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Policy Payoffs in Local Government

MICHAEL LAVER, COLIN RALLINGS AND
MICHAEL THRASHER*

This article applies the portfolio allocation model of government formation to the formation of local government administrations in general, with a particular empirical application to the formation of administrations in British local authorities with hung councils. First, the implications of the portfolio allocation model for the formation of local administrations are discussed. Secondly, this model is operationalized in the context of British local politics, and specific empirical implications are explicitly derived from it. Thirdly, these implications are systematically evaluated against the recent experience of the formation of local administrations in Britain. The results suggest that policy is indeed important in the formation of British local administrations, but that more than a single left–right dimension of financial policy is needed to describe this process adequately.

Recent election results in Great Britain have produced a record number of local authorities with ‘hung’ councils in which no party has an overall majority. In the 1993 elections, no fewer than twenty-six out of thirty-nine English shire counties returned hung councils. In the following year, a quarter of all London borough councils became hung. This process continued in 1995 when a significant anti-Conservative vote meant that many councils consistently under Conservative control suddenly became hung for the first time. As a result 157 local authorities, 35 per cent of all councils across Great Britain as a whole, were hung in 1995.¹ All the signs are that the politics of coalition has become a norm rather than an exception in British local government.

This opens up the possibility of bringing the burgeoning literature on coalition bargaining to bear upon British local politics, as well as using data from British local politics to evaluate propositions about coalition bargaining.² This article sets out to do this by applying a recently developed model of government

* Laver, Trinity College, Dublin; Rallings and Thrasher, Local Government Chronicle Elections Centre, University of Plymouth. Information needed to replicate all analyses in this article is provided in fn. 28.

¹ Colin Rallings and Michael Thrasher, ‘The 1995 Local Elections’, *Politics Review*, 5 (1995), 25–7.

² Some early thoughts on these matters can be found in Michael Laver, Colin Rallings and Michael Thrasher, ‘Coalition Theory and Local Government Coalition Payoffs in Britain’, *British Journal of Political Science*, 17 (1987), 501–9; Michael Laver, ‘Theories of Coalition Formation and Local Government Coalitions’, in Colin Mellors and Bert Pijnenberg, eds, *Political Parties and Coalitions in European Local Government* (London: Routledge, 1989), pp. 15–33; S. Leach and C. Game, *Co-operation and Conflict: Politics in the Hung Counties* (London: Common Voice Research Paper No. 1, 1989); and Michael Temple, ‘Devon County Council: A Case Study of a Hung Council’, *Public Administration*, 71 (1993), 507–33.

formation to local politics and by evaluating empirical propositions derived from this model to the formation of local administrations in Britain.

COALITION THEORY AND LOCAL POLITICS

The Story So Far

Early models of government formation were based on the assumption of 'office-seeking' – the assumption that key players were motivated only by the desire to get into office. On this view, government formation is about allocating a fixed prize, the spoils of office, between a group of players. For some time now models of government formation have assumed that key players are also interested in policy. This may be an intrinsic interest in policy *per se*, or it may be an instrumental interest, in the sense that politicians make policy promises to voters during election campaigns and fear being punished at subsequent elections if they fail to deliver. For our purposes, the real reasons why politicians might be interested in policy outputs are far less important than the basic assumption that policy is, for whatever reason, important to them.³

Laver, Rallings and Thrasher conducted a preliminary review of evidence on office-seeking models of local government formation in Britain. Their conclusion was simply stated: 'the office-seeking approach that underlies many existing coalition theories does not work at all well in British local politics'.⁴ The evidence suggesting this conclusion concerned the allocation of key committee chairs between parties, these chairs being taken as the functional equivalents of the cabinet portfolios allocated to members of national governments. Office-seeking models unequivocally predict minimal winning coalitions, in which the government that forms contains sufficient members to win the prize, but would be losing if any member left the coalition. Such models cannot account for minority administrations, in which a party or coalition that does not control sufficient seats to win a majority vote takes control of all office payoffs. In such cases, by definition, a majority opposition that could claim the prize and wants to do so, for some inexplicable reason chooses to remain in opposition.

Laver *et al.* assembled evidence on the allocation of committee chairs in forty-eight of the fifty-two administrations forming in hung councils after the May 1985 British local elections. They found that minority administrations, in which one party controlled all committee chairs, formed in thirty-six of the forty-eight councils on which they had information.⁵ The fact that 75 per cent of hung councils generated minority local administrations was strong evidence against a pure office-seeking model.

³ See Michael Laver and Norman Schofield, *Multiparty Government* (Oxford: Oxford University Press, 1990) for a review of the motivational assumptions driving various theories of national government formation.

⁴ Laver *et al.* 'Coalition Theory and Local Government Coalition Payoffs in Britain', p. 509.

⁵ Laver *et al.* 'Coalition Theory and Local Government Coalition Payoffs in Britain', pp. 505–6.

The general theoretical interpretation of these results put forward by Laver *et al.* was that the formation of local administrations is motivated by more than office-seeking, most likely party policy. We present evidence on policy-seeking interpretations of British local coalition-building in the empirical analysis that follows. Before doing this, however, we consider how a recent policy-seeking model of national government formation might be applied to the formation of administrations at the local level.

Party Policy and Local Government Formation

There is no compelling reason why policy-seeking models of government formation should not be applied at the local level. Local parties do fight elections on the basis of policy promises to voters. Local administrations do enact policies when they take office. The policies enacted do impinge upon voters in important ways, creating incentives for voters to punish local politicians who displease them.

