configuration of policy positions would thus have allowed the SPD to form a minority government, the role of the Federal President as a veto player could have prevented it from forming, and the presence of an opposition-controlled upper house would have decreased its effectiveness. The mere possibility of forming a minority government gave the SPD a bargaining advantage in the coalition negotiations with the CDU/CSU. We show that in the final portfolio allocation, the SPD received ministries which control approximately two-thirds of the federal budget.

The German election of 2005 creates three puzzles for the literature on coalition formation. First, the election led to a rare event in German politics and in parliamentary systems more generally, a 'grand coalition' between the two largest parties, the Social Democrats and the Christian Democrats. This has only happened once before in postwar German history. Second, a minority government, something which has never occurred in postwar Germany (except briefly as the result of the breakdown of a government coalition), was in fact one of the two most likely governments to form. Third, looking at election returns, the parties of the left retained a comfortable majority in the lower house of parliament, the Bundestag,

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however they did not form a coalition government. These puzzles are best understood from an institutional perspective. Bicameralism and the investiture vote constrained the set of possible coalitions, while the Social Democrats' centrist position conferred them bargaining power to the extent that they could have formed a minority government. We argue that a grand coalition was likely, but that its junior member, the Social Democrats, held a stronger bargaining position in coalition negotiations than the Christian Democrats.

This analysis seeks to expand the growing literature on the effects of institutions on coalition formation by examining the case of the German election of 2005. We combine a new quantitative methodology, word scoring of party manifestos (Laver *et al*. 2003), to determine the location of the parties in the political space, with an analytical narrative to elucidate the role of institutions. The *wordscores* methodology allows us to go beyond conventional means of measuring party positions such as hand coding party manifestos (Budge *et al*. 1987) and expert surveys (Castles and Mair 1984; Laver and Hunt 1992) by providing a measure of uncertainty surrounding the estimated positions. We examine party positions in the two most important dimensions of political competition, and then explore theories of coalition formation in light of the possible coalitions actually discussed in Germany. We find that institutions play a significant role in coalition formation, confirming some of the findings in the literature (Strøm 1984, 1990; Strøm *et al*. 1994; Druckman and Thies 2002; Tsebelis 2002; Druckman *et al*. 2005). While a centrist position in the policy space empowered the Social Democrats, bicameralism and the investiture vote limited the party's ability to form a minority government. We begin by explaining why the German election of 2005 is a particularly helpful case to detail the effects of institutions on coalition formation. Then we measure party positions and examine possible coalition scenarios. Instead of offering an ad hoc ex post explanation of why the grand coalition formed, we consider all possible coalitions which could have formed and discuss their feasibility. Finally, we describe the German institutions affecting coalition formation and explain how they limited coalition choice, providing answers to the puzzles above.

The German Election of 2005

There were several elements of the 2005 election which made it unique for Germany, but similar to elections in other parliamentary countries, and thus an interesting case for studying coalition formation. First, Social Democratic Chancellor Gerhard Schröder called an early election, something which is rather difficult under German constitutional law. After pushing through economic and labour market reforms, Schröder decided to dissolve parliament for fear that his own party would break apart.[1] To do so, he had to request a vote of confidence and force his own party to

vote against his government (Art. 68, German Constitution).[2] Even then, the vote was subject to review by the Federal President and the Constitutional Court (*Bundesverfassungsgericht*). The Federal President, who has the power to dissolve parliament after a lost confidence vote on the request of the chancellor, can only do so if he feels that the government can no longer effectively govern. Thus, contrary to other parliamentary countries in which the prime minister can dissolve parliament alone (for example, the early 2005 election in the UK), in Germany there are two veto players involved in this process, the Federal President and the Constitutional Court.

Second, this election witnessed the rise of a new party, The Left Party (*Die Linke*), formed from the PDS, the successor of the Communist Party of former East Germany, and the break-away left wing of the Social Democrats (SPD), who opposed Schröder's economic and labour market reforms. While the PDS failed to clear the 5% threshold in the 2002 Bundestag election, in 2005, The Left Party received over 8% of the vote, giving it substantial representation in parliament, and, for the first time, making it a factor in coalition formation. Even though it announced that it would not take part in any coalition government, The Left Party significantly affected the election outcome by influencing which coalitions could potentially form.

Finally, 2005 marked the first time since 1957 that parties were faced with numerous coalition options. While earlier German elections had always produced a clear winning coalition, this election did not. This is reflected not only in the seat shares, but also by the lengthy coalition formation process (65 days), the longest in postwar German history. Partly because of the rise of The Left, none of the previous coalitions of post-unification Germany won enough seats to form a majority government without the support of at least one additional party. Neither the SPD and its incumbent partner, the Greens (*Grüne*), nor the Christian Democrats (CDU/CSU) and their former coalition partner, the Free Democrats (FDP), garnered enough votes to form a government.

