

**Party Competition in Multiparty Format: Is There an
Equilibrium Outcome?**

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**RĂZVAN GRECU
PhD Student
National School of Political Studies and Administration
razvan.grecu@gmail.com**

Abstract. Spatial models of party competition usually predict that in multiparty competition political parties will propose different policy programs as a strategy to maximize their electoral benefits. However, I show in this paper that in case of extreme competition, parties have incentives to adopt similar policy positions and that only uncertainty about eventual new entry is preventing parties to collude totally. I also show how political institutions and political opportunities beyond electoral arena modify the equilibrium outcome and briefly discuss the implications of the model for party competition in new democracies.

Introductory

The behavior of political parties or political candidates in electoral competition has received a lot of attention in rational choice literature. The mainstream approach to this issue has been the formal analysis of party ideologies, that is whether political parties advance similar policy programs in their quest for political power, or they diverge by presenting different policy programs (Downs: 1957, Hinich and Ordeshook: 1970, Shepsle: 1972, Wittman: 1973, Hinich: 1977, Austen-Smith: 1983, 1984, Calvert: 1985, Banks: 1990).

I will not go deeply into details about different theories of party competition, as I have approached this issue in a previous paper. Rather, I will briefly discuss some of the main theoretical issues concerning one outstanding tradition in the rational choice approach to party competition: the Hotelling/Downs models and their implications for further analysis.

Hotelling (1929) and Downs (1957) have been the intellectual sources for what has been set as one of the most respected (and contested) findings in the discipline of rational choice: Median Voter Theorem (MVT). First formulated by Hotelling, and then employed by Downs in political analysis, MVT suggests that, under several conditions (single dimension, inelastic demand, no more than two competitors on that dimension, with players moving without costs on that dimension etc), political parties (or firms, in case of economic competition) will move to the position of median voter (or buyer) in order to maximize the number of voters/buyers each party/firm will receive in that competitive environment. Thus, under those conditions enounced above, the predicted result of such competition will be the position of median voter/buyer.

Hotelling and Downs used this model to explain the marked ideological similarities of political parties in two-party competition. However, other authors have been quite unhappy with these findings and with the presumed 'simplicity' of Hotelling/Downs explanations. Smithies (1941), for instance, argued that equilibrium obtained by Hotelling for his case of economic competition is the result of setting the demand of goods on the market as being inelastic.¹ For an elastic demand, suggests Smithies, firms will not converge at the median position as they will lose buyers located at the extreme of the market. Translating the argument for a political competition, it basically says that parties will not move to the position of median voter, as they will let uncovered the space where extremists voters are placed.

Palfrey (1984) has also emphasized that median voter position might not be the equilibrium of two-party competition, since in such case the space around extremist voters will be uncovered by competing parties. Thus, this space would be available for another entry, who would gain significant political support in electoral competition. Palfrey argues that the danger of potential new entries is one factor that keeps parties away from the position of median voter.

However, these contributions focused on two-party competition and the significance of median voter for such particular case of political competition. How

¹ A totally inelastic demand is not responsive to the price of the goods delivered on the market. Thus, if the price for a unit of good increases the demand remains constant. Conversely, an elastic demand is responsive to the price set for a good unit, so that if the price for a good unit increases the demand for such good decreases.

competition develops in multiparty settings and whether we can obtain an equilibrium received less attention in the literature and are potentially much interesting questions for European (and particularly for CEE party systems) (Hinich and Ordeshook: 1970, Greensberg and Shepsle: 1987, Shepsle: 1991, Hug: 1992).

In his seminal work, Downs (1957, 125-27) has argued that in multiparty systems, the competition will not result into similar ideological positions, but rather into policy divergence of parties. He suggests that:

“Thus it is likely that in multiparty systems, parties will strive to distinguish themselves ideologically from each other and maintain the purity of their positions; whereas in two-party systems, each party will try to resemble its opponent as closely as possible.” (Downs: 1957, 126-27)

However, we should examine closer this statement which resembles a law-like claim. In this regard, I show in this paper that Downs is only partially right. Parties, even competing in multiparty settings, have strong incentives to come close to median voter and propose similar programs to voters. Uncertainty, though, is the main factor which prevents them colluding and presenting very similar policy programs.² I will show that in multiparty systems, the party from the middle is less fortunate in electoral terms than other parties, and the danger of becoming a center party prevents extreme parties of moving towards the median voter position. But if this danger is inexistent (parties know that no entry will happen in electoral competition), then equilibrium will be the position of central party.