Thus, in times when there has been a general swing away from the Conservatives, a number of local authorities have typically bucked that trend.⁶ Local politicians, furthermore, clearly do believe that voters monitor their activities, particularly budgetary decisions, and this perception in turn affects their behaviour.⁷ Such accounts suggest that local electoral outcomes are a complex product of national trends and local circumstance and that local policy decisions are perceived as important by candidates, parties and voters alike. Indeed, the role of policy in interactions between different politicians, and between politicians and voters, seems on the face of things to be closely analogous at local and national level.

This suggests that we take policy-driven models of government formation developed with national governments in mind and adapt these to the local government setting. A recent example of such a model is the 'portfolio allocation' model developed by Laver and Shepsle.⁸ The portfolio allocation model can be applied to local government if we accept that the chairs of key local authority committees are the functional equivalents, at local level, of national cabinet portfolios. Laver *et al.* argued that local committee chairs served as important political prizes for council members. We now extend this reasoning by arguing that the initiation and implementation of local policy takes place to a large extent in council committees rather than in plenary sessions of

⁶ Rallings and Thrasher, 'The 1995 Local Elections'.

⁷ Gregory, 'Local Elections and the Rule of Anticipated Reactions', *Political Studies*, 17 (1969), 31–47; Kenneth Newton, 'The Impact of Rates on Local Elections', in *Local Government Finance: Report of the Committee of Inquiry* (London: HMSO, Cmnd 6453, 1976), Appendix 6; Steve Bristow, 'Rates and Votes: The 1980 District Council Elections', *Policy and Politics*, 10 (1982), 163–80.

⁸ The portfolio allocation model is extensively described in Michael Laver and Kenneth A. Shepsle, *Making and Breaking Governments* (New York: Cambridge University Press, 1996).

the full council, and that the committee chair has a very important role in this process.

Such an assumption might be contentious. Leach and Game found that many newly-hung councils created new conventions for the conduct of council business.⁹ These conventions invariably stipulated that council officers should hold pre-committee briefings for all major party groupings. It was their view that this led to a weakening of the role played by the chair of each committee who could no longer guarantee a majority for each policy decision. This view was expressed more forcefully by Mellors who even claimed that in hung councils the role of committee chair 'may be considered so small as to be of no real political value'.¹⁰ An earlier study had arrived at similar conclusions, noting the full council meeting had replaced the committee structure as the main forum for decision making in hung councils.¹¹

Other studies, however, have suggested that appointments to the critical committee posts remain a source of intense political rivalry. Temple, for example, found that arguments over committee positions led directly to the collapse of the coalition in one local authority.¹² The most recent survey of hung councils in Britain had no hesitation in remarking that the 'Chairs and Vice Chairs of the various committees – dealing with housing, social services, education, environmental services, transport and so on – are the local equivalent of the national Cabinet'.¹³

We suspect that early surveys of hung councils encountered a great deal of political uncertainty as old procedures, established by one party rule, broke down under new political conditions. In time, however, many hung authorities have evolved different ways of conducting business. We argue that these changes continue to give a critical role to committees, and committee chairs, in policy making. This leads to the key assumption of the portfolio allocation approach, applied at local level, that *giving control of a particular council committee to one party rather than another implies different local policy outputs in the committee's area of jurisdiction*.

In their study of local policy outputs, Sharpe and Newton were in no doubt that local parties are critical players.¹⁴ They found that parties of the left tended to spend more on redistributive and ameliorative services while those of the right spent more on police and highways. Furthermore, the organization and management of British local government means that many decisions affecting policy will be made not at meetings of the entire council but rather in committees

⁹ Leach and Game, *Co-operation and Conflict*.

¹⁰ Colin Mellors, 'Non-Majority British Councils', in Mellors and Pijenburg, eds, *Political Parties and Coalition in European Local Government*, pp. 68–112.

¹¹ Andrew Blowers, 'The Politics of Uncertainty: The Consequences of Minority Rule in an English County', *Local Government Studies*, 13, No. 5 (1987), 31–50.

¹² Temple, 'Devon County Council: A Case Study of a Hung Council'.

¹³ Calum Macdonald and Jake Arnold-Forster, *Working Together: Joint Administration in Local Government* (Reading: Labour Initiative on Cooperation, 1995), p. 3.

¹⁴ Jim Sharpe and Kenneth Newton, *Does Politics Matter?* (Oxford: Clarendon Press, 1984).

with delegated powers.¹⁵ Critical discussions relating to the shape and substance of policy will take place between the chief officer and the chair of the relevant committee. These discussions will then form the basis of that committee's policy agenda. This fragmentation of the policy-making process in turn means that 'coalitions of councillors and officers sometimes work against each other in favour of their own particular preference'.¹⁶ As one seasoned Labour local politician observed, it is best to fight for the position of committee chair and the casting vote if the long-term aim is to implement party policy.¹⁷ Clearly, in majority-run and hung councils alike, who gets control of which committee chair can have a critical influence on the subsequent style and shape of local policy.

OPERATIONALIZING POLICY-DRIVEN MODELS OF LOCAL GOVERNMENT FORMATION IN BRITAIN

In the discussions that follow, we evaluate the performance of the portfolio allocation approach in analysing the formation of British local administrations. In order to do this, we generate some precise empirical implications of the model. Before doing this, however, we consider a matter that greatly simplifies our analysis of a wide range of different party systems. This arises from the fact that many different seat distributions can have the same effective strategic implications. Different election results may thereby generate the same 'decisive structure'.

