1

Multiparty Democracy

1.1 INTRODUCTION

When Parliament first appeared as an innovative political institution, it was to solve a simple bargaining problem: Rich constituents would bargain with the King to determine how much they wished to pay for services granted them by the King, such as fighting wars and providing some assurances for the safety of their travel and property rights.

In the modern polity, governments have greatly expanded their size and the range and sphere of their services, while constituents have come to pay more taxes to cover the ever-growing price tag of these services. Consequently, parliamentary systems and parliamentary political processes have become more complex, involving more constituents and making policy recommendations and decisions that reach far beyond decisions of war and peace and basic property rights. But the center of the entire bargaining process in democratic parliamentary systems is still Parliament.

Globalization trends in politics and economics do not bypass, but pass *through* local governments. They do not diminish but increase pressure and demands put on national governments. These governments that used to be sovereign in their territories and decision spheres are now constantly feeling globalization pressures in every aspect of their decision-making processes. Some of these governments can deal with the extra pressures while others are struggling. A majority of these governments are coalition governments in parliamentary systems. Unlike the U.S. presidential system, parliamentary systems are not based on checks and balances but on a more literal interpretation of representation. Turnouts are much higher in elections, more parties represent more shades of individual preferences, and the polity is much more politicized in paying daily attention to daily

politics. But in the end, the coalition government is endowed with remarkable power to make decisions about allocations of scarce resources that are rarely challenged by any other serious political player in the polity. In short, the future of globalization depends on a very specific set of rules in predominantly parliamentary systems that govern most of the national constituents of the emerging new global order (Przeworski et al., 2000). These sets of rules that constrain and determine how the voice of the people is translated to economic allocations of scarce resources are the subject of our book.

Over the last four decades, inspired by the seminal work of the late William H. Riker—*The Theory of Political Coalitions* (1962)—much theoretical work has been done that leads to a fair amount of accumulated knowledge on the subject. This book is aimed at three parallel goals. First, we enhance this fairly developed body of theory with new theoretical insights. Second, we confront our theoretical results with empirical evidence we have been collecting and analyzing with students and colleagues in the past decade, introducing, in the process, the new Bayesian statistical approach of empirical research to the field of study of parliamentary systems. Finally, we want to make what we know, in regards to both theory and empirical analysis, available to those who study the new democracies in Eastern Europe, South America, Africa, and Asia.

Since the collapse of the Soviet Union in the early 1990s, many countries in Eastern Europe, and even Russia itself, have become democratic. Most of these newcomers to the family of democratic regimes have fashioned their government structures after the model of Western European multiparty parliamentary systems. In doing so, they hoped to emulate the success of their western brethren. However, recent events suggest that even those more mature democratic polities can be prone to radicalism, as indicated by the recent surprising success of Le Pen in France, or the popularity of radical right parties in Austria (led by Haider) and Netherlands (led by Fortuyn).

In Eastern Europe, the use of proportional representative electoral systems has often made it difficult for centrist parties to cooperate and succeed in government. Proportional representation (PR) has also led to difficulties in countries with relatively long-established democratic systems. In Turkey, for example, a fairly radical fundamentalist party gained control of the government. In Israel, PR led to a degree of parliamentary fragmentation and government instability. These problems have greatly contributed to the particular difficulties presently facing any attempt at peace negotiations between Israelis and Palestinians.

In Russia, the fragmentation of political support in the Duma is a consequence of the peculiar mixed PR electoral system in use. Finally, in Argentina, and possibly Mexico, a multiparty system and presidential power may have contributed to populist politics and economic collapse in the former and disorder in the latter.

In all of the above cases, the interplay of electoral politics and the complexities of coalitional bargaining have induced puzzling outcomes. In general, scholars study these different countries under the rubric of "comparative" politics. In fact, however, there is very little that is truly "comparative," in the sense of being based on generalized inductive or deductive reasoning.

Starting in the early 1970s, scholars used Riker's theoretical insights in an empirical context, focusing mostly on West European coalition governments. This early mix of empirical and theoretical work on Europe by Browne and Franklin (1973), Laver and Taylor (1973), and Schofield (1976) provided some insights into political coalition governments. However, by the early 1980s it became clear that, to succeed, this research program needed to be extended to incorporate both empirical work on elections and more sophisticated work on political bargaining (Schofield and Laver, 1985).

