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Does Terrorism Influence Domestic Politics? Coalition Formation and Terrorist Incidents*

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Terrorism has been shown to influence domestic politics, for example, by altering the priorities of voters and politicians. This article argues that terrorism has broader political consequences than simply putting national security on the political agenda. In particular, it argues that terrorist activity influences government formation. A number of scholars have noted that the presence of an external threat provides an incentive to overcome internal disagreements, suggesting that larger and more inclusive coalitions should form. Terrorist activity may also influence government survival, as voters hold politicians accountable for failing to provide security. Politicians, in anticipation of terrorist activity, may, therefore, seek to form a more stable coalition. The literature on government survival suggests that the size of the coalition positively affects its durability but that its ideological breadth is expected to have an adverse effect on survival, which is the opposite of the prediction of the theory based on external threat. To test whether terrorism influences coalition formation, the author analyzes coalition formation in 17 (primarily Western European) parliamentary democracies over a 50-year period using data on domestic and transnational terrorism from, respectively, the TWEED dataset and the Terrorism Knowledge Base. The results show that government coalitions are more likely to be surplus coalitions and, consistent with the theory emphasizing government survival, more likely to have a low degree of ideological polarization in periods following terrorist activity.

Introduction

On 11 March 2004, three days before the Spanish legislative elections, terrorists set off bombs in three places on the Madrid train line. The attack took the lives of 191 persons

and injured over 600. The Abu Hafs al-Masri Brigade claimed responsibility for the attacks on behalf of Al-Qaeda and cited Spain's cooperation with the United States in the war in Iraq.¹ The governing party, the People's Party (Partido Popular), had entered the electoral campaign in an advantageous position and was still supported by a majority of the public in February 2004 (Chari, 2004). On election day, however, the Socialist Party (PSOE) emerged as the winner of the election with 42.6% of the vote. The People's Party received only 37.6% of the vote. The terrorist attack

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¹ MIPT Terrorism Knowledge Base. 'TKB Incident Page: Abu Hafs al-Masri Brigade Attacked Transportation Target (11 March 2004, Spain)' (<http://www.tkb.org/Incident.jsp?incID=18518>, accessed 24 August 2006).

was a widely cited explanation of the unexpected outcome.²

The surprise outcome of the 2004 election suggests that terrorist activity can shape the course of domestic politics. Admittedly, the horrific death toll of the attack on the Madrid train line sets it apart from most terrorist incidents – in Western Europe, only the bombing of Pan Am Flight 103 over Lockerbie has claimed more lives. The close proximity of the attack to the election is another unusual aspect that may account for the magnitude of the effect. Nevertheless, it appears likely that terrorist attacks influence voters' concerns about their safety. Terrorism may influence how they cast their votes if voters perceive political parties to differ in their ability to provide security. The possibility of 'pre-election' terror attacks aimed at influencing electoral outcomes has, for example, been entertained in numerous journalistic accounts. In August 2004, questions were raised concerning the Bush administration's decision to raise the terror alert level when it emerged that the decision was partly based on three- or four-year-old information – the implication was, of course, that the terror alert had been raised to shore up support for the president in the upcoming elections.³

Whether or not there is any truth to the claim that the Bush administration abused the terror alert system, it raises an important point. If the public can be expected to react to terrorist incidents by punishing or rewarding political actors, we should expect political actors to respond to terrorist incidents in anticipation of (and in response to) the public's reaction. Such responses will not

necessarily seek to take advantage of terror. They may, for example, aim at providing the government with greater legitimacy, which can potentially work both to prevent further terrorist incidents and to reduce the extent to which the government is held accountable for failing to prevent terrorism. In this article, I examine this thesis in the context of government formation in parliamentary democracies and consider whether terrorism influences which types of coalitions form. Coalition formation may appear far removed from the world of terrorism and unlikely to be influenced by it. However, the formation of a coalition can have direct implications for the government's legitimacy. Minority coalitions, by definition, represent only a minority of the population and may be more likely to be destabilized by terrorist activity. In times of terrorist activity, politicians may, therefore, rationally shy away from forming minority coalitions. The focus on the formation of governments is also justified by its importance. Policymaking in parliamentary democracies is, more often than not, dominated by the governing coalition – if terrorism influences which coalition forms, one can infer that terrorism has important political consequences.

In the following section, I place my research in the larger context of the literatures on international relations and terrorism. I then offer a brief discussion of the literature on coalition formation and discuss how terrorism influences patterns of coalition formation. Subsequently, I describe the data and methods and present the results of the statistical analysis. The final section offers concluding remarks.

International and Domestic Politics

There is little doubt that domestic and international politics interact in various ways. However, the literature has largely explored how the domestic political environment influences

² See, for example, Chari (2004), who concludes that the terrorist attack, in conjunction with the government's response, influenced the outcome by increasing turnout, and had an effect on the vote choices of younger voters and strategic voters wanting to remove the People's Party from power.

³ CNN, 'Bush Team Defends Raising Terror Alert' (<http://www.cnn.com/2004/ALLPOLITICS/08/08/terror.threats/index.html>, accessed 25 August 2006).

international politics.⁴ But, international politics also influence domestic politics in various ways. Trade agreements and foreign aid are, for example, topics that are often hotly debated in the domestic arena. Beyond considering how international politics provide issues that must be debated and settled within domestic institutions, there are few studies that consider how international politics influence domestic politics. Nevertheless, it seems plausible that the international political environment has more systematic effects on domestic politics. For example, one would be hard pressed to explain the rise and fall of communist parties without reference to the international environment. The effects may also be more subtle, but no less important. I argue here that these effects may manifest themselves in a preference for government coalitions that have certain characteristics. In particular, I argue that terrorism results in the formation of larger and more ideologically cohesive coalitions. Addressing a related question, Garfinkel (2004) demonstrates formally that the threat of terrorism influences political competition at the domestic level. To the extent that larger coalitions reflect a lower degree of competition for political power, my results can be seen as speaking to Garfinkel's findings.

Studies of divided societies have emphasized the role of institutions in settling (domestic) conflict. Lijphart (1968, 1977) suggested that power-sharing institutions could lead to a greater degree of accommodation and consensual politics. In Lijphart's view, power-sharing arrangements are conducive to mitigating conflict in divided societies.⁵ Yet, central to Lijphart's (1968: 213) account of consociationalist democracy is the presence of a political elite committed to

overcoming social cleavages and maintaining stability. One of the factors Lijphart cites as important in providing the political elite with an incentive to build coalitions across cleavages is the presence of an external threat. Others have noted similar effects of external threats. Riker (1964) argued that external threats provide incentives to form political unions, that is, federalist states. Similarly, Bueno de Mesquita (1981) argues that states can be treated as unitary actors in the presence of an external threat.