I said that Downs is only partially right because he takes into consideration the effect of this type of uncertainty, although he excludes it when discussing the case of two-party competition. He seems to work with two different sets of assumptions, for two- and multiparty competition respectively. For two-party competition, he doesn't take into consideration the probability of a new entry. Had he considered, the equilibrium outcome would have been other than the position of median voter, as parties would lose the extreme voters in favor of new entries.³ On their hand, the new entries would have had strong incentives to move toward the median position (although not to median position⁴), so that they would receive most of the votes in competition. The argument could go forth indefinitely, if we don't assume that an entry is impossible. However, in case of multiparty competition, Downs assumes there is a danger to have entries at the extremes (otherwise, extreme parties would be better off moving towards the position of the neighbor parties to increase the number of votes). By using different assumptions, Downs obtains two different sets of equilibria for two- and multiparty competition.

Based on a simple model with three parties competing in the elections and using a similar set of assumptions as in the case of Downsian model, I will show that:

² I employ the definition used by Downs to define uncertainty: “Uncertainty is any lack of sure knowledge about the course of past, present, future, or hypothetical events” (Downs 1957: 77). In this regard, I am speaking in this paper about two particular types of uncertainty. One is represented by the danger of a potential entry for electoral fortunes of extreme parties. The second type of uncertainty is given by the high number of parties competing in electoral arena, which creates an environment that is favorable for policy collusion. This second type will also be discussed in the following pages.

³ For a formal proof of this statement, see Smithies (1941)

⁴ If the new parties enter in competition at the median, then they can not distinguish themselves from the older parties. Entering close to (but not at) the median position, the new parties would capture most of the voters and win.

1. contrary to Downs argument, parties do propose similar policy programs in multiparty competition.
2. because of political institutions (PR electoral system and coalition government) the equilibrium outcome of electoral competition is median voter position.
3. parties will design institutions (electoral threshold, electoral systems which favor big parties etc) whose main tasks are to diminish the level of uncertainty. By doing so, policy collusion is favored. The model I propose shows that, when full certainty characterizes electoral competition, policy collusion is inevitable.

If the model is right, then parties from multiparty systems behave similarly to parties from two-party systems. However, political institutions can not eliminate totally the effect of uncertainty, and some of them (PR for instance) maintain a certain level of insecurity for parties.⁵ Thus, uncertainty created by institutions is the cause for policy dissent, and if institutions eliminated uncertainty, we would expect to have a competition as in the case of two-party systems.

Why is this all worth to know beyond an intellectual and scientific interest, is possibly a legitimate question, but I would like not to address this issue here. The importance of parties and party competition for democratic process has long being argued in the literature of party politics. Arguments coming from literature based on Western party competition suggest that convergence is beneficial for political democracy because it avoids the danger of extreme political polarization. Confronted with Nazi or Fascist regimes, polarization has been one of the main fears of western political scientists.⁶ At the time, western parties have been long ago and successfully established as political institutions, relying on quite well established voting patterns, so that connections between society (voters) and parties have been strong, even in two-party systems. But in the last years, a new approach occupies more theoretical ground, based on the experiences of parties in Latin America and Eastern Europe (Kitschelt: 1995, Kitschelt et al: 1999, Diamond and Plattner: 2001). It basically argues that a certain extent of polarization is helpful for new democracies because it helps to establish a stronger link between the new parties emerging in those polities and citizens, who face confusion, especially at the beginning of democratic process. So, polarization has a certain value for individualizing political parties in fluid party systems.

