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Fiscal Policies and Parliamentary Activities of Minority Governments in the German States*

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Abstract

We examine fiscal policies and parliamentary activities of minority governments in the German states. Our sample includes the 16 German states over the period 1981-2024. The results show that minority governments implemented similar fiscal policies to majority governments. Minority governments had about 14 more parliamentary bills than majority governments, a result that is based on the activities of opposition parties and not of the minority governments. We conclude that minority governments have not performed worse than majority governments for a long time. We present case study evidence on minority governments in Thuringia and Saxony showing that a more fragmented party system makes it more difficult for minority governments to perform well and implement their policy goals. Future research should investigate in more detail the performance of minority governments in times of fragmented party systems.

Keywords: minority governments, public debt, parliamentary bills, political fragmentation, German states

JEL Codes: D72, H00, C23, P16

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1 Introduction

Party systems have become quite fragmented in many industrialized countries. Voters have been disenchanted by established political parties because, for example, platforms of established political parties converged. As a consequence, new political parties have entered the political arena. Those new political parties are often populist. The fragmentation of the party system, especially in presence of extreme leftwing and rightwing parties, influences coalition formation to a large extent. The established political parties either form coalitions of three (as compared to so far two) parties or may consider forming minority governments. A major question is, which type of policies minority governments pursue. We examine fiscal policies and parliamentary activities of minority governments in the German states. We update the panel data analysis of [Günther and Potrafke \(2024\)](#). Minority governments have been quite rare in the German states. The state elections in Saxony and Thuringia in 2024 gave rise, however, to two new minority governments. We examine the parliamentary activities and revised budgets of minority governments in Thuringia and Saxony.

Germany is a prime example for how political fragmentation proceeded in an industrialized country: In the early 2000s, the then-chancellor Gerhard Schröder moved the German Social Democratic Party (SPD) to the center of the political arena. Doing so gave rise to the formation of the leftist party DIE LINKE. The SPD is facing a strategic dilemma since DIE LINKE (and the Greens since the 1980s) competes for votes. The SPD lost the federal elections in 2005. Angela Merkel of the Christian Democratic Union (CDU) became chancellor. She moved, in turn, the CDU to the center of the political center as well. Moving the CDU to the center gave rise to the formation of the populist rightwing Alternative for Germany (AfD). The AfD enjoys tremendous electoral success. In the 2025 national election, the AfD received 20.8% of the votes. The populist leftwing parties DIE LINKE and 'Bündnis Sahra Wagenknecht' received 8.8% and 4.98% of the votes. The CDU/CSU and SPD received, in turn, 28.5% and 16.4% and have a wafer-thin majority of seats in the German Bundestag. In the 1970s, the CDU/CSU and SPD had more than 90% of the votes in German national elections. The populist leftwing and rightwing parties receive especially strong support in the East German states. This growing political fragmentation has sparked increasing debate in Germany about minority governments, particularly at the state level, and has made them more common.

We use panel data from the German federal states over the period 1981-2024 and

show that minority governments had similar debt levels (as a percentage of the state-GDP) to majority governments. Under minority governments, an average of about 14 more bill proposals are introduced in the state parliament. This result is not driven by more bill proposals from the government, but by more proposals from the opposition parties. Minority governments do not submit more resolutions to the Bundesrat than majority governments of the federal states. We also present case study evidence on minority governments in Thuringia and Saxony. In Thuringia, the leftwing minority government (2019-2024) depended on the support of center-right parties. The opposition managed, however, to pass some bills in parliament against the minority government. In Saxony, the formation of a minority government led to costly re-negotiations in the 2025 budget process involving concessions to leftwing opposition parties.

Related Literature The literature on fiscal policies of minority governments focuses on cross-country studies. The empirical evidence on how minority governments relate to fiscal outcomes such as debt, deficits and public expenditure is mixed (e.g., [Edin and Ohlsson, 1991](#); [Blais et al., 1993](#); [De Haan and Sturm, 1994](#); [De Haan et al., 1999](#); [Sakamoto, 2001](#); [Perotti and Kontopoulos, 2002](#); [Falcó-Gimeno and Jurado, 2011](#); [Potrafke, 2021](#)). Our study (an update of [Günther and Potrafke \(2024\)](#)) contributes to this literature by examining fiscal policies of minority governments at the sub-national level within a federal state. Scholars examine determinants of debt, deficits and public expenditure in the German federal states. Those determinants include, for example, government ideology, electoral cycles, and the number of parties in the state government (e.g., [Seitz, 2000](#); [Galli and Rossi, 2002](#); [Jochimsen and Nuscheler, 2011](#); [Jochimsen and Thomasius, 2014](#); [Hayo and Neumeier, 2012](#); [Potrafke et al., 2016](#); [Baumert, 2024](#); [Brumm and Hörisch, 2025](#)). Scholars did not yet examine fiscal policies of minority governments – except our policy piece from 2024.