Table 1 lists the vote and seat shares of all the parties. The two largest parties, the SPD and the CDU/CSU received an almost equal seat share, but

TABLE 1
GERMAN ELECTION RESULTS 2005

Party	Vote share (%)	Seats	Seat share (%)
CDU/CSU	35.2	226	36.8
SPD	34.2	222	36.2
FDP	9.8	61	9.9
The Left	8.7	54	8.8
Greens	8.1	51	8.3
Total	96	614	100

Source: Bundeswahlleiter. http://www.bundeswahlleiter.de

these shares constituted the second worst election result for both parties since German re-unification in 1990. The CDU/CSU became the strongest fraction in the Bundestag with 226 seats (36.8%), only slightly more than in 1998. The SPD received 222 seats (36.2%), comparable to its worst performance in 1990. The three smaller German parties benefited at the expense of the two large parties. The FDP obtained 61 seats (9.9%), its second best result following the first post-reunification election in 1990. Similarly, with 51 seats and an 8.3% seat share, the Greens finished better than any post-reunification election except for 2002. Finally, the new Left Party received its best result if one compares its performance to that of the PDS in the previous elections. It received 54 seats resulting in an 8.8% seat share.

In spite of this loss, the SPD performed quite well during coalition bargaining. Gerhard Schröder enthusiastically declared victory immediately following the election, and defiantly stated that he would remain Germany's chancellor.[3] Only after several weeks of bargaining did Schröder finally agree to step aside and allow the chancellorship to go to the CDU's Angela Merkel. As the CDU's junior partner, the SPD received many of the most important ministries including the foreign ministry, finance ministry, labour and social ministry, and justice ministry. Although the cabinet ministries were split evenly between the parties, those held by the SPD control substantially more of the annual budget than those held by the CDU and its sister party, the CSU. On 18 November 2005, the two parties formally signed the coalition agreement, and on 22 November 2005, Angela Merkel became the first woman chancellor of Germany.

Theories of Coalition Formation

To understand the coalition formation process in Germany, we explore the role of preferences and institutions on coalition bargaining more generally. Early theories of coalition formation ignored party positions and institutions, simply assuming that parties or candidates were more interested in office than in policy (Riker 1962). Since then, literature on coalition formation has grown to account for the position of parties in the policy space (Leiserson 1966; Alexrod 1970; De Swaan 1973; Baron 1991) and, more recently, the role of institutions (Strøm 1990; Bergman 1993; Mershon 1994, 2002; Strøm *et al.* 1994; Mueller and Strøm 2000; Diermeier *et al.* 2003, Druckman *et al.* 2005). Literature on ideology and coalition governments has examined coalition duration (Warwick 1994, 1999; Lijphart 1999) a coalition's ability to legislate effectively (Tsebelis 2002: ch. 7), and portfolio allocation (Laver and Shepsle 1996). A large body of both theoretical and empirical literature has examined the effects of institutions on important aspects of the actual coalition formation process, including the choice of *formateur* (Austin-Smith and Banks 1988; Diermeier and Merlo 2004) and the frequency with which different types of coalitions

form as a function of both preferences and institutions (e.g. Laver and Schofield 1990; Crombez 1996).

Bicameralism and Coalition Formation

Much work has examined the effects of one specific institution, bicameralism, on coalition formation (Lijphart 1984: ch. 6; Volden and Carrubba 2004; Druckman *et al.* 2005). Although upper chambers do not take part in the coalition formation process because they lack a formal vote of confidence, they are important for passing legislation after the coalition has formed. Thus, to govern effectively and stay in office longer, coalitions must account for the composition of the upper chamber (Druckman and Thies 2002). As Tsebelis and Money (1997) have demonstrated, this may even be true in countries with weak upper chambers. Germany is an interesting case because not all legislation requires approval of the upper house. The upper chamber, the Bundesrat, is composed of state governments, rather than directly elected representatives, and only legislation affecting the states is subject to upper house approval. Nevertheless, because states implement federal legislation, Bundesrat assent is required for the most significant legislation. In every postwar legislature, more than 50% of all legislation has required the approval of the Bundesrat. In the period from 1994 to 1998, as much as 60% of legislation went to the Bundesrat for approval.[4] König (2001) and Tsebelis (2002) show that policy change in Germany is more likely when the partisan composition of both chambers is similar and less likely when there are different partisan majorities. This may create an incentive for the parties to consider a coalition which has a majority in both chambers. When forming a coalition, German parties are faced with a choice to either secure a bicameral majority through a formal coalition, or to seek upper house approval on a case-by-case basis (Bräuninger and König 1999). The former appears more likely when parties place more emphasis on implementing a policy agenda, while the latter is more likely to lead to policy stability if an ad hoc coalition cannot be formed.

Centrist Preferences and Minority Governments

Other scholars have underscored the importance of a centrist position in the policy space for coalition formation (Laver and Schofield 1990: 111–21; Strøm 1990; Crombez 1996; Tsebelis 2002). Laver and Schofield (1990: 113) collapse politics down to one dimension and find that the median party in parliament was either a member of or supported the coalition government more than 80% of the time in 12 European countries from 1945 to 1987. Likewise, Crombez (1996) argues that as the largest party in parliament becomes larger and more centrist, it becomes more likely to form a minority government. Tsebelis (2002: 97–9) demonstrates the power of a centrist

position in multiple dimensions, and argues that not only is a centrist party able to form a minority government, but it can achieve policy outcomes very close to its ideal point because of agenda-setting powers. Following the elections, we examine whether any party held the median position in the Bundestag in a multidimensional policy space.