On the other hand, we can so explain the tension between parties and voters even in the case of multiparty systems. Voters or media often argue that parties “have their ways”, and they often express dissatisfaction with policy collusion of parties. It has been easier to explain in this regard behavior of parties in two-party systems. But if we acknowledge that parties have strong interests to behave identically in multiparty competition, as in the case of two-party systems, but they are prevented only by political institutions to do it so, then we can improve our understanding on party behavior and party goals even in multiparty competition.

In what concerns the structure of the paper, I start by briefly presenting Downs model of multiparty competition. Then, I formulate a very simple model of multiparty

⁵ Insecurity in the sense that small parties can enter at the extreme of political dimension.

⁶ Downs (1957: 114) has a similar point of view when he argues that a political democracy with two parties competing in electoral market can endure only when parties and citizens adopt similar policies/ideologies.

competition, with three competing parties. The implications of the findings are discussed in the third section and the influence of the uncertainty and political institutions in the fourth part of the paper. Tentative conclusions are given in the last section of this paper.

Downsian Models of Two and Multiparty Competition

Downsian models of two- and multiparty competition have both been developed in relationship with political ideology. For Downs, ideology is a response that political parties give to uncertainty of political life (see footnote 2 for Downs' definition of uncertainty). Because politics is a complex human activity and because voters can not invest much time in observing the substantial differences among parties (either differences in policies or differences in government performance), ideology is used as a shortcut that allows voters and parties to reduce the level of uncertainty about political issues.

At the same time, Downs (1957: 97) argues that parties should be consistent over time in formulating policies and ideology. In this sense, parties should be reliable and responsible in order to have a democracy that works properly. If parties are reliable and responsible, voters can predict what parties will do on the bases of what parties say and what parties have done in the past. The most important question in this regard is how parties change ideology in order to reach the maximization goal of the parties, which is obtaining as many votes as possible in a contesting election? The main argument of Downs (1957: 115) is that in two-party competition parties will adopt similar ideologies (similar platforms), while in multiparty competition parties will remain ideologically distinct.

The Downsian models are constructed on several assumptions. The political space is characterized by one spatial dimension (left-right or government intervention in economy) running from zero (left) to 100 (right). Political preferences of voters can be ordered on this dimension in a manner that is agreed by all members of political system.⁷ Also, voters have single-peaked preferences and the slope of their utility functions is monotonically downward to the left and the right on either side of the peak.

In two-party competition, if voters have single-peaked preferences and symmetrical utility functions (conditions enounced above), then there is one and only one point of the scale that maximizes the votes of the parties and this is the position of median voter. Imagine there is one voter that occupies each of the points of the left-right dimension. As a consequence, two parties that are initially located at 25 and 75 can maximize their votes share by moving toward the point 50 of the scale. The argument remains compelling if we consider a voter distribution that follows a normal curve.⁸

Downs (1957: 123) acknowledges that number of parties in a system depends upon (1) the nature of limits upon the introduction of new parties, and (2) the shape of the distribution of voters. In this respect, Downs (1957: 125) argues that multiparty systems occur if distribution of voters is polymodal. However, we are less interested in what determines the existence of multiparty systems, but on how parties will compete in multiparty settings.

The argument of Downs suggests that parties from the center of political dimension have no incentive to move towards the positions of other parties, as they

⁷ This is a condition that makes terms 'left' and 'right' meaningful to all voters,

⁸ Downs example, see Downs (1957: 116-118).

would gain no votes by doing so. What they gain from one party towards they move, they lose to parties from which they depart. Thus, political parties in multiparty settings will differentiate each other in terms of ideologies and policies proposed in elections. However, argument of Downs does not satisfactorily explore one crucial question: what is the best strategy for extreme parties? Should they stay in the initial (extreme) position as Downs argues or they should move towards the positions of center parties? The answer to this question is not simple and it depends on the possibility of new entry in political arena.

I argue in the following section that in case of certainty (which it characterizes Downsian model of multiparty competition), parties converge to a point that is occupied by the middle party, contrary to Downsian prediction. In such context, center party always loses. If policy collusion does not happen, then the factors that determine policy divergence should be related to uncertainty about the possibility of another party to enter in competition, which makes extreme parties to be cautious about moving towards the center party. Thus, the differences between the results of Downsian model of multiparty competition and of the model I propose come from the fact that Downs does not model with enough care this situation of complete information.