We also contribute to research on the parliamentary behavior of minority governments. An study covering 21 Western countries finds that minority governments experience more voting defeats in parliament than majority governments ([Thürk, 2022](#)). Yet, this effect disappears for minority governments that have formal support agreements, which has increasingly been the case for minority governments in recent years ([Thürk and Krauss, 2024](#)). Data on bill proposals from Denmark suggest that, depending on the parliamentary setup and how close the respective minister and parties are to the median, a minority government can sometimes even result in more efficient

law-making (König and Lin, 2021). We provide a panel data study on parliamentary activities for the German state governments.

There were just a few minority governments in Germany. Voters prefer majority governments to minority governments, but they adjust their views to public opinion and the expected policy influence of minority governments (Matthieß and Stecker, 2025). One reason is that minority governments in Germany are generally perceived as less stable than majority governments, although this can only be demonstrated internationally for minority governments without formal support agreements, which tend to collapse earlier than majority governments (Krauss and Thürk, 2022). Research on minority governments in the German states focused on individual case studies. For example, the SPD-Greens minority government in North Rhine-Westphalia from 2010 to 2012 was an object of investigation (Ganghof et al., 2019; Matthieß, 2019). We provide case study evidence on the policies of the recent minority governments in Thuringia and Saxony.

2 Theoretical Background

The theoretical impact of minority governments on fiscal policies is ambiguous. Minority governments lack a parliamentary majority and must therefore always rely on the support of (parts of) the opposition to implement their policies. This puts opposition parties in a strong bargaining position. As a result, minority governments may agree to costly compromises with the opposition, giving rise to higher public spending (Potrafke, 2021). If the government is unwilling to offset this spending through tax increases, public debt will rise.

On the other hand, minority governments are often formed by centrist parties that can cooperate with both sides of the political spectrum. They are expected to be strong and stable when they consist of one large party in a central position (Crombez, 1996; Tsebelis, 2002). This flexibility allows them, in theory, to select the most favorable “offer”, potentially resulting in lower public expenditure. Moreover, minority governments tend to negotiate with opposition parties on specific projects rather than, as in majority governments, concluding a coalition agreement in advance with multiple parties – an agreement that often contains mutual concessions to the various partners. For these reasons, the effect of minority governments on public budgets and debt could theoretically go in either direction.

The impact of minority governments on parliamentary activity depends largely on their organizational arrangements. If they do not have a formal cooperation agreement with opposition parties, they may introduce fewer bills in parliament to avoid possible defeats in parliamentary votes. With a formal support arrangement in place, this concern disappears (Thürk, 2022). At the same time, opposition parties may become more active under a minority government, as constructive bill proposals have a realistic chance of winning parliamentary approval. This dynamic may well increase parliamentary activity under minority governments. These theoretical ambiguities suggest the need for an empirical analysis of the effect of minority governments on fiscal policies and parliamentary activity.

3 Data and Empirical Strategy

Data Eleven of the 16 states experienced at least one minority government since the 1980 (Table 1). However, many of these governments were short-lived – in six cases, they lasted fewer than 100 days. This is often due to their role as interim governments formed between the collapse of a majority coalition and subsequent new elections. Since the 1980s, minority governments typically consisted of a single party (either the CDU or the SPD). In more recent years, some minority governments have involved two parties or, in the case of Thuringia, even three, which together do not have their own majority as governing parties. In our empirical analysis, we use a dummy variable that takes the value 1 if a state was governed by a minority government for the majority of months in a given year. Our analysis covers the period from 1981 to 2024 for West German states and from 1991 to 2024 for East German states. Out of 720 total state-year observations, 20 reflect years in which a minority government was in power.

We examine several outcome variables. First, we investigate the debt levels of federal states relative to their gross domestic product (GDP), and the first difference of this debt-to-GDP ratio to better capture changes over time. Second, we assess parliamentary activity under minority governments by considering the number of bill proposals introduced in the state parliaments. This data were obtained directly from the administrative offices of the state parliaments. We also examine legislative resolutions submitted by federal states to the Bundesrat, the upper chamber of the German parliament, where states can introduce legislation either alone or in collaboration with

other states. For all three outcome measures, we evaluate the impact of minority governments.