Estimating Party Positions: The *Wordscores* Methodology

Testing theories of coalition formation requires that we locate actors in a political space. While previous analyses have used hand coding of party manifestos or expert surveys to accomplish this (e.g. Budge *et al*. 1987; Laver and Hunt 1992), we analyse party manifestos using a new methodology, computer-based content analysis (Laver *et al*. 2003).[5] This technique uses probabilistic word scoring to compare documents of interest with reference texts chosen by the researcher to represent the extremes of the political space. Word frequencies are calculated in the two reference texts and the texts which the researcher wishes to analyse. First, the researcher assigns the reference text an a priori position. For example, reference text A is assigned a value of -1 and reference text B is assigned a value of $+1$. Each word in the documents of interest then receives a score based on the probability that the word is mentioned in the reference texts. If a word appears three times more often in reference text A than in reference text B, its score is $-.5$, or three times closer to reference text A than to reference text B. All words are scored in this manner, and then word scores are averaged over the entire text to produce a single score for the text.[6]

Applying the *wordscores* methodology requires the researcher to make two important a priori decisions: (1) identify conflictual policy dimensions, and (2) choose reference texts which adequately represent two 'extreme' alternatives on these dimensions. In this respect, the computer-coded content analysis deviates from other methods of estimating policy positions. For instance, estimated positions from roll-call data are mapped onto dimensions which explain the most variance in the voting behaviour. Therefore, scaling techniques such as *Nominate* (Poole and Rosenthal 1985) yield estimates which need to be interpreted in light of the variance of voting behaviour. In contrast, we are interested in party positions on two important domestic policy dimensions: economic policy and social policy. We consider these two to be the most important domains in the election in 2005. On the one hand, deadlock on domestic issues such as economic reform led Schröder to call the early election in Germany in the first place. On the other hand, the party manifestos reflect the importance of domestic issues by the fact that the vast majority of text is dedicated to domestic issues and not to foreign policy.[7]

With regard to the choice of reference texts, we follow Laver *et al*. (2003) and use previous party manifestos for the estimation. Our choice of
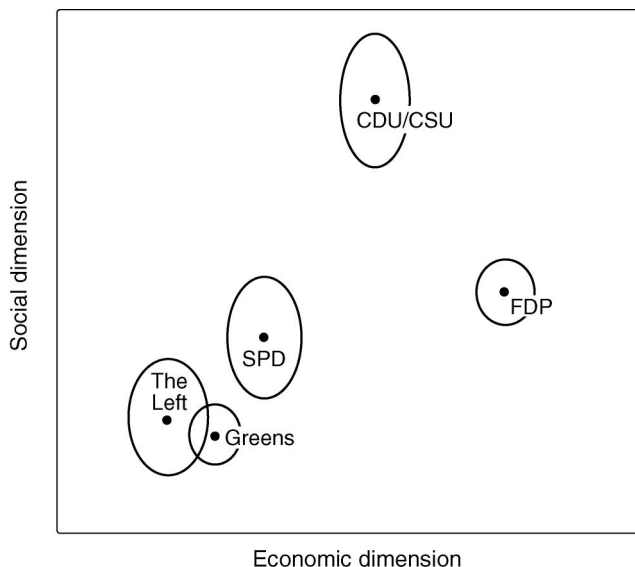
reference texts derives from a sophisticated version of dictionary-based content analysis of the 2002 German elections (König *et al.* 2003). König and his co-authors split the 2002 manifestos into three broad policy areas (economic, social, and foreign affairs), updating the categories of the comparative party manifesto coding scheme (Budge *et al.* 1987). Then, they code the manifestos on the basis of whether they express positive, neutral, or negative statements with regard to each category. On the economic dimension, they identify the PDS and the FDP as the two extreme points, and on the social dimension the Greens and the CDU/CSU (König *et al.* 2003: 96). Their economic dimension covers the following sections of the manifestos: trade and industry, labour market, social security policies, national budget, revenue, and future policies. The social dimension includes the issues of immigration, multiculturalism, fight against extremism, values and traditions, law and order, and education. We follow this distinction and identify the relevant parts of the 2002 manifestos as the reference texts (PDS and FDP on the economic dimension, Greens and CDU/CSU on the social dimension). Prior to our analysis, we remove the party labels from the reference texts. Because our methodology is purely based upon relative word frequencies, leaving party labels in the reference texts could bias our results and lead to validity problems. In this sense, our choice constitutes a slight improvement over the treatment of reference texts in previous studies (Laver and Benoit 2002; Laver *et al.* 2003).[8]

Party Positions in Germany

Figure 1 presents the party positions and 95% confidence ellipses in a two-dimensional policy space. First, consider only the point estimates. In light of the seat shares of the parties, the SPD turns out to be the median voter on both dimensions. The other two left parties (The Left and the Greens) are located to the left of the SPD on both the economic and the social dimension, but close together. On the centre-right, the FDP is located close to the SPD on the social dimension, but is economically the most conservative. The CDU/CSU, however, is closer to the SPD on the economic policy, but it is the most socially conservative party.

The confidence ellipses in the figure are calculated from the standard error estimates for each party position on each dimension (see Appendix A for the estimates). We assume that the two policy dimensions are orthogonal to each other and therefore set the covariance to zero. Interpreting the confidence ellipses requires a careful understanding of what they actually represent. According to Laver *et al.* (2003: 317), the variance for a given text measures how dispersed the individual word scores are around the text's mean score. As this variance decreases, the more certain we are that individual word scores in the text all correspond to the final score. Because the standard error estimates are a function of the length of the texts, short texts will have larger standard errors than long texts.

