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# Dissolution Threats and Legislative Bargaining<sup>\*</sup>

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## Abstract

Chief executives in many parliamentary democracies have the power to dissolve the legislature. Despite a well-developed literature on the endogenous timing of parliamentary elections, political scientists know remarkably little about the strategic use of dissolution power to influence policymaking. To address this gap, we propose and empirically evaluate a theoretical model of legislative bargaining in the shadow of executive dissolution power. The model implies that the chief executive's public support and legislative strength as well as the time until the next constitutionally mandated election are important determinants of the use and effectiveness of dissolution threats in policymaking. Analyzing an original times-series data set from a multi-party parliamentary democracy, we find evidence in line with key empirical implications of the model.

Keywords: parliaments; legislative politics; executive-legislative relations; parliamentary government; dissolution power; confidence vote; government termination; early election; coalition governance; veto bargaining; Europe

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*If negotiations break apart on Friday, we will have an election. There shall be no doubt about that. With no majority for the tax reform, I am going to call a general election.*

Danish Prime Minister Poul Hartling (1974)

Chief executives in many parliamentary democracies have the power to dissolve the legislature and call a new election at their discretion (Laver, 2006).<sup>1</sup> As the quotation illustrates, they may use their dissolution power to influence legislative bargaining - making clear that they will call a new election unless the legislature achieves a certain outcome, such as passing a particular policy or refraining from doing so. How does the power to call a new election affect policymaking? In what circumstances will chief executives threaten to call a new election unless the legislature supports a particular policy? And when is such a dissolution threat likely to lead to a compromise among divergent interests rather than gridlock and a new election? Answering these questions is crucial to our understanding of policymaking and elections in parliamentary democracies. There is a well-developed literature on the timing of parliamentary elections based on analytical models analyzing the incentives of opportunistic governments (e.g., Ito and Park, 1988; Kayser, 2005; Palmer and Whitten, 2000; Smith, 2003; Strøm and Swindle, 2002). But political scientists know remarkably little about chief executives' strategic use of dissolution threats in legislative bargaining, both in terms of theory and evidence. This is especially relevant for multi-party parliamentary democracies, where single-party majority governments are the exception rather than the rule. In this context of

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<sup>1</sup>In a large majority of parliamentary systems covered by Lijphart's (1999) seminal study of 36 democracies, the chief executive can trigger a parliamentary dissolution. Dissolution may require the consent of the head of state (e.g., monarch), but in most cases this is only a formal, non-partisan role (e.g., see Kayser 2006, p. 441; Strøm and Swindle, 2002, p. 577). The Supporting Information provides some background on this.

coalition and single-party minority governments, chief executives (henceforth called prime ministers) cannot take legislative support for their program for granted. There may be no legislative majority to remove the government and replace it by another - a crucial condition for the survival of the government in a parliamentary democracy (Strøm, 2000). But this by no means implies that it is easy for parties with divergent preferences to agree on a policy and it reveals nothing about the redistributive nature of any agreement (Tsebelis, 2002). Hence, an increasingly sophisticated empirical and theoretical literature examines policy-making in non-majoritarian parliamentary systems (e.g., Baron, 1998; Heller, 2001; Huber, 1996*b*; Martin and Vanberg, 2005; Müller and Strøm, 2008; Thies, 2001). In this paper, we submit that dissolution power in the hands of the prime minister plays an important though neglected role in legislative politics and that understanding it requires paying attention to how public opinion shapes legislative bargaining in the shadow of early elections. We propose and empirically evaluate a theoretical model of legislative bargaining where the prime minister has dissolution power, thereby contributing to the study of coalition governance and parliamentary dissolutions.

In parliamentary systems, the government's power to dissolve parliament has long been recognized as a counterweight to parliament's power to dismiss the government (e.g., Cox, 1987; Linz, 1994). While well-known theories rigorously model the electoral motivation behind parliamentary dissolutions, they do not capture how prime ministers use dissolution threats to influence policy. For example, the models of Smith (1996) and Strøm and Swindle (2002) focus on electoral timing and abstract from policymaking. Closer to the questions at hand, the models of Lupia and Strøm (1995) and Diermeier and Merlo (2000) analyze how parties bargain over policy after a public opinion shock in a context where failure to reach an agreement leads to a new election. They generate important insights about the effect of public opinion on parliamentary governments. One key result is that shocks to a previously stable government need not lead to a dissolution because parties may prefer to

renegotiate policies or portfolios. These models assume that a dissolution decision requires a parliamentary majority. In the related model of Baron (1998), any government party may trigger a dissolution rather than engage in policy negotiations. In many countries, however, it is effectively the prime minister that decides. Huber (1996*b*) provides a seminal model of policymaking where the prime minister may invoke a confidence vote procedure that combines the fate of a bill with that of the government. If defeated, the government has to resign. The model does not distinguish whether resignation leads to replacement of the government or dissolution. It demonstrates that the existence of a confidence procedure implies a policy advantage for prime ministers and that the use of the confidence vote procedure by the prime minister is a consequence of position-taking incentives by coalition parties, who want to send signals to their core voters. The analysis does not consider electoral incentives based on zero-sum changes in public opinion that, following Lupia and Strøm (1995), we believe to be important in shaping bargaining.<sup>2</sup> Thus despite significant advances in the study of parliamentary democracy, the literature provides no coherent theory of when and how prime ministers attentive to public opinion use their dissolution power in legislative bargaining.

To better understand prime ministers' strategic use of dissolution threats, we begin by analyzing a simple game theoretical model. The model captures and extends farther the intuition that prime ministers with dissolution power should have incentives to exploit public

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<sup>2</sup>Theories comparing presidential and parliamentary systems have analyzed the effects of the confidence procedure on voting cohesion (Diermeier and Feddersen, 1998), fiscal policy (Persson, Roland and Tabellini, 2000) and legislative success (Diermeier and Vlaicu, 2011). In these models, by default any proposal by the prime minister constitutes a confidence vote where defeat leads to the selection of a new government rather than a dissolution. Similarly, Becher (2012) analyzes a model where any proposal is assumed to be a dissolution threat.

support for policy gains. It provides new refutable hypotheses about the impact of public opinion on legislative behavior. Government leaders can only exploit their dissolution power when the threat of dissolution is credible and it is credible only when public opinion is relatively favorable to them. We think that the basic idea is intuitive (e.g., see Laver, 2006, p. 125, for an eloquent statement). Though one should note that the literature also spells out a countervailing intuition: popular prime ministers may simply “surf” on their popularity and call a new election rather than bother with lawmaking (Baron, 1998; Kayser, 2005). Furthermore, the model reveals that that the relationship between public opinion and threats varies by context. In particular, the impact of public opinion on bargaining behavior is conditioned by the legislative strength of the prime minister’s party and the maximum time until the expiration of parliament’s constitutional term. This means, among others, that favorable public opinion is most likely to be exploited by relatively weak chief executives long before a new election must be held. Holding other things constant, popular prime ministers are more likely to make dissolution threats when there is more rather than less time left before a mandatory election.