Table 1: Minority Governments in German Federal States 1981–2024

Federal State	Start	End	Days	Participating Parties
Berlin	06/11/1981	03/17/1983	645	CDU
Berlin	11/19/1990	01/24/1991	67	SPD
Berlin	06/16/2001	01/17/2002	216	SPD
Brandenburg	03/22/1994	10/11/1994	204	SPD-FDP
Hamburg	06/23/1982	02/02/1983	225	SPD
Hamburg	03/24/1987	09/02/1987	163	SPD
Hamburg	12/18/2003	03/17/2004	91	CDU-PRO
Hamburg	11/29/2010	03/07/2011	99	CDU
Hesse	12/01/1982	06/07/1984	554	SPD
Hesse	06/07/1984	12/12/1985	561	SPD
Hesse	02/09/1987	04/24/1987	75	SPD
Hesse	04/03/2008	02/05/2009	306	CDU
Lower Saxony	09/02/1989	06/21/1990	293	CDU
Lower Saxony	08/04/2017	11/22/2017	111	SPD-Greens
North Rhine-Westphalia	06/01/1995	07/06/1995	36	SPD
North Rhine-Westphalia	07/14/2010	06/20/2012	708	SPD-Greens
Saarland	01/18/2012	05/09/2012	113	CDU
Saxony	19/12/2024	-	-	CDU-SPD
Saxony-Anhalt	07/21/1994	05/26/1998	1,406	SPD-Greens
Saxony-Anhalt	05/26/1998	05/16/2002	1,452	SPD
Schleswig-Holstein	10/02/1987	05/31/1988	243	CDU
Schleswig-Holstein	03/17/2005	04/27/2005	42	SPD
Thuringia	03/04/2020	12/12/2024	1,641	Left-SPD-Greens
Thuringia	12/12/2024	-	-	CDU-BSW-SPD

Note: The table provides an overview of all minority governments in the German federal states during the period from 1981 to 2024. It is based on a report by the Scientific Services of the German Bundestag and was complemented by own research (Bundestag, 2017).

We also include control variables that are likely to be correlated with our dependent variable and might also be correlated with the presence of minority governments, our main explanatory variable. Demographic controls include the shares of the population under age 18 and over age 65, as well as the unemployment rate. Political-economic dummy variables measure election years or the ideological orientation of the government (leftwing: SPD and Greens; rightwing: CDU and FDP; grand coalition: CDU and SPD; cross-bloc: CDU, Greens and FDP for example), and the number of parties in the governing coalition (e.g., Potrafke, 2011; Kauder et al., 2021). Summary statistics for all variables are provided in Table B1 in the Appendix.

Empirical Strategy We use a two-way fixed effects (TWFE) model, including fixed effects for federal states and years of the following form:

$$Y_{it} = \alpha_i + \gamma_t + \beta \text{MinorGov}_{it} + X_{it}\mu + \varepsilon_{it} \quad (1)$$

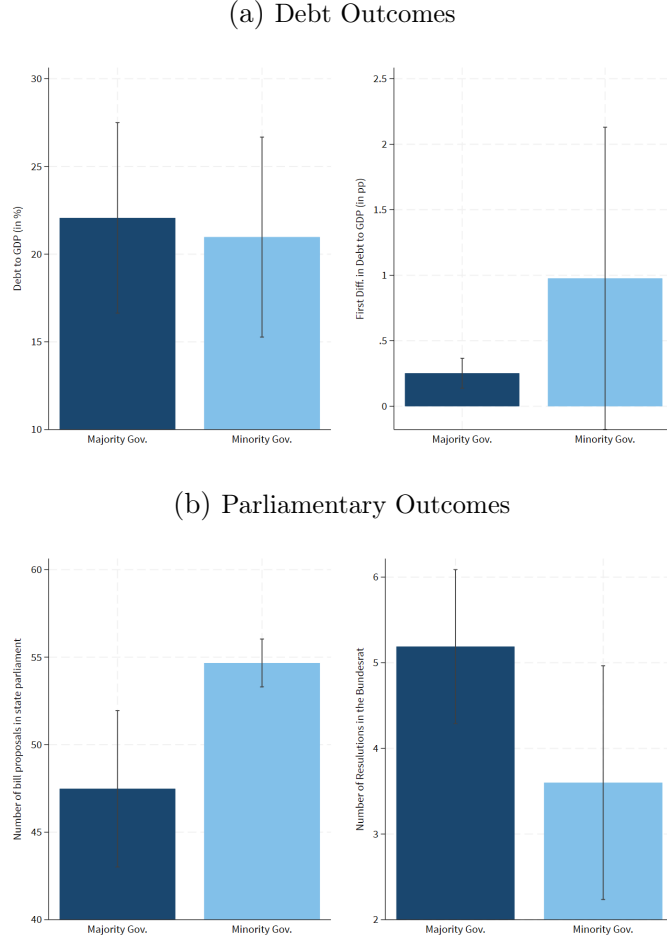
The outcome variable Y_{it} represents various measures (debt-to-GDP ratio, its first difference, number of bill proposals in state parliaments, Bundesrat resolutions) for federal state i in year t . The term α_i captures state fixed effects, while γ_t denotes year fixed effects. The main explanatory variable, MinorGov_{it} , takes the value 1 if a minority government was in power for the majority of months in a given state-year. The vector X_{it} includes many control variables, and ε_{it} is the error term, clustered at the state level to account for within-state correlation. Our analysis delivers conditional correlations between the presence of minority governments and our outcome variables. We cannot estimate causal effects by using causal inference approaches such as regression discontinuity design because of the limited number of observations and institutional differences between minority and majority governments.

4 Results

We first discuss unconditional correlations and compare the mean values of various outcomes under majority and minority governments. Panel (a) of Figure 1 shows that the average debt-to-GDP ratio does not differ statistically between majority governments (22.07%) and minority governments (20.97%). The first difference in the debt-to-GDP ratio is higher under minority governments (0.98) than under majority governments (0.25), but this difference does not turn out to be statistically significant.