The Model

Let it be a political arena characterized by one policy issue, with voters uniformly distributed along this policy dimension. Each voter i has an ideal policy position on this dimension, and its utility function is given by the formula:

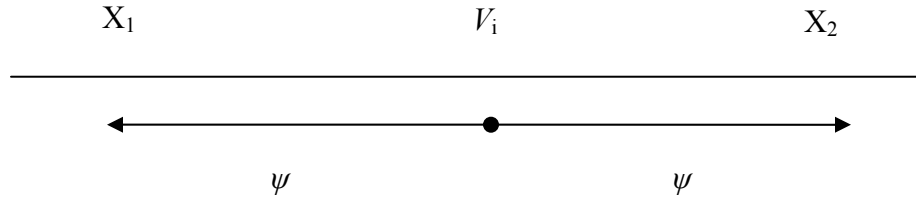
$$U(i) = - (Y_i - X_j)^2, \quad \text{where} \quad (1)$$

Y_i represents the position of voter i on that policy dimension, and X_j represents the position of party j on that policy dimension.

Each voter has a set of preferences which are reflexive and transitive. Moreover, according to utility function (1), each voter has a set of policy preferences that is single-peaked and her utility function is symmetrically increasing and decreasing to the left and to the right of this most preferred policy point. The restriction we imposed on the utility function of the voters (the one of being single-peaked) allows us to consider that each citizen evaluates identically two policy positions located at a distance ψ from her most preferred policy position, and, given the fact that the individual utility function is uniformly increasing and decreasing, then each individual will be indifferent between these two policies. See for instance Figure 1, which shows two policy programs, X_1 and X_2 , located symmetrically to the left and to the right of the most preferred policy point of voter V_i . Given the fact that the individual utility function is symmetrically increasing and decreasing over the policy space, voter V_i is indifferent between these two alternatives.

At the same time, each voter votes in the election and he does so according to his ordered set of preferences. Thus, the vote is considered “sincere” and strategic voting is not allowed.

Figure 1: Voter evaluation of two policy programs located symmetrically on a policy dimension



On the other hand, I shall take the case of the simplest multiparty competition, with three political parties X_1 , X_2 , and X_3 that all are trying to maximize the number of votes they receive in a contesting election. All three parties know that a fourth party can not enter in electoral competition. Each of the parties evaluates neutrally each policy position from our dimension, which basically means that given a *ceteris paribus* condition, each position can be chosen by parties to be advocated to voters. This condition suggests that parties are not ideologically oriented but rather they choose the policy position which maximizes the number of votes they receive in a contesting election. Additionally, I consider that the party faces no cost when moving on the policy dimension, other than the cost in number of votes they lose or win given that policy shift, and also, they can not leap-frog, which means that they can not pass over the policy position of other party.

In what concerns the level of information which characterizes this party competition, we assume that there is a case of perfect information. This basically suggests that each party knows its position on the policy dimension, it knows the position of other parties, and it knows the distribution of voters on this political dimension. Additionally, each voter knows her policy position on this dimension and the positions of parties which compete in the elections.

Given these preliminary assumptions, we can now go further and analyze the dynamic of party competition in a multiparty setting, with parties which are vote-maximizers, with voters who have single-peaked policy preferences and with full information both for parties and for voters. Consider that three parties (X_1, X_2, X_3) take initially three policy positions (j, k , and l) on this policy dimension which, without the loss of generality have the following distribution:

$$j < k < l \tag{2}$$

where j, k, l , are three policy points from the policy dimension.⁹

At this point, I shall not discuss the positions of parties regarding the median position, but rather I shall concentrate on the political dynamic among those three parties.

⁹ Inequality (2) says that party X_1 takes initially position j (and thus is the left party), party X_2 takes initially position k and is the center party, and party X_3 is initially taking policy position l and it is the right party in competition.

Later on, when I discuss the implications of the model, I shall take into consideration the influence, if any, of the median voter position for the inter-party competition.