This logic complements existing arguments and findings about parliamentary dissolutions. For example, Diermeier and Stevenson (1999) demonstrate, consistent with the foundational model of Lupia and Strøm (1995), that parliamentary dissolutions become more likely when there is less time left until a mandatory election. Moreover, Kayser (2006) finds that dissolutions become more likely when there is less time and the economy is doing well, in line with the models of Baron (1998) and Kayser (2005). Reading the literature on parliamentary dissolutions, one may thus infer that dissolution threats should become more frequent as there is less time and should be most frequent when the prime minister is popular and there is little time left. Our theoretical model does not confirm this. It highlights that the intuition based on actual dissolutions does not directly carry over to dissolution threats. One reason is that dissolution threats often lead to policy compromise rather than a dissolution

and that dissolution threats have less bite the less time there is before a scheduled election.

We test empirical implications of the argument with a new data set from a multi-party parliamentary democracy. The literature provides little evidence about the use of dissolution power in legislative politics.<sup>3</sup> Thus we consider the second main contribution of the paper to be empirical. The times-series data we have assembled cover dissolution threats by prime ministers in Denmark between 1974 and 2011. We focus on this case because it provides an excellent testing ground for the argument. In Denmark the prime minister has the power to dissolve the legislature at almost any time and the problem of achieving consensus in policymaking is especially acute. Moreover, as we explain later, the prevalence of minority governments probably makes it easier to observe public dissolution threats. We first use regression analysis to examine the context-varying impact of public opinion on the use of dissolution threats in policymaking. We then provide analytical discussions of specific cases to breathe life into the regression results. To the best of our knowledge, this is the first systematic study of dissolution threats in a parliamentary democracy. There is also little empirical work on the relationship between public opinion and bargaining in parliaments. Though parliamentary actors in contemporary democracies operate in an “era of widespread and reasonably accurate public opinion polling” (Laver, 2006, p. 124), most studies of parliamentary governance omit public opinion.<sup>4</sup> To preview, the empirical results are consistent

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<sup>3</sup>Existing studies mostly examine dissolutions. A related work is the careful study of the confidence procedure in the French Fifth Republic (Huber, 1996*a*). If the government uses the procedure, all debate stops and the bill is accepted unless the assembly passes a censure motion, in which case the government must resign (but may not dissolve parliament). We specifically examine threats of dissolution rather than generic threats of termination. There is also some research on no-confidence motions by opposition parties (e.g., Williams, 2011).

<sup>4</sup>For an exception, see Fortunato and Angelova (2013). They find that the popularity of

with key empirical implications of the theoretical model. Public support of the government predicts dissolution threats conditional on the government's legislative strength and the time left until an election must be called.

## **Theoretical Model**

We analyze what Cox (1987, ch. 8) calls “threats of dissolution,” where the legislative defeat of the executive leads to a new election, rather than “threats of resignation,” where the legislative defeat of the executive leads to a new round of government formation without an election. Both procedures are different facets of the power of chief executives in many parliamentary democracies to fuse the passage of legislation with the survival of the government through a vote of confidence. The model focuses on the common situation in which no single party has a majority in parliament.

## **Assumptions**

Consider a parliamentary democracy with two pivotal partisan actors, the prime minister (P) and a veto player (V), who bargain over policy. In line with the veto player framework (e.g., Tsebelis, 2002), V can be a coalition partner or, in the context of a minority government, an opposition party whose support is needed to enact policy. P has the constitutional power to dissolve the parliament and call a new election, but P's vote alone is not sufficient to enact legislation. Importantly, V has veto power over policy, reflecting that policymaking is by majority vote (rather than executive decree), but not over parliamentary dissolution, 

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cabinet ministers predicts the number of bills they introduce. This complements our findings.

reflecting the constitutional prerogative of P.<sup>5</sup> We assume that policy conflict is over the allocation of a fixed set of resources whose value is normalized to one. The divide-the-dollar structure builds on the well-known legislative model of Baron and Ferejohn (1989) and its various extensions (e.g., Diermeier and Feddersen, 1998). It captures the prevalence of distributive conflicts in policymaking and the central problem in multi-party parliamentary democracies that parties with divergent interests need to find common ground to make laws (Martin and Vanberg, 2005). Following well-known models of coalition governance and termination (Lupia and Strøm, 1995), the game starts after a government has been formed and in the wake of a potentially critical change in public opinion but before the constitution requires a new election.<sup>6</sup> At the beginning of the game, there exists an initial compromise policy  $x \in [0, 1]$ . Accordingly, P obtains a share of  $x$  and V a share of  $1 - x$  of the resource. The initial compromise provides a summary statistic for the bargaining strength of P's party before a public opinion shock takes place. It can be interpreted to capture P's influence over the initial coalition agreement (Müller and Strøm, 2008), P's control of the relevant ministry drafting the proposal (Laver and Shepsle, 1996), the ability to monitor coalition partners (Thies, 2001), to control committees, amendments (Heller, 2001) or floor votes.<sup>7</sup>

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<sup>5</sup>The focus on two players captures that in parliamentary democracies parties are the key actors and in cases of policy conflict the number of pivotal parties tends to be small. The argument extends to more than two players.

<sup>6</sup>For an analysis of agenda and policy shocks, see Laver and Shepsle (1998).

<sup>7</sup>The institutional details of the legislative process vary considerably across parliamentary democracies. Rather than modeling a particular arrangement of the whole process of government formation and lawmaking, the model focuses on the strategic use of dissolution power after a government has been formed.

The subsequent sequence of interactions is as follows:

1. Given the initial compromise  $x$ , P has two courses of actions. It can accept  $x$ , ending the game, or it can invoke its dissolution power to make an alternative proposal  $b \in [0, 1]$ , specifying that the policy entails a share of  $b$  for P and a share of  $1 - b$  for V. We refer to the alternative proposal as a dissolution threat, as it implies that P will dissolve the legislature unless  $b$  is accepted.
2. In response to proposal  $b$ , V can accept the proposal, ending the game with the implementation of  $b$  and the continuation of the parliamentary term, or reject it, ending the game with a parliamentary dissolution and no policy agreement, which entails the status quo allocation of  $q \in [0, 1]$  for P and  $1 - q$  for V.<sup>8</sup>

The partisan actors are motivated by the policy outcome of the legislative process and the expected electoral benefits of a new election.<sup>9</sup> Naturally, in this framework, players' initial policy benefits are their share of resources obtained under the adopted policy. In case there is no agreement, the exogenous status quo allocation,  $q$ , is implemented. We assume that electoral performance matters for future coalition negotiations. In case of an early election,

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<sup>8</sup>The bargaining protocol reflects the assumption that the dissolution threat is embedded into formal and/or informal institutions that govern parliamentary behavior and provide commitment. In some countries, like France, there are formal procedures. In other countries, like the United Kingdom (until 2011) or Denmark, such institutions exist by convention.

