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Democratic Contestation, Accountability, and Citizen Satisfaction at the Regional Level¹

by Endre M. Tvinnereim²
Center for European Studies
Harvard University
27 Kirkland Street
Cambridge MA 02138
tvinner@fas.harvard.edu

ABSTRACT

Democratic theory tells us that competition between political parties fosters more responsive government by disciplining elected leaders. Yet party competition may not always attain the levels desirable for holding leaders accountable, notably at the sub-national level. This paper hypothesizes that variations in competition-induced accountability affect regional, or state, government behavior, and that this variation is reflected in citizen satisfaction with regional government performance. The hypothesis is confirmed using survey data from sixty-eight German state election studies. Specifically, a widening of the gap between the two main parties of each state is shown to affect subsequent individual-level satisfaction negatively. This finding presents a conjecture that should be generalizable to other countries with strong sub-national units.

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²Ph.D. Candidate, Department of Government, Harvard University.

“I’m not sure I’d welcome a regional assembly as we might not get the regular change you have at Westminster. Down there, it more or less alternates between Labour and Tory, but there’s a risk here it’d always be Labour.” *Newcastle resident quoted in The Guardian, May 10, 2002.*

Decentralization of political power is an ever-popular proposal. Proponents of the subsidiarity principle promise to bring government closer to the people by placing real power in the hands of local and regional leaders. Far from national capitals, these politicians are considered to be in a better position to understand particular needs and provide tailored solutions. Yet in an age of national and global broadcast media and high mobility, do smaller units always mean bringing government “closer to the people”? Further, once power has been devolved, how can sub-national leaders be held accountable?

This paper examines the issue of regional-level electoral accountability with data from 11 German states (Länder). Germany is a good case for studying sub-national democracy, as it is a federal state in which a majority of government tasks are implemented by the regional level. In particular, competition between the two main political parties, the CDU/CSU and SPD, is shown to vary significantly among the states. This leads to variation in the degree to which elections function as instruments for disciplining regional governments. Although satisfaction with government and regional democracy may start at different levels *a priori*, the results show that over time and within each state, satisfaction is greater in periods of greater party competition. The implications of this finding are twofold. First, contestation, essential to democracy, varies significantly across time and space at the sub-national level; a variation induced in part by

the national party system, and thus exogenous to the regional arena. Second, voters appreciate this variation and report greater satisfaction with government performance when competition, and by extension democratic accountability, is stronger. There is reason to believe that this conclusion should not be limited to the German case, as many countries – federal or not – have strong sub-national units. Notably, this case should serve as a conjecture for other European cases such as for example Spain, Italy, and Austria; as well as India and a number of Latin American countries.

Theory and background: Competition, accountability, and citizen satisfaction

One of the major questions found in theories of representative democracy is to what extent the people can control the actions of the leaders to whom power has been delegated. Representative democracy can be defined as a set of “processes by which ordinary citizens exert a relatively high degree of control over leaders” (Dahl, 1956, p. 3); in other words, as an agency relationship (Ferejohn, 1999). Dahl proposes two requirements for such control; participation and contestation. Leaving aside the former requirement, this paper will focus on democratic contestation, particularly that found between the largest parties, and with an emphasis on executive position rather than legislative representation. At the sub-national level, there is interesting variation on this dimension, with important consequences for citizen satisfaction and democracy.

Contestation for government position is necessary because the preferences of rulers

and the ruled diverge (Cox, 1997; Iversen, 1994). This divergence has several origins. Leaders, elected or not, have more information about how the government works, and can exploit their position of power. Further, a bias is caused by the self-selection of politicians. Their preferences will therefore tend to be somewhat removed from the average preferences of the citizenry.

Voters have limited means at their disposal for checking government behavior. Elections generally allow them only to re-elect or throw out the incumbent party or parties. This firing or re-hiring decision does not depend exclusively on the performance – real, anticipated, or perceived – of the incumbent. Equally important is the anticipated performance of the opposition. “The existence of an opposition – in essence, an alternative government – restrains incumbents” (Lipset, 2000, p. 48). Only an opposition that can potentially win the next election and form an alternative cabinet can provide a strong external incentive for an incumbent to act in the interest of the citizens.

Yet if the opposition is systematically disadvantaged, for example, as is often the case in sub-national assemblies, by national party ideology, incumbents perceive a looser accountability link. Key’s (1949) classic study of the effects of low party competition at the sub-national level demonstrates this. Studying the US South, Key argued that the absolute dominance of the Democratic Party, and the corresponding lack of opposition and competition, favored well-organized interest groups and the wealthy over the unorganized poor. Lacking other instruments for gaining influence than the vote, and having no influence over election outcomes due to an absence of viable alternatives, the “have-nots” could be ignored at no risk by Southern state governments.