The considerable amount of work done during the last few decades on election analysis, party identification, and institutional analysis has tended to focus on the United States, a unique two-party, presidential system. Unfortunately, most of this research has not been integrated with a theoretical framework that is applicable to multiparty systems. In two-party systems such as the United States, if the "policy space" comprises a single dimension, then a standard result known as the *median voter* theorem indicates that parties will converge to the median, centrist voter ideal point. It can be shown that even when there are more than two parties, then as long as politics is "unidimensional," then all candidates will converge to the median (Feddersen, Sened, and Wright, 1990). It is well known, however, that in multiparty proportional-rule electoral systems, parties do not converge to the political center (Cox, 1990). Part of the explanation for this difference may come from the fact that a standard assumption of models of two-party elections is that the parties or candidates adopt policies to maximize votes (or seats). In multiparty proportional-rule elections (that is, with three or more parties), it is not obvious that a party should rationally try to maximize votes. Indeed, small parties that are centrally located may be assured of joining government. In fact, in multiparty systems another phenomenon occurs. Small parties often

adopt radical positions, ensure enough votes to gain parliamentary representation, and bargain aggressively in an attempt to affect government policy from the sidelines (Schofield and Sened, 2002). Thus, many of the assumptions of theorists that appear plausible in a two-party context, are implausible in a multiparty context.

In 1987, the National Science Foundation (under Grant SES 8521151) funded a conference with 18 participants at the European University Institute in Fiesole near Florence. The purpose of the conference was to bring together rational choice theorists and scholars with an empirical focus, in an effort to make clear to theorists that their models, while applicable to two-party situations, needed generalization to multiparty situations. At the same time, it was hoped that new theoretical ideas would be of use to the empirical scholars in their attempt to understand the complexities of West European multiparty politics. This was in anticipation of, but prior to, the collapse of the communist regimes in Eastern Europe. A book edited by Budge, Robertson, and Hearl (1987) analyzed party manifestos in West European polities and these data provided the raw material for discussion among the participants in the Fiesole Conference. The conference led to a number of original theoretical papers (Austen-Smith and Banks, 1988, 1990; Baron and Ferejohn, 1989; Schofield, Grofman and Feld, 1989; Laver and Shepsle, 1990; Schofield, 1993; Sened, 1995, 1996), three books (Laver and Schofield, 1990; Shepsle, 1990; Laver and Shepsle, 1996) and several edited volumes (Laver and Budge, 1992; Barnett, Hinich and Schofield, 1993; Laver and Shepsle, 1994; Barnett et al., 1995; Schofield, 1996).

Just as these works were being published in the mid-1990s, new statistical techniques began to revolutionize the field of empirical research in political science. This school of *Bayesian* statistics allows for the construction of a new generation of much more refined statistical models of electoral competition (Schofield et al., 1998; Quinn, Martin, and Whitford, 1999). These new techniques, and much-improved computer hardware and software, allowed, in turn, the study of more refined theoretical models (Schofield, Sened, and Nixon, 1998; Schofield and Sened, 2002). We are only in the beginning of this new era of the study of multiparty political systems.

The collapse of the Soviet Union and its satellite communist regimes and democratization trends in South America, Eastern Europe, and Africa create an urgency and a wealth of new cases and data to feed this research program with new challenges of immediate and obvious practical

relevance. In particular, the domain of empirical concerns has grown considerably to cover new substantive areas including:

1. The rise of radical parties in Western Europe;
2. Cooperation and coalition formation in East European politics;
3. Fragmentation in politics in the Middle East and Russia;
4. Presidentialism and multiparty politics in Latin America; and
5. Policy implications of parliamentary and coalition politics.

Our book is motivated and guided by the vision of the late William H. Riker who believed that the process of forming coalitions was at the core of all politics, whether in presidential systems, such as in the United States, or in the multiparty systems common in Europe. In his writings, he argued that it was possible to create a theoretically sound, deductively structured, and empirically relevant science of politics. We hope this book will carry forward the research program Riker (1953) first envisioned more than fifty years ago.

On the practical side, we want our work to help developed and developing countries to better structure their institutions to benefit the communities they serve. In the end, stable democracies, even more so in a global order, are a necessary condition for popular benefits. And it is quite astonishing how directly relevant and how important is the set of rules that govern the conduct of government in democratic systems. It is this set of rules that will be at the center of attention in this book.