Decisive Structures

When we analyse a large number of cases of government formation, the logic of coalition bargaining means that we do not need to consider every different distribution of seats between parties as a different bargaining situation. Trivially, of course, once one party has an overall majority, a few more seats do not make much difference to the logic of government formation. Similarly, when there are three parties, none with an overall majority, the essential bargaining logic is that any two can form a majority; precise seat distributions make little difference to this. We call the set of winning coalitions made possible by a given seat distribution the 'decisive structure' of the situation, and group similar cases together for analysis according to their decisive structure.

The analysis of government formation is greatly simplified by the fact that there are far fewer possible decisive structures than there are possible distributions of seats between parties. In the three-party case we have just discussed, for example, either one party wins a majority, or the votes of any one of the three parties are equally important to a majority. In the latter case, the

¹⁵ Tony Byrne, *Local Government in Britain*, 6th edn (Harmondsworth, Middx.: Penguin, 1994).

¹⁶ Gerry Stoker, *The Politics of Local Government*, 2nd edn (London: Macmillan, 1991), p. 94.

¹⁷ Basil Jeuda, 'Managing a Hung Authority', *Local Government Policy-making*, 9 (1982), 7–15.

complete set of possible coalitions comprises: the null coalition with no party in it; three losing single-party coalitions; three winning two-party coalitions, representing each possible pairing of the three parties; and a winning grand coalition of all three parties. That is, there are eight coalitions in all. The decisive structure is defined by the set of four winning coalitions, and remains the same regardless of the precise distribution of seats between parties, as long as no single party wins a majority of seats.¹⁸ All we need to know to analyse a three-party legislature is that no party won a majority – we do not need to know the precise distribution of seats beyond this and can group all such cases together in order to simplify our analysis.

The analysis of four-party legislatures is also simplified by the fact that there are rather few four-party decisive structures, once we exclude cases in which one party wins an overall majority of seats.¹⁹ Obviously, the situation becomes more complex as we move to five or more parties, and the number of possible decisive structures begins to expand rapidly. In the context of the present article, however, lack of data on the policy positions of minor local parties precludes us from considering five-party councils anyway, so we do not pursue the matter further here.²⁰

One Dimension of Policy

If we adopt a one-dimensional view of policy competition in British local politics, then there is little doubt that we should take the single dimension to concern economic policy, relating to preferred levels of public spending and the level of taxation implied by this. Notwithstanding the reduction in the financial autonomy of British local councils during the period of Conservative rule after 1974, it is clear that the council budget, both in terms of the overall amount raised and the direction of spending, remains the most critical way to distinguish the

¹⁸ More generally, there are always 2^n possible coalitions in an n -party system. (Intuitively, each of the n parties can have one of two states with respect to any given coalition – in or out – hence there are 2^n different combinations of coalitional states for a set of n parties, hence 2^n different coalitions.) For any winning coalition there is a complementary losing coalition comprising all parties left out of it. This means that there are always 2^{n-1} winning coalitions defining the decisive structure in any n -party system. Thus there are, as we have seen, four different winning coalitions in a three-party system, eight in a four-party system, sixteen in a five-party system, and so on.

¹⁹ First, there are decisive structures in which three parties are pivotal in the sense that their seats make the difference between winning and losing for at least one winning coalition. The remaining party is a ‘dummy’, in the sense that its seats never make the difference between winning and losing for any coalition. The other set of four-party decisive structures involves all four parties being pivotal. In this event, one of the four parties is ‘dominant’ in the sense that this party can form a winning coalition with any one of the other three parties, while all three other parties must band together if they are to form a winning coalition that excludes the dominant party. There are no other types of four-party decisive structure. We exclude blocking coalitions in which two rival coalitions control exactly half of the weight between them.

²⁰ The set of five-party decisive structures is elaborated in Michael Laver and Kenneth A. Shepsle, ‘Election Results and Coalition Possibilities in Ireland’, *Irish Political Studies*, 7 (1992), 57–72.

main parties. In hung councils where a coalition exists, pre-budget meetings between coalition partners will be held to avoid damaging splits. By contrast, in hung councils with minority party administrations, the ruling party will invariably present its budget without prior consultation with other parties. Clearly, local parties see any input to the budget as tantamount to involvement in the formal local administration. Local councils may have lost fiscal power, but the importance of economic policy has remained.

If only one dimension is important to the parties, then the portfolio allocation model, in common with most other policy-seeking models, focuses on the strategic position of the median party. Adding the seats controlled by each party from the left (or the right) of the single dimension, the median party is the one whose seats push the total over the majority threshold. The median party is a 'very strong' party in the portfolio allocation model, in the sense that it is capable of controlling the government on its own, whether or not it has a majority. If only one dimension of policy is important, indeed, then almost any policy-driven model will unequivocally forecast a minority administration comprising only the median party.

Strange as this may seem at first sight, there is thus no policy logic for *coalition* governments when politicians are motivated solely in government formation by a single dimension of policy. This is because the median party can insist on forming a minority administration and imposing its ideal policy position without the help of any other party. No majority coalition can agree upon an alternative policy position that all members prefer to the median party's ideal point. The addition of coalition partners in this case thus only has costs, with no benefits, for the median party, and is predicted not to happen.

This leads to the most basic empirical implication of almost any policy-seeking model, an implication that applies with as much force to local as to national governments:

Implication 1.0: In one-dimensional party systems with no pivotal groups of independents, all committee chairs will be controlled by a single party.

If this implication is not sustained by the evidence, then either the parties are not driven by policy-seeking motivations or the policy space is multidimensional. The reference to 'pivotal groups of independents' in Implication 1.0 raises an issue that is no more than a minor irritant to students of government formation at the national level, but must be confronted head-on in any analysis of British local government, given the number of independent councillors. The problem with independents is twofold. There is the practical problem that we tend not to know the ideal policy positions of all independents in the system. And there is the theoretical problem that groups of independents tend not to behave as disciplined political parties.