Consider a political space which has the above-mentioned characteristics (uniform distribution of voters, with all voters voting in the elections) and three parties which take policy positions according to formula (2). I will show now that under these conditions, there is an equilibrium outcome and this equilibrium is given by the position of party X_2 .

Proof:

Consider a policy space that takes values over the interval $[0;1]$. If the condition enounced by the formula (2) holds, then we have the following political sub-spaces for each individual party:

- a. For party X_1 : $[0; (k-j)/2)$
- b. For party X_2 : $((k-j) / 2; (1-k)/2)$
- c. For party X_3 : $((1-k)/2; 1]$.¹⁰

Given the condition I set that parties can not leap-frog the positions of other parties in an electoral competition, party X_2 can not improve the number of votes it receives in this competition, as a shift to the left (towards the position of party X_1) will make it loosing votes in favor of party X_3 (see the condition that voters are uniformly distributed on the political dimension).

However, because the voters vote deterministically, parties X_1 and X_3 can not lose votes at the extremes of the political space.¹¹ Even though the policy distance increased, the extreme voters would still prefer the positions advocated by X_1 and, respectively X_3 , to any policy positions of other parties. Thus, parties X_1 , X_3 can improve the electoral score by moving towards the position of party X_2 , that is, as close as possible of that position. The position k is becoming the Nash equilibrium for this party competition.

We can see that under several conditions, the findings of Hotelling/Downs model of two-party competition partially hold. Parties, even in multiparty competition, offer quite similar policy programs in order to attract votes from the electoral body. However, the above model seems to contradict one assertion of Downs, which suggests that in multiparty format, parties have incentives to differentiate themselves, either for better individualizing in the context of party competition, or in order to avoid losing the extreme voters in favor of new entry. Also, while the above model finds a political equilibrium at the point of middle party, it doesn't imply or it is not necessary that middle party takes median position on that dimension. So, the equilibrium point and the position of median voter might not converge.

It is relatively simple to prove the above statement. Look to inequality (2) and imagine a particular case when the position of median voter differs from the position of the middle party, X_2 . According to the argument I gave for a more general situation, X_2 has no incentive to modify its initial position, as it can't improve by any chance its electoral fortune. Accordingly, X_2 will not move towards the position of median voter.

¹⁰ According to the assumptions I have made on the individual voter functions, voters with preferred policy positions inside these intervals will vote for the respective parties. At the intersection of these spaces, voters are indifferent to the alternatives, so that no party truly occupies those positions.

¹¹ For the distinction between deterministic and probabilistic vote, see Hinich and Ordeshook (1970).

Instead, the other two parties, which take initially more extreme positions, are moving towards the position of party X_2 . So, none of the party attaches some electoral value to the point of median voter.

However, in the following pages I shall give an argument which suggests that equilibrium in a political competition with the characteristics enounced above is after all the position of median voter, but for the moment it is important to note that equilibrium point of a multiparty competition is not necessarily the median voter's position, if we consider only the electoral behavior of parties.

Implications of the Model

The model I designed in the previous section shows, under several conditions, two interesting findings, which have theoretical significance. The first finding is that even in multiparty format, political parties have incentive to collude in regards to the policy programs they offer to voters in contesting elections. This raises serious problems to scholars who advocate that political parties from multiparty systems enter in electoral competition with different political programs or who suggest that the role of political parties is to propose alternative policy programs. Instead, I show that there is a strong incentive for political convergence in the electoral competition, even in multiparty format, which, by definition, is one of the most competitive political environments from the political system.

The second finding of the model is that Downs is partially right: the position of median voter fades in multiparty format (unless, of course, the very special case when the party from the middle takes exactly the median voter position). However, I show below how political institutions can modify the behavior of parties in electoral competition (which results in a different equilibrium outcome), even though a pure electoral dynamic does not reveal this equilibrium point. More concretely, institutions modify the incentives of median party which has good reasons to occupy the position of median voter, which in the end represents the equilibrium outcome of the electoral competition.