The particular cases we study are established democratic systems in Israel, Italy, the Netherlands, Britain, and the United States. This focus has allowed us to obtain electoral information and interpret it in a historical context. Given the theoretical framework developed in Chapter 3, we believe that our findings also apply to the new members of the family of democratic systems and can be used in these new environments. Only such new tests can genuinely establish the validity of our theoretical claims and empirical observations.

In pure parliamentary systems, parties run for elections, citizens elect members of these parties to fill seats in Parliaments, members of the Parliament form coalition governments, and these governments make the decisions on the distribution of resource allocations and the implementation of alternative policies. Even in the United States, there is the necessity for coordination or coalition between members of Congress and the President.

Once a government is in power, constituents have little, if any, influence on the allocation of scarce resources. Thus, much of the bargaining process takes place prior to and during the electoral campaign. Candidates who run for office promise to implement different policies. Voters supposedly guard against electing candidates unless they have promised policy positions to their liking. When candidates fail to deliver, voters have the next election to reconstruct the bargain with the same or new candidates.

Preferences are not easily aggregated from the individual level to the collective level of Parliament and transformed into social choices. There exists no mechanism that can aggregate individual preferences into well-behaved social preference orders without violating one or another well-established requirements of democratic choice mechanisms (Arrow, 1951). Individuals' preferences are present mostly inasmuch as they motivate social agents to act in the bargaining game set up by the institutional constraints and rules that define the parliamentary system. Members of Parliament or of Congress take the preferences of their constituents into account if they want to be elected or re-elected. Government thus consists of parliamentary or congressional members who are bound by their pre-electoral commitment to their voters.

The difficulty in detecting a clear relationship between promises made to voters and actual distributions of national resources is a result of the complexity of the process. At each level, agents are engaged in a bargaining process that yields results that are then carried to the next stage. Each layer of the bargaining process is, in large degree, obscure to us, and the interconnections between the multiple layers makes the outcome even more difficult to understand.

In this book we study the mechanism that requires government officials to take into account the preferences of their constituents in the political process. Democracy is representative inasmuch as it is based on institutions that make elected officials accountable to their constituents and responsible for their actions in the public domain. This accountability and responsibility are routinely tested in every electoral campaign. The purpose of this book is to clarify how voter preferences come to matter in a democracy-through the bargaining that takes place before and after each electoral campaign, then during the formation of government, and then within the tenure of each Parliament.

According to common wisdom, the essence of democracy is embedded in legislators representing the preferences of their constituents when

Table 1.1. *Political Systems Determined by the Electoral Rule and Party Discipline.*

	Electoral Rule		
		Proportional Rule	Plurality Rule
Party Discipline	Strong	West European Parliamentary Systems	English Westminster
	Weak	Factional	U.S. Presidential

making decisions over how to allocate scarce resources. Schofield et al. (1998: 257) distinguish four generic democratic systems based on two defining features: the electoral rule used and the culture of party discipline. Their observations are summarized in Table 1.1.

The two most common of these four types are the U.S. presidential and the West European parliamentary systems. Our book gives an analysis of the multiparty parliamentary systems of Israel, Italy, and the Netherlands based on PR. We also examine the "plurality" parliamentary system of Britain and the presidential system of the United States. The remarkable quality of studies in this field notwithstanding, our contribution is intended mainly to provide a comprehensive theoretical framework for organizing current and future research in this field.

Austen-Smith and Banks (1988, 2005) have suggested that the essence of a multiparty representative system (MP) is that it is characterized by a social choice mechanism intended to aggregate individual preferences into social choices in four consecutive stages:

1. The pre-electoral stage: Parties position themselves in the relevant policy space by choosing a leader and declaring a manifesto.
2. The election game: Voters choose whether and for whom to vote.
3. Coalition formation: Several parties may need to reach a contract as to how to participate in coalition government.
4. The legislative stage: Policy is implemented as the social choice outcome.

A comprehensive model of an MP game must include all four stages. A good way to think about it is to use the notion of backward induction: To study the outcome of a game with multiple sequential stages we start the analysis at the last stage. We figure out what contingencies may be favored at the last stage of the game and then go back to the previous stage to see if agents can choose their strategies at that earlier stage of the game to obtain a more favorable outcome at the following stage. In the

context of the four-stage MP game, to play the coalition bargaining game, parties must have relatively clear expectations about what will happen at the legislative stage. To vote, voters must have expectations about the coalition formation game and the policy outcome of the coalition bargaining game. Finally, to position themselves so as to maximize their expected utility, parties must have clear expectations about voting behavior.

