This dissertation seeks to explain what determines coalition formation in decentralized countries. Over the past few decades, several Western European states have engaged in processes of decentralization. Consequently, topics like regionalization, territorialization, denationalization of politics, and multi-level governance are enjoying increasing attention from political scientists. The literature on institutional change, intergovernmental relations, the centre-periphery divide, electoral and party system change is expanding at a rapid pace. The main actors involved in all these processes related to political decentralization, political parties, have not been left aside. There is a growing interest in issues pertaining to party organizational change, policy adaptation, the territorialization of party political competition, and the modifications that occur in the overall setting of the party system.

And yet little attention has been paid so far to the phenomenon of coalition formation in federal and decentralized states. Government formation is a complex phenomenon to which political parties attach primary importance. Its causes and consequences encompass aspects related to the party system in general and party competition in particular, party organizational rules and dynamics, party goals and party strategy, but also a broad range of institutional rules and practices and the general policy-making regime of a country.

The aim of this dissertation is thus to understand how parties make coalition choices in countries with a multilevel system of governance. The study revises the existing theoretical knowledge about government formation. It conceptualizes the phenomenon as a game that is played simultaneously at two levels. Focusing on regional government formation, it shows that coalition outcomes are only partially determined by attributes endogenous to the regional arena such as parties’ bargaining weight or policy orientations. For a more comprehensive explanation of these outcomes, additional factors pertaining to the national level or to the institutional and political dynamics between the national and subnational level need to be taken into account. Such factors are the coalition strategies national party leaders pursue at the national level and the autonomy with which regional party leaders can make coalition decisions, the degree to which national and regional party systems are symmetric, the similarity of electoral results across levels, and the degree of interdependence between governmental levels in policy-making.

The study adopts a research design based on a combination of quantitative and qualitative methodology. Such a combination has the merit of being able to simultaneously test existing theoretical expectations on new data, verify the causal mechanism that is behind theoretical predictions and revise the theory by weaving in novel variables and causal mechanisms. In line with mainstream (national) coalition research, a statistical analysis is thus first applied to a new dataset of regional minority and coalition governments from Spain and Germany. This is complemented by an in-depth analysis of seven cases of government formation in the two countries. The findings from both types of analysis are eventually generalized to build a revised theoretical framework for analyzing subnational government formation in multilevel settings.