<sup>9</sup>In a previous version of the paper (available upon request), we explicitly model first period office benefits. Doing so is interesting (e.g., it allows to distinguish minority from majority governments), but does not change the relationships that are the focus of the paper.

a party that wins seats has better chances (but no guarantee) to get desirable outcomes (i.e., cabinet positions and policy) than a party that loses seats. Recent studies provide a solid empirical foundation for this view.<sup>10</sup> These electoral considerations are captured by a parameter,  $\phi$ , for the relative public support for P compared to V. A positive (negative) value of  $\phi$  indicates a good (bad) electoral outlook, as measured by a credible opinion poll, for P and a bad (good) outlook for V at a given time. If there is an election, this is translated into a parliamentary seat distribution. Public opinion is thought of as an unbiased but noisy predictor of parliamentary seats. The outcome of the subsequent negotiations is also subject to uncertainty. Hence we interpret  $\phi$  as the expected value of the benefits derived from a shift in electoral support in future negotiations.<sup>11</sup> This matters most when an election occurs. If there is no dissolution,  $\phi$  is discounted by the time,  $T > 1$ , remaining until the constitutional end of the term. Looking forward from the current distribution of public support to a long term without an early dissolution, the expected balance of public support at the regularly scheduled election converges to 0, which reflects the underlying structure of partisan support in the absence of short-term popularity shocks. This formulation captures that popular prime ministers cannot take for granted that their public support will remain as high in the future. Many government decisions entail the risk of generating electoral liabilities and scandals or external events may also undermine their popularity, especially among swing

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<sup>10</sup>Glasgow, Golder and Golder (2011) demonstrate that seat gains increase the probability that the party previously in control of the prime ministry will get to keep it. Also see Mattila and Raunio (2004).

<sup>11</sup>It is straightforward to derive the expected value explicitly (see the Supporting Information), though doing so adds notation and does not change the results.

voters. Altogether, the utility of P is as follows:

$$u_P = \begin{cases} x + \frac{\phi}{T} & \text{if P chooses to accept } x \\ b + \frac{\phi}{T} & \text{if P proposes } b \text{ and V accepts} \\ q + \phi & \text{if P proposes } b \text{ and V rejects} \end{cases} \quad (1)$$

The model captures that P, when deciding whether to make a dissolution threat, does not have perfect information about the preferences of V. Realistically, the veto player has private information about how much it values a new election relative to accepting P's proposal and maintaining the government. Substantively, the uncertainty implies that any dissolution threat is a gamble that may lead to a new election. Thus, prime ministers may overplay their hand and lose the legislative gamble.<sup>12</sup> Formally, this logic is incorporated into V's utility as in standard probabilistic voting models:

$$u_V = \begin{cases} 1 - x - \frac{\phi}{T} & \text{if P chooses to accept } x \\ 1 - b - \frac{\phi}{T} & \text{if P proposes } b \text{ and V accepts} \\ 1 - q - \phi + \epsilon & \text{if P proposes } b \text{ and V rejects} \end{cases} \quad (2)$$

Hence, V accepts a proposal  $b$  if  $1 - b - \frac{\phi}{T} \geq 1 - q - \phi + \epsilon$  and rejects it otherwise, where  $\epsilon$  measures the unobserved (by P) component of the benefit V derives from rejecting the proposal. While P does not observe  $\epsilon$  when making the proposal, P has beliefs that are captured by a distribution function. For simplicity, we suppose that  $\epsilon$  is uniformly distributed

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<sup>12</sup>As Saiegh (2011), we think that uncertainty is an important feature of legislative bargaining. The comparative statics examined in the regression analysis are not driven by this, but other implications are.

on the interval  $[-\gamma, \gamma]$  with  $1 > \gamma > 0$  (e.g., see Persson, Roland and Tabellini, 2000).

## Equilibrium and Implications

If P decides to make a dissolution threat, V accepts any proposal  $b$  that makes it at least weakly better off than the expected outcome from a dissolution. This is the case if V's share,  $1 - b$ , is sufficiently large. Otherwise, V rejects the proposal. Thus, V is more willing to accept unfavorable policy proposals when public opinion is in favor of P. Similarly, an undesirable status quo policy increases the willingness of V to accept policies that favor P. Responding to V's optimal acceptance strategy, P formulates its bargaining strategy. This requires considering what would be the utility-maximizing proposal based on the dissolution threat and whether this makes P better off than accepting the initial compromise  $x$ . As P is uncertain about how V will evaluate the costs and benefits of a dissolution over accepting, there always is a positive probability that a dissolution threat triggers a new election. The ex-ante probability of a rejection declines, as the the proposal becomes more accommodating to V (smaller  $b$ ). In the unique subgame perfect equilibrium, public opinion, the ex-ante bargaining position of P and the status quo determine the use of dissolution threats in legislative bargaining. Proposition 1 summarizes the equilibrium strategies for all possible values of the public opinion shock  $\phi$ . A formal proof is in the Supporting Information. The intuition can be illustrated with the help of Figure 1.

**Proposition 1.** *The equilibrium strategy profile is as follows:*

1. *Prime Minister (P):*

(a)  $\bar{\phi} > \phi > \underline{\phi}$ : *Accept  $x$  if  $x \geq \hat{x}_1$ . Else, propose  $b^* = (\frac{T-1}{T})\phi + q + \frac{\gamma}{2}$ .*

(b)  $\phi \leq \underline{\phi}$ : *Accept  $x$  if  $x \geq \hat{x}_2$ . Else, propose  $b^* = 0$ .*

(c)  $\phi \geq \bar{\phi}$ : *Accept  $x$  if  $x \geq \hat{x}_3$ . Else, propose  $b^* = 1$ .*

Where

$$\begin{aligned}\underline{\phi} &\equiv -(q + \frac{\gamma}{2})(\frac{T}{T-1}), \bar{\phi} \equiv (1 - q - \frac{\gamma}{2})(\frac{T}{T-1}); \\ \hat{x}_1 &\equiv (\frac{T-1}{T})\phi + q + \frac{\gamma}{8}, \\ \hat{x}_2 &\equiv ((\frac{T-1}{T})\phi + q) \left[ 1 - \frac{1}{2\gamma}((\frac{T-1}{T})\phi + q + \gamma) \right], \\ \hat{x}_3 &\equiv \frac{1}{2\gamma} \left( (\frac{T-1}{T})\phi + q + \gamma - 1 \right) \left( 1 - (\frac{T-1}{T})\phi - q \right) + (\frac{T-1}{T})\phi + q.\end{aligned}$$

2. *Veto player (V): Accept  $b$  if  $b \leq q + (\frac{T-1}{T})\phi - \epsilon$ . Else, reject  $b$ .*

Recall that P's ex-ante bargaining position is captured by  $x$ , which measures the share of the resource P obtains without invoking a dissolution threat. Suppose there are  $T$  periods remaining before the constitution requires a new election. The shaded area in Figure 1 indicates the combinations of public opinion and initial bargaining position for which P will make a dissolution threat to achieve a better policy outcome.<sup>13</sup> When P's ex-ante bargaining position is strong (e.g.,  $x = x_1$  in Figure 1), there are few incentives to make a threat regardless of public opinion. Even if public opinion is highly favorable to P (e.g.,  $\phi = \phi_2$ ), accepting the initial policy compromise is better than the gamble of a dissolution threat, which entails the risk of foregoing an attractive policy outcome and of losing office. When P's ex-ante bargaining position is relatively weak (e.g.,  $x = x_2$ ), there are stronger incentives to make a threat. This is only credible, however, when public opinion indicates sufficiently good electoral prospects for P. When public support for P is relatively low (e.g.,  $\phi = \phi_1$ ), V will not fear an election and will be unwilling to make significant policy concessions. But when P's electoral prospects are good (e.g.,  $\phi = \phi_2$ ), then it can credibly threaten with a dissolution to extract policy concessions from V.