Panel (b) presents the average number of bill proposals introduced in state parliaments and the number of resolutions passed to the Bundesrat. The results indicate that state parliaments introduce more bill proposals under minority governments (54.7) than under majority governments (47.5), suggesting higher legislative activity under minority governments. In contrast, the pattern for Bundesrat resolutions is reversed: majority governments pass more resolutions on average (5.2) than minority governments (3.6), though this difference does not turn out to be statistically significant.

Figure 1: Fiscal and Parliamentary Outcomes under Majority and Minority Governments in the German States



Notes: The figure shows the mean values for various outcomes for majority and minority governments in the German federal states for the years 1981-2024. The lines indicate the 95% confidence intervals. Panel (a) shows the mean of the federal state's debt relative to state GDP (in percent) and the annual change in the debt-to-GDP ratio (in percentage points). Panel (b) shows outcomes for parliamentary activity. First, the number of bill proposals in the state parliament per year is shown, followed by the number of resolutions in the Bundesrat initiated by the respective state governments per year.

Fiscal Policy Outcomes We now discuss the regression results from our two-way fixed effects model. Table 2 reports the estimates for the debt-to-GDP ratio (columns I and II) and for its first difference (columns III and IV) as the dependent variables. For both measures, the parsimonious model shows no statistically significant correlation between minority governments and the debt-to-GDP ratio (both in levels and in first differences). Adding control variables for socioeconomic conditions (share of older/younger population, unemployment rate) and political-economic variables (elec-

tion year, government ideology, number of parties in government) does not alter this result. In all specifications, the coefficient estimates of the minority governments variable lacks statistical significance. In Table B2 in the Appendix, we add lagged dummies for the presence of minority governments to account for the possibility that debt levels adjust with a delay. However, none of the first three lags turns out to be statistically significant.

Table 2: Panel Regressions – Debt

	Debt-to-GDP		FD Debt-to-GDP	
	(I)	(II)	(III)	(IV)
Minority Government	0.330 (0.356)	-0.050 (0.484)	0.555 (0.446)	0.476 (0.327)
Debt-to-GDP (t-1)	0.908*** (0.037)	0.877*** (0.038)		
Share of people aged <18		19.519 (11.745)		38.431** (14.644)
Share of people aged 65+		-18.746 (15.911)		-10.467 (15.924)
Unemployment rate		0.236** (0.109)		0.033 (0.083)
Election year		0.255 (0.287)		0.289 (0.319)
Leftwing Government		0.169 (0.572)		-0.213 (0.282)
Rightwing Government		-0.318 (0.356)		-0.247 (0.219)
Number of parties in gov.		-0.117 (0.218)		-0.232 (0.366)
Time FE	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes
Observations	633	633	633	633
R-Squared	0.968	0.970	0.228	0.259
Mean Dep. Var.	22.38	22.38	0.27	0.27

Notes: The table shows results of regressions with time and state fixed effects. The dependent variable in columns I and II is the total debt of a state divided by its state GDP. In columns III and IV, the dependent variable is the first difference of the debt-to-GDP ratio. The data is based on the 11 western German states for the years 1981-2023 and the 5 eastern German states for the years 1991-2023. In columns II and IV, we control for the share of young and old population, unemployment rate, election years, government ideology, and the number of parties in government. Robust standard errors, clustered at the state level, are shown in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Parliamentary Activities Table 3 presents the results of our TWFE-regressions for parliamentary outcomes. Focusing first on the number of bill proposals in the

Table 3: Panel Regressions – Parliamentary Activities

	Bill Proposals in State Parliament		Resolutions Bundesrat	
	(I)	(II)	(III)	(IV)
Minority Government	10.627*** (1.749)	13.839*** (2.165)	-0.101 (0.308)	-0.036 (0.660)
Election year		-5.260*** (1.692)		-0.251 (0.385)
Leftwing Government		-2.615 (2.047)		0.987 (0.650)
Rightwing Government		4.770* (2.324)		3.264*** (0.728)
Number of parties in Gov.		-0.316 (2.302)		-0.282 (0.566)
Time FE	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes
Observations	537	537	544	544
R-Squared	0.484	0.517	0.437	0.500
Mean Dep. Var.	47.68	47.68	5.15	5.15

Notes: The table shows the results of regressions with time and state fixed effects. The dependent variable in columns I and II is the number of bill proposals introduced in the state parliament per year, which we collected from the respective state parliament authorities. In columns III and IV, the dependent variable is the number of resolutions submitted by the respective state in the Bundesrat per year. The data is based on all 16 German federal states for the years 1991-2024. In columns II and IV, we control for election years, government ideology, and the number of parties in government. Robust standard errors, clustered at the state level, are shown in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

state parliament as the dependent variable (columns I and II), the results confirm the unconditional correlations: Minority governments introduced more bill proposals than majority governments. Inferences do not change when additional political control variables are included (column II). The coefficient estimate in column (II) suggests that minority governments had 13.8 more bill proposals on average than majority governments. Figure A1 indicates that this result is not driven by an individual state; in each iteration, one state was omitted from the analysis, yet the coefficient estimates remained stable and statistically significant.

