The downstream effects of federalism: How state parliament insiders gain a competitive edge in federal party politics

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Abstract

In this paper we examine whether state parliamentary presence provides a local electoral boost for political parties that contest nationwide elections in multi-level systems. The identification of this effect is achieved by using the five percent electoral threshold that applies to all state elections in Germany. Working from a deductive angle and aided by our research design we try to disentangle the mechanism producing this effect. We investigate whether the observed effects are caused by a) momentum and bandwagon effects from one election to the next, b) public party financing and/or c) party organizational benefits. We find that parties who have a foot in the state parliamentary system perform better than similar parties who have failed to secure local representation, but only if a substantial period of time passes between the state election and the subsequent national election. Therefore, spillover or bandwagon effects from lower to higher-level elections can hardly account for the observed effects. Building on the cartel party and party organisation literature, we offer a more substantial explanation: local parliamentary presence provides access to state resources. We are able to exclude that these resources stem from public party financing because thresholds for public party financing do not coincide with the 5 percent threshold for state and federal parliamentary representation in Germany. In contrast, the only mechanism that fits the pattern of our empirical results is organizational in nature. Parties who are present in state parliaments can offer the material and status benefits of a political career, hire full time support staff for local constituency offices and appoint their supporters to positions in administration and the public sector. The party is therefore able to provide selective incentives to both activists and the local electorate as a whole.

The most prominent theory of party organization in post-WWII politics, the cartel party thesis (Katz and Mair 1993; 1994; 1995; 1997), postulates that political parties within the political system, the so-called insiders, gain an electoral edge over their competitors by taking advantage of state resources. Due to ever-declining party membership, resources for sustenance “come increasingly from the state” (Katz and Mair 1997: 107). These resources are generally directed to the parliamentary party, which has gained more importance compared to extra-parliamentary party organization (ibid). Therefore, winning or losing an election is thought to have consequences for future electoral competition and the future electoral performance of political parties.

The main difference between the cartel party and its previous paradigm, the mass party (Katz and Mair 1995), is that politics becomes dominated by the national level at the expense of the grass-roots and local party organisation. Whereas for the mass party this local dimension was deemed to be vital for the parties’ survival, in an electoral context that promotes centrally-orchestrated campaigns and in which the parties’ message is quickly and effectively disseminated to the electorate through the use of electronic media, local and regional party dynamics have become less crucial in party competition. This phenomenon, often dubbed the personalization of electoral politics (King 2002), has been characterized by the nationalization of electoral dynamics and by an increased importance attached to state-funded party organization and to leaders’ personal appeal (Mughan 1995).

Although very influential in our understanding of change in party organization, the cartel party hypothesis has not considered an important and largely parallel development in Western democracies, namely the decentralization of public administration. Many countries have delegated previously centrally coordinated competencies to their regional authorities. This process has been largely accompanied by the formation and strengthening of representative institutions and regional elections, thus fostering party competition at the regional level. To the extent that these regional elected bodies are coupled by state subsidies, they can potentially affect national electoral outcomes. According to the cartel party hypothesis, therefore, one should expect that local parliaments and governments have a role in partisan dynamics so long as they provide independent channels of access to state resources. If entering a local parliament comes
with state financing, local politics should represent a miniature of national politics, whereby local party branches should compete for state funding.

Based on survey data, many studies have tried to examine the relationship between regional politics and nation-level party competition. That said, the findings from these studies have pointed to a top-down dynamics, whereby regional politics are mainly reflections of the national electoral momentum and the national election cycle (Dinkel 1997; Gabriel 1989, Lohmann et al. 1997; Hough and Jeffrey 2002; Kern and Hainmueller 2006). According to this view, if regional elections are important, this is because they are mid-term elections, which can leave some imprint on federal party competition pretty much the same way as opinion polls do during electoral campaign (i.e. by helping voters evaluate the electoral power of parties during the national election cycle) and by changing the composition of the second chamber of parliament (Kern and Hainmueller 2006).

An important point that is often overlooked by these studies, however, is that at least in decentralized and federal systems, regional representative institutions can exert an indirect albeit significant influence on national politics. Access to these institutions is accompanied by nontrivial organizational benefits. Since in most cases the same political actors compete at all levels of governance, they can make use of these region-specific benefits in order to improve their status in federal party competition. Rather than pointing to spillover or state-financing effects, this line of reasoning draws on the party organizational structure generated as a result of a multi-level pattern of governance. Lower-levels of governance provide potentially fruitful points of access to state resources, apart from public financing. Regional legislatures, governments and civil services provide ample opportunities for political careers and patronage appointments (Smith 1979). Therefore, party presence in regional parliaments may have important implications for the party’s performance at upper level elections.

Thus, we are in front of three equifinal argumentations. Regional parliaments could matter to federal partisan dynamics for three different reasons. According to the cartel hypothesis their role is important due to the fact that entrance in the local or national legislature is often accompanied by state subsidies. According to the literature on electoral spillover and political momentum (Bechtel 2012; Simon 1954; Bartels 1984;
Goidel and Shields 1994), electoral battles at any level may create so-called electoral externalities at a lower or upper level (Leon 2010). Entering the parliament may be interpreted as a good signal of a successful electoral performance and hence may engender such positive externalities. Finally, according to our local party organization argument, entering the local parliament creates opportunities for the provision of pork and in so doing it helps parties establish their electoral presence in the area.

The key question of course is how to identify the effect of local parliamentary representation and moreover how to disentangle these three mechanisms. In effect, the existing literature on party organization and on multi-level governance has ignored the potential importance of local representative institutions for the character and competitiveness of national electoral dynamics. A key reason for the lack of convincing evidence on whether insiders benefit is that they are on many accounts very different from outsiders, e.g. parties that do not usually enter parliament. Without being in a position to isolate all party-specific idiosyncrasies, it is impossible to produce a reliable estimate for the effect of achieving parliamentary representation at a given election on a party’s future electoral fortunes. Hardly surprisingly, even less light has been shed to the possible mechanism driving such an effect.