Lijphart's (1968) discussion of external threats does not consider terrorism explicitly, but his argument extends easily to terrorism. However, terrorism does not have to represent an external threat. Scholars frequently distinguish between transnational and domestic terrorism. A terrorist incident is transnational if the incident involves perpetrators, targets, institutions, citizens, or governments of a country other than the country where the incident occurs (Enders & Sandler, 2006). Domestic terrorism involves only actors of the country where the incident takes place. Both transnational and domestic terrorism is likely to breed a sense of insecurity among citizens and a demand for governmental response – even if the capability of government to deal with the two types of terrorism may differ.

There are reasons to believe that transnational and domestic terrorism may provoke different responses by voters. The 2004 election in Spain provides a telling example of how this may be. Spanish authorities initially blamed ETA, a Basque separatist organization, for the bombing of the Madrid train line. The attack was, however, uncharacteristic of ETA, and experts soon pointed out that it resembled the methods of Al-Qaeda. The governing party, the People's Party, had backed the war in Iraq and was, therefore, expected to suffer electorally if the attack was carried out by Al-Qaeda. On the other hand, the party could be expected to benefit if ETA

⁴ The democratic peace literature, starting with Russett & Starr (1981) and Russett (1993), is an example of this approach.

⁵ Schneider & Wiesehomeier (2008) and Brancati (2006), for example, examine this idea.

was responsible, as the People's Party had taken a firm stance against ETA, while the Socialists were seen as having been on too friendly terms with the organization (van Biezen, 2005). It is, therefore, not surprising that many voters suspected that the government had manipulated or withheld information or had used the attack for electoral purposes (van Biezen, 2005). Thus, in this instance, the relevance of the terrorist attack was shown to depend clearly on the parties' previous policy choices and actions.

The literature on terrorism tends to be descriptive and qualitative, but, in recent years, an increasing number of scholars have adopted quantitative approaches. Much of the literature focuses on explaining what determines terrorist activity. Enders & Sandler (2006) offer perhaps the most comprehensive treatment of transnational terrorism thus far. Enders & Sandler consider various aspects of transnational terrorism and show, for example, that there is a cyclical component to terrorist activity but that there is little evidence to suggest that terrorism is increasing. Other studies have considered, for example, the effects of counterterrorism (Enders & Sandler, 1990, 2000) and political institutions (Eubank & Weinberg, 1994, 2001; Li, 2005) on terrorism.

The consequences of terrorism have received rather limited attention in the literature if one looks beyond the immediate consequences, such as the number of fatalities and casualties. There is growing literature on the economic consequences of terrorism (e.g. Abadie & Gardeazabal, 2003; Enders, Sandler & Parise, 1992; Chen & Siems, 2004), but studies of the consequences for democratic governance have largely been absent. The policy responses of democratic states and the trade-off between civil liberties and terrorism have been examined (Wilkinson, 1986; Enders & Sandler, 2006), but the broader political consequences of terrorism have not been considered in great detail.

The political consequences of terrorism may also be reflected in shifts in political support for particular parties or candidates – as the People's Party experienced in the 2004 Spanish legislative elections. Similarly, in the 2004 US elections, the Republicans sought to portray themselves as the party that could better be trusted with national security. However, I expect political parties to go further than simply adopting new campaign rhetoric – especially if voters hold governments accountable for failing to provide security. Building on Lijphart's (1968) insight, I ask whether the presence of external or internal terrorist threat calls for a more consensual government.

Coalition Formation and Terrorism

Theories of coalition formation can be divided into two categories: those that emphasize politicians' office motivations and those that focus on their policy motivations. The former approaches predict the formation of minimal winning coalitions (rather than minority or surplus coalitions), while the latter forecast the formation of coalitions of ideologically similar parties. I focus my attention on coalition characteristics that have been shown to have a robust effect on the likelihood of the coalition forming and consider how terrorism may influence those expectations.⁶

Terrorism can have important electoral consequences for the governing coalition

⁶ Bandyopadhyay & Chatterjee (2006) provide a good overview of the literature on coalition formation. Martin & Stevenson (2001) offer a comprehensive test of the hypotheses offered in the literature. I exclude from my analysis some of the variables considered by Martin & Stevenson. In particular, I exclude variables such as formateur party, electoral pacts, and anti-pacts, because I consider these as outcomes of the coalition bargaining process rather than determinants. That is, one would generally expect the same factors that influence the formation of such pacts to influence the formation of cabinet coalitions. Controlling for pacts (or formateur status) would, therefore, bias the estimates of the effect of the variables that are of primary importance, for example ideology and size.

parties. Providing for the security of its citizens is one of the primary roles of government, and voters may hold the government, accountable for failing at this basic task. There is a small but growing literature that suggests that terrorism influences electoral outcomes. Comparing absentee ballots, cast before the Madrid bombing, with ballots cast on election day, Montalvo (2007) concludes that the terrorist attack had a substantial effect on the outcome of the election. Berrebi & Klor (2006), using Israeli opinion-poll data, find that the numbers of deaths from terrorist attacks influence voting behavior. Holmes & Piñeres (2002) attribute Fujimori's public support to his success in dealing with terrorism. Jacobson (2003) and Langer & Cohen (2005) point out that voters in, respectively, the 2002 mid-term election and the 2004 presidential election in the United States listed terrorism among the most important issues determining their vote choice. In an experimental study, Merolla & Zechmeister (2007) find that voters weigh leadership characteristics more heavily in deciding how to cast their votes during security crises.⁷

As Lupia & Strøm (1995) and Laver & Shepsle (1996) point out, public opinion shocks are likely to have destabilizing effects on coalition survival.⁸ Insofar as concerns about coalition stability enter party leaders' calculations, they are likely to influence which coalition forms. That is, as coalition membership is generally seen as valuable, parties will seek to form coalitions that can be expected to last for a long time. Forming a stable coalition may be costly – it means, for example, that the spoils of office need to be shared with more parties. The parties, thus, face a trade-off between a large share of the pie that they may hold onto for only a short

period of time and a smaller share that they may enjoy for a longer period. As the effects of terrorism become more relevant, this trade-off will increasingly be resolved in favour of the latter option.