In most West European countries, sub-national parties possess only a limited freedom to move to the ideological center, as defined by a given local or regional jurisdiction. When the ideological distance between the regional and national median voter is great, this ideological rigidity can be a serious problem for an opposition party, since its nationally defined positions may make it unattractive locally. In such cases, the opposition's probability of winning elections may be very low. Consequently, the incentives of governing parties to perform efficiently are smaller when the incumbent feels safe. In the most problematic cases, regionalization may thus imply a "transfer of increased power to powerful barons entrenched in one-party regions" (Wright, 1998, p. 48). As will be demonstrated, relative one-party dominance will indeed have a negative effect on citizen satisfaction with government performance.

Valence and position dimensions of evaluation

I hypothesize that more party competition leads to higher levels of satisfaction with the government. However, given the great number of things governments do, and the multitude of dimensions along which they can be evaluated, it is worth asking how citizens arrive at their reported satisfaction level. For the theoretical purpose of systematizing these multiple facets of what governments do and what citizens think of them, it is useful to distinguish between two main types of policy output, depending on whether a policy pertains to "valence" or "position" issues (Stokes, 1963). Valence issues are characterized by a consensus on the goals; position issues by contention. Typical valence issues are economic growth and unemployment (everybody tends to want more

of the former and less of the latter). Examples of position issues are regulation of the economy, welfare spending, and the position of religion in politics. To the position dimension I will also add party loyalty as an independent motivator for supporting a party – although this is not a policy issue, it represents a position that influences how satisfaction is reported. When the term “performance” is used from here on, it will refer to the level of competence or success with which valence issues are addressed by the incumbent. Performance is thus construed as orthogonal to the dimension relating to position issues. The predicted relationship between competition and government can be summed up in the following hypothesis:

Controlling for ideological position, citizens will be more satisfied with the performance of sub-national governments given higher levels of party competition.

Subnational party competition and democracy

The concept of party competition plays an important role in a wide range of academic work found on the border between empirical and normative political science. Yet “party competition” can mean at least two different things, conceptually as well as operationally. On the one hand, party competition can be measured as the number or variety of contestants for political representation. On the other, and focusing more on executive position than legislative representation, competitiveness can be operationalized as the degree of parity between two major alternatives.

Using the former conception, Vanhanen (1997) operationalizes competition as the vote share of all parties except the largest, arguing that several smaller or medium-size

parties make for more electoral competition than one big, dominant party. A more precise measure for assessing the number of viable contestants in an election is the effective number of parties (Laakso and Taagepera, 1979). Using this variable on Indian state party systems, Chhibber and Nooruddin (2004) demonstrate that two-party systems are more likely to provide public goods and score high on citizen satisfaction than party systems with a greater effective number of parties. Note, however, that the latter study does not state that more parties means more competition. Instead, it makes the more subtle argument that the *character* of party competition varies. That is, multi-party competition differs from two-way competition. This matters, they demonstrate, because electoral incentives favor private or group goods provision under the former, and public goods under the latter type of party competition. Yet the strategic environment may vary even with the same effective number of parties, for example depending on whether the strongest party is centrist, enabling it to enter into coalitions in both directions, or belongs to one of the ends of the political spectrum. It is therefore worth looking not just at the size of parties, but also at their ideological locations relative to each other.

The second way to operationalize party competition treats the number of parties as a constant, and focuses on the relative strengths of the incumbent and opposition parties. The simplest measures of this kind distinguish simply between competitive and non-competitive systems, either qualitatively (Key, 1949), or by using an upper threshold for the incumbent's vote share (Przeworski, 1991). Besley (2002) measures the relative strengths of the two main parties in British council elections as discrepancies

between vote and seat shares, thus calculating a “incumbency bias” that is hypothesized to increase the sense of safety for majority parties, and is shown to be linked to lower government performance on standardized indicators. This idea of measuring a kind of “electoral slack” is very similar to that motivating the competition variable used in this paper. However, Besley’s work is purely cross-sectional, and thus vulnerable to alternative explanations involving features of municipalities other than party competition. The same can be said about the Ranney index, which is the most commonly used measure of party competition specifically developed to compare US states (Ranney, 1976; Dye, 1984). This measure consists of five indicators of Democratic Party strength, each averaged within a given time period. The average of these five indicators ranges from 0 (no votes for Democrats) to 1 (complete Democratic dominance). Assuming a two-party system, a value of one half means electoral equality between Democrats and Republicans. Two-party competition thus increases with proximity to this middle point, and a “folded” scale can express this distance numerically (Holbrook and Van Dunk, 1993).¹

Case selection

While the link between party competition and citizen satisfaction should be possible to demonstrate in any political system in principle, several factors favor Germany as a case for testing the theory outlined above. First, German Länder have extensive powers and

¹The Holbrook and Van Dunk study demonstrates a significant relationship between two-way party competition and various performance indicators in the US states. While agreeing with the theoretical conclusions of this paper, the common incidence of divided government in the US case makes party competition there more complex than in unicameral, parliamentary systems.

are important actors in public policy, notably implementation, for example as employers to more than half of Germany's public sector. Second, the party systems are stable and very similar across German states, particularly in the 11 Western states that will be studied in this paper. Most importantly, the first and second places in all elections have been filled by the two major center-right and center-left parties – the CDU/CSU and the SPD – which have typically shared about 85% of state legislative seats between them. Furthermore, at least one of these two parties has been present in all regional government coalitions in the history of the Federal Republic.