The aim of this paper is twofold. We first examine the effects of parliamentary representation at the state level on future electoral performance in federal elections. Second, working from a deductive angle and aided by our research design we try to disentangle the mechanism producing this effect. We distinguish between the claims that the observed effects are caused by a) momentum and bandwagon effects from one election to the next, b) public party financing and/or c) party organizational benefits.

To pursue this goal, we exploit the useful characteristics of the German federal system. The German case has particular features that help us to identify the effect of parliamentary representation on future electoral performance and also allow us to address the possible mechanisms driving this effect. The identification of this effect is achieved by using the discontinuities generated by the five percent electoral threshold of local representation that applies to all state elections. With regard to the mechanism, we exploit the quasi-random occurrence of state elections throughout the federal election cycle. Doing so helps to distinguish between organizational and bandwagon ef-
fects. While the bandwagon mechanism should be more pronounced if elections follow in quick succession, organizational effects are the larger, the more time parties have to organize on the ground. The role of party financing as a possible confounder for local organizational benefits is ruled out by the design. We can exclude that public party subsidies lead to the observed effects since subsidies are available to all parties that obtain more than 0.5 percent of votes in federal elections and 1.0 percent of votes in state elections (Eilers 1994). If a party reaches more than 1.0 percent of the vote at state level, it receives subsidies for every voter, irrespective of whether the party achieved state parliamentary representation or not. Throughout the history of the Federal Republic, the 5 percent threshold has not coincided with the legal threshold for public party financing.

This paper makes three contributions to the literature. First, it shows that there is a causal link between entering state parliament and future electoral success at federal elections and hence confirm an important element of Katz and Mair’s (1995, 1997) cartel-party thesis. Second, it will demonstrate that the effect is the larger, the more time passes between the two elections. We can therefore exclude spillover from one election to the next as a mechanism driving these effects. And third, we lend further support to Bechtel’s (2012) claim that politics under federalism should be seen as a genuine two-way process. But we go beyond his work in demonstrating that there is a substantive, organizational dimension to bottom up effects from state to federal politics.

Why should state parliaments matter? Spillover-/Bandwagon effects

Bechtel (2012) argues that there are important bottom-up effects from state level politics to national politics that have previously been ignored. “We know virtually nothing about whether and how subnational elections influence vote intentions at the national-level” (Bechtel 2012: 3). However, bottom-up effects are thought to be by-products of information transmitted by the national media about state party performance, candidates and electoral success. The bandwagon effects literature on US Presidential primaries goes one step further and assumes that electoral success or failure in one state’s primary election produces spillover or bandwagon effects if there is an-
other primary following in quick succession (Simon 1954, Bartels 1984; Goidel and Shields 1994). It has been argued that electoral success leads to more success because people want to be on the winning side (Goidel and Shields 1994). This mechanism has also been associated with increasing media reports and the way individuals recall the information, on which they base their voting decision (Iyengar 1990, Mutz 1997). Individuals are more likely to recall information to which they have been exposed more recently (Iyengar 1990; Zaller 1992).

However, while Mutz (1997) argues that increased media attention leads to an incentive to consider the respective party, she cautions that this must not necessarily lead to a voting decision in favor of the party. People “reassess their own views in light of this new information. From this perspective, momentum appears far less pernicious than typical references to bandwagon phenomena would suggest” (Mutz 1997: 120).

However, while electoral spillover effects can explain electoral momentum from one election to the next if the two elections follow in quick succession, they do not account for the financial and organizational advantages provided to parties that perform well in state elections and manage to enter parliament. The media hype often only lasts a couple of weeks and an electoral bounce after a successful performance is bound to slowly fade away. Spillover effects are therefore only set to reduce electoral volatility at the national level for a short period of time. But substantial benefits of representation, be it public subsidies or organizational and institutional privileges, are there to stay.

**The state access mechanism: Public subsidies**

In one of their most oft-cited quotes, Katz and Mair (1997: 106) write,

“the state, which is invaded by the parties […] becomes a fount of resources through which these parties not only help to ensure their own survival but through which they can also enhance their capacity to resist challenges from newly mobilized alternatives. The state in this sense, becomes an institutionalised structure of support, sustaining insiders and excluding outsiders.”
According to Katz and Mair (1997: 107) being an “insider” goes well beyond being in government. Of course there are exclusive spoils of office available for parties who govern, but “even when a party is excluded from government […] this rarely implies a denial of access to the spoils of the state, nor to at least some share of patronage appointments” (Katz and Mair 1997: 107). This view has gained considerable support in the party system literature (Smith 1979; Sturm 1999). Being an insider means being inside the political system and a good measure of being inside the political system is parliamentary representation.

Following the original focus of Katz and Mair’s (1993) work, most studies that have tried to test a mechanism have focused on the advantages provided to established parties by systems of public party financing (Pierre et al. 2000; Scarrow 2006). However, there is little empirical evidence to suggest that public financing actually contributes to electoral success. As Scarrow 2006: 635) concludes, “changes in the vote share for parties and in the number of competitors have not coincided in any systematic way with the introduction of party subsidies, or in changes in the payout threshold.” Based on these results Katz and Mair (2009: 754) have admitted that their original focus on access to public financing as the main mechanism of how insiders gain electoral advantage might have been misplaced.

The state access mechanism: the organizational hypothesis

In this paper we advance an alternative mechanism of how state access matters to political parties. We argue that parliamentary presence leads to a local organizational advantage that translates into electoral success at the following election. More often than not, access to the legislature comes with privileges, which until then often look like self-funded luxuries. Parties that enter the parliament receive a number of elected representatives who are paid full-time and receive money to hire support staff: parliamentary researchers, assistants and secretaries. As Mair (1997: 141) shows, “the growth of parliamentary party staff has consistently outstripped that of central office staff.” Parties are therefore able to attract new members because they can offer oppor-
tunities for a political career and a wide range of patronage appointments (Panebianco 1988).