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<sup>13</sup>Figure 1 illustrates the equilibrium given an interior solution for  $b^*$  (i.e.,  $\bar{\phi} > \phi > \underline{\phi}$ ). It is the most interesting and relevant case as (expected) electoral support is naturally bounded. The longest side of the shaded triangle corresponds to the threshold  $\hat{x}_1$ , fixing  $q$ .

Importantly, the time left until a mandatory election conditions the bargaining value of public opinion. The main intuition is that when there is less time left, dissolution threats have less bite. If an election has to be held today, V has no incentives to make policy concessions to a popular prime minister because they can buy no extra time. In this case, faced with a threat the best response for V is to wait and see how the election and subsequent negotiations play out. While P may be able to translate good electoral performance into policy gains, V does not benefit from making preemptive concessions. If there is more time remaining and the polls currently favor P, then it may pay for V to accept some redistribution toward P. Doing so entails the outlook that a currently popular government leader may decline in popularity as the term progresses. Hence, the immediate policy value of an opinion shift favoring the prime minister is higher when there is more time remaining. To see the role of time graphically, Figure 1 also depicts dissolution threats when there is less time remaining than in the case discussed above ( $T' < T$ ). It illustrates that positive electoral outlook for P ( $\phi > 0$ ) is most valuable for legislative bargaining with more ( $T$ ) rather than less ( $T'$ ) time remaining. With less time remaining, even relatively weak (e.g.,  $x = x_2$ ) and popular (e.g.,  $\phi = \phi_2$ ) prime ministers may not find it beneficial to make a threat. Given an election must be held soon, the difference between current opinion polls and the final election outcome is likely to be small. Hence, V will not be willing to deviate much from the initial agreement in exchange for postponing the election just a little more. Holding other things constant, a dissolution threat is more likely when P faces favorable rather than unfavorable polls. When there is a negative electoral outlook for P ( $\phi < 0$ ), a dissolution threat becomes more likely if there is less time remaining. When P's initial bargaining position is bad and there is little time remaining in the term, P has little to lose from making a risky threat.

The literature points out that there may be electoral cost for prime ministers that use a heavy-handed approach in legislative bargaining. For example, this may signal to voters that the government is weak or disrespectful of elected representatives (Huber, 1996*b*, p. 275).

Calling an early election may also indicate that worse times lie ahead (Smith, 1996). To capture these considerations, the models of Huber (1996*b*) and Strøm and Swindle (2002) assume that prime ministers have to pay an exogenous electoral cost for making a proposal or dissolving parliament. It is straightforward to analyze how adding exogenous costs influences dissolution threats. Intuitively, they make it less attractive for prime ministers to invoke a threat. In Figure 1, this corresponds to a downward shift of the threshold below which threats occur. If the costs are very high, prime ministers' formal power has no practical value and threats never occur. For less extreme values, costs do not change the nature of the trade-off. Note also that exogenous cost are not needed to explain why dissolution threats often do not occur. In many situations, they are simply not desirable for the executive or not credible.

In sum, the analysis highlights that the policy value of dissolution power crucially depends on parties' expected electoral performance and that this relationship varies by context. In contrast to models of legislative bargaining that treat each vote over policy as a vote over the survival of the government (e.g., Diermeier and Feddersen, 1998), our model suggests that prime ministers have incentives to invoke their dissolution power to influence bargaining in some situations but not in others. Their strategic calculus is shaped by public opinion, prior legislative strength, and the time left until an election has to be called. Given a positive electoral context, prime ministers that are in a weak legislative position can use their dissolution power to influence policy in their favor. In this case, the outcome may be a policy compromise rather than an early election. The importance of changes in public opinion across parties differs from theories that emphasize the importance of electoral position-taking in explaining the use of termination threats in lawmaking (Huber, 1996*b*). Moreover, dissolution threats do not generally become more likely when a mandatory election approaches. In contrast to the common notion that coalition and minority governments are prone to stalemate and slow to respond to exogenous shocks, the existence of dissolution power means that they

may implement policy change despite significant distributional conflicts among parties and without actually triggering an early election. Their ability to do so, however, depends on electoral context.

## **Evidence**

The empirical analysis examines whether public opinion, the legislative strength of the government, and time left in the term interact to shape threats of dissolution, as implied by the theoretical model. To conduct such a test, we have constructed an original measure of dissolution threats in Denmark between 1974 and 2011 and merged it with public opinion and legislative data.

## **Country Selection and Background**

For the purpose of testing the theoretical logic, focusing on a single parliamentary democracy over time has the advantage of holding the institutional environment constant while examining how variation in the legislative strength and popular support of prime ministers shapes their use of dissolution threats. This research design controls for differences in political institutions, history, and culture and follows studies that examine the impact of public opinion on election timing (e.g., Smith, 2003).

Given its constitutional structure, party system and available public opinion data, the parliamentary democracy of Denmark provides an especially good context to study dissolution threats. According to its 1953 constitution, prime ministers have power to dissolve the unicameral parliament (*Folketinget*) practically at any time and elections have to be held at least every four years (Damgaard, 2000). Parliament is the only institutional veto player in the legislative process. The proportional electoral system with a low threshold of two percent has fostered and maintained a system where no single party alone has won a majority of seats.

The high level of legislative fragmentation means that prime ministers, who are the leaders of their parties, always have to compromise with other parties to make laws. This a context where prime ministers have the power and may have the incentives to use dissolution threats to influence policy.<sup>14</sup> Moreover, the frequent occurrence of minority governments provides a good opportunity to observe public threats because important legislative conflicts tend to take place outside the cabinet. With the exception of a brief interlude (1993-4), governments did not have a majority of legislative seats. While the logic of the theoretical model is not restricted to minority governments, they provide a useful testing ground.<sup>15</sup> In contrast to majority coalitions, most minority governments do not have comprehensive legislative agreements but need to seek support for policies with non-government parties on a more variable basis (Strøm, 1990, p. 95). These negotiations differ from intra-cabinet bargaining in that they pit the cabinet, which is collectively responsible to parliament and has incentives to maintain discipline<sup>16</sup>, against a party (or a group of parties) that is not, thus making the process more openly adversarial.

We focus on the period between 1974 and 2011. The 1973 election, where the number of parties in parliament doubled from five to ten, is considered an important break point for

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<sup>14</sup>Country experts have taken note of prime ministers' willingness to use their dissolution power in the legislative process (Damgaard, 2000, p. 238).

<sup>15</sup>Comparative research shows that minority government is a common feature of parliamentary government (Cheibub, 2007, p. 77; Strøm, 1990).

<sup>16</sup>For example, see the explicit commitments to coalition discipline in coalition contracts (Müller and Strøm, 2008, pp. 176–179).

the party system that increased the problem of achieving policy consensus (Pedersen, 1987, p. 16). Importantly, the period covers substantial variation in the partisan composition and legislative strength of governments. There were prime ministers from three different parties: Conservatives (1982-1993), Liberals (1974, 2002-11), and Social Democrats (1975-82, 1993-2001, 2011).