The question of how we can interpret the size of the confidence ellipses in Figure 1 turns into a question of why some party manifestos are shorter (or longer) than others. Possible explanations of length include strategic considerations and internal divisions within the parties. First, parties can consciously decide to keep their positions vague. They could do this in order to appeal to a broader basis of potential voters, who read the party manifestos as an indication of what policy the party wants to implement. Second, as collective actors, parties have to integrate many opposing views prior to an election and present one party programme to the electorate.[9] The resulting hypothesis states that larger parties (such as the CDU/CSU and the SPD) have many internal factions and that they lead to a manifesto with greater uncertainty (Bräuninger and Debus 2005). Similarly, parties which have formed from other parties (such as The Left Party) have to integrate and consolidate their positions. That said, many factors may affect the length of party manifestos. For instance, parties might want to signal a credible position to voters and possible coalition partners either directly or via the media by writing longer manifestos (Garry and Mansergh 1999: 87–91).[10]

While the two large parties (CDU/CSU and SPD) and the new party (The Left) have large confidence ellipses, suggesting internal divisions or strategic considerations, the two small parties (FDP and Greens) have small confidence ellipses and therefore more coherent positions. Despite the

uncertainty surrounding the positions, the likelihood that the SPD remains the median voter on both dimensions remains high. Even if the positions of the SPD and the FDP were to switch on the social dimension, the SPD would still remain the median voter. Similarly, while confidence ellipses of the Left Party and the SPD overlap on the social dimension, the probability that the positions are reversed is smaller than 0.005. On the economic dimension, there is a small probability that the Greens have a more centrist position than the SPD, but this probability also remains small (less than 0.003). We can also rule out the possibility that the CDU/CSU and the SPD could have switched positions on either dimension; in fact, on the economic dimension their confidence intervals are close together, but do not overlap. This may suggest that the two parties try to capture the median voter in the electorate without giving up a clear policy alternative.[11]

In sum, the probability that the SPD is the median voter on both dimensions is very high. Therefore, the conditions for a SPD minority government existed following the election. The SPD was one of the two large parties with a minority of seats. In addition, and contrary to the CDU/CSU, it was located in the centre of the political space and, in theory, able to form coalitions with the other four parties on an ad hoc basis.

Institutions and Coalition Formation in Germany

Institutions, specifically the investiture vote and bicameralism, have a substantial limiting effect on which coalitions can form. First, in Germany all new governments are subject to an investiture vote in the Bundestag. This decreases the likelihood that a minority government will form because it is unlikely to muster the simple majority necessary to clear the investiture hurdle (Strøm 1984, 1990). However, the investiture rule does not completely shut the door on the possibility of a minority government. If a potential government fails to win a majority in the new parliament on three investiture votes, the Federal President can either appoint the coalition receiving a plurality on the final investiture vote, or can dissolve the Bundestag and call for new elections (Art. 63 German Constitution). Because the President has the power to appoint a government receiving only a plurality of votes, the possibility of a minority government remains, albeit less likely.

Second, the existence of a second chamber, the Bundesrat, limits the effectiveness of any coalition which does not control a bicameral majority. Earlier literature has demonstrated the effects of an upper chamber on policy outcomes (Tsebelis and Money 1997; König 2001) and on the duration of governments not controlling an upper house majority (Druckman and Thies 2002). The support of the Bundesrat is necessary to pass all legislation which impacts on the *Länder*, meaning virtually all major legislation must receive the support of the Bundesrat. Any coalition forming without a bicameral majority is unlikely to achieve
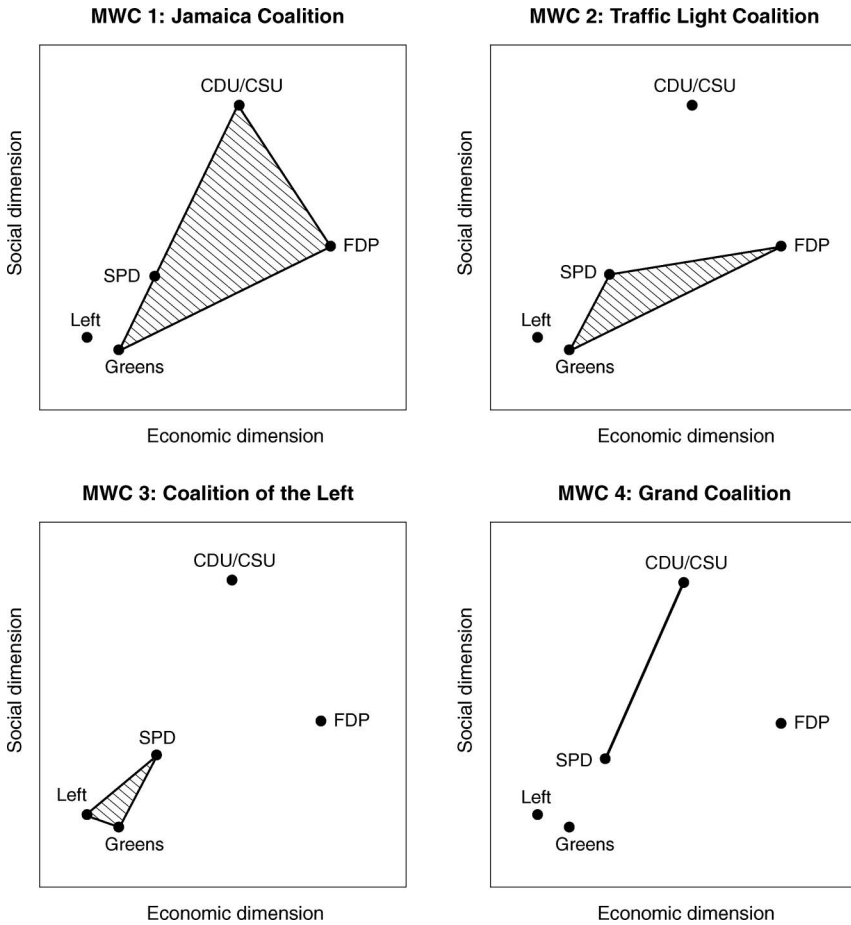
major legislative change. Given the importance of the economic reforms on the table during the 2005 election, a bicameral majority was extremely important. A government without a bicameral majority would be very unlikely to successfully implement controversial economic and labour market reforms.