This development is particularly pronounced in Germany (Poguntke 1994: 194). It is easier for small parties to pass the five percent threshold at the state than at the federal level because turnout in state elections is generally lower. Moreover, it is easier to organise in a small state than in a whole country. For both these reasons, many parties will enjoy these spoils of office (Sturm 1999). The scope for patronage appointments is greater at state level because of the states’ stake in appointments ranging from the public media, over state owned banks and public companies to schools and universities (Smith 1979; Poguntke 1994). Often appointments are the outcome of negotiations between government and opposition (Smith 1979). This system is best observed in appointments to the courts, where parties have agreed on a rotation system (ibid).

State parliamentary presence will have a positive effect on the organizational capabilities of the state party, which in turn will have positive effects on electoral mobilization and persuasion. Opportunities for a career in professional politics and patronage appointments will incentivize individuals, so-called “careerists” to join the party (Panebianco 1988; Aldrich 2006; Cox 2010). “The possibility to reward the party faithful represents an important incentive for recruiting active members and office holders” (Poguntke 1994: 197). It is hence likely that a party that is represented in state parliament will gain more activists than a party that has no access to public office. Activists, in return for a political career or an appointment, will not only vote for the party but also participate in its electoral mobilization efforts (Cox 2010). They are ready to distribute leaflets, put out electoral advertising and knock on doors. The party’s potential of mobilizing and persuading voters therefore increases.

Furthermore, a usual state MP employs two assistants and one of them is normally dedicated exclusively to the constituency. The MPs receive money to equip parliamentary and constituency offices, from where they provide a range of services to constituents. Because a state MP serves a much smaller constituency than a federal MP, s/he is more accessible and can serve constituents more effectively (Sturm 1999: 209). Selective incentives should be particularly relevant for the electoral performance of small parties because they cannot rely on collective incentives such as longstanding
partisan attachments. Parliamentary parties are, therefore, not only able to reward core supporters, but they are also able to direct services to the median voter (Downs 1957).

While in the short-run, new parties will be able to attract activists and prospective voters without institutionalized structures of support on grounds of shared ideology and collective interests, in the long run institutionalization and the ability to provide selective incentives to both groups becomes crucial to the survival and success of the party (Panebianco 1988: 166).

In order to produce positive outcomes, this organisational mechanism requires time: The training and inclusion of a critical number of party activists into the party organization can take years (Panebianco 1988). Constituency offices have to start operating and the number of constituents who will benefit from private goods provided by the party will increase over time. While positive effects are thus more likely to materialize after an initial starting-up period, those effects are likely to be long lasting. They should be felt well beyond the next election. Activists that have joined the party in the wake of entering state parliament can be reactivated for future electoral campaigns. Moreover, the literature shows that voters develop a habit of voting for a particular political party (Dinas 2010). Equally, if a party fails to enter state parliament the organizational consequences will probably be particularly pronounced in the long run. An activist, who has left, is hard to win back and reorganization will therefore take time.

In contrast, if a federal election is scheduled within a few months of entering state parliament, we would not expect a large, positive effects from organizational changes. Any electoral advantage gained in the short term would thus be due to electoral momentum and bandwagon effects due to media attention and excitement generated after a party enters parliament.
Recent examples

Recent German politics can serve as an illustration of potential real-world implications for political parties. The German Pirate Party celebrated a huge success by entering the state parliament of the small city-state of Berlin in late 2011. Will its presence in the Berlin Senate help win higher percentages of the vote at the 2013 federal elections and if so, will this be due to electoral spillover and bandwagon effects or due to organizational advantages in the state of Berlin? On the other extreme, the Free Democratic Party (FDP) marginally lost representation in three out of the last six state elections it contested. Just like in the mid 1990s, the party was again in danger of being wiped out at the state level. Is the damage occurred due to the loss of state MPs, support staff and constituency offices going to harm the electoral prospects of the FDP in those states? And are there any electoral long-term consequences to these losses?

Data

German land and federal elections provide ample cases to test the effects of state parliamentary representation on future federal election performance and to discriminate between the three different mechanisms. In order to do so, we created our own dataset, which includes the electoral results of all parties that participated in German state and federal elections from 1947 up to 2009. The data set is based on the official state and federal election results published by the federal election commission (Bundeswahlleiter 2011). For the period from 1947 up to 1990 it includes the complete electoral results for the 10 states that made up the former Federal Republic before reunification. For the period between 1990 and 2009 the data set includes all electoral results for the 10 old states and the 6 new states (including the city state of Berlin).

Federal elections are held every 4 years and state elections every 4 to 5 years. Each of the old states hence contributes 16-18 state election results and 17 federal election results, while the new states contribute data on 6 state elections and 6 federal elections. Posing some restrictions related to party size (about which we say more in the next section), the resulting dataset gives us 69 small parties that have achieved between
1% and 9% in state elections and contribute a total of 548 cases that are included in the analysis. The four parties that together contribute more than half of the cases are the FDP (152), the Green Party (80), the Republikaner (43) and the NPD (33). The vote shares of those parties are usually located around the 5 percent threshold. While the FDP was present in some state parliaments but not in others throughout the whole period, the Greens were present since the 1980s. The Republikaner managed to join a number of state parliaments in the 1980s and 1990s and the NPD was a presence in some state parliaments in the 1960s, the 1990s and the 2000s. The PDS/die Linke contributes fewer cases to the analysis because it has often achieved results better than 9% in the East or worse than 1% in the West. Other small parties included in the dataset that sometimes achieved state parliamentary representation are the DVU, the Schillpartei, the STATT Partei, the KP, the FWG and the WASG.

**Research design**

If regional representative institutions leave an important imprint on nation-wide electoral politics, parties that gain access to the state legislature should improve their vote share in that region in the coming federal elections. In the German case, this idea could be tested by comparing the state vote shares in the federal elections of those parties that have achieved representation in the state (“land”) parliament and those parties that were not part of that local parliament. The important problem with such a comparison, however, is that parliamentary representation is itself the outcome of seemingly endless party-specific characteristics (e.g. party ideology, leadership appeal, prior organizational capacities etc.). Finding information to control for all possibly relevant differences is next to impossible. Failing to do so, however, would make such a comparison bound to generate a biased estimate about the importance of parliamentary representation on parties’ electoral appeal in the coming federal elections.