## **Measuring Dissolution Threats**

We identify public dissolution threats by prime ministers based on news reports in major Danish newspapers, complemented with leading international newspapers. This approach is best suited to measure dissolution threats because media reports cover but are not restricted to newsworthy statements made by prime ministers on the floor of parliament. It is important to cast a wide net because in Denmark the procedure for declaring a policy issue a question of government survival exists by convention but is not formalized in a parliamentary procedure. This is similar to several older parliamentary democracies, often with monarchs as the head of state. The prime minister can declare any legislative issue important enough to merit a new election and such a threat may be even voiced outside parliament. Indeed, we have found that prime ministers have used different extra-parliamentary venues, such as trade union or party conferences and interviews with journalists, to make dissolution threats.

The main difficulty with this approach is that dissolution threats may not be crystal clear. In his landmark study of the emergence of cabinet government in Britain, Cox (1987, p. 84) writes that dissolution threats throughout most of the twentieth century were implicit. But as the quote at the beginning of this paper illustrates and we show more systematically, in Denmark prime ministers have explicitly and publicly made dissolution threats in legislative bargaining. Danish prime ministers, like politicians elsewhere, can be reluctant to appear too eager to use their dissolution power for opportunistic purposes (see Smith, 2004, p. 22, for a discussion of Britain). They often accompany a threat with an eloquent explanation that

it is not made light-heartedly. Whatever the rhetorical justification, prime ministers have made it clear on numerous occasions that the consequence of insufficient legislative support of their policy will be an early election. As the possibility of a new election is front-page news and we have used inclusive search terms and covered multiple sources, we are confident that the methodology does not systematically underreport public threats. The careful content analysis of the thus identified news reports guards against false positives.<sup>17</sup>

Altogether, we have identified 21 dissolution threats over a period of 38 years. Figure 2 gives a sense of their distribution over time. Dissolution threats are not everyday events and tend to be used in major policy conflicts. They were more frequent during the politically more turbulent 1970s and 1980s (Elklit, 1999), but they have occurred in all decades and have been employed by all six prime ministers that have been in power during the period of study.<sup>18</sup> The dependent variable in the analysis is an indicator for whether the prime minister issues a dissolution threat in a given quarter of a particular year (*Dissolution Threat*). Using quarter as the unit of analysis captures variation over the life of a government.<sup>19</sup>

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<sup>17</sup>See the Supporting Information for a detailed description of the coding procedure and a list of all threats. In addition, there may be purely private threats. However, we think that these carry much less institutional and normative force.

<sup>18</sup>The longest period without a threat occurs when the government had a clear majority (2001-7) based on the external support of the Danish People's Party.

<sup>19</sup>There is only one quarter with more than one threat, so the number of threats in a given quarter is effectively a binary variable. Analyzing it using count models would not be meaningful, hence we specify and estimate a binary response model.

## Measuring Explanatory Variables

To capture the expected electoral consequences of an early election, we draw on nationally representative public opinion surveys that measure the political support of political parties and were conducted by the same institute (Gallup) during frequent but uneven intervals throughout the period of study. The results from these surveys have been published in the Danish media as the Gallup political index. They were common knowledge to party leaders at the time. Using this data, we have constructed the variable *Government Public Support*. It measures the expected vote share of the incumbent government party or coalition. The underlying survey question has remained constant and is as follows (our translation): “Which party would you vote for if there was a general election tomorrow?” In the case of coalition governments, government public support is the sum of expected vote shares of all government parties.<sup>20</sup>

Similarly, the incumbent government’s legislative bargaining position is proxied by its seat share in parliament (*Government Seat Share*) – what Strøm (1990) calls the parliamentary basis of the government and Cheibub (2007) calls the government’s legislative support. It indicates how many additional legislative votes the government needs to pass policy. The third explanatory variable suggested by the theoretical model is *Time Until Term Ends*. It measures the number of quarters left until the constitution requires a new election.

To account for possible confounders not made explicit in the theoretical model, the statistical analysis controls for several additional variables. Throughout, we control for the ideological distance between the party of the prime minister and the closest marginal party needed for a legislative majority. *Ideological Distance* was calculated using the left-right summary variable from the widely used party manifesto data coded by the Comparative

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<sup>20</sup>We have used the opinion poll published closest to the beginning of a quarter.

Manifesto Project (Klingemann et al., 2006) and rescaled to vary between 0 and 1. In the veto player framework, ideological polarization is a proxy for the difficulty of changing the status quo and the literature has found that it predicts the number of laws (Tsebelis, 2002), delay and amendments in the lawmaking process (Martin and Vanberg, 2004, 2005) as well as parliamentary dissolutions (Diermeier and Stevenson, 1999). To rule out that the impact of public opinion or government seat share is driven by party differences, we also add indicator variables for the party of the prime minister (Social Democratic, Liberal, or Conservative). To control for the possibility that the more frequent use of dissolution threats earlier in the period of observation was driven by an unmeasured time trend rather than the variables emphasized by the theoretical model, we control for a linear year trend. Some specifications also include a lagged dependent variable to allow the the possibility that the use of dissolution threats reflects a relatively persistent condition not otherwise captured.

## **Quantitative Analysis and Findings**

Given the binary nature of the dependent variable, the theoretical model suggests the estimation of a binary choice model that regresses the probability of a *Dissolution Threat* in a given quarter on *Government Public Support*, *Government Seat Share*, *Time Until Term Ends*, and a vector of control variables. Importantly, the argument implies an interactive specification that includes the three-way multiplicative interaction between *Government Public Support*, *Government Seat Share* and *Time Until Term Ends* as well as all constituent terms.

Table 1 reports the basic estimation results from a series of logit regressions. Model (1) reports the coefficient estimates for the additive benchmark specification where the three main variables are not interacted. Models (2) - (6) include the full set of interaction terms and sequentially add control variables. The results of Model (1) are precisely estimated and appear consistent with the notion that more popular governments are more likely to make dissolution threats. Better capturing the theoretical logic, the interactive Models (2) - (6)

are clearly in line with the hypothesis that the impact of public opinion is dependent on government seat share and parliamentary time. Adding the interaction terms improves the model fit, as measured by Akaike’s Information Criterion (AIC), in all specifications (recall that AIC imposes a penalty for additional variables). The sign of the theoretically relevant variables is the same across models and statistically significant for each model.<sup>21</sup>

To provide a substantive interpretation of the results from the interactive specification, Table 2 reports the predicted probabilities of a dissolution threat for four theoretically relevant combinations of the legislative strength (weak, strong) and the public support (popular, unpopular) of the government. A weak (strong) government is defined as a government that has a relatively low (high) seat share at the 25th (75th) percentile of all governments. Similarly, a popular (unpopular) government has high (low) public support at the 75th (25th) percentile (descriptive statistics are in the Supporting Information). As suggested by the theoretical model, Table 2 shows that the predicted probability of a dissolution threat is highest, about 0.65, when the prime minister’s government is weak but is popular in the polls. It is considerably lower (by about two-thirds) for governments that are weak and unpopular. Governments that are strong have practically a zero threat probability. A naive model suggests that popular governments should always try to convert their good electoral prospects into favorable policy outcomes using dissolution threats. In line with the strategic bargaining model, the results suggest that this is not the case.