At the same time, variation in the relative strengths of these two parties is significant, both across states and within the same state over time. Thus, while the effective number of parties does not change much, levels of two-way party competition do. Due to the two-party-plus structure of politics in the German states, a version of the Ranney index – adapted to changes over time and a unicameral, parliamentary context – will provide a good way to measure party competition.

Data and methods

I measure two-way party competition using a 4-election retrospective discounted differential between the two largest parties in each region over time. The measure is retrospective, thus ensuring that no more information is included than that available to lawmakers of the given year; it looks at four elections, thus reducing the effects of exceptional swings; and it discounts past elections relative to more recent ones, thus giving more weight to the nearer past. Unlike existing competition measures, it is suitable for

measuring gradual change over time within units, not just between them. Analyzing the same units over time makes it easier to isolate the effects of party competition on citizen satisfaction, as the initial values of each of these variables may differ widely across units.

The moving-average party differential has the following formal expression:

$$\left| \frac{\sum_{t=1}^4 ((vote_{CDU_t}) - (vote_{SPD_t})) * w^{(t-1)}}{\sum_{t=1}^4 w^{(t-1)}} \right| \quad (1)$$

where t is the number of elections going back, the most recent election being given as $t=1$, and the earliest as $t=4$. The weight w is a constant with a value of .8.

The variable is calculated by comparing the long-term strength of the two major parties, in this case the CDU/CSU and SPD, in each state over time. Only the electoral performance of each individual regional party organization, such as the SPD in Hesse or CSU in Bavaria, is counted - national results play no role in the calculations. This sets the measure further apart from the Ranney index. Observations are defined by the state and year in which a Land election and election study was held.

For each observed region-year, the major-party vote shares from the four most recent regional elections serve as the basis for the competition variable. Only data from elections prior to each observation of the dependent variable qualify. In German regions this typically means that the observations for the competition measure are picked for elections held between four and 16 years prior to the survey. Further, for each major party, an average four-election vote share is calculated, weighted with a .2 discount for each election going back in time. Based on these weighted vote shares, a moving average of vote shares emerges for the regional branches of the CDU/CSU, and the SPD.

Subtracting the moving average of the SPD vote from that of the CDU/CSU, we get an easily interpretable indicator of the left-right orientation of a regional political system in any given year. Taking the absolute value of this result, a continuous variable ranging from 0 (perfect competition) to 1 (perfect one-party dominance) emerges.

The party differential varies with time, as party fortunes rise and fall. Such variation informs the decisions of officeholders, who weigh their decisions and efforts against their perceived likelihood of staying in office. The party differential also varies across regions. As Table 1 indicates, the party differential ranges from .0013 (Berlin in 1985) to .28 (Bavaria in 1990). The distance between the CDU/CSU and SPD thus takes values between almost perfect competition and a gap of 28 percentage points.

Table 1: Variation in moving-average absolute distances between CDU/CSU and SPD

State	Election studies	Mean	Minimum	Maximum	Range
Bavaria	5	.27	.25	.28	.031
Hesse	8	.012	.003	.039	.036
Baden-Württemberg	6	.18	.15	.20	.047
Schleswig-Holstein	6	.076	.038	.097	.059
Lower Saxony	7	.042	.0022	.077	.075
N. Rhine-Westphalia	5	.060	.023	.11	.084
Bremen	6	.17	.11	.20	.09
Rhineland-Palatinate	6	.078	.015	.11	.098
Saarland	5	.063	.016	.12	.11
Hamburg	8	.097	.036	.19	.15
Berlin	6	.093	.0013	.16	.16
Total	68	.099	.0013	.28	.28

In Table 1, the 11 states are ranked by variation in the moving-average party differential. Bavaria and Hesse have the least variation in party competition over time, whereas Hamburg and Berlin display the most variation. From the mean scores it can further be seen that Hesse and Lower Saxony have the most competitive party systems overall,

whereas Bremen, Baden-Württemberg, and notably Bavaria are the best examples of one-party dominance.

The existence of 25 years of regional election studies permits a test of the effects of party competition on satisfaction over time and within regions, as opposed to simply across regions. The advantages of this are clear: German Länder differ in size, wealth, political culture, urbanization, labor structure, religion, and education levels. These factors, and others, are likely to influence both satisfaction and the conditions for party competition. An analysis with state and period dummies permits a test of the variables of interest while taking into account such unit-specific factors that may otherwise be difficult to measure.

Survey data: dependent and control variables

The data used in this study come from 68 German state election studies conducted by the Forschungsgruppe Wahlen between 1978 and 2003. Since state elections are scheduled individually and rarely coincide with each other or elections at higher or lower levels, each survey pertains to only one Land by necessity. Each survey was conducted shortly before the corresponding state election, typically in the preceding month.