There is also a third finding which has serious theoretical and policy implications: center party is always losing. The political space of the center party is limited by the space between the extreme parties. The center party has a sorrow fate as it can not improve its electoral score by any chance by making individual decisions. Rather it is in the logic of the political competition to have the center party under the constant fear of losing votes in favor of more extreme parties. It is probably only a matter of luck that center party can improve its electoral fortune and this has to be associated with strategic errors made by the extreme parties.

There is a lot of empirical evidence that center parties have an uncomfortable position in the national party systems. Liberal parties lost the political influence once they had had because of this central position in the party systems. British Liberals are perhaps the most notorious example one could identify in European party systems in this respect. Another example from the advanced party democracies is the case of Germany where the Greens and Liberals, both of them being center parties, are less fortunate in electoral terms than the Christian Democrats (CDU) and Social-Democrats (SDU). But probably the most relevant and interesting example is Germany, again, from a distinct perspective. Arguably, Germany has two party systems. The first is national party system, formed at the level of Bundestag, which follows the political alignments enounced above. But at the

level of lands, Eastern German lands have a different political configuration than the national party system. Here the three main forces are CDU, SDU and the successor of communist party. Most relevant, SDU has in the Eastern regions a median position, and because of this, it is less successful in electoral terms than CDU and former communists. Another empirical argument for the sad fate of the center parties is given by Hungarian party system, where center parties (SZDSZ and MDF) have lost much of their electoral significance once FIDESZ decided to move to the right of political spectrum and take more conservative stance in the social and national issues. Even though, MDF had been the major party at the beginning of 1990s, they lost almost all the electoral support by 2002, when they become the junior partner of FIDESZ.

How Information and Institutions Shape Electoral Competition in Multiparty Settings?

According to the first finding, parties collude and propose extreme similar policy programs even in multiparty format. However, how robust is this result for multiparty competition? For instance, if parties have not perfect information about the preferences of electorate, how the competition is changing? What is the effect of a possible entry for the dynamic of party competition? I will show in this section that both of these questions concerns in fact the level of information political parties have about the political environment in which they compete, and, although this level of information (particularly the effect of potential entry) has an important effect on dynamic of party competition, political parties have designed institutions to reduce the effect of uncertainty.

One way to alter the information of the competitors (and at the same time, of voters) is to increase the number of players in the system. With the number of parties increasing, the interaction between parties is becoming much more difficult to be forecasted by the parties themselves. Also, voters will be less able to locate each party on the salient dimensions for party competition, which will make the electoral choice of voters to be based on non-ideological base.¹² Moreover, parties will be less capable to assess the preferences of voters given the high number of political entities that compete on the electoral market.

How these factors alter the findings of the model exposed in the previous pages? Contrary to some expectations, not that much. Parties, facing the uncertainty of environment, will try to make some order in the chaos resulting from the increased number of political interactions. When the level of uncertainty about the electoral results is at very high levels (take the example with many parties competing in the electoral market), one good strategy for parties is to set policy programs which are very similar and to turn to non-policy party competition. If the number of parties is sufficient high, voters will have no incentives to invest time in analyzing the policy differences between parties.¹³ Also, when the number of parties is high, the political shortcuts are becoming meaningless from the point of view of substantial policy advocacy. With many parties adopting labels as left, right, liberal or social democrat, voters face almost the same level of uncertainty about the real, substantive policy proposals of political parties.

¹² Either considering charisma of leaders or clientelistic opportunities.

¹³ This is an argument which holds when the number of parties is also small.

Another case of uncertainty is set by the possibility of a new entry in political competition. In such a case, the argument of Downs is very powerful and it is in the light of the findings of the model I used in the previous section. If probability of a new entry is sufficient high, then extreme parties need to take more extreme policy positions in order to avoid the electoral fate of the center party. But then, they face another kind of dilemma. Under proportional representation system (which is the case of most political systems with multiparty system), an entry party at the extreme can win some political representation which allows it to go to Parliament. At the same time, if the established parties take more extreme positions to avoid the danger of entry, they lose votes in favor of center party and the center would become more important from electoral point of view.