To address this problem, we make use of the discontinuities generated by the electoral system of German state elections. German parties can only enter the state parliament if they have gathered more than five percent of the total state vote. We thus use the presence of this electoral threshold, which applies to all states for the whole period under investigation, as a way to identify the effect of state parliamentary representa-
tion on federal electoral performance. We do that by using various regression discontinuity estimators, all of which are based on the same assumption, namely the idea that parties’ vote shares incorporate some random component. For any party, its exact electoral result could have been slightly and most often trivially different if any given election were to be repeated without anything substantive having changed either in the political context or in the composition of the electorate.

For instance, the FDP in 1980 received 4.98 percent of the vote in the state election of Niedersachsen and was thus absent from the state parliament. The counterfactual question we effectively try to answer is whether this party would have done better in that state in the following federal election of 1983 if it had achieved only 0.02 percent higher so as to make it to state parliament. Reversely, we ask how this party would have done in the 1994 federal election in Hamburg, had it performed marginally worse in the 1991 state election, where it surpassed the electoral threshold with a tight 5.4 percent of the vote. Fortunately, such instances are not very rare in German state elections.

Employing this design, we focus on parties with vote shares in the neighborhood around the electoral threshold, comparing parties above this threshold (treated) with parties below the threshold and hence without regional MPs (controls). This comparison could reveal the causal effect of local parliamentary representation so long as the, admittedly weak, assumption that was made above holds, i.e. that small differences in parties’ vote shares can be attributed to random chance. Parties that gain parliamentary representation may on average have more competent leaders and/or more encompassing ideology. However, it becomes more difficult to attribute such small differences in parties’ vote shares to such systematic factors. Thus, by focusing on the neighborhood of the threshold, we can assume that all other possible predictors of parliamentary representation have been cancelled out and should not thus confound our estimates.

Formalizing this intuition, let \( Y_k(1) \) and \( Y_k(0) \) denote the vote share of party \( k, k=1,\ldots,K \), at the state \( s=1,\ldots,S \) at time \( t+1 \) if it has or has not achieved regional parliamentary representation at time \( t \), respectively. Treatment, \( T_{ks} \), equals 1 if the party obtained parliamentary representation at state \( s \) and 0 otherwise.
The treatment assignment mechanism in our case is addressed through the use of the party’s vote share at the state election at time $t_0$ as a forcing variable. Given that all parties that exceed the threshold gain parliamentary representation and all parties that do not reach this vote share remain out of the local legislature, $T_{ks}$ is fully determined by whether $X_k$ is either below or above a fixed threshold $c$ (Imbens and Lemieux):

$$T_{ks} = 1_{X_k > c}$$

The average treatment effect of $T_{ks}$ for parties with vote share equal to the threshold is given by the following equation:

$$\tau_{RD} = E[Y_i(1) - Y_i(0) | X_k = c] = E[Y_i(1) | X_k = c] - E[Y_i(0) | X_k = c] \quad (1)$$

It is at this point that our assumption about the existence of some random component in parties’ vote share is helpful. As Imbens and Lemieux (2008) show, if this assumption holds, i.e. if $E[Y_0|X=c]$ and $E[Y(1)|X=c]$ are continuous at $x=c$, $\tau_{RD}$ can be estimated by comparing local average outcomes at either side of the discontinuity:

$$\tau_{RD} = \mu_+ - \mu_-, \quad \text{where} \quad \mu_+ = \lim_{x \downarrow c} m(x), \quad \text{and} \quad \mu_- = \lim_{x \uparrow c} m(x), \quad (2)$$

where $\mu$ represents the conditional expectation of the outcome given the forcing variable, i.e. the average vote share of the parties right above ($\mu_+$) and below ($\mu_-$) the electoral threshold. Thus, the estimand is the difference of the two regression functions evaluated at the boundary points.

As it has been well-documented (Lee 2008), the regression discontinuity design can only uncover causal effects at the cut-off point, in our case defined by the electoral threshold. This means that we can only identify the Local Average Treatment Effect (LATE), which here applies to relatively small parties. That said, it is these parties for which access into the local parliament becomes a goal and it is for these parties that we have over time variation in their status with regard to their presence in the local parliament. Very small parties, far below the 5 percent threshold, as well as larger parties, which easily exceed this threshold, produce no variation with respect to our key variable of interest.
Moving to estimation issues, two important issues need to be addressed. First, we have thus far remained agnostic about the magnitude of the electoral threshold neighborhood. How far below or above the five percent rule should we go to estimate this effect? This question, crucial in all RDD analyses, involves a choice about the bandwidth, $h$, around the cutoff point. Second, we need to describe the exact RD estimator used in the analysis.

We address both questions in two ways. First, we only focus on parties above one percent of the vote. We do so in order to ensure that our analysis will not be confounded by other possible discontinuities generated by the party financing regulations in German state elections. All parties that exceed the one percent of the state vote share are eligible to receive state subsidies. The amount of these subsidies grows monotonically and gradually as parties’ vote share increases. This means that by focusing on parties above the 1 percent of the vote, we make sure all our cases receive state subsidies and that they do so in a smooth fashion through out the neighborhood of the electoral representation threshold. To retain symmetry and to avoid opening the gap in terms of vote share between treated and control observations, our upper bound is the nine percent of the state vote share. Within this area, $1<h<9$, we fit a fourth-order polynomial of the following generic form:

$$
Y_k - Y_s = \alpha + \beta_1(X_{ks} - c) + \tau T_{ks} + \beta_2 T_{ks}(X_{ks} - c) + \beta_3(X_{ks} - c)^2 + \beta_4(X_{ks} - c)^3 + \beta_5 T_{ks}(X_{ks} - c)^4 + \sum_l \lambda I\{s = S\} + FDP_s + \mu Greens + e_k
$$

Two clarification remarks need to be made with regard to equation (1). First, our forcing variable $X_{ks}$, which represents parties’ vote share at the state election, is centered around the cutoff point. This recodification is useful in order to minimally extrapolate at the point of the discontinuity. By looking at the three first terms of equation (1), we see that $\tau$ captures the effect of being treated (getting representation at the state parliament), as evaluated for $X_{ks}=5$, thus for a 5 percent vote share. Using higher polynomials and their interactions with the treatment indicator serves to capture possible nonlinearities in the relationship between state vote share at election $t$ and our de-
dependent variable of interest. A maximal version of our actual polynomial specifications is presented here, denoting that we have searched for up to significant fourth-order polynomials. We have only retained, however, the highest significant polynomial and its corresponding interaction term with the treatment indicator (see also Green et al. 2009).