Lijphart's (1968) theory of consociationalism can be taken to imply that terrorism influences coalition formation. While it appears plausible that terrorism alerts parties to the importance of representing a unified front, the parties are unlikely to put all their disagreements aside. Instead, parties will seek to form coalitions that are likely to withstand shocks in the form of terrorist activity while continuing to attain their other policy or office-related goals. The hypotheses are, thus, derived by considering how forward-looking politicians respond to an environment in which the governing coalition is exposed to terrorism.

The literature on government survival offers useful guidance, as it identifies factors that influence the duration of government coalitions. Two attributes of governing coalitions that have been shown to influence government survival are of particular interest here. First, King et al. (1990), Diermeier & Stevenson (1999) and Warwick (1994) show that majority coalitions last longer than minority coalitions. However, they do not consider whether surplus coalitions differ from minimal winning majority coalitions. Surplus coalitions are possibly less stable than minimal winning coalitions, because they can shed at least one party and still fend off a vote of no confidence. I conjecture, however, that external threats make surplus coalitions more stable, because they can claim greater legitimacy and signal unity in the face of adversity.

Second, Warwick (1992, 1994), Diermeier & Stevenson (1999) and Jozwiak & Schneider (2006) find that ideological heterogeneity within the cabinet reduces its lifespan. Thus, we should expect ideological divisions to be more important in the presence of terrorism.

⁷ Formally modelling the incentives to provide counter-terrorism, Bueno de Mesquita (2007) also assumes that terrorist incidents influence voting behaviour.

⁸ On a related note, Strøm (1984) argues that one reason minority coalitions form is that parties appear to pay an electoral cost for their government participation.

Accordingly, external threats make ideologically polarized coalitions less likely to form.⁹

I now briefly review the main hypotheses from the literature on coalition formation and consider how the presence of terrorism interacts with the relevant coalition characteristics.¹⁰ Each hypothesis describes both the expectation established by the coalition-formation literature and how the presence of terrorism modifies the standard expectation (i.e. whether I expect terrorism to reduce or magnify the effect).

The first hypothesis holds that office-seeking politicians will seek to form minimal winning coalitions (von Neumann & Morgenstern, 1944; Gamson, 1961; Riker, 1962). Minimal winning coalitions allow the cabinet to fend off votes of no confidence and to win support for its legislative programme. This further implies that minority coalitions should be less likely to form. Surplus coalitions are also unlikely because politicians want to maximize their share of the benefits of office, which implies that the coalition should not include any party that is

not pivotal to the coalition's majority status. I have argued above that minority coalitions are less stable than majority coalitions, which in turn are less stable than surplus coalitions. Thus, as terrorist activity increases and politicians seek to counter increased instability, I expect minority coalitions to become less likely and surplus coalitions more likely.

H1: While minority governments are less likely to form than majority governments, the likelihood of a minority government forming decreases with greater levels of terrorist activity.

H2: While surplus governments are less likely to form than majority governments, the likelihood of a surplus government forming increases with greater levels of terrorist activity.

The second set of hypotheses is derived from coalition theories that assume policy-motivated politicians. Axelrod (1970) and de Swaan (1973) argued that ideologically homogenous coalitions should be more likely to form. Laver & Schofield (1990) further pointed out, in the case of minority coalitions, that ideological divisions within the opposition should increase the likelihood of the coalition forming, because the opposition parties will have a hard time settling their policy differences. My argument, that government stability acquires greater importance in the presence of terrorist activity, in combination with the insights from the government-survival literature, has straightforward implication for these hypotheses. The ideological composition of the government coalition has been shown to influence government survival (e.g. Warwick, 1994), and the argument about why ideological composition of the opposition matters explicitly rests on the assumption that politicians care about their coalition's stability.

H3: Ideologically heterogeneous coalitions are less likely to form and become decreasingly likely at greater levels of terrorist activity.

⁹ I note, however, that the parties' concern for legitimacy may imply the exact opposite hypothesis. If the parties aim to maximize the coalition's legitimacy, the optimal strategy may be to include in the coalition an ideologically diverse set of parties. Similarly, Lijphart's conjecture suggests that more inclusive and, hence, ideologically heterogeneous coalitions should form. My assumption, however, is that the parties' main concern is with the stability of the coalition. Although highly polarized coalitions may have some symbolic value, they represent a risky strategy. Since highly polarized coalitions are less stable to begin with, they may encourage terrorist activity, since it may not take much to tip the scale.

¹⁰ It may be helpful to note, at the outset, that the empirical analysis employs a conditional (fixed-effects) logit model. In the conditional logit model, each coalition-formation opportunity consists of a number of potential coalitions that may form. Associated with each potential coalition are covariates, such as whether it is a minority coalition or it contains the median party. The conditional logit model estimates how the covariates influence the likelihood of each potential coalition forming. Thus, the measure of terrorist activity cannot be entered directly into the model, as it is constant across all the potential coalitions within each formation opportunity. Instead, I am interested in considering whether terrorism influences the estimates for a given covariate, for example whether the effect of being a minority coalition is bigger or smaller as terrorist activity varies.

H4: Minority coalitions facing an ideologically heterogeneous opposition are more likely to form and are increasingly likely at greater levels of terrorist activity.

Note that Hypotheses 3 and 4 offer an opportunity to distinguish between the simple formulation of Lijphart's (1968) consociationalist argument and the more nuanced view of parties seeking to find a compromise between government stability and their other goals. Lijphart's (1968) logic would imply, in contrast with my hypotheses, that coalitions should become more ideologically heterogeneous in an effort to present a unified front.

The above four hypotheses are solidly grounded in the literatures on government formation and survival. Several other coalition characteristics have been shown to influence coalition formation, but, somewhat surprisingly, these characteristics are absent in the literature on government survival.¹¹ Although there is no evidence to suggest that these characteristics influence government stability, I consider it worthwhile to hypothesize about their influence on government stability and include them in my analysis for exploratory purposes.

The number of parties in a coalition has a negative impact on the likelihood of a coalition forming (Leiserson, 1968). Leiserson's argument suggested that an agreement becomes more difficult to reach as the number of parties in the coalition increases. The flip-side of the coin is that larger coalitions should be less stable as the potential for interparty conflict increases in the number of parties. Therefore, terrorist activity will, other things being equal, increase the incentive to form a coalition composed of few parties.¹²

¹¹ This may, of course, be due to a bias against publishing non-findings in the discipline.