We propose two potential explanations for the higher number of bill proposals in state parliaments under minority governments (see section 2). First, minority governments may introduce more bills because some of their initiatives fail and require re-submission. Second, opposition parties may introduce more bills in hopes of gaining approval. To distinguish between these mechanisms, Table B3 in the Appendix reports regressions separately for bills introduced by the government and by parties. The re-

sults suggest that the effect is driven primarily by party-initiated bills, with minority governments seeing around 11 more such bills introduced.

Resolutions in the Bundesrat (columns III and IV of Table 3) were quite similar under minority and majority governments. The coefficient estimates of the minority government variable are small and do not turn out to be statistically significant. A further breakdown into resolutions originating from an individual federal state versus those jointly submitted by multiple states likewise reveals no statistically significant correlation between the presence of minority governments and resolutions in the Bundesrat (columns III and IV of Table B3).

5 Case Studies

We now examine special cases of minority governments in the German states. For parliamentary activity, we examine Thuringia, where a minority government held power for the entire legislative period from 2019 to 2024. For fiscal policy, we focus on Saxony, which has been governed by a minority government since 2025, and investigate the process of drawing up the budget.

Thuringia We compiled data on all roll-call votes in the Thuringia state parliament during the 2019–2024 legislative period, when a minority government consisting of DIE LINKE, SPD, and the Greens was in power. Table 4 reports the average support rates for each party across the 55 roll-call votes held in this period. The support rate represents the share of a party’s MPs voting in favor of a bill. Roll-call votes capture only a subset of all votes and do not reflect all forms of cooperation between the minority government and opposition parties.

The data show that, in successful roll-call votes, the minority government received support from the opposition parties CDU and the market-oriented FDP, but not from the populist rightwing AfD. For the three successful roll-call votes initiated by the government, average support rates among CDU and FDP MPs were nearly 70% and 50% (see column I, Panel A, Table 4). This translates into roughly 14 additional ‘Yes’ votes from CDU MPs and two from FDP MPs. In contrast, both parties showed lower support rates for the government’s ten unsuccessful proposals (see Panel B), indicating that the success of government-initiated roll-call votes depended on CDU backing. This underscores the substantial political leverage held by the opposition party CDU.

Table 4: Average Support Rates in Roll-Call Votes in Thuringia

Supporting Party	Initiator of the bill				
	(I) Government	(II) CDU	(III) Government + CDU & FDP	(IV) AfD	(V) Committees
<i>Panel A: Successful Roll-Call Votes</i>					
Government	95.24	46.43	85.71	-	-
CDU	68.25	85.71	66.67	-	-
AfD	0	47.37	0	-	-
FDP	50	50	60	-	-
Independent/BfTH	0	37.50	0	-	-
<i>Panel B: Unsuccessful Roll-Call Votes</i>					
Government	93.33	0	-	0	0
CDU	0	86.51	-	0.17	80.95
AfD	0	45.22	-	85.34	84.21
FDP	2.50	41.67	-	0	50
Independent/BfTH	2.50	39.13	-	20	25

Notes: The table shows the average approval rating of all MPs (absent MPs are counted as disapproval) per party in all roll-call votes in the Thuringian State Parliament for the 2019–2024 legislative period. There were 55 roll-call votes during the legislative period. Panel A shows the figures for the six successful votes and Panel B shows the figures for the 49 rejected votes. The columns indicate the initiator of the roll-call votes and the rows the supporting parties. The (minority) government consisted of the three parties DIE LINKE, SPD, and the Greens. All values are in percent. BfTH stands for "Bürger für Thüringen", a parliamentary group active in the Thuringian state parliament from July until December 2022.

A different pattern emerges for the two successful roll-call votes initiated by the CDU (see column II, Panel A, Table 4). Whereas government-initiated proposals depended exclusively on CDU and FDP support, the CDU-initiated votes attracted broader, cross-party backing. The government's average support rate for these votes does not differ from that of other parties. This pattern is, however, based on two extreme cases: One vote received nearly 100% government support, while another received none. The bill, which received zero support from the governing parties, was a reduction in real estate transfer tax rate, which attracted a great deal of public attention because it only received a majority with the votes of the AfD. Reducing the real estate transfer tax rate corroborates the CDU's view on how to set real estate transfer tax rates (Krause and Potrafke, 2020).

However, the average values in column II, panel B, table 4 put the interpretation that CDU-initiated bills receive broad cross-party support into perspective. They indicate that, on average, CDU-initiated bills still require government support to pass.

Compared to the figures in Panel A, the data further show that when backing from both the government and the FDP falls sharply, bill proposals fail to reach the approval threshold.