The theoretical model also suggests that the time to the next mandatory election mat-

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<sup>21</sup>Threats may be correlated over time. We think that serial dependence is captured by the cabinet-specific variables. There is little reason to believe that there is serial correlation beyond the cabinet. As shown in the Supporting Information (Table 3), the results also hold when heteroskedastic and autocorrelation consistent standard errors are calculated.

ters. In particular, for weak governments favorable public opinion will be more valuable earlier rather than later in the term and this should translate into a higher probability of a threat when there is more time left. In line with the theoretical prediction, panel (a) in Figure 3 shows that the estimation results imply that prime ministers of weak but popular governments are more likely to use dissolution threats early rather than late in the term.<sup>22</sup> This finding underscores the theoretical point that the value of dissolution power lies in its discretionary nature. Early in the term, popular prime ministers can extract greater policy concessions from unpopular parties, which are better off making concessions than facing a new election. Later in the term, as elections become inevitable, the value of dissolution power is lower. Panel (b) also shows that while prime ministers of weak and unpopular governments are less likely to use dissolution threats, they are more likely to do so later in the term. The theoretical model suggests that these cases are driven by prime ministers gambling to make the best out of a gloomy situation. Note that these findings are not at odds with the result in the literature that the risk of dissolution tends to increase as the next mandatory election approaches (Diermeier and Stevenson, 1999, 2000). As we focus on a different dependent variable than studies of cabinet termination, we exclude snap elections that were called without prior notice. Moreover, our finding is that the use of dissolution threats early in the term is contingent on popular support and current legislative strength, not that they generally occur early in the term. As suggested by the theoretical model, many dissolution threats do not lead to an early election (only 29% do). Interestingly, the non-parametric estimation of the dissolution risk by Diermeier and Stevenson (2000, p. 637)

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<sup>22</sup>The quantities of interest in Table 2 and Figure 3 were calculated via simulation (King, Tomz and Wittenberg, 2000) using version 3.5.5 of the statistical package **Zelig** for R (Imai, King and Lau, 2008, 2009).

reveals a nonmonotonicity, with an increase early and late in the life of cabinets. This seems consistent with the context-sensitive use of dissolution threats uncovered here.<sup>23</sup>

## Case Examples

In 1974 the prime minister and leader of the Liberal party, Poul Hartling, took a gamble. He threatened to dissolve the parliament and call a new election unless it accepted an economic reform package that included significant cuts in income taxes (recall the citation at the beginning of the paper). Hartling promoted the policies as part of the solution to the macro-economic crisis marked by high inflation, unemployment, and fiscal imbalances. In numerical terms, Hartling's government was remarkably weak. He came to office a year after the "Earthquake election" that doubled the number of parties in parliament from five to ten, and his single-party minority cabinet was based on only 22 out of 179 seats (Damgaard, 2000, p. 234). Hartling managed to form a single-party government in a situation when most other party leaders were reluctant to do so. Given the Danish constitutional principle of negative parliamentarism, forming a government only required that there was no majority willing to topple it. But to pass policy the minority government needed the support of at least two other parties and the prime minister found it difficult to achieve consensus on the response to the economic crisis. In this situation, public opinion provided a silver lining. It showed an increase in the popularity of the prime minister's party, suggesting that in an election it would gain several seats and become the second largest party. It was uncertain, however, whether this would be enough to allow the formation of a centrist coalition government

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<sup>23</sup>As shown in the Supporting Information (Table 3), the results hold up to further robustness checks such as controlling for the Shapley-Shubik bargaining power index, government alternation, a polynomial time trend and employing a rare events logistic regression model.

under the leadership of Hartling or whether the Social democrats, the largest parliamentary party, would be able to take the lead. Taking a gamble, the prime minister pushed for the tax reform. After three weeks of intense negotiations, the government had not managed to secure a clear majority. During the early stages of the negotiations, the Hartling hinted at the possibility of an early election if there was no agreement but emphasized that the government preferred a negotiated result. In the end, however, he made it unmistakably clear that failure to reach an agreement would lead to an early election and the government put its proposal up for a final vote in parliament.<sup>24</sup> The government won the vote with a razor-thin majority.

Three months later, the government presented a follow-up economic policy package that included a contested wage freeze to combat double-digit inflation. Again, prime minister Hartling threatened to call a new election in the absence of legislative support for his policy: “This [plan] has not been presented to get an election. The plan is presented to have it passed but if we do not get the necessary support, naturally, we are ready to draw the consequence.” The plan was rejected by the Social democrats and received a chilly reception from some of the smaller parties. In response, the prime minister called an election, this time before scheduling a final vote in parliament, announcing that it was necessary to give voters the chance to elect a parliament that would approve the needed policies. In the election, the Liberals gained 20 seats but narrowly lost (by one vote) the control of government. As a result, the policy was not passed. The sources agree that Hartling was willing to make a tough take-it-or-leave-it proposal because he expected that his party would perform well in an

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<sup>24</sup>See *Berlingske Tidende*, “Poul Hartling slog fast: Forlig i morgen eller valg” [Poul Hartling: Settlement tomorrow or election], September 19, 1974, p. 1. The full text for this article and selected sources for the cases examples are in the Supporting Information.

early election. These two examples illustrate that prime ministers without a clear majority but with good standing in the opinion polls may use an early election as a bargaining chip. They also highlight the political uncertainty politicians face and that the outcome may be an early election rather than a policy compromise.

The next case illustrates that dissolution threats are not restricted to economic policy. Being short of a legislative majority less than half a year after the previous election, prime minister Anders Fogh Rasmussen made a dissolution threat in 2008 to advance the immigration agenda proposed by his coalition government. The minority Liberal-Conservative government and the right-wing populist Danish People's Party had agreed upon a modest liberalization of asylum policies, but they were short of a legislative majority at this point and the center-left opposition parties wanted more far reaching reforms. In particular, the small centrist New Alliance party had campaigned on a platform to improve the living conditions of asylum seekers. Among others, it no longer wanted children and their parents to live in asylum camps while their case was being considered. Public opinion showed that in the case of an early election New Alliance would fall below the 2 percent electoral threshold and that the government could achieve a majority together with its support party. In this situation, the prime minister announced that he would have to dissolve parliament unless a solution close to the government proposal was found. Subsequently, members of the government introduced a confidence motion into parliament, leaving a choice between supporting its policy position or triggering an early election. Facing electoral extinction, the New Alliance supported the government. Making concessions to avoid an early election paid off electorally for the New Alliance. At the next election three years later, it nearly doubled its number of seats (from 5 to 9).

## Conclusion

The power of chief executives to call an early election is a core feature of many parliamentary democracies. But its consequences for legislative bargaining are little understood. This paper takes a theoretical and an empirical step to address this shortcoming. We have developed a model to show analytically under which electoral and legislative conditions chief executives will invoke their dissolution power to influence policy. The theoretical analysis implies that chief executives' ability to make credible dissolution threats to extract policy concessions from other parties is shaped to an important degree by their current legislative support, public opinion, and the time before a mandatory election. The model highlights, among others, that the impact of public opinion on threats varies by context. The analysis of the first data set of dissolution threats in a parliamentary democracy has found evidence in line with key implications of the theoretical model. The positive findings stand in contrast to the relatively poor record of institutional theories in predicting the use of the confidence procedures (Huber, 1996*a*, pp. 107-8). They provide fairly direct evidence of the usefulness of a strategic bargaining approach to the study of parliamentary governance in the shadow of dissolution power, complementing existing evidence based on dissolutions (Diermeier and Stevenson, 1999, 2000). More generally, they confirm the importance of public opinion for executive-legislative relations in parliamentary system. This is an area where systematic empirical studies are scarce despite the clear sense that fluctuations in public support should affect bargaining power (Laver, 2006).

