

# **Specific Interests and the Origins of Electoral Institutions**

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. \*\*\* *Preliminary draft. Comments welcome* \*\*\*

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#### ABSTRACT:

A recent wave of studies explores the effects of electoral institutions on economic interests. This paper instead examines the effects of economic interests on electoral institutions. We argue that electoral rules are a function of the nature and geographical dispersion of economic interests. Where class is the only economic division, the right always prefers majoritarian institutions (consistent with the distributive effects these institutions are known to have). Where interests are defined by activity-specific investments, and where these investments are geographically dispersed, (at least some) right parties will ally with the left to produce PR. They do so to protect their specific investments. We explore the argument with historical data and case studies.

## 1. Introduction

A recent wave of studies explores the relationship between political institutions – in particular electoral institutions – and economic policies and outcomes (e.g., Persson and Tabellini, 2004; Milesi-Ferretti, Perotti, and Rostagno 2002; Rogowski and Kayser 2002; Carey and Shugart 1995). While this is not an entirely new area of research (see for example Katzenstein 1985, chs. 3-4 and Lijphart and Crepaz 1991), it has put a spotlight on the crucial role of political institutions in aggregating interests and shaping the politics of economic policy-making. Yet, while the understanding of the *effects* of political institutions have advanced by leaps and bounds, our understanding of the *origins* of institutions, in particular electoral institutions, has not. As Rogowski and MacRay (2003) tell us, developing such an understanding is critical for political economy. This paper is intended as a contribution to this project, focusing on the choice of electoral institutions in advanced democracies.

The conventional wisdom about the origins of electoral institutions goes back more than 30 years to the work of Stein Rokkan (1970) and argues that Proportional Representation (PR) was chosen by fragmented right parties to protect their interests against a rising left. The argument has recently been brought back to life by Carles Boix (1999) who adds theoretical clarity and provides a test of the logic against historical data. But while this work is commendable for seeking answers to a key question in political economy, the theory seems to us oddly out of synch with what we now know about the effects of electoral institutions.

In the political economy literature PR has been closely linked to more government spending (Persson, Roland and Tabellini 2003; Bawn and Rosenbluth 2002) and more redistribution (Huber, Ragin and Stephens 1993; Crepaz 1998; Iversen 2004). In the political science literature theory and evidence tell us that majoritarian institutions lead to two-party systems in a single-dimensional policy space (Ordeshook and Shvetsova 1994; Neto and Cox 1997), and to more frequent center-left governments in a multidimensional distributive space (Iversen and Soskice 2004; Powell 2002). Combining these insights it is hard to understand why the political right would ever endorse PR.

As an alternative we argue in this paper that the key to explaining the transition to PR lies in the nature and geographical distribution of economic interests. Where interests are defined by activity-specific investments, *and* where these investments are geographically dispersed, (at least some) right parties will prefer PR. The reason is that the collective interest in limited redistribution cannot overcome internal division along other dimensions, and unless interest are geographically concentrated some form of proportional representation will be essential for protecting interests.

Specificity of interests does not *necessarily* lead to preferences for PR because an appropriately designed district structure can sometimes ensure proportional representation of interests even in a Single Member Plurality (SMP) system. This requires that specific interests are rooted in relatively immobile local production networks so that different interests “own” particular districts – a situation that characterized some countries in the pre-industrial democratic period. Indeed,

because SMP creates incentives for representatives to cater to local constituency interests, SMP can here work very effectively as a representative system. What causes the transition to PR is the integration of local production networks into regional and national ones, which leads specialized interests to become geographically dispersed, subjecting at least some of them to majoritarian exclusion.

The presentation is divided into five sections. The first is a critique of the Rokkan-Boix (R-B) argument, while the second develops our alternative logic, which may still call be called neo-Rokkanian based on some of Rokkan's work. The third section tests our argument against the R-B model using historical election data, while the fourth section explores the argument in two historical cases (Britain and Denmark). The final section concludes.