The need for broad cross-party support in effective policymaking is evident in columns III and V, which show a proposal jointly initiated by the governing parties, the CDU, and the FDP that successfully passed. In contrast, Column V also shows that when even one key actor – such as the government – withdraws its backing, proposals fail to reach the required threshold. Column IV of Table 4 further highlights that all of the AfD’s roll-call votes did not receive a majority in the state parliament, receiving either no support or only minimal backing from other parties.

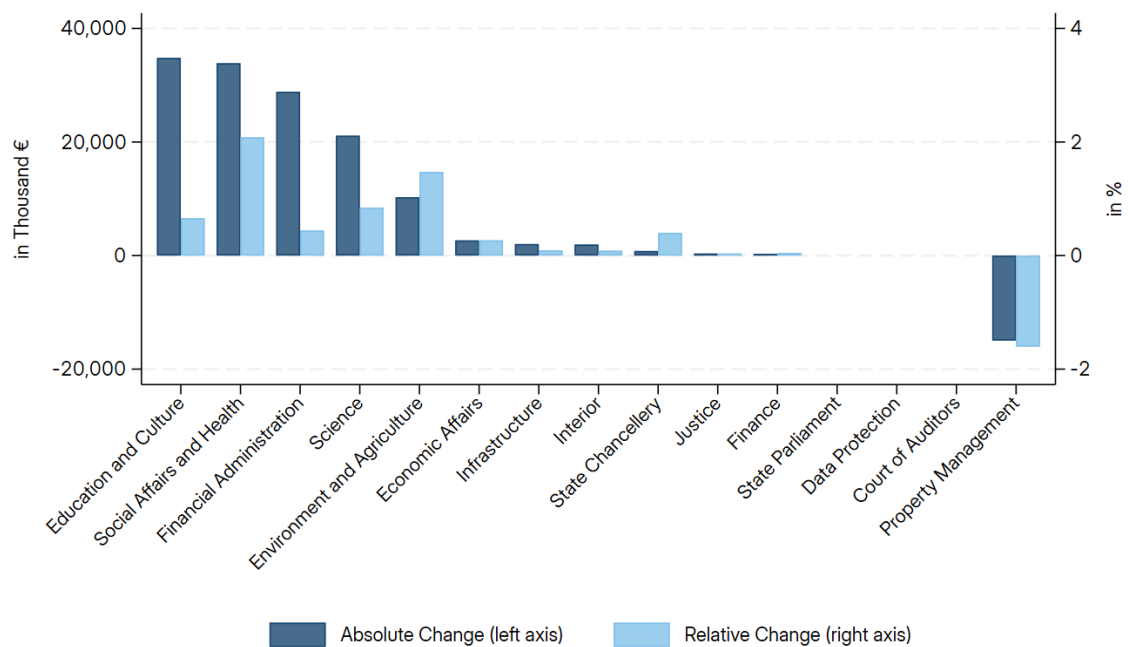
Saxony Since 2025, Saxony has been governed by a minority coalition of the CDU and the SPD. To examine the 2025 state budget, we compare the government’s draft with the budget ultimately approved by the state parliament. Corresponding figures for 2026 are provided in the Appendix (Figure A2). Figure 2 shows both the absolute and relative differences in expenditures across individual budget items. Following negotiations, the government reached compromises with the opposition parties DIE LINKE and the Greens, resulting in additional expenditures of €122 million in 2025 and €63 million in 2026 – equivalent to increases of 0.49% and 0.25% in overall state expenditure.

While these aggregate increases appear modest, Figure 2 reveals substantial variation across policy areas. This variation shows how opposition parties – the Greens and DIE LINKE – successfully leveraged their political influence to secure increased expenditure in areas important to their constituencies, such as social policy, education and culture, and the environment.

The largest increase occurs in social policy, with an additional €33.9 million in 2025 and €49.6 million in 2026. Education follows, with a combined increase of €78.1 million over the two years, representing a 1.47% rise in that budget category. Expenditure on environmental affairs increases by €26.6 million over the two years, corresponding to a 3.8% relative growth. Together, these three areas account for 73.5% of the total expenditure increase.

In contrast, policy areas traditionally prioritized more by the ruling coalition (especially the CDU) – such as economic affairs, domestic policy, and infrastructure – showed no significant spending increases (see Figure 2).

Figure 2: Difference Between Ratified and Proposed 2025 Budget in Saxony



Notes: The figure shows differences for the Saxony state budget 2025 between the government's draft (by April 4, 2025) and the budget ultimately passed by parliament (by June 27, 2025) in both absolute figures (left axis) and relative differences (right axis). The categories refer to the individual sections (*"Einzelplan"*) of Saxony's overall budget. The big negative difference for the section of Property Management is due to changes in EU subsidy allocation.

6 Conclusion

Minority governments implemented similar fiscal policies to majority governments in the German states. The number of bills introduced in state parliaments was however higher under minority than majority governments. The results suggest that minority governments had more bills than majority governments because opposition parties were active in proposing many bills when minority governments were in office. The evidence on minority governments at the state level corroborates empirical evidence on minority governments at the national level: minority governments do not tend to perform worse than majority governments.