¹² The logic of the argument may appear to contradict the hypotheses about minority and surplus coalitions. Note, however, that the argument implies only that political parties would prefer a two-party surplus coalition to a three-party surplus coalition. On the other hand, the effect of the number of parties may be small if the coalition's legitimacy is a greater concern than its stability.

H5: Coalitions composed of few parties are more likely to form and increasingly likely at greater levels of terrorist activity.

Peleg (1981) and van Deemen (1989) argued that the largest party has an advantage in the coalition-formation process. Coalitions that include the largest party will tend to be stronger and, consequently, more likely to form during times of terrorist threat. First, excluding the largest party may affect the government's legitimacy. Second, it is easier for larger parties to build coalitions – it may be sufficient for the largest party to convince one of the government parties to defect – whereas smaller parties may have to win over more allies.¹³

H6: Coalitions containing the largest party are more likely to form and are increasingly likely at greater levels of terrorist activity.

Finally, Laver & Schofield (1990) argue that the median party in the legislature is likely to be included in the coalition. Any majority coalition that excludes the median party is necessarily (ideologically) disconnected, which implies that one of the coalition parties can be replaced by the median party to produce a more ideologically homogeneous coalition. In other words, coalitions that exclude the median party will tend to be less stable. Terrorist activity should, therefore, increase the likelihood of a government that includes the median party.

H7: Coalitions containing the median party are more likely to form and are increasingly likely at greater levels of terrorist activity.

The example of the 2004 Spanish election demonstrated that whether terrorism is of

¹³ Admittedly, this argument cuts both ways, because if the largest party is in government, it can form a new coalition with relative ease, thus reducing government stability. Such government terminations are, however, not as clearly related to exogenous shocks.

the domestic or the transnational variety can matter for parties' electoral fortunes – especially if the parties have formulated policies or taken actions regarding terrorist organizations. Because parties may be affected in different ways, one might expect domestic and transnational terrorism to have different effects. Unfortunately, formulating and testing specific hypotheses about how domestic and transnational terrorism differ in this regard requires far more detailed information about the political parties and their policies than is available. I can, however, offer a tentative hypothesis about the different effects of domestic and transnational terrorism.

Voters may be more likely to blame certain parties in the case of domestic terrorism, especially in the case of ethno-regional terrorist activity. Conflicts based on ethno-regionalist interest often have a long history, which makes it more likely that the question of how to respond to such terrorist activity has entered the political dialogue and that the parties have formulated different strategic responses. When that is the case, the scope for building more stable coalitions may be reduced, and, thus, terrorism should have less influence on coalition formation. Lijphart's (1968) focus on external threat might also be taken to imply that transnational terrorism has a greater impact – especially as he was concerned with divided societies, where the potential for domestic terrorist activity may be high. That is, domestic terrorism may, in some cases, be linked with the political divisions embedded in the party system, making cooperation more difficult.

On the other hand, there are reasons to believe that domestic terrorism should have a greater impact. Domestic terrorism is more frequent than the transnational variety, and governments would apparently be better able to counter domestic actors, thus empowering voters to hold governments accountable. However, continual longstanding terrorist

activity may reduce its relevance, because it suggests that the government, whatever its composition, is simply unable to deal with the problem. Thus, because transnational terrorism is less frequent and, therefore, perhaps more unexpected, it may generate a greater response. Below, I examine whether domestic and transnational terrorism have different effects, but I emphasize the preliminary nature of these results.

Empirical Test

Methods

The hypotheses are tested using a conditional (fixed-effects) logit model (McFadden, 1974). Each time a coalition must be formed, following an election or after government dissolution, a number of potential coalitions may form.¹⁴ Each potential coalition has certain characteristics – it may, for example, be a minority, a majority, or a surplus coalition. The conditional logit model offers a convenient way of estimating how alternative specific characteristics (i.e. the characteristics of the potential coalitions) influence the likelihood of the coalition forming.¹⁵

The probability of alternative j being chosen in government formation opportunity i is defined as

$$P_{ij} = \frac{e^{x_{ij}\beta}}{\sum_{k=1}^{m_i} e^{x_{ik}\beta}} \quad (1)$$

¹⁴ For clarification, let us suppose there are three parties, {A, B, C}. The potential coalitions are all the possible subsets of {A, B, C} other than the empty set, that is, {A, B, C}, {A, B}, {A, C}, {B, C}, as well as the three potential single-party coalitions. Each of these coalitions contributes one observation to the dataset.

¹⁵ Multinomial logit models cannot easily incorporate alternative specific characteristics that take continuous values (as, for example, government polarization does). Even if my attention were restricted to the choice between minority, minimal winning, and surplus coalitions, multinomial logit can lead to biased estimates, as the frequency of, say, minority coalitions is not constant across choice sets.

where x is a vector of the covariates, β is a vector of the coefficients to be estimated, and m_i is the number of alternative coalitions in government formation opportunity i .

The conditional logit model does not allow the estimation of choice-specific effects, that is, the circumstances surrounding a particular formation opportunity, in a simple manner – it is easy to verify from (1) that covariates that do not vary within the choice set simply cancel out. Generally, the model can be ‘tricked’ into considering choice-specific effects by interacting the variable of interest with dummy variables for each of the choices. However, since potential coalitions cannot be compared in a meaningful way across countries, ‘tricking’ the model in this manner makes little sense.¹⁶ Terrorist activity is, therefore, interacted with the independent variables whose effect is hypothesized to be conditional on terrorist activity in line with the hypotheses presented above.

The conditional logit model assumes independence of irrelevant alternatives, that is, that the odds of choosing one alternative over another does not depend on the presence of other alternatives in the choice set. To test whether the assumption is violated, a Hausman test was used. Following the same procedure as Martin & Stevenson (2001), Tables II and III report the average p -value over 20 replications in which 10% of the observations from each choice set are dropped. The results indicate that the IIA assumption is not problematic in any of the models considered.