How political parties manage these cases of uncertainty? Most probably, they will not rely on solely electoral strategies. As I said above, on the short term, the simplest political strategy is to adopt very similar policy positions and shortening the ideological differences between parties. But on the long run, parties will try to eliminate some parties from the political competition, while banning the entrance of other parties in the system.

At this point, the role of institutions is crucial. They offer political parties instruments and channels to eliminate undesirable surplus from the political competition, through the means of electoral thresholds, state finances for established political parties and seldom to parties which are outside of parliamentary arena, increased media focus on the parliamentary parties etc. Established parties will use these means provided by other political institutions in order to decrease the level of uncertainty and they would probably set high electoral thresholds who will affect mainly smaller and newer parties, or they will oversee the political resources in favor of the main actors.¹⁴ For instance, state subsidies of party finance have become one of the most important political phenomena in the latest thirty years in Europe, but these subsidies go mainly to parties which obtain parliamentary representation. New emerging parties or small parties are excluded from accessing those important political resources by legal provisions adopted by the parliamentary parties. Also, in the period of electoral campaign, most of the media coverage goes to main/large parties and small parties are again disadvantaged. In this regard, there is an empirical observation that configuration of West European party systems changed very little from the time when the universal suffrage was adopted, in spite of the political conflicts that split European societies in this period. Lipset and Rokkan (1967) formulated the famous ‘freezing period’ to characterize this political immobility of west European party systems, and their explanation emphasized the ability of established parties to include the new conflicts in the older, pre-existing political divisions or cleavages. However, another explanation for this lack of innovation in party system configuration comes from the argument I presented above: established parties have been quite successful in designing institutions that prevented new parties to enter in political arena.

But political institutions have also an important role in party competition. They also shape the incentives of political parties in electoral competition. Take for instance the case of center party in the model, X_2 . It knows that it can’t improve its electoral

¹⁴ Quite recent debates in the literature of political parties talk about ‘cartelization’ of party systems, as a tentative of established parties to avoid the uncertainty of competition. Cartelization suggests that competition among parties has become much smoother, because parties can survive as major players even though they lose elections (see Katz and Mair: 1995, Koole: 1996).

fortune during the electoral period, and that it is kept in a situation of *restricted competition*. But at the same time, it knows that electoral competition is only one arena of political competition. Consider that the results of elections are not decided according to a plurality criterion, but through a proportional representation system. Thus, the central party knows that although its electoral hopes are doomed, there are some opportunities which are located beyond purely electoral results. Such opportunities laid down by the political institutions are offices in the government, and this is only the most evident example. Thus, there are strong incentives for center party to advocate for an electoral system that allows it to play this pivotal role in the party system, and this electoral system is proportional representation.

However, in order to remain in the limits of party behavior in electoral competition, it is necessary to show how such political institutions (which offer certain political opportunities outside of electoral arena) shape the electoral behavior of parties. Back to my initial example, the center party X_2 has incentives to make sure that no party will win the elections with the qualified majority to form the government.¹⁵ Thus, under a PR electoral system, it has to occupy itself sufficient space (and to locate in a sufficient strategic position) so that the other parties will not obtain 50% of the votes.

It is in this point where we have to come back to Downs and the position of median voter. If voters have single-peaked preferences with symmetrical increasing and decreasing utility functions, then it is easy to argue that only occupying the position of median voter can the center party be sure that no other party will obtain a qualified majority to form the government. However, by consequences derived from the model above, if center party occupies the median position, then the equilibrium outcome of such party competition is the Downsian median position!¹⁶

At the same time, if the level of information is decreasing and political parties don't know exactly whether new parties are ready to enter into political competition (either electoral threshold does not exist or it is a low level, or there is other political event which makes plausible the entry of other parties in electoral competition), then extreme parties have incentives to diverge from the center party's position (which, if the argument presented above is convincing, then it is also the position of median voter). They would and should do this in order to avoid becoming center parties at their own. Moreover, by doing so, they might set the price of entering into political competition too

¹⁵ Remember that almost all of multiparty systems use PR as electoral system.