The second point relates to three different sources of variation that need to be taken into account. First, state-specific idiosyncrasies may lead to significant geographical variation in the electoral performance of parties. We try to control for this time-invariant heterogeneity by adding state fixed effects, captured with our \( \lambda \) parameters, as shown in equation (1). Second, parties may undergo ups and downs during all this period. We cannot effectively control for this variation by adding year-fixed effects because this would lead to losing almost all available information, given that at any given year only few state elections take place. Alternatively, assuming that these time trends are state-invariant, we simply subtract the party’s vote share in state in question from its average vote share in the federal election. Thus, our dependent variable becomes the difference between the vote share of party \( k \) at state \( s \) and its average vote share at the same federal election across all states. Third, although we cannot include party-fixed effects because in many cases some parties are only represented with one observation, we add two dummies denoting the liberal party, FDP, and the Greens. These are the two parties most frequently encountered in our analyses.

The second way in which we try to determine the bandwidth and estimate the effect of interest is by using Imbens and Kalyanaraman’s (2009), optimal bandwidth algorithm. This algorithm has proven to perform very well in recovering experimental (Green et al. 2009), observational (Lee 2008) and simulation (Imbens and Kalyanaraman 2009) benchmarks. Using this formula, we estimate the effects with local linear regression, which has been shown to have attractive bias properties in estimating regression functions at the boundary (Fan and Gijbels 1992) and enjoy rate optimality (Porter 2003). This means that the following model is fitted locally on both sides of the threshold:

\[
Y_{ks} - Y_k = \alpha + \beta_1(X_{ks} - c) + \tau T_{ks} + \beta_2 T_{ks}(X_{ks} - c) + \sum_s^S \lambda 1(s = S) + \lambda \text{FDP}_s + \mu \text{Greens}_s + e_k
\]
As a final point, it needs to be highlighted that our design does not serve as a way to confirm or rule out alternative mechanisms other than organizational benefits stemming from parliamentary representation. Rather, it helps us to examine whether such effects exist net from other possibly interrelated and hence confounding causal paths. Thus, we do not argue that party financing is not important for parties’ future survival and their electoral performance. Neither do we aim to rule out the potential bandwagon effects from a successful electoral battle. The important point for us is that these two mechanisms can be controlled for, hence enabling us to examine whether making it to the local parliament has important consequences for parties’ electoral performance in the federal elections, apart from those based on state financing and spillover effects.

The reason both these mechanisms can be effectively ruled out is than none of them anticipates any discontinuity at the point determining electoral representation. Parties receive state subsidies progressively as a function of their vote share, once they achieve 1 percent of the state vote share. By the same token, spillover effects are deemed to refer to parties’ previous performance. Although for some parties entrance in the parliament could be regarded as a good indicator for a party’s electoral appeal, for many parties this is only a poor signal. Even for the first family of parties, however, bandwagon effects should mainly operate in a gradual monotone fashion, hence making it less likely to observe a gap on such grounds as a result of crossing the five percent threshold. Moreover, this particular mechanism can be taken into account in a more efficient way in this analysis. This is done by making use of the distance between the state election and the next federal election. It is probably safe to argue that bandwagon effects are more likely to emerge when this period is small and less likely to appear when the two elections are quite far apart. Using the quasi-random occurrence of each state election within the federal election cycle, we can check whether the effect of crossing the five percent threshold are higher when the next election is closer or whether this happens when there is a greater time span between the two elections. In the second case, the result would be more easily compatible with the idea of organizational benefits than with the argument about the presence of spillover effects.
Results

Figure 1 presents three scatterplots. In each of them, the y-axis represents our outcome of interest: the difference in the vote share of parties in the federal election in the respective state minus the same party’s average federal vote. The x-axis presents the vote share of the same parties in the previous state election in the same state. Parties not having crossed the electoral threshold in the state election are denoted with small triangles and parties above this threshold are shown with small circles. A local linear regression curve is fitted in each of these two groups of parties, sorted according to their electoral vote share in the state election. Thus, the two curves summarize the expectation of parties’ vote share in the federal election in the state in question conditional on their vote share in the prior state election. Only parties with vote share above one and below nine percent are included in these graphical illustrations. The vertical line represents the cutoff point of parliamentary representation.

The trend among parties without state parliamentary representation is relatively plain, as is also the trend among parties that elected local representatives. This pattern indicates lack of significant variability within each of the two groups of parties, a pattern that rests support on the design. What is of interest, however, is to see if there is an upward gap between the two groups, denoting an added advantage for parties with elected MPs. Such a gap is absent in the first graph and only marginal, albeit negative, in the second. The first graph includes all available cases, whereas the second looks only at those cases in which the federal election takes place less than 720 days (the median distance between state and federal elections in our dataset) before the state election. In none of these cases do we find an expected upward shift, a finding that casts doubts on the hypothesis that parliamentary representation may have an impact on future electoral performance. The last graph presents only those cases in which the federal election is at least 720 days away from the last state election. Here, we find a considerable gap, which amounts to an almost two percentage points increase in the vote share of the party in the federal election in this state when compared to its overall result. This gap is consistent with our hypothesis that parliamentary representation comes with significant organizational benefits, which take time to materialize.
Table 1 summarizes the findings from Figure 1. It presents the results from the estimation of equations (3) and (4). When using the polynomial specification, we restrict our observations between 1 and 9 percent of the state vote. Whereas only a first-order polynomial has been found significant in the case of temporally more proximate state and federal elections, up to a third order polynomial has found to be significant when looking at all observations and when looking only at cases in which there is a larger gap between the two elections. Using Imbens and Kalyanaraman’s optimal bandwidth algorithm, we get a smaller window. Only parties that received between 2.40 and 7.20 per cent of the vote are included. As shown in equation (4), within this bandwidth, a local linear regression is used to estimate the effect of parliamentary representation on future electoral performance at the federal election. In all these analyses, we control for state-fixed effects and we also include two dummies to control for the FDP and the Greens, the two parties most frequently found near the area of the electoral threshold.