Data

I consider coalition formation in 17 parliamentary democracies between 1950 and 2006, although parts of my analysis use only a subset of the data because of lack of information on

terrorist activity.¹⁷ The majority of the data on coalition formation and the composition of the legislature come from Müller & Strøm (2001). The data in Müller & Strøm (2001) cover the Western European parliamentary system from the end of World War II until the late 1990s. Additional data were gathered to bring the dataset up to date.¹⁸ In the full dataset, there are a total of 293 coalition-formation opportunities, that is, instances in which a coalition was formed or renewed. Each coalition-formation opportunity gives rise to a number of *potential coalitions*.¹⁹ The set of potential coalitions represents all the possible permutations of party coalitions, of which there are a total of 191,499 in the dataset.²⁰

The variables *minority coalition*, *surplus coalition* and *largest party* are dichotomous variables indicating whether the potential coalition was a minority coalition, a minimal winning coalition, or contained the largest legislative party. The variable *number of parties* counts the number of parties in the potential coalition.

The independent variables measuring the ideological divisions within the potential government and the potential opposition were constructed using expert surveys on party positions (Laver & Hunt, 1992; Benoit & Laver, 2006; Warwick, 2006), along with the rank ordering of parties provided in Müller & Strøm (2001). Using expert surveys as estimates of the parties’ ideological positions is

¹⁷ The countries in my sample are Austria, Belgium, Denmark, Finland, (West) Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, and the UK. New Zealand is excluded from the analysis for domestic terrorism because of lack of data. Following Martin & Stevenson (2001), the analysis excludes single-party majority situations.

¹⁸ In addition, the augmented dataset contains information on coalition formation in New Zealand since 1996. The data for Iceland are taken from Indridason (2005).

¹⁹ If there are n parties, there will be $2^n - 1$ potential coalitions.

²⁰ The data for transnational terrorism are available only from 1968. The number of coalition-formation opportunities for the transnational terrorism analysis is 208, with a total of 179,184 potential coalitions.

¹⁶ As a practical matter, interpretation of the results would also be somewhat challenging, as the number of choices is in the thousands in some cases.

not without problems. Each survey generally contains only the subset of each country's parties that were active when the survey was administered. However, together the surveys provide a much improved coverage of the set of parties that have won legislative representation. Benoit & Laver's (2006) survey is taken as the baseline – if their survey contains an estimate of a party's ideology, it is used. Because there is not necessarily a one-to-one relationship between the measures, I obtain ideological estimates for the parties missing from Benoit & Laver (2006) in two steps. First, I regress Benoit & Laver's measures on the measures from Laver & Hunt (1992) and Warwick (2006), for the parties that were included in all the surveys. I then use the estimated coefficients from the regression to predict the ideological positions of the parties that are missing in Benoit & Laver (2006).²¹ Another limitation of the data is that the expert surveys are fairly recent, while my coalition-formation data go back to 1950. Implicitly, this amounts to assuming that the parties' policy positions are fairly constant across time. This is obviously not true of some parties, but it appears unlikely that this has a systematic effect on the government and opposition ideological polarization of the potential coalitions.

Several, usually minor, parties were excluded from these surveys. The ordering of these parties along the left–right spectrum in Müller & Strøm (2001) is used to estimate the parties' ideological positions in a simple manner. I simply assume that each party's position is the average of the ideological positions of the adjacent parties in the ordering given by Müller & Strøm (2001).²² These estimates are imperfect, but they make use of the available

information, and there is little reason to believe that they contain a systematic bias.

The variable *median party* is an indicator variable that takes the value 1 when the potential coalition includes the median party. I measure the ideological heterogeneity of each potential coalition and its opposition, using Esteban & Ray's (1994) measure of *polarization* (*government polarization* and *opposition polarization*). The literature on coalition formation has normally used the ideological distance between the most extreme parties in the coalition (*extreme position* measure) to measure ideological divisions within coalitions. There are three reasons to opt for Esteban & Ray's (1994) *polarization* measure here. First, Indridason (2006) shows that the *extreme position* measure does not satisfy *any* of Esteban & Ray's (1994) axioms. Yet, the axioms describe changes in the distribution of policy preferences and group sizes that intuitively suggest a greater potential for conflict. Second, Indridason (2006) also points out that the *extreme position* measure gives undue weight to small parties. Third, in the current context, it is appropriate to use a measure of ideological heterogeneity that gauges the potential for conflict, since the stability of coalitions forms an integral part of my theoretical account. Note that *opposition polarization* takes the value 0 when the potential coalition is a majority coalition, since ideological heterogeneity is hypothesized to have an effect only when the potential coalition is a minority coalition.

The data on terrorist incidents come from two sources. The first dataset, Terrorism Knowledge Base (TKB), compiled by the National Memorial Institute for the Prevention of Terrorism and RAND, covers transnational terrorist incidents since 1968.²³ The definition of transnational terrorism permits the nationality of the target and the

²¹ An analogous method is used when only one measure of a party's ideological position exists.

²² If the two adjacent parties were not included in the surveys, I assume that the parties are evenly spaced across the distance between the closest parties for which ideological estimates exist. If the parties are at the beginning or the end of the ordering, I assume that their ideological position equals the most extreme party for which a survey exists.

²³ Since 1997, the TKB data also cover domestic terrorist incidents. The data are available at <http://www.tkb.org>, but each terrorist incident must be looked up individually.

perpetrator to differ from the country where the incident took place. For example, the Armenian Revolutionary Army's assassination of a Turkish embassy employee in Austria, on 20 June 1984, is a transnational terrorist incident.²⁴ It is unlikely that incidents such as these have as much influence on Austrian voters or politicians as when either the target or the perpetrator is Austrian. For this reason, I exclude the incidents in the TKB dataset that are coded as diplomatic terrorist incidents. The second dataset, Terrorism in Western Europe: Events Data (TWEED), was compiled by Engene (2007). It contains information on internal, or domestic, terrorist incidents in Western Europe for the time period 1950–2004.²⁵

I consider four measures of terrorist activity. The first two measures, *fatalities* and *injured*, can be considered measures of the severity of terrorist incidents. The latter two measures focus instead on the frequency of terrorist incidents. The variable *no. incidents* simply counts the number of terrorist incidents. Terrorist incidents can be coordinated; that is, sometimes terrorist groups attack multiple targets at the same time. Each target is counted as a separate incident in the datasets, but they can also be seen as a single attack. It is plausible that separate terrorist incidents, perpetrated by different terrorist groups, will create a greater sense of insecurity than a coordinated attack (consisting of the same number of incidents) by a single group.²⁶ Therefore, I also construct a variable, *no. attacks*, that counts the number of attacks.²⁷ Each measure

is created for the one- and two-year periods prior to the formation of each government coalition. Subscripts denote the length of the period; for example, *fatalities*₂ counts the number of fatalities in the two-year period prior to the government formation.