The main dependent variable is a satisfaction scale ranging from -5 to +5, on which respondents were asked to evaluate the performance of their regional government:

Are you satisfied or dissatisfied with the performance of the [incumbent party or coalition] regional government in [your state]? Please use the thermometer from plus 5 to minus 5.

The question has a response rate of 93.5%.² The mean satisfaction score is .82, i.e., close to one step above neutral, and the standard error is 2.8. Not unexpectedly, perhaps, supporters of the two major parties report higher satisfaction levels than respondents voting for smaller parties or not at all.

Whereas this paper aims to demonstrate that variations in party competition affect citizen satisfaction, as measured by the 11-point scale, other variables clearly exist that influence satisfaction without being related to valence issues. Most of these variables are found at the individual level. The three most important variables that indicate placement on position issues are vote in the previous regional election, religious denomination, and whether the respondent or anyone in the respondent's household is a union member. All these variables - vote, religion, and union membership - can be expected to influence satisfaction levels in different ways depending on the party composition of the regional government. Accordingly, they are interacted with political variables. Most importantly, the vote variable is transformed into a binary indicator according to whether or not the party for which the respondent voted in the previous regional election has at least one minister in the state cabinet at the time of the survey. In other words, this variable reports whether the respondent voted for the present incumbent in the previous election. Union membership is multiplied with an SPD premiership dummy variable, whereas religious denomination – separate dummies for the Catholic or Protestant denominations – are interacted with CDU premiership.³

²For one survey, conducted in North Rhine-Westphalia in 1980, only summary statistics are available.

These values cannot be used in the regression analysis, but will be included in Figure 1.

³The government dummy is determined according to what party the Minister President, or Land

In addition to the above individual-level variables, it would have been desirable to control for sub-national sentiment, or regionalism, in the models below. Regionalist feeling may boost satisfaction with the performance of a state government regardless of its perceived performance or the quality of its democracy. As it happens, regionalism is relatively weak in most German states, as a majority of them were formed from scratch after World War II. The main exception is Bavaria, with its separate conservative party and “widespread political-cultural consciousness favoring political independence and cultural uniqueness” (Gunlicks, 2003, p. 292). Unfortunately, no questions in the Forschungsgruppe Wahlen datasets gauge regionalist sentiment directly. This will not be a problem here, however, as differences across the Länder will be controlled for by state dummy variables.

Moving on to the aggregate-level variables, the most important of these is the party differential, as outlined above. Another political variable, a dummy indicating whether the regional government is formed by a coalition (1) or a single party (0) is included in one of the models. The significance of coalition government will be left for future research. A dummy variable is also created to indicate whether the state cabinet is led by the same party as the federal executive. Further, the effects of national economic trends will be controlled for, specifically unemployment rates and changes, as well as economic growth.⁴

premier, belongs to. This distinction is made because of three instances of grand CDU-SPD coalition, in which the party with more seats has held the post of premier.

⁴Regional economic variables will not be used in the analyses because economic success is a valence issue, and belongs in the group of dependent, not explanatory, variables. The difference is nevertheless

Multilevel data and cluster-corrected standard errors

The political, survey, and economic data employed to test the theory of this paper are well suited to ordinary least squares (OLS) regression analysis. However, one methodological issue arises from the structure of the data, as they break down into different categories according to level of analysis. Most importantly, the main explanatory variable – one-party dominance – varies by state-year, whereas the dependent variable – citizen satisfaction – displays individual-level variation. The structure of the data set is thus hierarchical, as it consists of merged aggregate and micro-level data. Using ordinary least squares (OLS) regression on this kind of data requires that the errors of the model are uncorrelated within groups; otherwise the standard errors of the model will be biased downwards (Moulton, 1990). In other words, the very high number of cases will lead to excessive confidence in the OLS estimates unless error correlations within groups are controlled for.

There is strong reason to believe that the errors of an OLS model will be correlated within each election study. This is because each study is conducted under particular circumstances that differ from those of other election studies. Furthermore, the variation of interest for this paper takes place over time within Länder, and not at the individual level.⁵ To account for this within-group correlation, cluster standard errors are calculated with state-year as the grouping variable. It is worth emphasizing that this does not very important, and the substantive results remain the same, since economic indicators correlate strongly between the regional and federal levels.

⁵Had the variation of interest been found between individuals, rather than within states over time, a more complex multilevel model might have been necessary.

not change the OLS coefficients at all; only the standard errors are affected. Cluster-corrected standard errors thus imply a more rigorous statistical test of the model, to repeat, because they will in general be greater than the biased OLS standard errors.