¹⁶ I have previously argued that position of center party becomes the Nash equilibrium of the party competition, under the assumptions of the model I used. But if the center party moves to the position of median voter, then the extreme parties have to move as well near the position of median voter. *Ceteris paribus*, none of the players would like to deviate from their positions (recall that parties can not leap-frog), which is then the new Nash equilibrium situation. Remember that parties, once that they have chosen their position on the salient dimension, they can move freely only as long as they don't leapfrog other parties. Otherwise, the assumption we imposed in the model that no party can cross over the position of other party would be violated. Also, following Downs' argument parties can not leapfrog because they need to develop ideologies and reputation and thus they should be consistent in developing policies over time (Downs 1957: 97). However, there is one condition that is necessary to have equilibrium at the position of median voter: the median position should be located between the positions of extreme parties. Otherwise, the equilibrium position remains the location of middle party.

high, so that potential entering parties will set aside from involving into electoral competition.¹⁷

Tentative Conclusions

In this paper I have worked with very strong assumptions about the political behavior of voters and parties. Under similar conditions with Downsian models of party competition, I found that in multiparty settings parties have incentives to adopt similar policy platforms when they compete in a situation of extreme competition. The equilibrium in competition is the position of middle party, which also has incentives to occupy the median position in order to gain rewards that are outside of political arena. However, equilibrium at median voter position depends on the condition that median position is located between the positions of extreme parties.¹⁸

Several assumptions I used in the model might seem debating to the reader. For instance, the model I proposed uses one dimension for party competition, largely to allow a meaningful comparison with Downsian model. If more than one dimension would be included in the model, the equilibrium could change as there might be a different order of party positions on the two (or more) dimensions.

Also, I assume that parties can move freely on the policy dimension, choosing whatever policy point, but once that a position has been chosen, it can not be modified by leapfrogging the positions of other parties. Although this might be a restriction for party choice, it has serious theoretical backup. The models we use in politics aim to explain not necessarily one time behavior, but developments for longer period of time. At the same time, parties can not afford to change strikingly policies and ideologies, because they have to build a reputation in order to be trusted by voters. If a marked difference is visible between what party says and what party does, then voters will not vote for such party because they are not sure about policies the party will implement once in power. Thus, leapfrogging is a condition that maintains the ideological identity of a party, so that a today leftist party will not become rightist tomorrow.

Finally, I modeled the party competition in a situation of full certainty about positions and actions of voters and parties. The argument against this would be that politics is rarely a situation of certainty. But modeling the competition in the way I did in this paper allowed to observe the crucial role that institutions play in shaping the behavior of parties. Also, understanding how institutions shape the behavior of parties will improve our knowledge about why parties design institutions in particular manner and why some institutional settings are preferred to others.¹⁹

The finding that in multiparty competition parties adopts similar policy positions has important theoretical implications. I will not be able to fully explore those implications in this concluding part of the paper to an extent that is insightful enough. However, the most notable implication of the findings seems to be for democratic theory

¹⁷ Downs acknowledged the influence of a potential entry for party competition. However, the author who showed systematically the influence of such entry is Th. Palfrey (1984).

¹⁸ If median position is outside the interval delimited by the positions of extreme parties, then middle party can not occupy this position (see the condition of no leapfrogging). In such case, the equilibrium remains still the position of middle party.

¹⁹ For instance, why plurality system is preferred to proportional representation (or vice versa), or why presidentialism is preferred to parliamentarism as constitutional arrangement, and so forth.

as it shows that collusion is possible also in multiparty settings. Multiparty systems are not necessary under the danger of extreme polarization and agreement about a set of policies is possible also in this format. Moderate politics is not typical only for two-party competition and such characteristics can be obtained in multiparty competition.

It also explains why multiparty democracies survived in Western Europe in spite of the initial prediction that polarization is disruptive for democratic system (Duverger: 1976). The model I used shows that parties have incentives to compete more for moderate voters (and leave the extremists), which leads to a more moderate politics.²⁰

Bucharest,
8 July 2005

²⁰ This finding has been also emphasized by McKelvey (1975) using different assumptions about political competition.

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