Table I details the frequency and severity of transnational and domestic terrorist incidents for each of the countries in my sample. There is considerable variation in the number of terrorist incidents across countries. Finland and Iceland register only one (transnational) terrorist incident each, while over 4,300 took place in the United Kingdom.²⁸ Figure 1 depicts the number of terrorist incidents and casualties across time. Transnational and domestic terrorism exhibit quite different trends. Domestic terrorism takes off in the 1970s, but its levels have decreased markedly since then. Transnational terrorism, for which I have data only since 1968, exhibits a similar surge in the 1970s but, unlike domestic terrorism, continues to rise throughout the 1980s. The trend since then has been a decline in the number of incidents. Transnational terrorism is also clearly associated with the most deadly terrorist incidents, such as the Lockerbie and Madrid bombings. It is interesting to note that if those exceptional cases are excluded, transnational terrorism appears to be less deadly than domestic terrorism; that is, the ratio of the number of fatalities to the number of terrorist incidents is much lower for transnational terrorism.

Results

Table II presents the results for the effect of transnational terrorism on coalition formation. Each column represents a different measure of

²⁴ MIPT Terrorism Knowledge Base. 'TKB Incident Page: Armenian Revolutionary Army Attacked Diplomatic Target (June 20, 1984, Austria)' (<http://www.tkb.org/Incident.jsp?incID=3888>, accessed 30 August 2006).

²⁵ Engene (2007) defines internal terrorism solely in terms of the nationality of the acting group.

²⁶ Of course, the exact opposite could be true. A terrorist group capable of carrying out a coordinated attack may well be seen as a greater threat to security. My point remains: we cannot assume that coordinated incidents have the same effect.

²⁷ The TKB data identify coordinated attacks. In the TWEED data, coordinated attacks were identifying by assuming that attacks carried out on the same date, in the same country, and by the same terrorist group were coordinated.

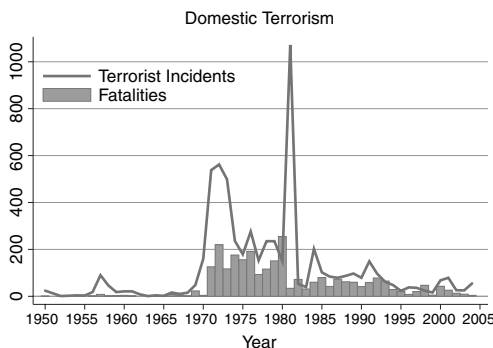
²⁸ The United Kingdom contributes only a single coalition-formation opportunity (in 1974) to my analysis as, normally, a single party wins an outright majority and forms a single-party government.

Table I. Frequency and Severity of Terrorist Incidents

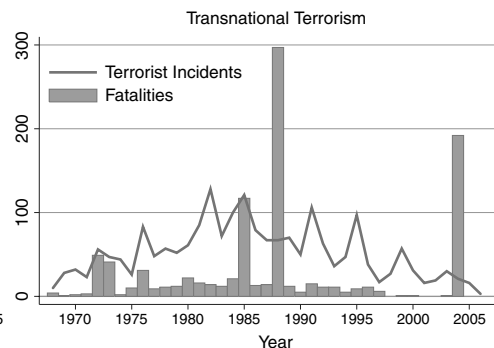
Country	Domestic terrorism			Transnational terrorism		
	No. of incidents	No. of fatalities	No. of injured	No. of incidents	No. of fatalities	No. of injured
Austria	14	5	5	59	17	100
Belgium	78	39	104	107	19	181
Denmark	5	0	12	25	1	60
Finland	0	0	0	1	0	0
Germany	283	96	523	469	93	708
Greece	219	28	239	413	149	505
Iceland	0	0	0	1	0	0
Ireland	32	50	233	24	8	8
Italy	337	302	888	292	83	348
Luxembourg	1	0	0	5	0	0
Netherlands	34	10	5	71	25	46
New Zealand	–	–	–	3	1	0
Norway	2	1	0	9	1	5
Portugal	206	28	80	50	9	13
Spain	778	630	1,312	303	231	904
Sweden	6	4	35	42	34	9
UK	4,217	1,460	5,460	156	310	179

Sources: For domestic terrorism, Engene (2007); for transnational terrorism, TKB (www.mipt.org).

Figure 1. Terrorist Incidents and Fatalities



Source: TWEED dataset, Engene (2007)



Source: TKB, Memorial Institute for the Prevention of Terrorism (www.mipt.org)

terrorist activity, as indicated at the top of the table. The measures of terrorism enter the model as interaction with coalition characteristics and are denoted by ' T^* ' followed by the relevant coalition characteristic. For example, T^* minority coalition is the interaction of the variable identified in the column heading and the variable *minority coalition*.

The first thing to note about the results is that the coalition characteristics identified as

important by the coalition literature are highly significant, with the exception of *opposition polarization*. Our main interest, however, is how terrorist activity modifies the effects of the coalition characteristics. I begin by considering my primary hypotheses: the interactions of terrorist activity with the coalition characteristics that have been shown to influence government stability. Starting with *minority coalition*, terrorism has a statistically significant effect on