Table 1 about here

The results from both estimation procedures point to a similar pattern, as also found in Figure 1. There seems to be an upward gap associated with parliamentary representation but only in those cases where the federal election takes place at least two years after the state election. When looking at the impact of local parliamentary representation when the upcoming federal election approaches, we find a non-significant but negative gap. On the contrary, when looking at those cases where the federal election comes at least two years after the state election, we find a significant effect which seems to range between 2 and 4 percentage points. This result is perfectly consistent with the idea that parliamentary representation in the regional legislature may help parties’ vote share in the next federal elections.

Table 2 subjects this finding to a very simple test (see also Lee 2008). If what is captured is due to the effect of parliamentary representation rather than due to long-term unspecified dynamics, we should not observe any effect of parliamentary representation in the state election on the previous federal election. Finding that this is case would imply that there is some latent, time-invariant, structure that accounts for this
pattern. What we find however is that no gap is observed when the previous federal election is used to construct the dependent variable. Although what is of interest to us is only the case in which there seems to be a significant treatment effect, i.e. the third column of Table 1, for the sake of completeness we report all the placebo tests for all three groups of parties, as shown in the Table.

Table 2 about here

At this point, we get into a more detailed exploration of the relationship between local parliamentary representation and the timing of the federal election. Table 3 divides all cases in four categories. In the first column, we only focus on cases in which the federal election has taken place within one year after the state election. The second column looks only at those cases in which the federal election took place between one and two years after the state election. The third column examines those observations where the state federal election was conducted after more than two and less than three years after the state election. Finally, in the last column all federal elections have taken place more than three years after the respective state election. The results confirm the previous findings but also enrich our insight about the conditioning role of the timing of a federal election with respect to the state election. We find no effects within the first two years, but remarkable effects when the distance between the two elections is three and four years. In effect, this more detailed but also data-demanding examination gives credit to our initial distinction between less or more than 720 days between the two elections. This distinction coincides almost perfectly with the idea of distinguishing all cases with regard to whether the federal election took place more or less than two years after the state election.

Table 3 about here

Thus far, the findings seem to provide support to the idea that regional parliamentary representation gives room to organizational benefits that manifest themselves in the coming federal election, but only when there is enough time between the two elections. A corollary stemming from this line of argument is that such organizational effects should not necessarily evaporate after the next federal election takes place. Rather, if the mechanism is based on the provision of services and on the party’s visi-
bility at the local level, the by-products of parliamentary representation should manifest themselves also in future federal elections. Table 4 tests this hypothesis, looking at the long-term effects of gaining local representatives at the state level on parties’ future vote share in the coming federal elections.

Table 4 about here

The results shown in Table 4 largely confirm this idea. The upward gap is retained at least for the next two elections and reduces to non-significant levels only at election $t_4$. The overall pattern, however, seems to justify the underlying theoretical logic of this analysis. Entrance in the local parliament comes with important benefits, which however need some time to produce fruits. Once they do so, their effect lasts for more than the next federal election. Whereas other competing explanations would have difficulties accounting for this pattern, it seems perfectly logical if one considers the importance of local organizational facilities provided to parties once they achieve representation at the regional parliament.

Robustness checks

Two potential criticisms need to be addressed at this point. First, the bandwidth in the polynomial specification is chosen on rather arbitrary grounds. A common practice in RD designs is to check the sensitivity of the results when different, smaller, bandwidths are chosen. We do that in the first party of Table 5, by shrinking the bandwidth so as to incorporate only those observations marginally below or above the cutoff point. The first column of Table 5 presents the results from a polynomial specification when we look at all parties with vote share $3<X_{k<}<7$. The second column makes this bandwidth even smaller by considering only those parties with $4<X_{k<}<6$. Although more imprecise, the estimates point to a considerable upward shift as a result of passing the electoral threshold. Clearly, the previous results cannot be due to the magnitude of the bandwidth chosen in the polynomial specification.

Table 5 about here
The second point of concern relates to an important condition that needs to hold if the RD design is to be valid, namely that there be no other gap or significant discontinuity among observations which do not differ in terms of their treatment value. The third row of Table 5 detects possible discontinuities within the subgroups either at the left or the right of the cutoff point. Focusing only on those parties below and only on those parties above the threshold, we implement the same procedure treating the group of observations with higher vote sharers as treated and those with lower vote shares as non-treated. In each of the two comparisons, both observations do not differ in terms of their treatment status: for the group of parties below the threshold, none of the two subgroups have passed the threshold. For the group of parties above the threshold both subgroups have achieved parliamentary representation. To maximize the statistical power, the benchmark for this within-group division is the median of parties between 1 and 5 percent of the vote and among parties with vote share between 5 and 9 percent of the state vote. The results appear in the last two columns of Table 5 and show that when treatment status does not change no upward gap is found as a result of a difference in parties vote shares. The pattern is very similar in both comparisons, suggesting that there is no within-group discontinuity that might have biased our estimates.

Further evidence on organizational mechanism

If the organizational mechanism holds, parties that enter state parliament should not only gain votes at the next federal elections, but also in the meanwhile attract more party activists than those parties who fail to pass the 5%-threshold of parliamentary representation. The party is able to win over activists with promises of high status political careers or well-paid public sector appointments. In return, activists help to deliver services to voters and mobilize the electorate at the next federal election. A growth of the activist base after entering state parliament would thus be further evidence for the existence of a local organizational boost in the state after entering state parliament.