## 2. Critique of the Rokkan-Boix argument

Based on some of Stein Rokkan's work, Carles Boix (1999) argues that established right parties choose PR when the support of right parties is evenly balanced and they face a strong left. In this situation voters to the right of the median will find it difficult to coordinate on one party, and with a strong united left, the result is potential electoral disaster. This logic, however, is knife-edged since virtually *any* difference between the right parties, such as one being closer to the center than another, would tip the balance and produce a voting cascade in favor of one party or the other.

The balance argument also ignores the possibility of electoral alliances. If two evenly balanced parties face elimination they would have a strong incentive to work out an agreement to form a singly party or party coalition. Many bourgeois parties at the turn of the century were loose alliances of notables – what Duverger referred to as cadre parties – and they could be relatively easily reconfigured when electoral survival dictated it. And, of course, it is precisely when parties are evenly balanced that they have the strongest incentive to coalesce. It is also at this balance point that either party has the least to fear from being excluded from influence in a new party. Such an alliance would be particularly attractive if plurality voting helped contain left representation in the legislature. In fact, in every case of democracy before the adoption of PR, the right *as a whole* commanded a majority and could have eliminated the left from government power by coordinating – at least for awhile.

But we can go one step further in our critique because Boix couches his argument in the form of a strategic game with one “strong” left or socialist party (S) located between 0 and .5 on a left-right scale (.5 being the median voter location), and two right parties (L for liberal and C for conservative) adopting platforms between .5 and 1. No party can choose a platform of .5, presumably because that would not be credible given that the constituencies of the parties are “left” and “right.” If the right parties choose platforms that cause each to be of equal strength (“balanced”) Boix' prediction is that PR will be chosen. But he does not present an explicit account of how the game is played and the equilibrium arrived at. And we would argue that if you accept the assumptions, it is hard to understand why any right party would ever choose PR.

To see this, assume that in the first stage of the game L and C choose the electoral system in anticipation of the electoral outcome after the election, as well as the result of the subsequent government formation. In the second stage the right parties choose whether to contest the election and, if so, what platform to adopt. If two parties choose merge and run as one party, each will share power equally in the new party. In the third stage the government is formed. Parties are motivated by policy, and to influence policy parties must participate in government. One could alternatively assume that parties maximize votes (“vote-seeking” parties) or maximize government seats (“seat maximizing” parties), but this choice does not affect our conclusions.

The party with the plurality forms government under majoritarian rules. Under PR any party with a majority will form government alone. Otherwise the government is formed as a coalition of two parties with a combined majority of votes. The largest party is chosen as the formateur (this can be relaxed), and influence in the government (say, through the division of portfolios) is determined by Rubinstein bargaining where the parties split the difference in their policy positions.

The game is solved by backward induction. If the electoral system is plurality and S locates close to .5 it automatically wins a plurality (and hence power) against the two right parties regardless of where these locate in the  $].5, 1]$  interval. If only one right party contests the election it will locate as close to .5 as it can (and equally close to .5 as S) and the right will share government power with S (i.e., it has a .5 chance of winning each election).

If L and C decide to contest the election simultaneously the second stage is a battle of the sexes game. Each party would prefer the other to drop out; but dropping out oneself while the other stays is preferable to both staying. Which of the two equilibria prevails is not important for our story; nor how an equilibrium is arrived at. It could emerge as a result of strategic voting, forcing one party to yield, or it could come about as a “merger” where both parties run under the same label and share power. The key is simply that one or the other equilibrium will prevail over time. In that case power will be shared with S and the policy will be 0.5 in average.

If the electoral system is PR, a strong S in Boix’ setup would maximize votes and participation in government by setting its platform close to 0.5. If both right parties choose platforms further away from .5, S will win outright and always form government. The simplest case is where parties behave as vote maximizers. Then the Nash equilibrium for both L and C is to locate at  $5/6$  if S locates infinitely close to .5. Neither L nor C can improve on its vote of  $1/6$  by moving to  $5/6^+$  or  $5/6^-$  or anywhere in between 0.5 and  $5/6$ . In this scenario S wins outright and neither right party ever participates in government.<sup>1</sup>

But this is not a particularly interesting result because it would completely shut out the right from power under PR and make it inconceivable that PR would ever be chosen. So to increase the realism, imagine that one of the right parties, say L, is able to move close enough to S that S will