Table II. The Effects of Transnational Terrorism on Coalition Formation

	FATALITIES ₁	FATALITIES ₂	INJURED ₁	INJURED ₂	INCIDENTS ₁	INCIDENTS ₂	ATTACKS ₁	ATTACKS ₂
Minority coalition	-1.440*** (.506)	-1.619*** (.520)	-1.565*** (.504)	-1.619*** (.516)	-1.611*** (.536)	-1.672*** (.552)	-1.556*** (.548)	-1.585*** (.564)
— T*Minority coal.	-1.030** (.466)	-.240* (.144)	-.032 (.046)	-.010 (.025)	-.097 (.117)	-.012 (.068)	-.122 (.169)	-.036 (.097)
Surplus coalition	-.746*** (.229)	-.772*** (.238)	-.759*** (.233)	-.760*** (.238)	-.981*** (.256)	-.905*** (.264)	-.1028*** (.259)	-.965*** (.267)
— T*Surplus coal.	.139* (.078)	.100* (.052)	.026 (.018)	.012 (.008)	.156** (.062)	.066** (.033)	.225*** (.082)	.098** (.042)
Number of parties	-1.087*** (.098)	-1.084*** (.102)	-1.080*** (.100)	-1.071*** (.102)	-1.059*** (.113)	-1.077*** (.115)	-1.040*** (.114)	-1.052*** (.117)
— T*No. parties	-.065 (.046)	-.032 (.026)	-.016 (.010)	-.006 (.004)	-.027 (.029)	-.009 (.014)	-.046 (.039)	-.021 (.019)
Largest party	1.072*** (.214)	1.058*** (.223)	1.164*** (.214)	1.164*** (.221)	1.290*** (.237)	1.326*** (.244)	1.299*** (.236)	1.341*** (.243)
— T*Largest party	.419** (.194)	.230** (.098)	.016 (.019)	.018 (.013)	-.055 (.078)	-.029 (.042)	-.082 (.095)	-.037 (.051)
Median party	1.204*** (.204)	1.131*** (.209)	1.241*** (.204)	1.122*** (.208)	1.227*** (.225)	1.104*** (.229)	1.192*** (.226)	1.099*** (.229)
— T*Median party	-.158 (.171)	.018 (.053)	-.046* (.024)	.005 (.008)	-.059 (.092)	.012 (.047)	-.043 (.123)	.014 (.060)
Gov't polarization	-1.137*** (.200)	-1.117*** (.207)	-1.122*** (.200)	-1.151*** (.206)	-.859*** (.214)	-.849*** (.220)	-.890*** (.217)	-.881*** (.222)
— T*Gov't polariz.	-.341** (.161)	-.139** (.068)	-.049** (.025)	-.013 (.008)	-.280*** (.088)	-.131*** (.044)	-.304*** (.105)	-.142*** (.051)
Opposition polariz.	-.610 (.459)	-.447 (.469)	-.333 (.454)	-.337 (.464)	-.119 (.472)	-.095 (.489)	-.159 (.486)	-.116 (.501)
— T*Opp. polariz.	.691** (.329)	.168 (.117)	-.135* (.078)	-.020 (.034)	-.195* (.110)	-.094 (.066)	-.236 (.162)	-.122 (.096)
Observations	179,184	178,876	179,184	178,876	179,184	178,876	179,184	178,876
Log likelihood ratio	-796.45	-786.00	-793.01	-786.68	-790.50	-783.07	-791.02	-782.31
IIA-test	.93	.86	.93	.94	.92	.89	.89	.92

Levels of significance: *** 99%, ** 95%, * 90%.

the likelihood of a minority coalition forming only when terrorism is measured as a number of fatalities, although the estimated effect is consistently in the expected direction. The effect of terrorism on the likelihood of a surplus coalition forming finds greater support in the data. The coefficients for the number of terrorist incidents and attacks are all statistically significant at the 95% level, and the coefficients for fatalities are significant at the 90% level. In sum, Hypothesis 1 is, at best, weakly supported, while there is considerable support for Hypothesis 2.

The estimated coefficients for the interactions of *terrorist activity* with *government polarization* are all statistically significant, with the exception of the measure *injured₂*. Highly polarized coalitions are less likely to form in times and places of substantial terrorist activity. The results concerning *opposition polarization* are more perplexing. The estimated coefficient is positive for *fatalities* but negative for the other measures of terrorism. In the majority of the cases, the coefficients are not statistically significant. One must conclude that terrorism does not influence the effect of *opposition polarization* (Hypothesis 4), but it has a clear effect on how polarized the forming coalition is (Hypothesis 3).

There is little evidence in support of the secondary hypotheses. The coefficients for *no parties* consistently have the predicted sign but fail to reach statistical significance. This is not surprising, since the incentive to form surplus coalitions (or majority coalitions instead of minority) will generally serve to increase the number of parties in the coalition. The interaction with the inclusion of the largest party in the coalition is statistically significant when *fatalities* are considered but does not reach statistical significance otherwise. There is no evidence to suggest that terrorism influences the inclusion of the median party in the coalition.

Table III displays the results for the effects of domestic terrorism on coalition formation. On the whole, domestic terrorism has less effect on

coalition formation than transnational terrorism. Terrorism has no perceptible effect on the formation of minority coalitions. The estimated effect of domestic terrorism on the formation of surplus coalitions is always in line with my expectations, but it is statistically significant only when terrorist activity is measured by the number of injured.

As in the case of transnational terrorism, domestic terrorism does influence how polarized the forming coalition is, although the effect is not as pronounced as before. *Opposition polarization*, as before, does not appear to be influenced by terrorism.

Domestic terror activity is estimated to make coalitions containing many parties less likely to form, but this effect is significant in only one instance and then only at the 90% level. The effects of the remaining variables, *median party* and *largest party*, are not influenced by domestic terrorism.

A comparison of Tables II and III suggests that transnational terrorism has greater impact on coalition formation than domestic terrorism.²⁹ In both cases, terrorism is shown to increase the likelihood of a surplus coalition forming and decrease the likelihood of a highly polarized coalition forming. In the case of transnational terrorism, the data also weakly indicate that minority coalitions are less likely to form. As I hypothesized above, these differences may result from the fact that the political parties may have developed different policies on how to deal with domestic terrorist activity. In contrast, transnational terrorism is more likely to call for a uniform response by the parties, although, in some cases, parties may be perceived as differing in their capability to fight terrorism or being responsible for provoking the attacks. However, the evidence on this point is not very strong, and I hope to examine it in greater detail in future research.

²⁹ Note that the data on transnational terrorism are available only from 1968, as opposed to 1950 for domestic terrorism, which should make it harder to detect a relationship in the analysis of transnational terrorism.