The empirical analysis has focused on a particular country, Denmark, that provides a good research design for evaluating implications of the theoretical model. This approach puts a premium on internal validity. Testing these implications requires comparable data on dissolution threats that had not been previously collected. While the theoretical argument is not specific to Denmark, one question is whether the empirical results will travel beyond its

borders. Denmark's political system certainly has idiosyncratic features, but the theoretically relevant constitutional and political context variables are similar to those of several other parliamentary democracies, where prime ministers have dissolution power and policymaking frequently requires compromise between parties. For examples, consider Australia, Canada, Ireland, Israel, New Zealand (since 1996) or Spain.

Our analysis has implications for recent changes in constitutional design that tend toward limiting prime ministers' power to call early elections. One prominent example is the United Kingdom, where the Fixed-Term Parliaments Act of 2011 no longer allows the prime minister to call snap elections. Parliament may still be dissolved if it passes a vote of no confidence in the government and there is no majority for an alternative government, though the reform considerably curtails the discretion of the prime minister to make threats. In Canada there were less-far reaching reforms at the federal and provincial level. These fixed-term election laws do not curtail dissolutions in the wake of legislative defeat and, under the new law, governments have successfully dissolved the legislature accordingly. Our results suggest that reforms that do not limit dissolution threats connected to confidence votes are unlikely to fundamentally change who gets what in legislative bargaining.

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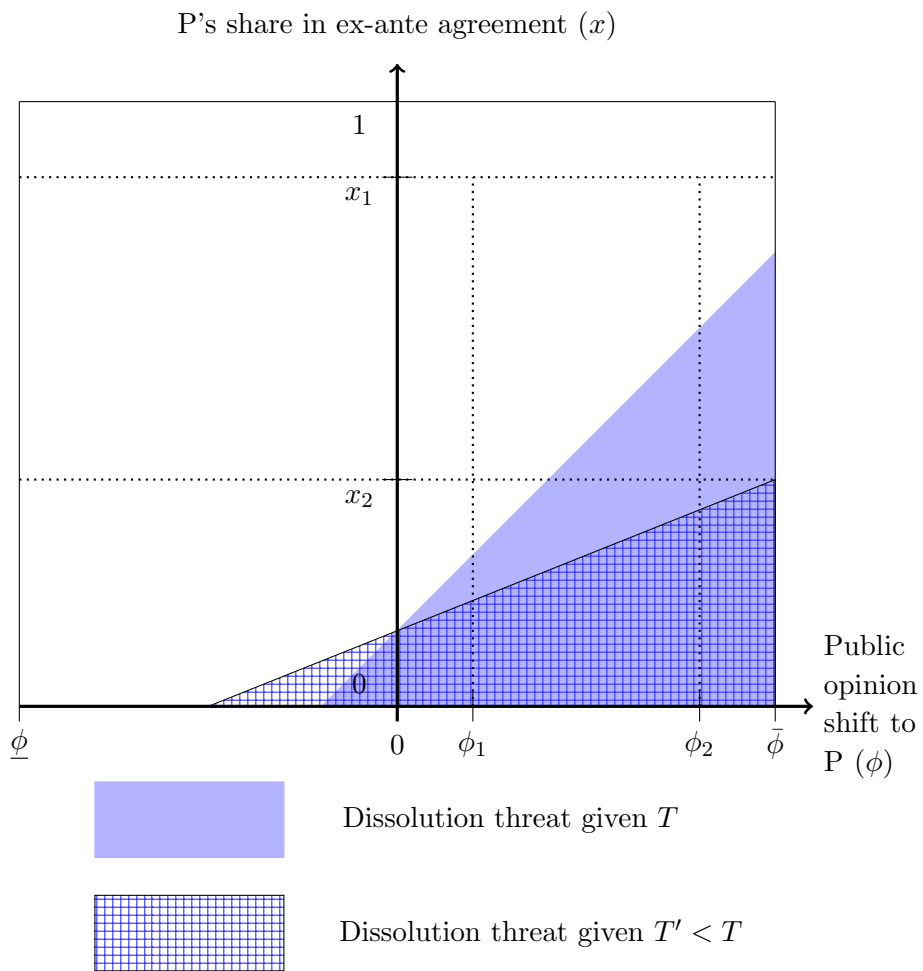


Figure 1: Equilibrium Dissolution Threats by Prime Minister (P)