One obvious and feasible solution is to treat independents as unreliable, not to be counted as a part of any stable majority. But this has far-reaching consequences for the logic of government formation. Removing the votes of independents from the pool of votes available to construct majorities has the

TABLE 1 *Expert Judgements of British Party Positions on Economic Policy and Decentralization about 1989*

Party	Raise taxes to increase public services (1) v. cut services to cut taxes (20)*	Promote decentralization of decision making (1) v. oppose decentralization (20)*
Conservative	17.2	15.6
Liberal Democrats	8.2	5.3
Labour	5.4	10.2

*The expert judgements rated the parties' positions between '1' and '20'.

Source: Michael Laver and W. Ben Hunt, *Policy and Party Competition* (New York: Routledge, 1990), pp. 157–8.

effect of replacing the simple majority decision rule with a qualified majority rule. This in turn has major implications for the identification of the 'median' party since, when there is a qualified majority rule two or more parties may be 'median' in the sense that their votes are essential to winning coalitions built from either end of the dimension. The bargaining logic of government formation with qualified majority decision making has not been well worked out in the literature and this is no place to begin such an undertaking. What is clear, however, is that the logic of minority governments in a unidimensional party system is changed by the existence of a pivotal group of independents.

In hung councils with only three parties and no pivotal independents, the median party will always be located between the other two parties on one dimension.²¹ There can be little argument in the context of British local politics that the median position was held by the Liberal Democrats. This is confirmed by more precise estimates of British party positions on economic policy, derived by Laver and Hunt from an expert survey and reported in Table 1. The median position of the Liberal Democrats on the main economic policy dimension provides the logic of:

Implication 1.1: If only three parties win seats in a hung council and only one dimension of policy is important, then the Liberal Democrats will control all committee chairs.

When more than three parties win seats in a hung council, we need to know the decisive structure before we can identify the median party. In the precise set of cases we are considering, however, the fourth 'party' was typically a group of independents whose policy positions we cannot be sure of and who may well

²¹ This ignores the possibility of 'blocking coalitions', in which one party or coalition wins precisely half of the seats, and another party or coalition does the same. Models of government formation are ambiguous in these relatively rare cases, and councils with blocking coalitions have therefore been eliminated from the empirical analysis that follows.

not function as a unified party. Given the ambiguity of the bargaining logic of such a situation, alluded to above, we cannot make unequivocal predictions, unless the group of independents is not pivotal. This situation arises for the four-party decisive structure in which the three main parties are pivotal and ‘independents’ are in effect dummy parties.²² Since dummies by definition never make the difference between winning and losing, they cannot affect the identity of the median party on one dimension, which remains the middle of the three main parties, the Liberal Democrats. This is the logic of:

Implication 1.2: In one-dimensional four-party legislatures in which independents and others are dummies, the Liberal Democrats will control all committee chairs.

In the remaining four-party decisive structures, since the group of independents and others is pivotal, we need information that is not available to us about the ideal points of these actors before being able to identify the median party and thereby generate predictions. We can make some generalizations about three such decisive structures, however. These are where:

- four groups are pivotal; Conservatives are dominant,²³
- four groups are pivotal; Labour is dominant,
- four groups are pivotal; Liberal Democrats are dominant.

We note that a dominant Conservative party will be at the median if a pivotal subset of independents is located to the right of it; a non-dominant Conservative party can never be median facing dominant Liberal Democrats or Labour. Similarly a dominant Labour party will be median if a pivotal subset of independents is located to the left of it; a non-dominant Labour party can never be median facing dominant Liberal Democrats or Conservatives. These observations lead to:

Implication 1.3: In one-dimensional four-party systems with a dominant main party, non-dominant Conservative or Labour parties will control no committee chairs.

If the Liberal Democrats are dominant, they will always be median, hence:

Implication 1.4: In one-dimensional four-party systems in which the Liberal Democrats are dominant, they will control all committee chairs.

If the Liberal Democrats are not dominant, then they will still be median if there is a pivotal subset of independents between Labour and the Conservatives. This leaves open the possibility of the Liberal Democrats winning committee chairs even when they face a dominant rival.

²² See fn. 19 for a definition of dummy parties.

²³ See fn. 19 for a definition of dominant parties.

Two Dimensions of Policy

If more than one dimension of policy is important in local politics, and as we shall shortly see there are sound empirical reasons to believe this to be true, then the most obvious question concerns the substantive meaning of the additional dimension(s).

One important potential additional dimension in British local politics concerns the local government system in general, and in particular the decentralization of decision making. To a large extent the debate about the future direction of local government in Britain has been dominated by the issue of decentralization. The Liberal Democrats have advocated a policy of grass-roots politics in which decentralization is fundamental. In a number of local authorities where the party has majority control it has even delegated financial powers to local forums. Labour, while supporting decentralization in principle, has been more cautious. Nationally, the party appears to have retreated from its policy of regionalization although it still favours some form of devolution to both Scotland and Wales. In relation to local government affairs, the party has a policy of pragmatism, prepared to allow councils greater autonomy but not at the expense of the national government's power to determine macroeconomic policy. The Conservative party has shown itself since 1979 to be against *political* decentralization, instead favouring a policy of *management* decentralization. In relation to local government, there has been a policy of compulsory competitive tendering which means that many services once carried out by local authority employees are now undertaken by the private sector. In the expert survey used to derive estimates of party positions on economic policy, Laver and Hunt also estimated the positions of the main British parties on the decentralization of decision making.²⁴ Estimated positions for the three main parties on both economic policy and decentralization are listed in Table 1.