In light of the policy positions and the institutional constraints, we examine the possible coalition formations. We limit our analysis to five potentially feasible governments, which had been discussed by the parties themselves or by the media following the elections on 18 September 2005. We start by discussing four of the five alternatives. The first three constituted minimum winning coalition governments and the fourth alternative, a minority government.[12] We then conclude our analysis by discussing the outcome of the coalition formation process, the grand coalition between the *CDU/CSU* and the *SPD*. We use the size of the pareto set as a measure of the ideological distance between the potential coalition partners, and assume that coalitions with a greater ideological distance are less likely to form. Figure 2 represents these pareto sets of the four possible coalition governments.[13] By definition, the pareto set defines the set of policies that cannot be changed by this potential coalition, as we assume that all members of a coalition are veto players (Tsebelis 2002). We also discuss the presence or absence of upper house majorities for each coalition (see Appendix B for Bundesrat seat distribution).

Minimum Winning Coalition 1: CDU/CSU–FDP–Greens (Jamaica Coalition)

This coalition was immediately suggested by the CDU/CSU and the FDP, who as the shadow government sought an additional small coalition member to achieve a majority. It was referred to as the 'Jamaica coalition' because the colours of the parties resembled those of the Jamaican flag. This coalition would have had concurrent majorities in the Bundestag and the Bundesrat, controlling 55% of the seats in the Bundestag and 62% of the state votes in the Bundesrat. However, the ideological distance between the parties is quite large. Moreover, the SPD is included in the pareto set, making it a de facto oversized coalition. Not surprisingly, given the large ideological distances, these coalition negotiations lasted only one and a half hours, with the Greens walking away from the table. Stoiber, the CSU party leader, was quoted as saying: 'The obstacles were definitely very large, just as we had expected.'[14] The outgoing Foreign Minister Joschka Fischer (Greens) had expressed his view on this coalition earlier: 'Jamaica is not an option. Or could you imagine Angela Merkel or Edmund Stoiber with dreadlocks?'[15] Our analysis of policy positions confirms the parties' assessment of the possibility of this coalition.

MWC 1: Jamaica Coalition   **MWC 2: Traffic Light Coalition**

MWC 3: Coalition of the Left   **MWC 4: Grand Coalition**

Minimum Winning Coalition 2: SPD–FDP–Greens (Traffic Light Coalition)

The incumbent SPD initially favoured this coalition because, as the largest of the three coalition partners, it could have kept the chancellorship for Gerhard Schröder. The so-called traffic light coalition would have controlled 54.4% of the seats in the Bundestag. The FDP, however, resisted this coalition possibility and did not agree to enter into negotiations with the SPD and the Greens. The party chief of the FDP, Guido Westerwelle, stated several times in public that the FDP would 'not be available for a traffic light [coalition]'.[16] Our analysis indicates that there were ideological and institutional barriers to this coalition. The pareto set of this three-member coalition, while smaller than the Jamaica coalition, is still larger than other

coalition possibilities. Given the very consistent position of the FDP on both the economic and the social dimension, the party's reasoning for excluding this coalition was probably related to its proximity to the CDU/CSU on economic affairs compared with its rather large distance to the SPD. Institutionally, this coalition would not have had concurrent majorities in both houses, being guaranteed only the four votes of SPD/FDP-governed Rhineland-Palatinate (5.8% vote share). Thus, our analysis confirms the obvious impending stalemate between this coalition and the CDU/CSU-controlled Bundesrat.[17]

Minimum Winning Coalition 3: SPD–Left Party–Greens (Coalition of the Left)

As in the previous two elections, the three left parties (SPD, Greens, and Left Party) gained a majority in the Bundestag with a 53.3% seat share. Our party manifesto analysis suggests that the three parties were much closer together on economic policy and on social policy than any other coalition, which should have made this coalition more likely to form. The puzzle, then, is why the SPD and the Left Party resisted coalition negotiations. First, this coalition would not have controlled a majority in the Bundesrat, being able to count only on the seven votes from the two SPD/PDS-governed *Länder* Berlin and Mecklenburg-Western Pomerania (10.1% vote share). Second, our two-dimensional figure does not capture a third dimension important for this coalition, the German East–West divide. The former PDS received significant support in the East only. While the new party received slightly more support in the West than its predecessor did, by and large it remained a party of the East. In the West, it only received a significant share of the votes in the *Länder* Bremen and Saarland. In addition, there was most likely lingering personal animosity between the leadership of the two parties, because many former members of the SPD joined the Left Party, including the former SPD party chief, Oskar Lafontaine. Thus, while there were overall similarities in terms of policy positions, this coalition did not control an upper house majority and both the SPD and the Left Party could have lost credibility vis-à-vis their respective constituencies had they opted for this particular coalition. During the election campaign both parties rejected this option.