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<sup>1</sup> In fact S can improve on this by committing to a more leftwing platform (so long as it is not too leftwing). Thus the outcome of PR is a policy of  $<0.5$  and there is zero sharing of power.

not win the election outright. L will then necessarily be closer to the median than S. S is still the largest party, or “strong”, in Boix’ terminology, but it is not the majority party. In this case government will be formed as a coalition of two parties. If the largest party is always chosen as the formateur, S will form government with L and the policy will be the midpoint between S and L (or closer to S if size matters for bargaining power). Since L is closer to the median than S, the midpoint is always to the left of .5.<sup>2</sup>

If parties are policy-maximizers, it is now obvious that in the first stage of the game both right parties will vote for Majoritarian elections. This will also be the case if parties are seat-maximizers since under majoritarian rules the right will win half the seats in average, while under PR the right will win less than half the seats if allocation of seats is related to party size, which is empirically the case. We have already seen that PR would also not be chosen if parties are vote-maximizers. In the R-B setup, therefore, it is hard to understand why the right ever agrees to PR.

This conclusion holds in a more realistic model, where democratic governments are redistributing income from higher to lower income (Iversen and Soskice 2004). In this model, different income groups are represented by their own parties under PR, while there are two parties under majoritarian rules by the same logic as above. Under majoritarian rules the two parties will either adopt the median voter position, or, if they cannot credibly do so, deviate from that position in order to please their core constituents (the rich and the poor, respectively). There is reason to believe that under these circumstances the (middle class) median voter has more to fear from the left than the right. Following Acemoglu and Robinson (forthcoming), if democracies emerged because the poor (and the middle class) pressed for redistribution and the rich perceived democracy with redistribution to be a less costly option than revolution or repression, then this imposes a non-regressivity constraint on spending in democracies. In that case the worst that can happen to the middle class if the right rules is that it receives no net benefits. If the left rules, it might experience a net loss. The center-right therefore have an advantage under majoritarian rules.

Under PR, if no party has a majority the government will be a coalition, and the middle class party is the pivotal player. The question is therefore whether the middle class party will choose to ally with the left or the right. Interestingly, the exact same assumption that led to the conclusion that the median voter prefer the right in a two-party majoritarian system – namely that spending is non-regressive – now leads to the prediction that the middle class party will choose the left as a coalition partner. The reason is that a net tax can be assessed against the rich but not against the poor, creating a larger pie to be divided when the center bargains with the left.

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<sup>2</sup> Empirical evidence suggest that the center party sometimes gets chosen as formateur instead of the largest party (when the two are not the same). But the conclusion still holds when reasonable assumptions are made about the positions of parties. For example if S is at .4 then L must be between .5 and .6 (say at .55) to ensure the S does not win all the time. If C has an equal probability of being anywhere in the space to the right of L, the expected government policy is always to the left of .5 since L will choose S as coalition partner most of the time.

Hence, whether we model the electoral system as an outcome of a simple three party game in a one-dimensional space, or as the outcome of a more realistic game with redistributive spending across several income groups, it is hard to understand why the right would ever choose PR. This puzzle is intensified by empirical evidence since, as noted above, PR is associated with more frequent center-left governments -- even after controlling for the relative strength of the left in the electorate, relative fragmentation on the left and right, and the ideological position of the national median voter (Iversen and Soskice 2004; Powell 2002). Moreover, PR has been consistently found to be associated with more government spending and more redistribution (Birchfield and Crepaz 1998; Persson and Tabellini 2003, ch. 6). Even if these effects of electoral system were not fully anticipated, unlike the simple game above, it seems highly implausible that right parties chose to support institutional reform because they believed that the distributive interests of the right as a whole would be better served by PR. If the rich gets to pick the electoral system, and class is all that matters, they would choose majoritarian institutions as argued by Rogowski and MacRay (2003).