The portfolio allocation approach once more makes specific predictions, given the two-dimensional party configuration described in Table 1, on the basis of two crucial equilibrium concepts. The first is a generalization of the one-dimensional notion of the median party to multi-dimensional concept of the 'dimension-by-dimension median' administration (DDM). This is the administration awarding each key policy portfolio to the median party on the policy dimension in question.²⁵ In the present case and considering only the three main

²⁴ In all cases Laver and Hunt estimated national party positions (see Michael Laver and W. Ben Hunt, *Policy and Party Competition* (New York: Routledge, 1990)). We simply have no information on local party positions on either policy dimension in each of the 142 councils in the study, and assume that the national party position is the best estimate of the local position in each case. To the extent that there are systematic policy variations from the national position at local level, our analysis will be biased.

²⁵ There may be no administration preferred by a majority to the DDM administration, in which case this is a potential equilibrium. Extensive explorations by Laver and Shepsle (*Making and Breaking Governments*) both with real and simulated party systems suggest that the DDM administration often is, indeed, a potential equilibrium administration in this sense.

parties, the Liberal Democrats, as we have seen, are the median party on the economic policy dimension. Labour is the median party on the decentralization dimension. The DDM administration in the policy space in question is thus a coalition of Labour and the Liberal Democrats. This is one potential equilibrium in the portfolio allocation model.²⁶

An alternative possible equilibrium depends on Laver and Shepsle's second key equilibrium concept, that of a 'strong' party. A strong party is one with a policy position such that it is able to insist on being a member of any equilibrium administration.²⁷ Considering only the three main parties in a hung council, the strong party in the two-dimensional policy space we have described is Labour.²⁸ The only alternative administration preferred by a majority to a Labour minority administration is the Labour–Liberal Democrat coalition at the DDM. As a member of the only administration (the DDM) which is a rival to its ideal point, Labour can veto the rival and attempt to impose a Labour minority administration. Without knowing which party is capable of winning strategic stand-offs²⁹ with other parties at local level, we must rely on the following:

Implication 2.1: In the two-dimensional three-party system described in Table 1, if there are no independents, there will be either a Labour minority administration or a Labour–Liberal Democrat coalition.

The portfolio allocation approach, perhaps counter-intuitively at first sight, pays close attention to the role of 'dummy' parties, parties whose votes are essential to no winning vote total. This is because, even if their votes may not

²⁶ Since, as Laver and Shepsle (*Making and Breaking Governments*) have shown, no alternative administration can be majority preferred to the DDM administration.

²⁷ More rigorously, a strong party has an ideal policy position such that it is a member of any administration that is majority-preferred to the administration in which the strong party controls all policy portfolios. Even though there may be administrations that are preferred by a majority to an administration that the strong party controls single-handed, the strong party is a member of all of these alternatives and can veto them in an attempt to form a minority administration on its own. Laver and Shepsle show that there can be at most one strong party in this sense, and that the strong party, if one exists, must be a member of every equilibrium government. If the ideal point of the strong party is such that there is no alternative majority-preferred administration, then Laver and Shepsle call this a 'very strong' party and predict that it will be the only party in government. It should be noted that these results depend upon the commonly made but not uncontroversial assumption of Euclidean preferences over policy.

²⁸ These predictions are derived using the policy positions in Table 1, a decisive structure in which all three parties are equally important to a majority coalition, and WINSET, a custom written computer program for implementing the portfolio allocation approach. The WINSET program, which runs under DOS, is freely available for personal research and teaching use via Internet. The program itself, program manuals and sample data files can be downloaded by connecting to FTP.TCD.IE, logging on as user 'anonymous' and supplying a complete e-mail address as a password. The latest release versions of all files are located in the directory /PUB/POLITICS, which contains a README file describing what is available. All results in this article can be replicated using WINSET and the data in Tables 1 and 2.

²⁹ Such strategic stand-offs with other parties are elaborated in Laver and Shepsle, *Making and Breaking Governments*.

be needed for any particular majority, members of dummy parties are capable of holding portfolios (committee chairs in this case). In particular, if such parties have centrally-located ideal points, then they can have a big impact on bargaining and even have some chance of being included in equilibrium administrations.

It is hard to be systematic about this without information on the ideal points of the local dummy parties, but we can none the less use the two-dimensional party configuration in Table 1 as the basis for some comparative statics. The addition of a dummy party (or group of independents) almost anywhere in the centre of the policy space undermines the strong party status of Labour.³⁰ A centrally located dummy party provides alternative administrations in which Labour does not participate and in which it therefore cannot veto, hence:

Implication 2.2: If a dummy party or group of independents is added to the two-dimensional three-party configuration described in Table 2, this will reduce the probability of Labour minority administrations.

Dummy parties that are very centrally located can even be strong, and therefore be able to force their way into government. *Thus the portfolio allocation approach, unlike other policy-driven models of government formation, implies that dummy parties or groups of independents may be allocated committee chairs.*

We have probably taken this kind of analysis as far as it is wise to go, given the quality of the data at our disposal. What the preceding argument has shown, however, is that it is possible to derive a range of quite precise testable statements from a fully specified model of the government formation process. The next step, of course, is to evaluate these.

PARTY MEMBERSHIP AND THE ALLOCATION OF COMMITTEE CHAIRS IN BRITISH LOCAL COUNCILS, 1994

Our data on the allocation of committee chairs in hung councils is derived from a survey, conducted in 1993 and 1994, of local authority chief executives and local party group leaders.³¹ The first step in the analysis of these data was to classify councils according to the decisive structure of their local party system.