1.2 THE STRUCTURE OF THE BOOK

Chapter 2 introduces the basic concepts of the spatial theory of electoral competition. This is the theoretical framework that we utilize throughout the book. The chapter goes on to characterize the last stage of the MP game or the process by which Parliament determines future policies to implement by offering instances of how party leaders' beliefs about the electoral process and the nature of coalition bargaining will influence the policy choices prior to the election. We provide a nontechnical illustration of the logic of coalition bargaining in Section 2.8. Sections 2.9 and 2.10 provide an outline of the various electoral models we use.

Chapter 3 gives the technical details of the theoretical model we deploy. Unfortunately, the formal aspects of the model are quite daunting. Since the essence of the model is described in Chapter 2, we suggest that the reader pass over Chapter 3 in first reading, perhaps checking back on occasion to get the gist of the principal theorem.

The first part of the chapter gives the formal theory of vote maximization under differing stochastic assumptions. For the various models, the *electoral* theorem shows that there are differing conditions on the parameters of the model which are necessary and sufficient for convergence to the electoral mean. We essentially update Madison's perspective from *Federalist 10,* in which he argues that elections involve judgment, rather than just interests or preferences. We model these electoral judgments by a stochastic variable that we term *valence*. When the electorally perceived valences vary sufficiently among the parties, then low-valence parties have an electoral incentive to adopt radical policy positions. The electoral calculus in the model is then extended to a more general case in which party "principals," or decision makers, have policy preferences.

Chapter 4 begins the empirical modelling of the interaction of parties and voters. We provide an empirical estimation of the elections in 1988, 1992, and 1996 in Israel. The electoral theorem is used to determine where the vote-maximizing equilibria are located. It is shown that the location

of the major parties, Labour and Likud, closely match the theoretical prediction of the theorem. We use the mismatch between the theory and estimated location of the low-valence parties to argue that they positioned themselves to gain advantage in coalition negotiation.

In Chapters 5, 6, and 7, we discuss in more detail elections in Italy, the Netherlands, and Britain. In Italy, we observe that the collapse of the political system after 1992 led to the destruction of the "core" location of the dominant Christian Democrat Party. The electoral model effectively predicts party positions, except possibly for the Northern League. In the Netherlands and Britain, the electoral theorem suggests that all parties should have converged to the electoral center. We propose an extension of the electoral theorem to include the effect of activists on electoral judgments. In Britain in particular, the model suggests that the effect of the "exogenous" valence is "centripetal," tending to pull the two major parties toward the electoral center. In contrast, we argue that the effect of party activists on the party's valence generates a "centrifugal" tendency toward the electoral periphery.

Chapter 8 considers the 1964 and 1980 elections in the United States to give a theoretical account, based on activist support, of the transformation that has been observed in the locations of the Republican and Democratic Parties. We suggest that this is an aspect of a *dynamic equilibrium* that has continually affected U.S. politics.

Throughout the book we draw conclusions from the empirical evidence to show how the basic electoral model can be extended to include coalition bargaining and activist support. These empirical chapters are based on work undertaken with our colleagues over the last ten years. The theoretical argument in Chapter 3 is drawn from Schofield and Sened (2002) and Schofield (2004, 2006b). Chapter 4 is adapted from Schofield and Sened (2005a) as well as earlier work in Schofield, Sened, and Nixon (1998). The analysis of Italy in Chapter 5 is based on Giannetti and Sened (2004). The study of elections in the Netherlands, given in Chapter 6, is based on Schofield et al. (1998), Quinn, Martin, and Whitford (1999), and Schofield and Sened (2005b). The work on the British election of 1979 in Chapter 7 uses the data and probit analysis of Quinn, Martin, and Whitford (1999), and the analysis of the 1992 and 1997 elections comes from Schofield (2005a,b). Chapter 8 discusses U.S. elections using a model introduced in Miller and Schofield (2003) and Schofield, Miller, and Martin (2003). In a companion volume, Schofield (2006a) presents a more detailed narrative of these events in U.S. political history.

1.3 ACKNOWLEDGMENTS

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