**Online Appendix**

**Section A – Indicators and Balance of Data and other Complementary Regression Models**

**Table A: Structural Equation Model of the Regulative Dimension**

The regulation of financial markets (*financialmarketstand*) is captured by the index developed by Abiad and Mody (2005) covering six policy fields. The privatization of infrastructure (*reprovstand*) consists of seven indicators tapping the regulation in energy, transport and communications (OECD, 2011). Labor market regulation (*labormarketstand*) measures the strictness of regulation of individual dismissal of employees on indefinite and on fixed-term contracts with eight items (OECD 2013). Variables are standardized before estimation.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Structural equation model |  | Number of obs. = | | 697 |
| Estimation method = mlmv |  |  |  |  |
| Log likelihood = 45.465851 |  |  |  |  |
|  |  |  |  |  |
| **Measurement** | **Coefficient** | **OIM std. Err.** | **z** | **P>|z|** |
| financialmarketstand <- L1 | 1.00 | (constrained) |  |  |
| \_cons | 0.73 | 0.01 | 65.63 | 0.00 |
| regprovstand <- L1 | 1.09 | 0.11 | 9.59 | 0.00 |
| \_cons | 0.35 | 0.01 | 30.54 | 0.00 |
| labormarketstand <- L1 | 0.50 | 0.06 | 8.96 | 0.00 |
| \_cons | 0.44 | 0.01 | 36.34 | 0.00 |
| var(e.financialmarketstand) | 0.03 | 0.01 |  |  |
| var(e.regprovstand) | 0.01 | 0.01 |  |  |
| var(e.labormarketstand) | 0.04 | 0.00 |  |  |
| var(L1) | 0.05 | 0.01 |  |  |
|  |  |  |  |  |
| **Fit Statistics** |  |  |  |  |
| Rmsea | 0.00 |  |  |  |
| CFI | 1.00 |  |  |  |
| TLI | 1.00 |  |  |  |
| CD | 0.85 |  |  |  |

*Note:* Own calculation

Figure A: Development of Liberalization Indicators

The regulation of financial markets (financialmarketstand) is captured by the index developed by Abiad and Mody (2005) covering six policy fields. The privatization of infrastructure (reprovstand) consists of seven indicators tapping the regulation in energy, transport and communications (OECD, 2011). Labor market regulation (labormarketstand) measures the strictness of regulation of individual dismissal of employees on indefinite and on fixed-term contracts with eight items (OECD 2013). For social spending compare Armingeon et al. (2012). Liberalization is measured as an additive index of labor market liberalization, privatization and financial liberalization.



*Note:* Own calculation.