³⁰ These results are once more generated using the data in Table 1 and the WINSET computer program.

³¹ In late 1993 and early 1994 we sent detailed questionnaires to the chief executives and relevant party group leaders on 151 local authorities in Great Britain. These councils had been identified as 'hung councils' in which no single party had an overall majority of council seats. The questionnaires sought information regarding administrative arrangements and the allocation of committee chairs. Initially, we received written responses from eighty-two authorities. Those councils that had not returned any questionnaires, from either chief executive or party leaders, were then contacted by telephone and information on the allocation of committee chairs was obtained from an additional sixty local authorities. These 142 councils, approximately 30 per cent of all local authorities in the country, form the basis of our empirical analysis.

TABLE 2 *Types of Decisive Structure in Hung British Local Councils, 1985 and 1994*

Decisive structure	1985		1994	
	N	%	N	%
Two-party, 50–50 split	0	0	1	1
Three-party, no dummy				
Con.–LD–Lab.	20	42	20	14
Ind.–Con.–LD	0	0	5	4
Blocking coalitions*	0	0	2	1
Other	1	2	0	0
Three-party plus Ind. or ‘other’ dummy	18	38	41	29
Three-party plus Con., LD or Lab. dummy	1	2	9	6
Four-party				
Ind. dominant	0	0	1	1
Con. dominant	0	0	15	11
Lab. dominant	3	6	4	3
LD dominant	0	0	5	4
Blocking coalitions*	2	4	6	4
Five-plus-party	3	6	33	23
Total		48		142

*Party systems in which some coalitions could be formed controlling precisely 50 per cent of the seat total, obviously facing others with an identical seat total.

The distribution of the 142 hung councils by decisive structure in 1994 is shown in Table 2; 1985 figures recalculated from Laver *et al.* are provided for comparison.

We can immediately see that the bargaining environment in many British local councils increased in complexity between 1985 and 1994. Not only were there almost three times as many hung councils, but these tended to have more complex decisive structures. In 1985, twenty of the forty-eight hung councils (42 per cent) comprised only the three main parties, while forty (83 per cent) comprised three pivotal parties plus dummies. These are decisive structures in which the essential bargaining logic turns on the simple fact that any two of the three pivotal parties can form a winning coalition. In 1994 the equivalent figures were that twenty out of 142 hung councils (14 per cent) comprised only the three main parties, while seventy-seven (54 per cent) comprised only three pivotal parties plus dummies. More complex decisive structures, with four or more pivotal parties, comprised eight of forty-eight hung councils (17 per cent) in 1985 and sixty-four out of 142 (45 per cent) in 1994. Decisive structures with five or more pivotal parties increased from three councils (6 per cent) in 1985 to thirty-three councils (23 per cent) in 1994.

We now classify each council in terms of the partisan composition of the administration that formed after the election, defined in terms of party control of key committee chairs.³² A full tabulation of partisan control, by decisive structure, for every council in our dataset can be found in the Appendix. This shows, for example, that twenty of the 142 councils had just three parties, none having a majority, so that the votes of any two of the three parties were needed to form a majority. Of these, none were controlled by Conservative minority administrations, nine were controlled by Labour minority administrations, three by Liberal Democrat minority administrations, and the remaining eight by different types of coalition. Similarly, there were six councils with four parties in which Labour was a dummy party, whose votes were essential to no majority coalition, and so on. This classification of councils by decisive structure allows us to evaluate in an efficient manner the empirical implications developed in the previous section.

We begin by evaluating implications derived from the assumption that a single dimension of policy motivates the formation of British local administrations. The ‘ground zero’ implication of this assumption was that, whatever the particular interpretation of the dimension concerned, a single party should control all committee chairs in what is in effect a ‘minority’ local administration. This was true in thirty-six of the forty-eight hung councils in 1985, a finding that pointed the way to a one-dimensional policy-based analysis of local government formation in Britain.³³ In 1994, however, only fifty-eight of the 142 hung councils (41 per cent) generated minority single-party administrations.

Implication 1.0 makes a precise statement about the circumstances in which we expect to find minority administrations in one-dimensional party systems, taking account of the way in which pivotal groups of unpredictable independents in effect introduce a qualified majority decision rule, on the face of things making coalition administrations more likely. The implication is evaluated in Table 3, which shows the relative frequency of single party and coalition administrations, depending on whether or not the decisive structure involved a pivotal group of independents. The top panel of Table 3 shows results for 1985, the bottom panel shows results for 1994.³⁴

We can clearly see from Table 3 that the relative frequency of minority administrations does increase when there are no pivotal independents, in line with the logic underpinning Implication 1.0, and that this effect was most marked in 1985. While the effects are in the predicted direction, neither in 1985 nor in 1994 were they statistically significant at the 0.05 level.³⁵ We also see

³² These key committees were: ‘Policy and Resources’; ‘Planning’; ‘Education’; ‘Social Services’; ‘Housing’; ‘Leisure Services’, where applicable. Thus, for example, some types of local authority do not have an Education Committee because they are not responsible for education.

³³ Laver *et al.*, ‘Coalition Theory and Local Government Coalition Payoffs in Britain’, p. 505.

³⁴ These are calculated from the tables in Laver *et al.*, ‘Coalition Theory and Local Government Coalition Payoffs in Britain’.

³⁵ Using a chi-squared test with one degree of freedom.