Results

Table 2 reports the effect of variations in party competition on satisfaction in German states over time. Model 1 regresses the 11-point citizen satisfaction scale on the party differential along with position-related, individual-level variables, economic indicators, and unit and period dummy variables. Model 2 adds a dummy variable for coalition government and Model 3 substitutes a variable indicating whether the state Prime Minister and the federal Chancellor belong to the same party.⁶

Table 2 shows a significant negative effect of one-party dominance on citizen satisfaction. In Model 1, the coefficient on the party differential indicates a slope of -5.5 to 1 on the regression equation. Since the party differential is not normally distributed, a better yardstick for evaluating the size of this regression coefficient is the range of the party differential in the median region. As Table 1 indicates, this median range is found in North Rhine-Westphalia, and stands at .084. This number is derived from the fact that the distance between the vote shares of the SPD and the CDU in North Rhine-Westphalia has not been narrower than 2.3 percentage points (which happened

⁶The latter variable is motivated by the findings of Kedar (2004) who argues that “midterm losses” in German state elections emerge from voters’ wish to balance the federal government. The insignificant coefficient does not contradict Kedar’s theory, but rather suggests that voters keep satisfaction and voting behavior somewhat apart.

Table 2: OLS regression of citizen satisfaction over party differential, individual- and federal-level variables, and coalition, region and time period dummies

Satisfaction with government performance	(1)	(2)	(3)
Party differential	-5.45 (0.95)**	-5.97 (1.07)**	-4.13 (1.57)*
Voted for incumbent	2.41 (0.11)**	2.42 (0.11)**	2.41 (0.11)**
Union member in household	-0.41 (0.05)**	-0.40 (0.06)**	-0.41 (0.05)**
Union member * SPD government	0.81 (0.09)**	0.80 (0.09)**	0.80 (0.09)**
Catholic	-0.02 (0.08)	-0.05 (0.07)	-0.02 (0.07)
Protestant	0.19 (0.04)**	0.17 (0.05)**	0.19 (0.05)**
Catholic * CDU government	0.74 (0.12)**	0.81 (0.10)**	0.77 (0.12)**
Protestant * CDU government	0.32 (0.09)**	0.36 (0.08)**	0.35 (0.10)**
Federal GDP change	4.86 (1.23)**	4.36 (1.32)**	4.70 (1.46)**
Federal unemployment rate	0.30 (7.00)	-0.03 (6.83)	0.77 (6.89)
Federal unemployment change	-0.24 (0.08)**	-0.24 (0.08)**	-0.25 (0.08)**
Coalition dummy		-0.28 (0.13)*	
Chancellor and MP same party			-0.21 (0.17)
...			
[Coefficients on state and period dummy variables not reported]			
...			
Constant	-0.22 (0.84)	0.02 (0.88)	-0.23 (0.81)
Observations	59404	59404	59404
R-squared	0.23	0.24	0.24

Cluster-corrected standard errors in parentheses

* significant at 5% level; ** significant at 1% level

in 1985), nor wider than 11 percentage points (before the 2000 election).

Given a typical range of .084, the coefficient of -5.5 means that a change in the party differential in the median state from the greatest to the lowest level would translate into a change of $(-5.5) * (-.084) = .46$, or just under one half-step on the satisfaction scale. That is, on the -5 to +5 scale of citizen satisfaction, a move from minimum to maximum competition in a typical region, all respondents would increase their reported satisfaction level by .46 step on average. For comparison, the median range of the aggregate satisfaction levels, again – by coincidence – drawn from North-Rhine Westphalia, is .99 (See Figure 1 below for a graphical representation of the ranges). This means that in the most typical – or median – region, the average change in satisfaction that occurs when moving from the lowest to the highest level of party competition has a magnitude that corresponds to half of the range between the lowest and highest level of aggregate satisfaction found in the median region. Thus, far from being insignificant, one half-step on the 11-point scale is a substantial distance when compared to the variation that is found within regions over time.

The individual-level variables introduced to control for position-related (as opposed to valence-related) satisfaction also display clear effects. Not surprisingly, individuals who report a vote for a present government party in the previous regional election, also report greater satisfaction with this regional government. Those having voted for the incumbent report on average 2.4 steps higher satisfaction on the 11-point scale than those who did not. (Incidentally, this seems to indicate a substantial polarization of the electorate.) In a similar way, religion and union membership influence satisfaction

levels. Not surprisingly, Catholics are on average more satisfied with CDU regional governments, while union membership predicts greater satisfaction when interacted with SPD incumbency. Perhaps more surprising is the fact that also Protestants are more satisfied with CDU governments. In any event, these demographic variables clearly predispose respondents to favor one party over another, and in ways that cannot be construed as having anything to do with government performance or competence.

Verification of the competition effect in the individual states

The finding that competition leads to satisfaction holds on average, but it is worth asking whether it also holds in each individual region or whether only a few strong cases drive the result. There are two ways to look at this: a regression analysis with separate coefficients for each region, and a graphical analysis of trends. The statistical method has the advantage of giving us precise results for each region, but its effectiveness is reduced by a low number of observations in each region – on average six. The graphical method may be less precise, but displays the data used so far in a more direct way. In addition, graphs enable us to see the trends in competition and satisfaction over time.

Both graphical and regression methods indicate that the findings presented in Table 2 hold for most regions over time. To facilitate the display of trends in satisfaction and party competition, a standardized party competition variable is derived, calculated as a linear function of the party differential. This variable ranges from the lowest to the highest observed competition level, as reported in the bottom row of Table 1. The party differential is reversed and expanded to fit a scale from 0 to 1, so that the maximum

party differential (.28) corresponds to zero on the new variable, and the minimum party differential (.0013) corresponds to one on the new competition variable. The scale for these values is given to the right of the graphs.