Minority Governments: SPD or SPD–Greens

We argue that from a policy perspective only the SPD (alone or together with the Greens) could have formed a minority government, although party members from both the SPD and CDU/CSU discussed the possibility of minority governments.

While the SPD party leader, Franz Müntefering, rejected the possibility of a minority government, other senior SPD party members considered this a viable option.[18] Given their central location in the policy space, the

SPD was in a position to form a government and gain the support of a majority of the Bundestag even without controlling a majority of the seats. A single-party SPD minority government, controlling 36.2% of the seats in the Bundestag, could have sought parliamentary support for its programme from the Greens and the Left Party, or even the FDP and CDU/CSU. In Norway and Italy, single-party minority governments have formed quite regularly with only slightly higher seat shares, approximately 41–42% (Strøm 1990). In 2005, the minority coalition in Denmark controlled only 39% of the seats in the Danish Folketing. Another option for the SPD would have been to enter a minority coalition with its former coalition partner, the Greens. This coalition would have controlled 44.5% of the seats, certainly enough to form a minority government in the Italian, Norwegian or Danish systems. In contrast, because the CDU/CSU was not centrally located in the policy space, its choice of legislative coalition partners was limited. While it could possibly rely on votes from the FDP or SPD, there would have always been the possibility that the three left-wing parties would block the CDU's proposals, making it an ineffective minority government.

   Institutions, however, decrease the likelihood of forming minority governments in Germany. First, the SPD does not control the median in the Bundesrat, meaning that an SPD or SPD/Green minority government would have difficulty passing major legislation.[19] Second, the government is subject to an investiture vote. Even though in the last round of voting a plurality in the Bundestag is sufficient to elect a chancellor, this requires the assent of the Federal President, Horst Köhler, a member of the CDU. Faced with the choice of appointing a minority SPD government or dissolving the Bundestag and calling for new elections, Köhler might have chosen the latter option.[20] Finally, German governments lack other institutional advantages that help minority governments function effectively, such as the right to make a 'last offer' in the legislative process. In many countries governments have the ability to make final proposals on bills, making it more likely that they receive an outcome close to their preference. Heller (2001) argues that this power makes it easier for minority governments to form and govern effectively. The German election results in another institutional setting would probably have led to a minority government. Despite obstacles to forming a minority government in Germany, the outcome did place the SPD in a particularly strong bargaining position, which was evident in the coalition negotiations leading to the new government between the SPD and CDU/CSU.

The Coalition Government: CDU/CSU–SPD (Grand Coalition)

The party leadership of the CDU/CSU and the SPD agreed to start negotiations towards a grand coalition government on 10 October 2005, approximately three weeks after the election. The investiture vote took place

on 22 November 2005. CDU leader Angela Merkel was elected chancellor, while the incumbent Gerhard Schröder stepped down. Given the institutional constraints and the configuration of policy positions, this coalition was the most likely to form. With only two coalition partners, the pareto set of the coalition reduces to a single dimension, making policy change more likely than in the other coalition scenarios. The grand coalition has majorities in both chambers, controlling 73% of the seats in the Bundestag and 52% of the votes in the Bundesrat. This coalition therefore minimises the ideological distances between partners and can pass major legislation requiring upper house support.

Nevertheless, the coalition agreement demonstrates the bargaining strength of the SPD because of its centrist position. Schröder even declared that the new coalition agreement first and foremost bears the signature of social democracy.[21] A good yardstick by which to measure the SPD's power is to examine whether policies set by the SPD/Greens government survived the coalition negotiations. For example on the economic dimension, at the insistence of the SPD, the tax breaks for night, holiday, and weekend shifts are to remain largely unchanged. In addition, the SPD's arrangement with the power companies to phase out nuclear energy by 2021 remained intact, despite the CDU's attempts to extend the phase-out period by six years. On the social dimension, the SPD's proposal on 'parenting support' was included in the coalition agreement. Under this proposal, mothers or fathers who stay at home with a newborn baby are entitled to 67% of their salary or up to €1,800 per month.

In addition, cabinet portfolio allocation demonstrates the strength of the SPD. One expectation regarding the allocation of policy portfolios is a division among the coalition members according to their seat share in the lower house. Because the CDU/CSU and the SPD have an almost equal seat share, it is not surprising that neither party has a majority in the cabinet, with each controlling eight portfolios. The CDU/CSU holds six policy portfolios plus the chancellorship and the chancellor's chief of staff (*Kanzleramtschef*), while the SPD received eight policy portfolios including the vice-chancellorship. While the split of portfolios appears to be equal, the SPD in fact received policy portfolios which control approximately two-thirds of the federal budget.

Table 2 lists the portfolios of the CDU/CSU and the SPD along with the ministers and the budget share of those portfolios in 2005. The SPD was able to secure the health and social security ministry as well as transport and building. Together these two portfolios control more than half of the federal budget. Because the coalition agreed to split the economics and labour ministry, and the 2005 budget still lists this as one ministry, we can only estimate that the SPD's final share of the budget will lie between 58.1% and 76.7% of the budget.