Table B: Overview of the Balance

The distribution below are based the entropy balancing procedure proposed by Hainmüller & XU (2011). Note that the lagged level of public debt and the logarithmized GDP per capita index failed to balance. For a description of the variables and their sources please compare the descriptive part in the article.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Treated units: 46 (cabinets with formal or informal PRRP participation), total of weights: 46**  **Control units: 567, total of weights: 46**  **Convergence after 13 Iteration** | | | | | | | | |
| **Before: without weighting** | | | treat mean | treat variance | skewness | control mean | control variance | skewness |
|  | | Market Liberalism of Gov. | 0.68 | 0.00 | 0.08 | 0.49 | 0.03 | 0.6 |
|  | | Government Duration | 22.67 | 147.50 | 0.52 | 26.91 | 345.30 | 2.22 |
|  | | Lagged Unemployment | 5.05 | 4.54 | 1.19 | 6.21 | 15.46 | 0.68 |
|  | | Δ Public Debt | 1.08 | 25.43 | 1.12 | 0.95 | 23.29 | 1.01 |
|  | Government seats | | 0.52 | 0.04 | 0.54 | 0.54 | 0.02 | 0.40 |
|  | | Lagged Share of Union Membership | 43.82 | 453.6 | 0.43 | 43.46 | 391.8 | 0.22 |
|  | | Immigration Rate | 3.77 | 7.14 | 0.65 | 2.25 | 12.78 | 1.03 |
|  | | Δ Unemployment | 0.36 | 0.92 | 1.84 | 0.10 | 0.86 | 1.00 |
|  | | Lagged level of Deindustrialization | 0.70 | 0.02 | -0.11 | 0.61 | 0.01 | 0.04 |
|  | | Lagged Level of Liberalization | 0.74 | 0.02 | -1.24 | 0.52 | 0.04 | 0.04 |
|  | | Δ GDP | 1.31 | 4.90 | -1.26 | 2.61 | 5.94 | -0.50 |
|  | | Δ Population Share >65 | 0.15 | 0.03 | 1.28 | 0.13 | 0.03 | -0.57 |
|  | | Δ Population Share <15 | -0.10 | 0.02 | -0.38 | -0.22 | 0.06 | 0.57 |
|  | | Lagged Level of Open Economy | 80.22 | 428.8 | -0.03 | 81.99 | 2181.00 | 2.10 |
|  | | Δ Open Economy | 1.72 | 29.86 | -0.36 | 1.06 | 31.84 | 0.11 |
|  | |  |  |  |  |  |  |  |
| **After: with weighting** | | | treat mean | treat variance | skewness | control mean | control variance | skewness |
|  | Market Liberalism of Gov. | | 0.69 | 0.00 | 0.09 | 0.69 | 0.02 | 0.46 |
|  | Government Duration | | 22.67 | 147.90 | 0.52 | 22.67 | 162.80 | 0.98 |
|  | Lagged Unemployment | | 5.05 | 4.54 | 1.19 | 5.05 | 6.75 | -0.19 |
|  | Δ Public Debt | | 1.08 | 25.43 | 1.12 | 1.08 | 19.25 | 1.08 |
|  | Government seats | | 0.52 | 0.04 | 0.54 | 0.52 | 0.04 | -0.44 |
|  | Lagged Share of Union Membership | | 43.82 | 453.60 | 0.43 | 43.82 | 461.40 | 0.39 |
|  | Immigration Rate | | 3.77 | 7.14 | 0.65 | 3.77 | 21.25 | 0.92 |
|  | Δ Unemployment | | 0.36 | 0.92 | 1.84 | 0.36 | 0.72 | 1.18 |
|  | Lagged level of Deindustrialization | | 0.70 | 0.00 | -0.11 | 0.70 | 0.01 | 0.30 |
|  | Lagged Level of Liberalization | | 0.74 | 0.02 | -1.24 | 0.74 | 0.04 | -1.34 |
|  | Δ GDP | | 1.31 | 4.89 | -1.26 | 1.31 | 5.11 | -0.44 |
|  | Δ Population Share >65 | | 0.15 | 0.03 | 1.28 | 0.15 | 0.03 | 0.11 |
|  | Δ Population Share <15 | | -0.10 | 0.02 | 0.38 | -0.10 | 0.03 | 0.56 |
|  | Lagged Level of Open Economy | | 80.22 | 428.80 | -0.03 | 80.21 | 1195.00 | 2.02 |
|  | Δ Open Economy | | 1.72 | 29.86 | -0.36 | 1.72 | 22.52 | 1.03 |

*Note:* Own calculation.

**Table C: Regression Models for Redistribution and Deregulation**

|  |  |  |
| --- | --- | --- |
| **Dependent Variable**  **Estimator**  **Model Number** | Δ Social Spending  Model: pcse, entropy balanced data  IV’s  (3) | Δ Social Spending  Model: pcse, entropy balanced data  IV’s  (4) |
| **Hypothesis involved** | **H1** | **H1** |
| PRRP gov. support | 0.08 | -0.48\*\* |
| PRRP\* Gov. duration | - | 0.69\*\* |
| Market liberalism of government  Market liberalism\*Gov. duration | -4.09\*\*\*  - | -6.31\*\*\*  1.80 |
| Gov. duration (in months) | -2.05\* | -1.82\* |
| Gov. seat share | -0.16 | -0.33 |
| l. union density | 1.00\*\*\* | 0.86\*\*\* |
| Δ unemployment | 5.41\*\*\* | 5.40\*\*\* |
| l. unemployment | -1.61 | -1.14 |
| De-industrialization | -1,72\* | -2.61\*\*\* |
| l. debt | 0.01\*\*\* | 0.01\*\*\* |
| Δ debt | 1.04 | 1.27\* |
| Δ GDP | 0.54 | 0.66 |
| Ln GDP | -1.06 | -1.47 |
| Δ pop >65 | 1.48\* | 1.35\* |
| Δ pop <15 | 3.68\*\* | 4.33\*\*\* |
| l. Level Social Spending (2a-2b) | -0.10\*\*\* | -0.11\*\*\* |
| Migration rate | -2.97 | -4.45\*\* |
| l. Globalization | 0.34 | 1.19 |
| Δ Globalization | 1.29 | 0.84 |
| EMU-Integration | -0.34 | -0.24 |
| Cons. | 1.31 | 4.33\* |
| R² | 0.51 | 0.55 |
| Number of countries | 17 | 17 |
| Time frame | 1970-2010 | 1970-2010 |
| n | 235 | 235 |
| Positive cases | 19 | 19 |
| Robustness (Online Appendix) | Figure B | Figure B |

*Notes:* \* < 0.90; \*\*<0.95; \*\*\*<0.99 levels of confidence. All coefficients are standardized by beta weights and consequently coefficients are comparable. Δ refers to changes and l to lagged variables.