Figure 1 displays the trends in party competition and satisfaction over time for each of the 11 West German regions from 1978 to 2003. It is worth repeating that for each given election year, the competition variable builds exclusively on data from previous elections. Thus, each observation of the party competition variable is temporally prior to any satisfaction observation directly above and below it, and, of course, to any satisfaction observation to the right.

As Figure 1 shows, changes in satisfaction do indeed follow similar changes in party competition in most regions. This trend is clearest in Lower Saxony, Hesse, and Schleswig-Holstein, while only the two first regions, plus perhaps Bremen and Hamburg, seem not to display any clear trend. Note that the satisfaction measure is based on the raw averages found in each election study, which means that party vote has not been controlled for. This understates the satisfaction levels under closer competition, as a greater party differential means that a greater number of survey respondents will have voted for the incumbent government.

The graphs of citizen satisfaction and party competition by individual state indicate that the results found earlier, in Table 2, are not due to any exceptionally strong effects in a small number of regions. Instead, there seems to be a positive relationship between competition and satisfaction in at least two-thirds of the states, while none clearly goes against the finding. Still, graphical interpretation is prone to errors, as systematic trends

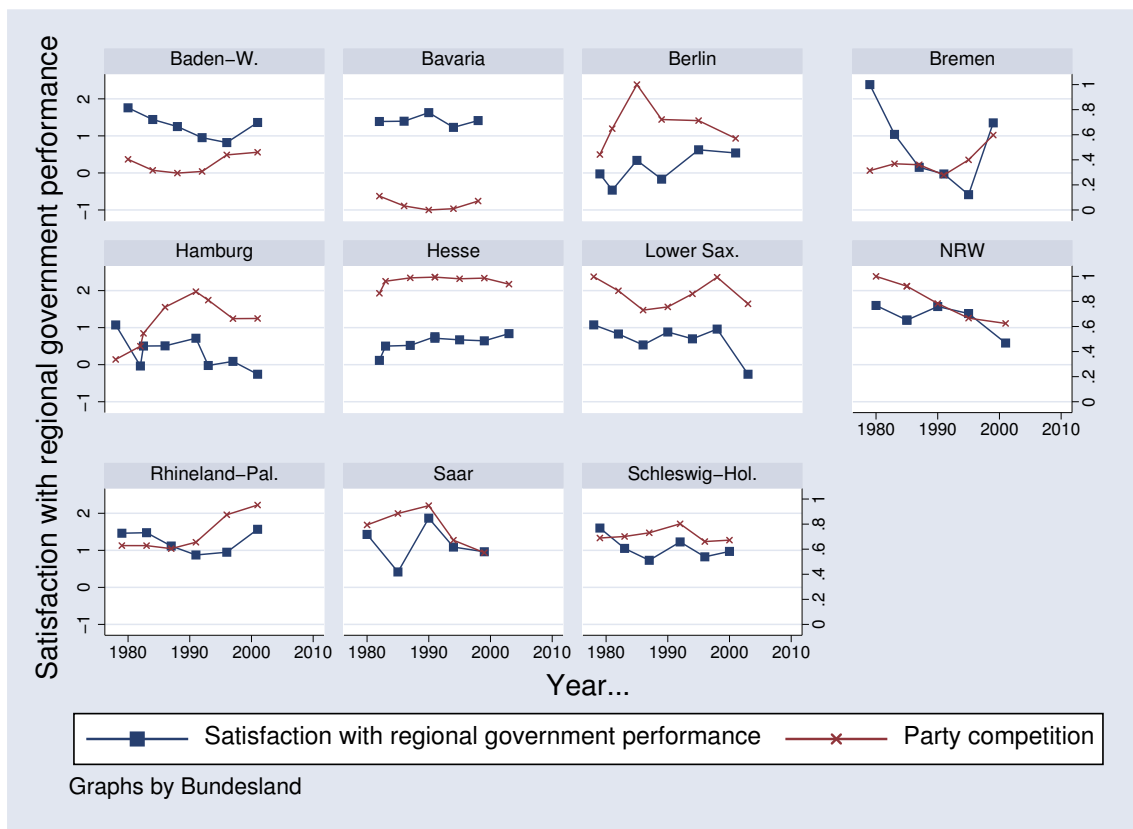


Figure 1: Evolution of party competition and satisfaction over time

often exist exclusively in the eyes of the beholder. It is therefore prudent to check the graphical impression against numerical evidence.

The most straightforward statistical method to verify whether the result found in Table 2 holds for many states is to perform a regression analysis for each region. With the low number of observations, the coefficients cannot be interpreted with great confidence, and the results from the regression would not be admissible as independent evidence for any effect of party competition. However, as a strict extension of the models in Table 2, a regression analysis broken down by region can at least yield an insight into which

Länder contribute to the established effects, and which ones do not.