There are two explanations for the SPD's bargaining success. First, the CDU paid a very high price for securing the chancellorship. Merkel was intent on

TABLE 2
GRAND COALITION GOVERNMENT: CABINET PORTFOLIOS AND BUDGET
SHARES

Ministry	Minister	Budget expenditure[a]	Budget share (CDU scenario)[a]	Budget share (SPD scenario)[a]
CDU/CSU Portfolios				
Chancellery	Merkel (Chancellor), de Maizière (Chief of Staff)	1,510,084	0.7	0.7
Interior	Schäuble	4,126,641	2.0	2.0
Defence	Jung	23,900,000	11.7	11.7
Education, Research	Schavan	8,540,422	4.2	4.2
Family	von der Leyen	4,571,691	2.2	2.2
Agriculture, Consumer Protection	Seehofer (CSU)	5,106,957	2.5	2.5
Economy, Technology	Glos (CSU)	[37,974,665][b]	18.6	0.0
Total CDU/CSU			**41.9**	**23.3**
SPD Portfolios				
Labour	Müntefering (Vice-Chancellor)	[37,974,665][b]	0.0	18.6
Foreign Affairs	Steinmeier	2,205,783	1.1	1.1
Justice	Zypries	338,592	0.2	0.2
Finance	Steinbrück	4,041,769	2.0	2.0
Transport, Building	Tiefensee	23,255,509	11.4	11.4
Health, Social Security	Schmidt	84,409,880	41.3	41.3
Environment	Gabriel	769,024	0.4	0.4
Economic Cooperation and Development	Wiezcorek-Zeul	3,859,093	1.9	1.9
Total SPD			**58.1**	**76.7**

(a) Expenditure figures are in €1,000. *Source:* German Federal Ministry of Finance, Federal Budget 2005, http://www.bundesfinanzministerium.de/bundeshaushalt2005/html/vsp2i-e.html (last consulted on 27 October 2005). Budget shares are in per cent.
(b) The previous SPD–Green government had merged the two portfolios of economics and labour policies, whereas the CDU/CSU–SPD coalition decided to split the two up again. We calculate two scenarios: in the first scenario, the CDU/CSU gets the entire share of this budget item, and in the second scenario the SPD receives the entire share.

becoming chancellor and was willing to give the SPD what it wanted in return for its support for her candidacy. The other explanation emphasises the SPD's strong bargaining position, given its central location and its other coalition alternatives. According to this view, the SPD could have threatened to walk away from the table and tried to form a minority government. These explanations are not mutually exclusive, and it is plausible that both played a role in securing the SPD a favourable negotiating outcome.

Conclusion

While the outcome of the election of 2005 appears puzzling and unique in German politics, it is easily understood using institutional theories of

coalition formation. We have estimated the party positions using party manifestos and determined the likelihood of all potential coalitions. Although many coalition scenarios were discussed, only a few were feasible given the institutional constraints. Surprisingly, these coalitions were the rarest in German postwar history, a minority government and a grand coalition. This analysis highlights the role of bicameralism and the investiture vote in coalition formation, which together explain why this rare outcome occurred. While the configuration of policy positions would have allowed the SPD to form a minority government, the role of the Federal President as a veto player could have prevented it from forming, and the presence of an opposition-controlled upper house would have decreased its effectiveness.

In contrast, the grand coalition minimised ideological distances while maintaining a bicameral majority. In fact, on economic policy, the CDU/ CSU and the SPD are actually quite close. On social policy there are significant differences, both substantively and statistically. While the SPD was a loser in the election, its bargaining position in coalition negotiations with the CDU was strong, allowing it to secure some of the most important cabinet portfolios and an acceptable coalition agreement. This is understandable given Merkel's desire to become chancellor and the SPD's ability to credibly seek other coalition alternatives due to its central location in the bargaining space.

Acknowledgements

Notes

1. In his speech before the Bundestag, Schröder said: 'Ever since we decided on the Agenda 2010 [the reforms], the SPD has lost votes in state elections and in the election for the European Parliament . . . . This was a high price for pushing through the reforms . . . . Some SPD members threatened to join a backward, populist left party . . . The question, then, was whether the capacity to act still existed, given the slim majority [for the coalition government] in the Bundestag.' Gerhard Schröder, 185th Plenary Session of the 15th Bundestag, 1 July 2005, http://dip.bundestag.de/btp/15/15185.pdf.
2. In Germany, there are two types of confidence votes. The first is a constructive vote of no confidence initiated by the Bundestag. This requires that the Bundestag elects a new chancellor to replace the incumbent chancellor. The Federal President must comply and appoint the newly elected chancellor (Art. 67, German Constitution). We refer to the second type of confidence vote, which is called by the incumbent chancellor, not the Bundestag (Art. 68).

3. Following the election, Schröder declared that, 'for the next four years, Germany will have a stable government under my leadership. ... No one else except me is able to form a stable government.... All those who wanted a change in the chancellor's office have failed spectacularly.' *Der Spiegel*, 18 September 2005.

4. Official statistics of the Bundesrat. 'Die Arbeit des Bundesrates im Spiegel der Zahlen, 1949–2004', http://www.bundesrat.de

5. For other applications of this approach see Laver and Benoit (2002), Giannetti and Laver (2005), Hug and Schultz (2005), and Bräuninger and Debus (2005).