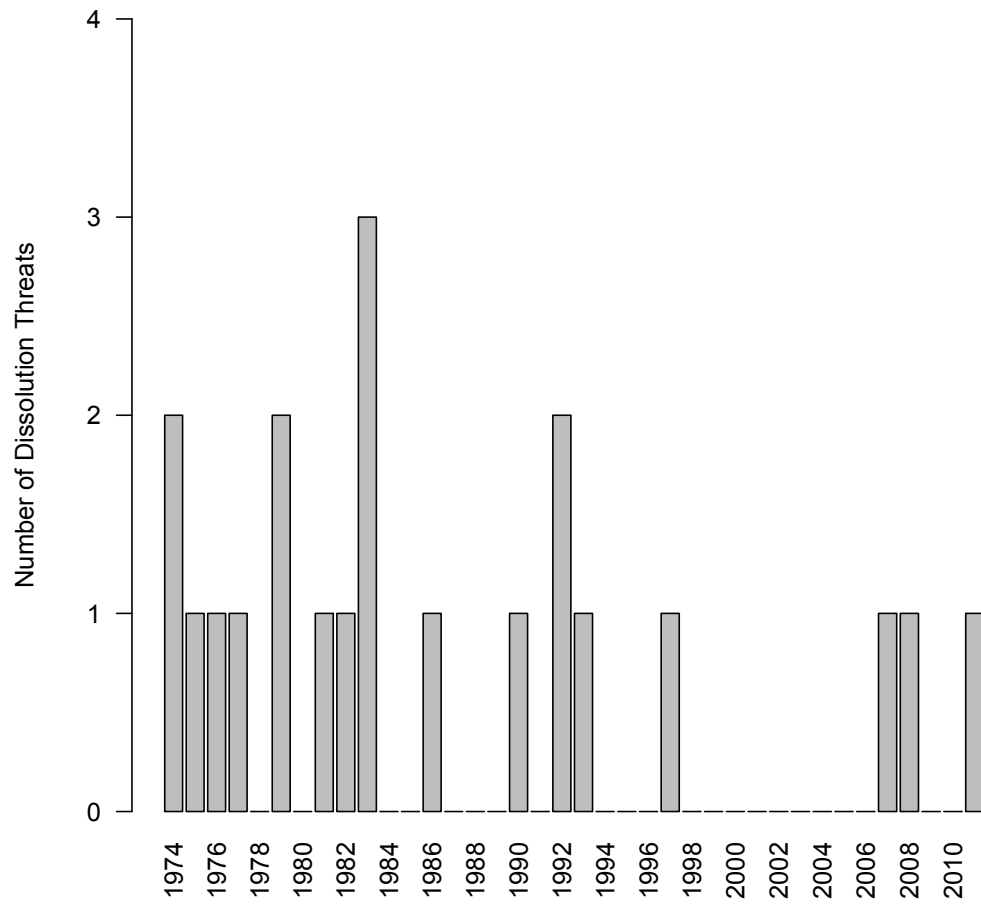


Figure 2: Dissolution Threats in Denmark

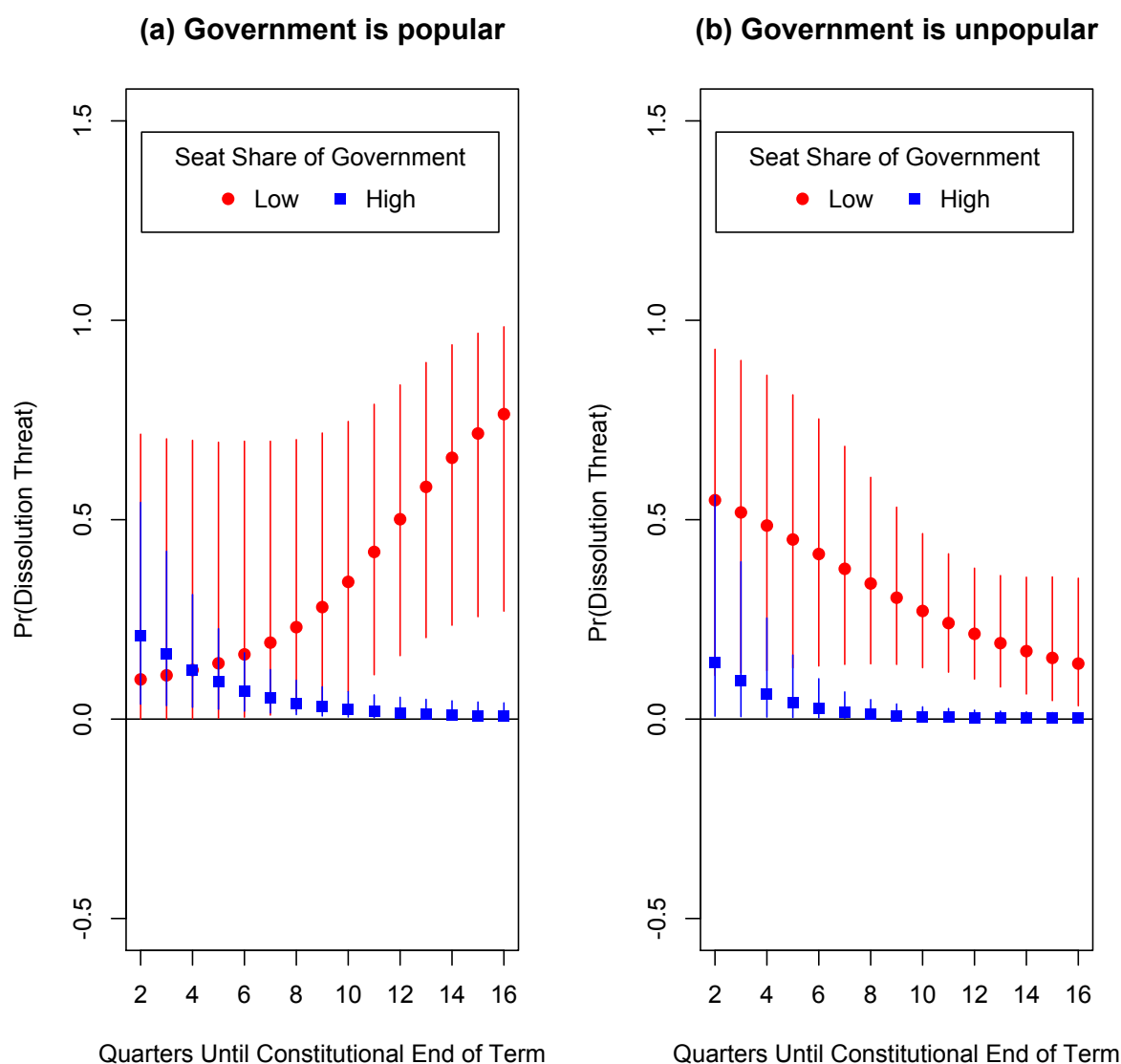


Figure 3: The figure shows the predicted probability of a dissolution threat varying by the popular support and legislative strength of the government as well as the time remaining until the constitution requires a new election. Panel (a) plots the predicted dissolution threat for a government with relatively high public support (75th percentile) measured by the vote intention expressed in opinion polls and varying by the maximum time until the end of the term. It distinguishes between strong governments with a relatively high legislative seat share (75th percentile) and weak governments with a relatively low seat share (25th percentile). Panel (b) plots the predicted dissolution threat for a government with relatively low public support (25th percentile). All other variables are held at their mean. The vertical bars are 95 percent confidence intervals. The simulations are based on the coefficient estimates from Model 2 of Table 1.

Table 1: The Conditional Effect of Public Opinion on Dissolution Threats: Logit Estimates

	(1)	(2)	(3)	(4)	(5)	(6)
Government Public Support (P)	20.1* (8.2)	-345.4* (126.5)	-348.6* (131.3)	-385.5* (143.3)	-370.9* (129.6)	-476.0* (165.5)
Government Seat Share (S)	-28.3* (8.4)	-292.3* (105.7)	-296.5* (109.2)	-328.0* (122.0)	-311.8* (108.3)	-432.8* (153.4)
Time Until Term Ends (T)	-0.2* (0.1)	-8.6* (3.2)	-8.8* (3.3)	-9.5* (3.5)	-9.2* (3.3)	-11.7* (4.0)
P × S		822.7* (292.0)	832.1* (305.6)	928.3* (341.0)	875.6* (298.6)	1169.1* (406.2)
P × T		28.2* (9.6)	28.5* (10.1)	31.3* (10.9)	30.6* (9.8)	37.5* (12.1)
S × T		17.9* (7.8)	18.3* (8.2)	20.1* (8.6)	18.6* (7.9)	24.9* (10.0)
P × S × T		-61.9* (22.3)	-62.7* (23.9)	-69.7* (25.8)	-65.6* (22.7)	-83.2* (29.1)
Ideological Distance	5.0 (3.5)	10.5* (4.9)	11.9 (6.7)	12.1* (5.54)	12.2* (5.0)	20.9* (8.7)
Model Fit (AIC)	110.3	102.6	106.4	104.2	102.4	104.7
Additional Controls:						
Party of Prime Minister			✓			✓
Year Tend				✓		✓
Lagged Dependent Variable					✓	✓
Number of obs.	152	152	152	152	152	152

Note: Standard errors in parentheses. All models include a constant.

\*  $p < 0.05$  (two-tailed tests)

Table 2: Predicted Probability of Dissolution Threat by Prime Minister

	Popular Government	Unpopular Government	Difference
Weak Government	0.65 [0.24, 0.94]	0.17 [0.06, 0.36]	-0.49 [-0.77, -0.10]
Strong Government	0.01 [0.00, 0.05]	0.00 [0.00, 0.02]	-0.01 [-0.04, -0.00]
Difference	-0.64 [-0.94, -0.21]	-0.17 [-0.35, -0.06]	

Note: Cell entries are predicted probabilities from Model 2 in Table 1, holding time until term ends at 14 quarters and all other variables at their mean. 95% confidence intervals in brackets.