In order to test, if a party attracts more members in those states, where it enters state parliament, we chose to look at the FDP during the period between 1990 and 2010.
Those 20 years were a turbulent period for the party, during which it continuously lost and gained representation in state parliaments. Often only a few 1000 votes decided over the FDP’s fate in a respective state election. The following time series cross-sectional analyses include yearly data on FDP membership in all Western German states between 1990 and 2010. The membership figures are standardized to reflect 1 member per 100,000 inhabitants. The dependent variable is FDP state party membership at time t+1. The independent variable of interest is state parliament membership. We control for state specific differences in FDP party membership through state fixed effects and we try to account for time-trends using both a linear and a quadratic trend. The models also include the lagged dependent variable and we therefore measure change in party membership.

Table 6 about here

Turning to estimation issues, our data vary both across states and over time. To accommodate this pattern, we employ two of the most common Time-Series-Cross-Sectional estimators. The first column displays the results using an OLS estimator with state fixed effects and panel-corrected standard errors (Beck and Katz 1995; Beck 2001). The second column presents the results from the same estimator, using however an AR(1) autocorrelation structure. The third column presents a generalized linear regression model using the Prais-Winsten transformation, which takes care of any AR(1) serial correlation.

The results of the models demonstrate that presence in state parliament has a statistically significant impact on future party membership. The substantial effects range from 1.7 to 2.5 members per 100,000 inhabitants. In absolute terms, this means that if the FDP is present in the state parliament of Northrhine-Westphalia (a state of around 18,000,000 inhabitants), it will gain between 360 and 450 members per year. Not making it into the parliament costs the party between 1440 and 1800 members over the lifetime of one parliament. This amounts to around one tenth of its overall membership in this state. This means around 1500 fewer members to distribute leaflets, put up signs and talk to their friends come Election Day. It seems highly plausible that those figures have an impact on the electoral fortunes of the party.
Discussion and Conclusion

In this paper we examine whether state parliamentary presence provides a local electoral boost for political parties that contest nationwide elections. We find that parties who have a foot in the state parliamentary system perform better than similar parties who have failed to secure local representation, but only if a substantial period of time passes between the state election and the subsequent national election. Our results indicate that German parties barely exceeding the 5% threshold at state level receive a local boost of their vote share which seems to amount to around 2-4 percentage points if the nationwide election comes after 3, 4 or 5 years of entering state parliament. If, in contrast, the national election quickly follows the state election, we register no significant boost for political parties that enter state parliament compared to those who marginally fail to do so.

Through the design of our study, we deal with three plausible mechanisms that can account for prospective electoral success of parties that are present in local parliaments: electoral spill-over or bandwagon effects, access to public party financing and locally enhanced organizational capabilities. To test our argument, we use a regression discontinuity design that allows us to directly compare parties that have very similar electoral results, effectively avoiding the problems of inference that would emerge if we compared parties of different sizes. We use the 5 percent electoral threshold, which applies to all state elections in Germany to identify these parties.

Investigating the potential mechanisms behind this effect, we see that that spillover or bandwagon effects from lower to higher level elections can hardly account for the observed effects. If bandwagon effects accounted for the observed effects, effects should be the stronger the smaller the proximity between two elections. However, since we observe the exact opposite pattern, there must be a different mechanism at work.

Eventually, we offer a more substantial explanation for why local presence should matter to political parties: In line with the cartel party literature we argue that parliamentary presence provides access to state resources. Specifically, we are able to exclude that these resources stem from public party financing because thresholds for
public party financing do not coincide with the 5 percent threshold for state and federal parliamentary representation.

In contrast, the only mechanism that fits the pattern of our empirical results is organizational in nature. Parties who are present in state parliaments can offer the material and status benefits of a political career, hire full time support staff for local constituency offices and appoint their supporters to positions in administration and the public sector. The party is therefore able to provide selective incentives to both activists and the local electorate as a whole. Activists who set their eyes on a political career find more opportunities to get ahead and can in turn be employed by the party for mobilization efforts. Voters can address their concerns to state MPs, who provide a range of services to them. However, the delivery of services takes time, as does the appointment of supporters to privileged positions.

We offer further empirical evidence for the existence of an organizational mechanism by looking at the regional loss and gain of party membership by the Free Democratic Party in the period between 1990 and 2010. Cross-sectional time series analyses of state party membership data show that the party gained members when it was represented in state parliament and lost members following electoral defeats. Is it highly plausible that a gain or loss of party activists has an impact on the mobilization potential of the party at the next federal election.

State parliamentary presence can hence be seen as a moderator of top-down effects. The more institutionalized a party, the less disruptive the impact of environmental uncertainty (Panebianco 1988: 109). In consequence, any gains federal opposition parties make will be exacerbated in those states, where they are present in the legislature and dampened in those states, where they have an organizational disadvantage. In the long run, this pattern can lead to regional sorting of small parties. This mechanism might go some way to explain why the PDS/die Linke has trouble establishing herself as an electoral force in Western states, while the FDP and the Greens continue to do boldly in Eastern German states.

In conclusion, this paper offers strong support for a crucial assumption of the cartel party hypothesis, namely that political parties benefit electorally from being inside the
political system. They benefit because the state pays for their political work on the ground and because it provides the party with high-status and materially lucrative positions to distribute amongst their supporters. In the light of these results and previous work, it seems that the mechanism of how established parties benefit is more complex than the public debate about public party financing suggests.

The results of this paper also suggest that the consensus, according to which politics in federalism can be described as a one-way street from the higher to the lower level, is overly simplistic. As states gain more competencies, and the local state apparatus grows, political parties gain from having access to these resources. Since it is easier for small political parties to access state resources at the local than at the national level, future research can assess whether the multi-level structure of the state might contribute to explaining the varying success of small parties across Europe.