Our case studies of two minority governments in Thuringia and Saxony show that, under the increasingly fragmented party system, it becomes difficult for minority governments to secure the necessary support, which may well give rise to costly compromises. Future research should investigate in more detail the performance of minority governments in times of more fragmented party systems.

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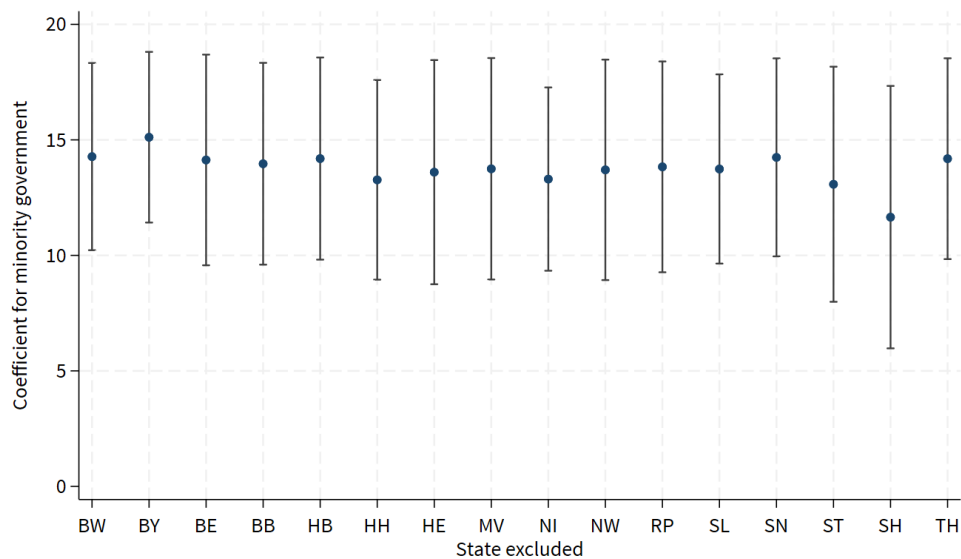
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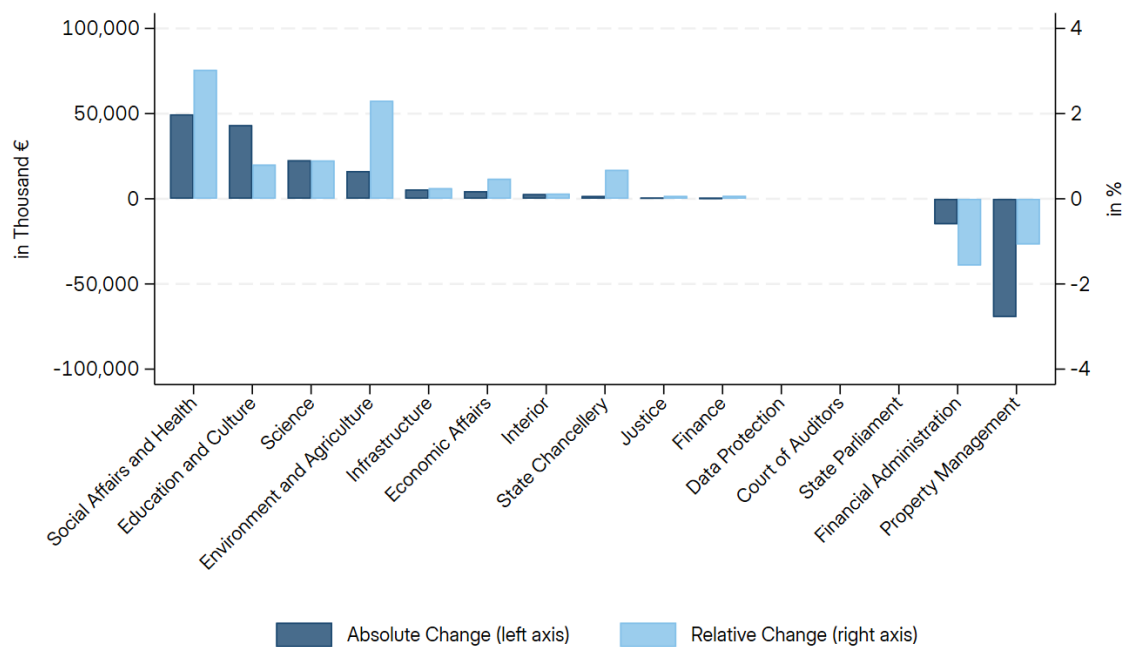
A Supplementary Figures

Figure A1: Jack-Knife Regressions for Dep. Var. *Bill Proposals in State Parliament*



Notes: The figure shows the coefficient and the corresponding 95% confidence intervals for minority governments with bill proposals in the state parliament as the dependent variable. The data is based on all 16 German federal states for the years 1991-2024. We control for election years, government ideology, and the number of parties in government. One federal state was always excluded from the analysis.