By splitting the main explanatory variable into one for each state and running a regression analysis using the entire data set, it is possible to obtain results equivalent to those from regressions for each individual region. The advantage of this method is that more variables can be added with fewer degrees of freedom lost, while coefficients can “borrow strength” from the entire dataset. To split the party differential by regions, 11 new variables are created, each consisting of the party differential variable multiplied by a region dummy variable. For each individual observation in the data set, then, 11 new variables are added, of which ten are set to zero, and one is set at the party differential that already exists for the particular region and year. The coefficient on each of these 11 interaction effects, or, more importantly, its direction, will thus apply exclusively to variation found within the corresponding region.

Table 3 shows the results from the regression analysis on the party differential interacted with the state dummies. As noted above, what is interesting about the coefficients is not their size, which is highly variable due to the low number of observation in each region. The important finding is that in the basic model, ten of the 11 regions have a negative coefficient on their individual party differential. This clearly reduces the plausibility of the hypothesis that the result found in Table 2 relies on a few extreme cases. Rather, the finding that increased party competition leads to greater satisfaction with the regional government is supported also when the competition data are broken down by individual region.

The results presented above strongly support the hypothesis that greater party com-

Table 3: OLS regression of satisfaction over party differential interacted with state dummies, plus position-related, economic, and region and time dummy variables

Satisfaction with state government performance	(4)	(5)	(6)
Baden-Wuerttemberg * party differential	5.25 (6.48)	-0.61 (7.43)	9.66 (5.04)
Bavaria * party differential	-5.74 (8.51)	-9.84 (7.70)	-4.07 (7.89)
Berlin * party differential	-6.14 (2.96)*	-5.76 (2.86)*	-5.64 (2.92)
Bremen * party differential	-1.89 (6.00)	-5.51 (5.78)	0.21 (6.04)
Hamburg * party differential	-5.67 (2.24)*	-4.22 (2.68)	-3.58 (3.14)
Hesse * party differential	-20.80 (5.55)**	-15.80 (4.74)**	-16.49 (6.40)*
Lower Saxony * party differential	-6.79 (4.40)	-7.90 (4.04)	-3.02 (4.20)
North Rhine-Westphalia * party differential	-10.00 (4.50)*	-7.72 (3.83)*	-8.16 (4.21)
Rhineland-Palatinate * party differential	-9.16 (2.29)**	-12.59 (2.64)**	-8.89 (2.53)**
Saarland * party differential	-1.06 (3.99)	-2.12 (3.27)	-0.68 (3.37)
Schleswig-Holstein * party differential	-1.51 (11.68)	2.95 (10.73)	-1.08 (9.95)
Coalition dummy		-0.31 (0.14)*	
Chancellor and MP same party			-0.25 (0.17)
...			
[Coefficients on individual-level and state/year dummy variables not reported.]			
...			
Constant	-0.02 (0.88)	0.05 (0.87)	-0.16 (0.84)
Observations	59404	59404	59404
R-squared	0.24	0.24	0.24

Cluster-corrected standard errors in parentheses

* significant at 5% level; ** significant at 1% level

petition increases public satisfaction with government performance, and conversely, that one-party dominance has the predicted negative effect. Within states and over time, the effect is robust, being based on trends demonstrated in at least 2/3 of West German regions in the period from 1978 to 2003. The results also support the more general theory that smaller differences in electoral support between parties compel regional governments to take into account the immediate interests of as many voters as they can, or alternatively to be replaced in the next election. Conversely, parties cushioned by a wide vote margin seem free to do as they please, and do not face expulsion even if their performance is low. Thus, while low party differentials tend to focus government performance at a reasonably high level, greater differentials permit both high and low performance. Which one of these roads an electorally “safe” government will take depends on motivation and individual factors other than electoral structure.

While a clear effect of competition on citizen satisfaction can be demonstrated, what does this imply for of regional democracy? Unfortunately, the German Land election surveys do not ask voters to evaluate the quality of the regional political process *per se*, only the performance of various partisan actors. In addition to the regional government, though, respondents are also asked to evaluate the performance of the regional opposition and of the federal government. Since opposition is one of the main elements of democracy (Lipset, 2000), popular evaluation of the regional opposition is interesting for measuring regional democracy. The opposition variable can be analyzed alone or added to the main citizen satisfaction variable to form an index of regional political system performance. Regression analysis of these variables show remarkably similar results to the ones found

for satisfaction with the regional government, although the coefficients are somewhat smaller. This implies that party competition improves not only regional government performance, but also positively influences the functioning of the sub-national political system at large.

Assessing three alternative explanations

This paper has demonstrated that party competition has a positive effect on citizen satisfaction with regional government performance, and has further conjectured that competition also enhances regional democracy overall. However, two potential objections can be leveled against this argument. First, is it possible that causation runs in the opposite direction? That is, could it be that high government performance leads to more competition? Alternatively, might low performance leads to one-party dominance?