Figures & Tables

### Table 1: The impact of state-level representation on the federal vote share at the same state.

<table>
<thead>
<tr>
<th></th>
<th>All cases</th>
<th># of days between state and federal election&lt;=700</th>
<th># of days between state and federal election&gt;700</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global polynomial for: 1&lt;state vote share&lt;9</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tr: Above 5%? Yes=1</td>
<td>1.66 (.904)</td>
<td>-.807 (.612)</td>
<td>3.90 (1.38)</td>
</tr>
<tr>
<td>Forcing: Vote share (centered at 5%)</td>
<td>-3.17 (1.50)</td>
<td>-.062 (.183)</td>
<td>-4.53 (2.24)</td>
</tr>
<tr>
<td>(Tr)(Forcing)</td>
<td>1.81 (1.95)</td>
<td>.535 (.288)</td>
<td>.419 (3.01)</td>
</tr>
<tr>
<td>Forcing²</td>
<td>-1.87 (.832)</td>
<td>-2.55 (1.23)</td>
<td></td>
</tr>
<tr>
<td>(Tr)(Forcing²)</td>
<td>2.69 (1.13)</td>
<td>4.78 (1.68)</td>
<td></td>
</tr>
<tr>
<td>Forcing³</td>
<td>-3.04 (.131)</td>
<td>-.396 (.193)</td>
<td></td>
</tr>
<tr>
<td>(Tr)(Forcing³)</td>
<td>.194 (.187)</td>
<td>.076 (.274)</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>345</td>
<td>158</td>
<td>187</td>
</tr>
</tbody>
</table>

Note: Up to a fourth polynomial has been used in the global polynomial estimation, but in none of these cases has it been significant. The IK optimal bandwidth has been used in the local linear regression estimation.

### Table 2: Placebo Test, the impact of state representation at election t, on federal vote share at election t-1.

<table>
<thead>
<tr>
<th></th>
<th>All cases</th>
<th># of days between state and federal election&lt;=700</th>
<th># of days between state and federal election&gt;700</th>
</tr>
</thead>
<tbody>
<tr>
<td>LATE:</td>
<td>-1.293 (.686)</td>
<td>-1.12 (.941)</td>
<td>.405 (1.07)</td>
</tr>
<tr>
<td>N</td>
<td>330</td>
<td>138</td>
<td>192</td>
</tr>
</tbody>
</table>

### Table 3: A closer look at the relationship between distance between state and federal election and the impact of state representation on federal vote share.

<table>
<thead>
<tr>
<th></th>
<th>One year</th>
<th>Two years</th>
<th>Three years</th>
<th>Four or five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>LATE</td>
<td>-0.469 (.743)</td>
<td>-0.990 (1.19)</td>
<td>4.05 (1.91)</td>
<td>3.94 (1.71)</td>
</tr>
<tr>
<td>N</td>
<td>95</td>
<td>67</td>
<td>101</td>
<td>76</td>
</tr>
</tbody>
</table>

Note: Estimates come from a global polynomial specification. Local linear regression with the IK optimal bandwidth provides substantively similar estimates. A first-order polynomial was eventually used in the first and the second columns because fourth and third order polynomials were found to be non-significant. A third and a second polynomial specification was used in the third and the fourth columns respectively.
Table 4: Long-term effects.

<table>
<thead>
<tr>
<th></th>
<th>Federal election t+2</th>
<th>Federal election t+3</th>
<th>Federal election t+4</th>
</tr>
</thead>
<tbody>
<tr>
<td>LATE:</td>
<td>4.19 (1.41)</td>
<td>2.55 (1.46)</td>
<td>.989 (.886)</td>
</tr>
<tr>
<td>N</td>
<td>145</td>
<td>108</td>
<td>80</td>
</tr>
</tbody>
</table>

Note: estimates from a global polynomial specification, in all cases up to a second polynomial has been used.

Table 5: Robustness checks

<table>
<thead>
<tr>
<th>Smaller bandwidths</th>
<th>Searching for within-group discontinuities</th>
</tr>
</thead>
<tbody>
<tr>
<td>3&lt; X_{ks} &lt;= 7</td>
<td>1&lt; X_{ks} &lt;= 5</td>
</tr>
<tr>
<td></td>
<td>Cutoff point: 2.59</td>
</tr>
<tr>
<td></td>
<td>5&lt;= X_{ks} &lt; 9</td>
</tr>
<tr>
<td></td>
<td>Cutoff point: 6.71</td>
</tr>
<tr>
<td>LATE</td>
<td>2.98 (1.42)</td>
</tr>
<tr>
<td></td>
<td>5.50 (1.48)</td>
</tr>
<tr>
<td></td>
<td>-.538 (1.15)</td>
</tr>
<tr>
<td></td>
<td>-.770 (.731)</td>
</tr>
<tr>
<td>N</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>73</td>
</tr>
</tbody>
</table>

Note: The first two columns use the electoral threshold of 5 percentage points as the cutoff. The last two look only at parties below (column 3) or above (column 4) this threshold. The estimates stem from a second-order polynomial in the first two columns and from a first-order polynomial in the last two.

Table 6 Effects of state parliamentary presence on future FDP membership 1990-2010

<table>
<thead>
<tr>
<th></th>
<th>Model 1: OLS PCSE</th>
<th>Model 2: FGLS</th>
<th>Model 3: Prais-Winsten</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lagged members</td>
<td>0.850*** (0.040)</td>
<td>0.708*** (0.079)</td>
<td>0.776*** (0.031)</td>
</tr>
<tr>
<td>State parliament presence</td>
<td>3.490*** (0.925)</td>
<td>1.667*** (0.401)</td>
<td>2.923*** (1.076)</td>
</tr>
<tr>
<td>Years</td>
<td>-0.158 (0.119)</td>
<td>-0.0129*** (0.045)</td>
<td>-0.153* (0.890)</td>
</tr>
<tr>
<td>Years squared</td>
<td>0.000 (0.000)</td>
<td>0.000*** (0.000)</td>
<td>omitted</td>
</tr>
<tr>
<td>N</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

Note: All models include state fixed effects. Members/100.000 inhabitants.


*** 0.01 ** 0.05 * 0.10
Figure 1: Discerning the effect of parliamentary representation on future electoral performance in federal elections.