Section B – Robustness

Figure B: Subsample regression: Average marginal effects (AME) on redistribution conditional on government duration

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*Note:* Own calculation.

Figure C: Subsample regression: Average marginal effects (AME) on deregulation conditional on government duration

*****Note:* Own calculation.

Figure D: Average marginal effects (AME) on the sub dimensions of deregulation conditional on government duration



*Note:* Own calculation.

**Section C: Case Selection**

Table E shows potential cases for the qualitative part. As a case is defined as one cabinet, those cabinets with PRRP inclusion are listed first. Additionally, the values of the dependent variables are pictured. Finally, potential cases for comparison without PRRP government participation are illustrated in the last column. Cabinets with PRRP inclusion and the comparison cases are calculated by using coarsened exact matching (CEM; Iacus et al. 2012; see table F).

**Table D: Potential comparisons after CEM**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Cabinet** |  | **Year** | **Δ Social Spending** | **Δ Deregulation** | **Δ Generosity** | **Potential Comparison after CEM** |
| Balkenende | I | 2003 | 0.34 | 2.39 | 0.20 | **Lubbers I (1984); Kok I (1995-1996);** **Balkenende II (2004-2006);** Rasmussen F II (2007, Denmark) |
| Berlusconi | I | 1994 | 0.23 | 1.49 | -0.30 | **Amato I (1992)**; **Craxi II (1987)** |
| Berlusconi | II | 2001-2004 | -0.20 | 6.81 | -0.20 |
| Berlusconi | III | 2005 | 0.07 | 9.19 | 0.10 |
| Schuessel | I | 2000-2002 | -0.12 | 4.63 | 0.30 | **Klima I (1997-1999);** Schluter I+II (1983+1987, Denmark); Rasmussen F II (2005-2006, Denmark); Kohl II (1986, Germany); Van Agt I (1978-1980, Netherlands); Willoch I+II (1982-1983, Norway) |
| Schuessel | III | 2003-2004 | 0.28 | 0.93 | 0.10 | **Klima I (1997-1999);** Schluter I+II (1983+1987, Denmark); Rasmussen F II (2005-2006, Denmark); Kohl II (1986, Germany); Van Agt I (1978-1980, Netherlands); Willoch I+II (1982-1983, Norway) |
| Schuessel | IV | 2005-2006 | -0.34 | 3.54 | 0.20 |
| Bundesrat | 1999 | 2000-2002 | -0.45 | 2.44 | 0.00 | **Bundesrat (1979, 1987, 1995)** and different cabinets from seven other countries. |
| Bundesrat | 1999 | 2003 | 0.71 | 0.00 | 0.20 | **Bundesrat (1979)**; Reinfeldt I (2008); Falldin III (1981); Socrates I (2008); Schroeder II (2003); Fillon II (2008) |
| Bundesrat | 2003 | 2004-2007 | -0.07 | 0.61 | 0.00 | **Bundesrat (1979, 1987, 1995)** and different cabinets from seven other countries. |
| Bundesrat | 2008 | 2009-2010 | 1.15 | . | -0.30 |

*Note:* The criteria where defined as having a CEM match in the same country. Matches fulfilling this criteria are in bold letters.

Coarsened exact matching does not converge on solution using variables with their original distributions. As many of them are continuous an exact match is very unlikely. The coarsening procedure entails a manual categorization of some variables based on their distribution. The CEM procedure matches 21 positive cases (cabinets with PRRP inclusion) with 86 cabinets without PRRP inclusion. From 670 cases 586 remain unmatched. The following Table shows the coarsened variables, their thresholds, the univariate imbalance (scott break method) and the mean distance:

**Table E: Matching Results**

|  |  |  |  |
| --- | --- | --- | --- |
| **Variable** | **Manual thresholds** | **Univariate Imbalance (L1)** | **Mean distance** |
| Market liberalism of government | (0 0.4 0.55 0.7 1) | .42529 | .02546 |
| Lagged level of debt | (0 90 120 160) | .37063 | 6.0528 |
| Lagged level of industrialization | (0 0.5 0.8 1) | .2607 | .03579 |
| Delta Unemployment | (-4 -1 1 3 8) | .3111 | .04548 |
| Growth GDP | (-10 -5 0 4 7 20) | .19106 | .05173 |
| Lagged Open Economy | (0 10 50 100 200) | .40334 | 14.411 |

|  |
| --- |
| Note: Own calculation using the cem command in stata (Iacus et al. 2012). |