6. Benoit *et al.* have written a computer program, *wordscores*, to compute these scores, freely downloadable at http://www.wordscores.com. See Laver *et al.* (2003) for a more complete example of how the program works.

7. We do not claim that these two dimensions are always the most important ones. For example, in 2002, foreign policy (Iraq war) was certainly a divisive issue dimension as well.

8. The reference texts, party manifestos and replication information are available at http://jslapin.bol.ucla.edu/

9. We thank Thomas König for pointing out these two possibilities.

10. We thank one anonymous referee for pointing this possibility out to us.

11. For the social dimension, we calculated the conditional probability that the Left Party's position was greater than some arbitrary point c given that the SPD's position was located at c for all possible values of c. Because the distributions of the positions are normal, this becomes $\int_{-\infty}^{\infty}(1 - \Phi_{Left}(c))(\varphi_{SPD}(c))dc$. We integrate through Monte Carlo simulation. We do the same for the economic dimension (Greens and SPD).

12. In total, there were seven minimum winning coalitions: CDU/CSU–SPD, CDU/CSU–FDP–Greens, SPD–FDP–Greens, SPD–Left–Greens (all of which we discuss), as well as CDU/CSU–FDP–Left, CDU/CSU–Left–Greens, SPD–FDP–Left (which were not considered by any of the parties involved, and which we therefore exclude from our discussion).

13. For simplicity, we ignore the confidence intervals in this part of the analysis. The confidence ellipses would simply increase the size of the pareto sets, but our substantial findings would continue to hold.

14. 'Die Jamaika Koalition ist nichts fuer die Grünen', *Tages-Anzeiger*, 24 September 2005, p. 5.

15. 'Nicht geliebt, aber umworben. Union geht auf *Grüne* zu', *Süddeutsche Zeitung*, 20 September 2005, p. 2.

16. 'Westerwelle sagt Nein zur Ampel und "anderen Ampeleien"', *General-Anzeiger*, 19 September 2005, p. 5. The party chief repeated this statement several times.

17. 'Den *Bundesrat* als Gegner. Eine Ampelkoalition hätte wenig gemein – und träfe auf eine starke Länderkammer', *Süddeutsche Zeitung*, 20 September 2005, p. 5.

18. 'Müntefering schliesst Rot-Grüne Minderheitsregierung aus', *Spiegel Online*, 21 September 2005; 'Minderheitsregierung is besser als Große Koalition', *Spiegel Online*, 23 September 2005; 'Minderheitsregierung oder Neuwahl', *Berliner Zeitung*, 20 September 2005, p. 2.

19. Technically, because states vote in blocks in the Bundesrat, a state, not a party, controls the median. However, in this case it is quite clear that a state with a CDU government controls the median (see Appendix B).

20. Because a minority government must win a plurality, a CDU or CDU/FDP minority government was less likely than an SPD minority government. Some members of the Left Party may have supported the SPD if faced with the prospect of a right-wing minority government. Angel Merkel, CDU leader, was aware of this possibility, and therefore excluded a CDU/CSU minority government ('Merkel gegen Minderheitsregierung', *Frankfurter Rundschau*, 23 September 2005, p. 1).

21. 'SPD-Parteitag billigt Koalitionsvertrag', *Frankfurter Allgemeine Zeitung Online*, 14 November 2005.

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APPENDIX A
WORD SCORES ESTIMATION RESULTS

Party	Transformed score	Transformed SE	Unique scored words	Total words scored
Economic dimension				
CDU/CSU	0.8746	0.0904	967	4,513
SPD	0.3000	0.0993	813	3,598
FDP	1.5570	0.0756	1,343	6,406
The Left	−0.1968	0.1073	868	3,136
Greens	0.0334	0.0660	1,394	8,211
Social dimension				
CDU/CSU	1.6431	0.1792	513	1,593
SPD	0.3904	0.1591	537	2,013
FDP	0.6335	0.0873	1,200	7,157
The Left	−0.0336	0.1563	643	2,183
Greens	−0.1156	0.0801	1,283	8,216

APPENDIX B
DISTRIBUTION OF VOTES IN THE BUNDESRAT AT THE TIME OF THE 2005 ELECTION

State (*Bundesland*)	State government	Weighted votes	MWC 1[a]	MWC 2[a]	MWC 3[a]	Grand Coalition[a]
Baden-Wuerttemberg	CDU/FDP	6	6			
Bavaria	CSU	6	6			6
Berlin	SPD/PDS	4			4	
Brandenburg	SPD/CDU	4				4
Bremen	SPD/CDU	3				3
Hamburg	CDU	3	3			3
Hessen	CDU	5	5			5
Mecklenburg-Western Pomerania	SPD/PDS	3			3	
Lower Saxony	CDU/FDP	6	6			
North Rhine-Westphalia	CDU/FDP	6	6			
Rhineland-Palatinate	SPD/FDP	4		4		
Saarland	CDU	3	3			3
Saxony	CDU/SPD	4				4
Saxony- Anhalt	CDU/FDP	4	4			
Schleswig- Holstein	CDU/SPD	4				4
Thuringia	CDU	4	4			4
Total Votes		**69**	**43 (62%)**	**4 (6%)**	**7 (10%)**	**36 (52%)**

(a) MWC I: CDU/CSU, FDP, Greens; MWC 2: SPD, FDP, Greens; MWC 3: SPD, The Left, Greens; Grand Coalition: CDU/CSU, SPD.