Figure A2: Difference Between Ratified and Proposed 2026 Budget in Saxony



Notes: The figure shows differences for the Saxony state budget 2026 between the government's draft (by April 4, 2025) and the budget ultimately passed by parliament (by June 27, 2025) in both absolute figures (left axis) and relative differences (right axis). The categories refer to the individual sections (*"Einzelplan"*) of Saxony's overall budget. The big negative difference for the section of Property Management is due to changes in EU subsidy allocation.

B Supplementary Tables

Table B1: Summary Statistics

	Observations	Mean	Standard deviation	Min	Max
Minority government (1=Yes)	720	0.03	0.16	0.00	1.00
GDP in mio. Euro	665	152,559	166,102	11,185	871,867
Debt-to-GDP (in %)	649	22.03	14.47	0.00	120.77
Share of people aged < 18	665	0.17	0.02	0.12	0.25
Share of people aged 65+	665	0.19	0.03	0.11	0.28
Unemployment rate (in %)	665	10.13	4.35	2.30	22.10
Rightwing government (1=Yes)	665	0.33	0.47	0.00	1.00
Leftwing government (1=Yes)	665	0.36	0.48	0.00	1.00
Grand coalition government (1=Yes)	665	0.17	0.37	0.00	1.00
Number of parties in government	665	1.80	0.61	1.00	3.00
Bill proposals in state parliament	537	47.68	16.24	14.00	123.00
Resolutions Bundesrat	544	5.15	4.32	0.00	27.00

Notes: The table displays summary statistics (number of observations, mean, standard deviation, minimum and maximum) for all variables used in our analysis. The observation unit are the 16 German federal states for the period 1981-2024. Not all data are available for the entire period. The data were obtained from the Federal Statistical Office, the state parliament authorities, and the Bundesrat administration.

Table B2: Panel Regressions – Debt (Lagged Independent Variables)

	Debt-to-GDP				FD Debt-to-GDP			
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)
Minority Government (t-1)	-0.134 (0.620)			0.018 (0.541)	0.349 (0.481)			0.383 (0.484)
Minority Government (t-2)		-0.260 (0.479)		-0.157 (0.236)		0.153 (0.328)		-0.077 (0.237)
Minority Government (t-3)			-0.313 (0.409)	-0.232 (0.372)			0.100 (0.159)	0.014 (0.278)
Time FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	633	622	611	611	633	622	611	611
R-Squared	0.970	0.969	0.969	0.969	0.259	0.257	0.256	0.257
Mean Dep. Var.	22.38	22.57	22.73	22.73	0.27	0.26	0.24	0.24
p-Value Wald-Test				0.608				0.670

Notes: The table shows results of regressions with time and state fixed effects. The dependent variable in columns I-IV is the total debt of a state divided by its state GDP. In columns V-VIII, the dependent variable is the first difference of the debt-to-GDP ratio. The data is based on the 11 western German states for the years 1981-2023 and the 5 eastern German states for the years 1991-2023. In all columns, we control for the share of young and old population, unemployment rate, election years, government ideology, and the number of parties in government. In columns I-IV, we additionally control for the (first) lag of the dependent variable. Robust standard errors, clustered at the state level, are shown in parentheses. The reported p-value in the last line corresponds to a Wald test of the joint significance of the first three lags of the minority government dummy.

Table B3: Panel Regressions – Heterogeneity Analysis Parliamentary Activities

	Bill proposals in state parliament		Resolutions Bundesrat	
	Government	Parties	Alone Resolutions	Joint Resolutions
	(I)	(II)	(III)	(IV)
Minority Government	1.907 (4.946)	11.120*** (3.356)	-0.136 (0.327)	0.099 (0.615)
Election year	-5.244*** (1.530)	0.033 (0.630)	0.211 (0.207)	-0.462** (0.215)
Leftwing Government	-1.098 (1.690)	-0.762 (1.104)	-0.393 (0.243)	1.379** (0.484)
Rightwing Government	3.710** (1.724)	1.216 (1.917)	0.585 (0.338)	2.679*** (0.496)
Number of parties in Gov.	0.264 (1.412)	0.559 (1.554)	-0.032 (0.317)	-0.250 (0.342)
Time FE	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes
Observations	502	502	544	544
R-Squared	0.413	0.599	0.449	0.480
Mean Dep. Var.	28.47	18.48	1.56	3.58

Notes: The table shows the results of regressions with time and state fixed effects. The dependent variable in column I is the number of bill proposals introduced by the government in the state parliament per year. In column II, the dependent variable is the number of bill proposals introduced by parties in the state parliament per year. In column III, the dependent variable is the number of resolutions submitted by the respective federal state alone in the Bundesrat per year. The dependent variable in column IV is the number of resolutions submitted by the respective federal state together with other federal states in the Bundesrat per year. The data is based on all 16 German federal states for the years 1991-2024. We control in all columns for election years, government ideology, and the number of parties in government. Robust standard errors, clustered at the state level, are shown in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.