TABLE 3 *The Relationship Between Minority Administrations and Pivotal Independents,* 1985 and 1994*

	Type of administration		Total
	Minority: single party controls all chairs	Coalition: two or more parties control chairs	
<i>1985</i>			
No pivotal independents	32	9	41
Pivotal independents	4	3	7
Total	12	36	48
<i>1994</i>			
No pivotal independents	30	31	61
Pivotal independents	23	49	72
Total	53	80	133

*Blocking coalitions excluded.

that in the subset of cases with no pivotal independents, where the logic implying minority administrations is unequivocal, the high relative frequency of minority administrations observed in practice in 1985 was not repeated in 1994. Just over half of all local administrations forming in 1994, in situations in which the unequivocal logic of one-dimensional policy competition implied minority rule, were in fact majority coalitions. *Thus there is no systematic evidence in favour of Implication 1.0.*

Once we take account of the fact that a single, economic, dimension of policy in British local party competition would almost certainly locate the Liberal Democrats between Labour and the Conservatives, Implications 1.1 and 1.2 jointly suggest that, when there are no pivotal independents, a Liberal Democrat minority administration will form. The empirical situation is presented in Table 4. Results for 1985 refer to the Liberal–SDP Alliance.³⁶ *The figures convincingly refute Implications 1.1 and 1.2.* Only a small minority of administrations formed in the appropriate circumstances are in fact controlled exclusively by the Liberal Democrats. The Appendix shows that, in 1994 indeed, *there were more Labour than Liberal Democrat minority administrations in those circumstances in which a one-dimensional view of party competition unequivocally implied Liberal Democrat minority government.*

Implication 1.3 is evaluated in Table 5, which deals only with four-party dominated decisive structures and shows the extent to which the Conservatives, or Labour, fail to win chairs when they are not the dominant party in such cases.

³⁶ These are recalculated from Laver *et al.* 'Coalition Theory and Local Government Coalition Payoffs in Britain'.

TABLE 4 *The Relationship Between Liberal Democrat Minority Administrations and Pivotal Independents,* 1985 and 1994*

	Type of administration		
	Lib Dems (Alliance 1985) control all chairs	Other parties control chairs	Total
<i>1985</i>			
No pivotal independents	6	35	41
Pivotal independents	1	6	7
Total	7	41	48
<i>1994</i>			
No pivotal independents	10	51	61
Pivotal independents	4	68	72
Total	14	119	133

*Blocking coalitions excluded.

In line with the logic driving Implication 1.3 both parties are much less likely to control chairs when they are dominated by some other party in the decisive structure. These effects are statistically significant at the 0.05 level for the Conservatives, and at the 0.01 level for Labour.³⁷ There are some cases in which non-dominant Conservative or Labour parties, contrary to prediction, do win chairs. The strong pattern in Table 5, however, is that when parties are dominant in the decisive structure, they are much more likely to win key committee chairs.

As might be expected from Table 4, Implication 1.4, that the Liberal Democrats will control all chairs in a four-party decisive structure that they dominate, does not perform particularly well empirically. None the less, it was the case that the Liberal Democrats were much more likely to control chairs when they dominated the decisive structure. A full evaluation can be seen in Table 6.

To summarize the one-dimensional empirical analysis, the formation of minority administrations at all implies that policy is important for local government formation in Britain. But the assumption of a single dimension of policy implies that all administrations will be minority governments and specifically in Britain that all hung councils should be controlled by Liberal Democrat minority administrations, which is very clearly not the case. The logic of coalition bargaining does clearly have some effect on local government formation in Britain, however, since the theoretically-derived implications that dominated parties will not receive chairs do find some empirical support.

We thus turn to an empirical evaluation of the implications for two-dimen-

³⁷ Chi-squared equals 4.2 for the Conservatives, and 10.1 for Labour, with one degree of freedom.

TABLE 5 *The Relationship Between Conservative (Labour) Dominance and Conservative (Labour) Holding of Chairs: Dominated Four-Party Decisive Structures,* 1994*

	Type of administration		
	Conservatives control chairs	Conservatives control no chairs	Total
Conservatives dominate	12	3	15
Conservatives don't dominate	4	6	10
Total	16	9	25
	Labour controls chairs	Labour controls no chairs	Total
Labour dominates	4	0	4
Labour does not dominate	4	17	21
Total	8	17	25

*Blocking coalitions excluded.

TABLE 6 *The Relationship Between Liberal Democrat Dominance and Liberal Democrat Holding of Chairs: Dominated Four-Party Decisive Structures,* 1994*

	Type of administration		
	Lib. Dem. control chairs	Lib. Dem. control no chairs	Total
Lib. Dem. dominate	2	3	5
Lib. Dem. don't dominate	1	19	20
Total	3	22	25

*Blocking coalitions excluded.

sional party systems. Implication 2.1 derives directly from the portfolio allocation approach and represents a good 'test' of it. It states that, for the configuration of parties in Table 1 and decisive structures in which there were no independents at all, the outcome will either be Labour minority administrations or Labour–Liberal Democrat coalitions. Only twenty administrations fall into this class of cases, and Implication 2.1 is evaluated for these in Table 7.