The answer is no, since voters cannot determine the level of competition. The party differential is an aggregate outcome of individual actions, voting, and there is no single strategy for individual voters to minimize the aggregate distance between the two major parties.⁷ More importantly, it would not make sense to maximize competition when satisfied with the regional government. If perceived performance is high, citizens should support, not desert, the incumbent, which will almost always be the largest party. By the same mechanism, dissatisfaction with a dominant party should make it progressively less dominant. Consequently, given the negative relationship between the party differential

⁷In the counterfactual case that one-party dominance were deemed better, voters could easily achieve and strengthen that by supporting the largest party. Under this scenario, endogeneity would be a real concern.

and citizen satisfaction, there can be no endogenous causality in this relationship.

Since causality must run from party competition or dominance to satisfaction levels, could it not be the case that competition itself is endogenous to other factors, such as federal-level politics? A parsimonious election forecasting model (not shown) does indeed show that the likelihood of a party holding the state prime minister post after an election is lower if the federal Chancellor belongs to the same party. This confirms earlier findings that German voters use Land elections to “balance” against the federal government (Jeffery and Hough, 2001; Kedar, 2004).

If it is true that regional elections serve predominantly as “thermometers” of federal-level trends, the idea of regional-level party competition loses much of its meaning. Specifically, all regional cabinets would find themselves held hostage to federal politics, and feel unconstrained by what happened in their own jurisdictions. For the purposes of accountability, this would have the same effect as making all states equally uncompetitive.

The moderating elections hypothesis does not constitute an alternative explanation to the results above, as it does not offer any predictions about variation in satisfaction levels. However, if regional politics do not matter, neither does regional party competition. Fortunately, the fact that Germans engage in moderating behavior when voting at the regional level does not mean that regional politics is determined by such behavior. In fact, it can be demonstrated that correspondence in partisanship between federal and Land levels, while certainly influencing the differences in vote total by party between levels, has no significant effect on variation in the party vote from one regional election

to the next in the period from 1978 to 2003.

Counter-intuitive as this may seem, it can be most easily explained by the fact that there has been remarkable government stability at the federal level during this period. Indeed, there have been only two changes in federal chancellor and government party composition over the entire period: Kohl's win of a positive vote of no confidence in 1982 and Schröder's election victory in 1998. Accordingly, while federal politics have an impact on regional party competition, two instances of government turnover remain insufficient to explain variation over a total of 68 separate regional elections.

Finally, it can be argued that the results in this paper derive not from any general competition-induced increase in satisfaction levels, but rather from enhanced optimism among supporters of the opposition party when the prospect of winning is greater. While there may certainly be a direct and positive effect of party competition on citizen satisfaction, it can be shown that party competition has an equally strong effect on supporters and opponents of the incumbent. That is, despite polarization in the electorate, all respondents prefer state cabinets to be kept in check by a strong opposition. This fact supports the choice of a principal-agent framework to model the relationship between ordinary citizens and leaders.

Conclusions

Competition disciplines leaders. When incumbents in German states feel that their main opponent is gaining electoral support, they behave in ways that enhance public satisfaction with their work. Conversely, when the gulf between parties starts to widen,

and incumbents get a sense of security from “electoral slack”, regional governments seem to change their behavior in ways that citizens, on balance, consider negative.

This finding is good news for democracy. First, there is no self-reinforcing trend between higher performance and increasing electoral strength of the incumbent. Instead, holding region-specific effects constant, dominant parties seem to pursue their own projects when they feel electorally secure, often over the heads of their citizens, who will eventually rein them in. Second, this pattern neatly demonstrates the role of uncertainty in democratic politics: Aggregate voting outcomes clearly influence government behavior, yet voters cannot determine the level of party competition in their state on purpose.

Looking at the issue of sub-national democracy more generally, this paper shows that elections other than those to the national level need not be seen as “secondary,” that is, mere thermometers of national trends. Electoral accountability is possible, as it is desirable, also at the regional level. The findings do, however, also point out a pathology of sub-national accountability more generally, resulting from the subordination of local and regional party systems to national issues and alignments. When one major party is unable to move ideologically due to national concerns, undue electoral advantages ensue for its major competitor.

The results presented in this paper can serve as conjectures for further research into the role of party competition at the sub-national level. Far from being an unique case, Germany shares a number of characteristics with other systems where the main finding – that two-way party competition correlates with citizen satisfaction – would

also hold. An obvious case for comparison is Spain, where important policy is made at the regional level; party competition can be effectively modeled as two-way contest in most regions; and national cleavages do affect, but not determine, the competitive environment at the regional level. Indeed, a preliminary test of this conjecture on the 17 Spanish Autonomous Communities adds support to the theory.

Beyond Spain, I would also expect the main finding to survive in cases such as Italy, Brazil, and India. However, in these countries, the party systems differ more extensively across regions and states than they do in Germany and Spain. This necessitates a control for the character, and not just degree, of party competition, for example by using the effective number of parties in addition to the difference in strength between the two main contenders. A look at likely coalition partners and pre-election coalition agreements may also make the measurement of two-way party competition possible even when the number of parties is high. Thus taking party system variation into account, the conjecture offered by the German case in this paper could be extended to a number of other cases.

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