Table III. The Effects of Domestic Terrorism on Coalition Formation

	FATALITIES ₁	FATALITIES ₂	INJURED ₁	INJURED ₂	INCIDENTS ₁	INCIDENTS ₂	ATTACKS ₁	ATTACKS ₂
Minority coalition	-1.294*** (.415)	-1.380*** (.419)	-1.287*** (.414)	-1.422*** (.421)	-1.294*** (.415)	-1.329*** (.420)	-1.265*** (.417)	-1.307*** (.423)
— T*Minority coal.	.034 (.042)	.020 (.023)	.008 (.010)	.008 (.007)	-.013 (.030)	-.008 (.017)	-.020 (.043)	-.011 (.025)
Surplus coalition	-.785*** (.198)	-.823*** (.202)	-.796*** (.197)	-.846*** (.201)	-.766*** (.201)	-.822*** (.205)	-.778*** (.201)	-.824*** (.205)
— T*Surplus coal.	.049 (.033)	.032 (.020)	.015* (.008)	.013** (.006)	.031 (.028)	.022 (.015)	.049 (.037)	.031 (.020)
Number of parties	-1.082*** (.089)	-1.050*** (.089)	-1.073*** (.087)	-1.049*** (.088)	-1.049*** (.090)	-1.030*** (.092)	-1.032*** (.091)	-1.020*** (.092)
— T*No. parties	-.002 (.008)	-.007 (.005)	-.003 (.003)	-.003* (.002)	-.016 (.012)	-.010 (.007)	-.031 (.019)	-.016 (.009)
Largest party	1.172*** (.183)	1.139*** (.185)	1.191*** (.180)	1.174*** (.182)	1.085*** (.184)	1.056*** (.184)	1.097*** (.185)	1.065*** (.188)
— T*Largest party	-.077 (.078)	-.025 (.043)	-.019* (.010)	-.009 (.007)	.029 (.035)	.017 (.015)	.027 (.048)	.021 (.029)
Median party	1.204*** (.178)	1.170*** (.180)	1.201*** (.175)	1.158*** (.177)	1.243*** (.178)	1.232*** (.179)	1.242*** (.179)	1.226*** (.182)
— T*Median party	.077 (.080)	.029 (.043)	.021* (.012)	.012 (.007)	-.023 (.034)	-.013 (.016)	-.023 (.047)	-.017 (.029)
Gov't polarization	-.978*** (.164)	-.994*** (.168)	-1.043*** (.163)	-1.050*** (.167)	-.996*** (.167)	-.979*** (.169)	-.978*** (.169)	-.962*** (.171)
— T*Gov't polariz.	-.106** (.044)	-.068** (.027)	-.013 (.009)	-.012* (.007)	-.062* (.035)	-.044** (.019)	-.101* (.053)	-.070** (.029)
Opposition polariz.	-.647* (.376)	-.583 (.378)	-.649* (.377)	-.547 (.382)	-.672* (.373)	-.651* (.378)	-.684* (.376)	-.662* (.382)
— T*Opp. polariz.	-.049 (.038)	-.029 (.022)	-.014 (.010)	-.010 (.007)	.0005 (.016)	-.00002 (.012)	-.005 (.025)	-.002 (.018)
Observations	191,499	191,296	191,499	191,296	191,499	191,296	191,499	191,296
Log likelihood ratio	-1,057.87	-1,043.04	-1,058.96	-1,044.01	-1,057.84	-1,040.58	-1,056.76	-1,041.05
IIA-test	.93	.89	.99	.94	.95	.95	.90	.92

Levels of significance: *** 99%, ** 95%, * 90%.

Focusing on government stability has allowed us to deduce *seemingly* contradictory hypotheses: that politicians will be more likely to form (1) surplus coalitions *and* (2) ideologically homogenous coalitions when faced with terrorist activity. However, the hypotheses are not contradictory, because, first, each hypothesis may represent a strategy for dealing with instability (i.e. they are substitutes) and, second, it is possible to form less ideologically polarized surplus coalitions (i.e. if they replace ideologically disconnected coalitions).

More importantly, these hypotheses allow for an interesting comparison with Lijphart's (1968) conjecture about external threats and consociational politics. While it is in agreement with my coalition-stability hypothesis with regard to the formation of surplus coalitions, Lijphart's conjecture implies quite a different hypothesis about the ideological composition of the coalition. If external threats lead to more consociational forms of government, coalition governments should be more heterogeneous ideologically, rather than less heterogeneous, as the empirical results indicate. This suggests that external threats, at least in this context, do not promote more consensual politics.³⁰ Instead, the results are more consistent with the view that, in the presence of exogenous shocks, politicians have an incentive to form coalitions that are more stable and likely to keep them at the reins for longer periods of time.

Conclusions

In his work on consociationalism, Lijphart (1968) conjectured that external threats were one of the factors that provided the political elite with an incentive to maintain cooperation across societal cleavages. In this article, I have explored a variant of his argument, arguing that terrorism constitutes such an

external threat or, alternatively, that terrorism instills the political elite with incentives to form more stable coalitions. The literature on government survival has identified several factors that enhance government stability, and I have focused on these factors to derive hypotheses about how terrorism might influence the formation of government coalitions. In addition, I consider several other factors that have been shown to influence the formation of coalitions but not their stability.

The findings indicate that terrorist activity influences two of the factors that are closely linked with the stability of government coalitions. Coalitions formed in periods of substantial terrorist activity are more likely to be surplus coalitions and less likely to be highly polarized. These findings are consistent across the different measures of terrorism that have been considered, and they hold, largely, for both domestic and transnational terrorist incidents. I also find some indications that minority coalitions are less likely to form where terrorist incidents have taken place, but the effect is weak and can be said to be present only for transnational terrorist incidents.

The results suggest that transnational terrorism has a greater impact on coalition formation than domestic terrorism. However, we wish to caution against reading too much into these results. First, the differences are relatively minor. Second, my argument emphasized that voters were more likely to judge some parties as being more accountable for domestic terrorism than others. At present, our data do not provide sufficient information to properly test this conjecture.

The effect of the variables that influence coalition formation, but have not been shown to influence the stability of government, is not conditional on terrorist activity. This suggests that my causal argument (i.e. that terrorism influences coalition formation via its destabilizing effects on coalitions) has some merit.

While the literature on terrorism has grown substantially and become more quantitative in

³⁰ Lijphart (1968), of course, did not have to address terrorism specifically, so we should be careful in interpreting the finding as contradicting his conjecture.

recent years, I am not aware of any studies that consider the broader political implications of terrorism, such as whether the presence of terrorism leads to more consensual domestic politics or how it influences political competition. This study is a first step in this direction, and the results suggest that the subject deserves greater scrutiny. In the future, I hope to consider how terrorism may influence other aspects of domestic politics. In line with my main argument, considering the effects of terrorism on government duration is of particular interest. Further disaggregation of terrorist activity is also an avenue I hope to explore. Here, I have merely distinguished between domestic and transnational terrorism, but one can equally well imagine that, for example, types of targets and motives of terrorist groups have different effects.

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