We can see at once from Table 7 that the predicted types of administration are found in thirteen of the twenty cases. If, because of the small numbers, we contrast predicted administrations against 'others', we can use a chi-squared test

TABLE 7 *Types of Administration in Decisive Structures with No Independent, 1994*

Type of administration	<i>N</i>
Con. minority administration	0
Lab. minority administration	9
Lib. Dem. minority administration	3
Con.–Lab. coalition	0
Con.–Lib. Dem. coalition	2
Lab.–Lib. Dem. coalition	4
Other	2
Total	20

to test the null hypothesis that there is no relationship between the implication and reality. The observed distribution of cases allows us to reject the null hypothesis at the 0.01 level, lending support to Implication 2.1.³⁸

Finally we evaluate Implication 2.2, derived from the portfolio allocation approach, that decisive structures with dummy independents will generate fewer Labour minority administrations than three-party decisive structures with no dummies (because Labour is less likely to be a strong party). The results of the evaluation are in Table 8, from which it can immediately be seen that it is indeed the case that minority Labour administrations are more likely when there are no dummy independents than when there are dummy independents, a relationship that is significant at the 0.01 level and is consistent with the implications of the portfolio allocation approach.³⁹ In more general terms, of course, we also observe from the Appendix that quite a few hung councils did distribute

TABLE 8 *The Frequency of Labour Minority Administrations, by Decisive Structure, 1994*

Type of administration	Decisive structure		Total
	No dummy independents	Dummy independents	
Lab. minority administration	9	5	14
Other	11	36	47
Total	20	41	61

³⁸ Chi-squared equals 9.0 with one degree of freedom.

³⁹ Chi-squared equals 8.2 with one degree of freedom.

committee chairs to ‘dummy’ independents, an outcome compatible with the portfolio allocation approach but with no other policy-seeking model of which we are aware.

CONCLUSION

At the beginning of the 1980s the majority of councillors on British hung councils believed their position to be temporary. Electoral advances made by new parties were widely expected to recede, allowing the two-party establishment to restore its control of British local politics. Such hopes of an imminent return to majority government were, of course, misplaced. Far from recovering their dominance, the two main parties have seen their grip on British local government formation weakened still further.

The steady increase in the volume of hung councils has put many members of local authorities on a steep learning curve of coalition behaviour. While the role of the full council may take on added importance in hung councils, we have seen that political control of committee chairs continues to be of considerable importance for policy outputs. This has allowed us to apply the portfolio allocation model, developed to understand the formation of national governments, to the formation of British local administrations. Two key conclusions can be drawn from our empirical analyses:

- the partisan allocation of local committee chairs implies that policy motivations are indeed important in the formation of local administrations in Britain;
- significantly improved results for two-dimensional, rather than one-dimensional, representations of local party systems imply that more than one dimension of policy must be considered if we are to provide a convincing empirical characterization of British local politics.

These results certainly suggest that the portfolio allocation model can be applied to the newly established British local coalition system. They will obviously be strengthened if, over time, it can be shown that *changes* in model-based predictions are associated with *changes* in local administrations. More generally, however, they suggest that the model might productively be applied to local coalition systems in other countries.

An essential preliminary to conducting such an analysis is a review of the institutional structure of local government in the country concerned, a matter on which there is wide variation. The model can only be applied to local government systems in which there is some local analogue of the typical national cabinet. More specifically, this involves a local analogue of a government department – a policy-making and implementation bureaucracy with a specific policy jurisdiction – responsible to a local analogue of a cabinet minister (in the British case a partisan committee chair) who has some discretion to move policy towards his or her ideal point. If the local policy-making structure can be thus described, then it is at least possible that the portfolio allocation model can be

applied. In this way, theoretical developments in the field of national government formation can be exploited in the field of local politics.

The benefits of this undertaking flow in both directions. One of the great bugbears of the empirical analysis of national government formation is that there are not many national governments to analyse. A great advantage of applying a government formation model such as this at the local level, therefore, is the much larger number of cases available for analysis. As we have shown, this allows us to do something that is not possible in studies of national government formation, to take a set of administrations forming in broadly similar circumstances and analyse these together, holding constant key variables such as the decisive structure or the configuration of policy positions.

We still have a very long way to go, however. In an ideal world, we would have information on the distinctive policy positions of each local party, allowing for the possibility of distinctive local policy dimensions, something that was not available to us for the present analysis. We would have more detailed information about the precise policy jurisdictions of committee chairs in each local authority, and so on. In the light of recent changes within the British party system, especially those within the Labour party, such data will be essential for future research. They would allow us to conduct the more precisely-tailored equilibrium analysis of local administrations more typically reserved for national cabinets. The possibilities, given good data, are considerable.

Even the current analysis, with its admittedly rough-and-ready data, has demonstrated some intriguing patterns. Perhaps the biggest lesson that it teaches us is how much more analytical purchase we can get on the formation of local administrations if we have an explicit model that allows us to explore this in a systematic manner.

APPENDIX: COALITION MEMBERSHIP BY DECISIVE STRUCTURE, 1994

Type of administration

Decisive structure	Con			Lab			LD			Ind			Con			Lab			LD			Ind			All party*	Total
	Lab	LD	Ind	Lab	LD	Ind	Lab	LD	Ind	Lab	LD	Ind	Lab	LD	Ind	Lab	LD	Ind	Lab	LD	Ind	Lab	LD	Ind		
2 party: blocking			1																							1
3 party: Con, Lab, LD	9	3			2	4																			2	20
3 party: Ind, Con, LD		1			2										1										1	5
3 party: blocking	1	1																								2
4 party: Ind dummy	5	5	7	1	2	8	1						2	1											8	41
4 party: Con dummy	1												1												1	2
4 party: Lab dummy				1			2						2												1	6
4 party: LD dummy																									1	1
4 party: Ind dominant																									1	1
4 party: Con. dominant	6		1		4											1									2	15
4 party: Lab. dominant	3																									4
4 party: LD dominant	1		2		1																					5
4 party: blocking		3							2																	6
5+ party	4	1		3	2	2	4	5					6	1		1	1								4	33
TOTAL	17	23	14	4	4	14	12	5	9	5	2	12	2	3	20	2	3	20	2	3	20	3	20	142		

*Including rotating chairs.