We also do not believe that there is clear evidence that balance of power on the right mattered for the adoption of PR. Table 1 uses a direct measure of balancing on the right for 22 democracies by taking the percentage lead of the largest party over the next largest party, using the last election before the adoption of PR or, in the cases where countries remained majoritarian, the first election under universal male suffrage.<sup>3</sup> The larger this difference the easier it is for voters to identify the party that is likely to become the coordination point for voting on the right. Since the size of the difference needed for coordination to be possible is not theoretically defined, we use the value that would produce a number of countries with a dominant right party that is equivalent to the number of countries (10) that remained majoritarian. On the other dimension we have recorded whether countries did or did not in fact adopt PR.

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<sup>3</sup> Boix uses the effective number of parties on the right to gauge the concentration of support and hence the ease by which voters can determine which party to coordinate on. But this is in fact a poor proxy for capturing the theoretical logic. Take the example of Belgium and Australia in the first election under universal male suffrage (1894 in Belgium and 1903 in Australia). In Belgium the large Catholic Party commanded 51 percent of the vote while the Liberal Party and the Daensists Party received 28 and 1.2 percent, respectively (the remainder going to left parties). That produces an effective number of parties of 1.90. In Australia the Free Trade Party received 34 and the Protectionist Party 30 percent of the vote with the rest going to the Labour Party (so the left was actually stronger in Australia than in Belgium). This gives an effective number of parties on the right of 1.99. According to the effective number of parties measure, therefore, Australia and Belgium are essentially identical. According to the balance logic, by contrast, Belgium should be expected to retain majoritarian institutions while Australia should be expected to transition to PR. As a matter of historical record, Australia stayed with plurality voting while Belgium adopted PR. There is simply no correspondence between the theoretical logic, the measure, and the outcome in this empirical example.

**Table 1. Party dominance on the right and electoral system**

		Single right party dominance?	
		Yes	No
Type of electoral system adopted	Majoritarian	UK, US	Australia, Canada, France, Japan, New Zealand
	PR	Belgium, Denmark, Greece, Italy, Switzerland	Germany, Iceland, Norway, Sweden, Netherlands

If the argument about balance between right parties is right, we should expect the observations to line up along the northwest-southeast diagonal with dominant right party systems sticking to majoritarian institutions and countries with relatively balanced parties shifting to PR. Yet only 7 of 17 countries do this. The remaining 10 cases line up along the off-diagonal. Clearly, right party dominance, or balance between the main right parties, has little to do with the choice of electoral system.

Of course, Table 1 does not take into account the role of the left, and Boix argues that it is the *interaction* between the balance of right parties (“fragmentation”) and left strength that matters. Yet, as we show in the statistical analysis below, interacting the singly party dominance with the strength of the left does not produce the predicted results. We argue that this is also true when we use Boix’ own measure of fragmentation (the effective number of right parties) *if* we base the measure of fragmentation on data that we find more defensible.

### 3. Our argument

If the balance of party support on the right, or fragmentation, does not explain the choice of electoral system, what does? Rokkan advances another argument that Boix does not use, but is in fact quite central to Rokkan’s broader approach to electoral politics. He argues that the key to understanding why some right parties decided to endorse PR, instead of coordinating, was that these parties were divided by issues that sharply separated their constituencies and undermined the possibility for both mergers and widespread strategic voting. “The high [electoral] threshold”, writes Rokkan, “might have been maintained if the parties of the property-owning classes had been able to make common cause against the rising working-class movements. But the inheritance of hostility and distrust was too strong. The Belgian Liberals could not face the possibility of a merger with the Catholics, and the cleavages between the rural and the urban interests went too deep in the Nordic countries to make it possible to build up any joint antisocialist front.”

Barriers to coordination because of the irreconcilable nature of underlying conflict was thus a key aspect of the institutional game. This moves us from a unidimensional left-right space into a multidimensional space. As the quote suggests, for Rokkan this space was defined by “social cleavages,” which emerged from the “national revolution” in the 17<sup>th</sup> and 18<sup>th</sup> centuries and from the industrial revolution in the 19<sup>th</sup> century (Rokkan 1970; Lipset and Rokkan 1967).

The problem with this particular formulation is that religious and other cleavages dividing people do not always become politically salient. The US is one of the most ethnically and religiously divided societies in the western world, yet parties have never been able to establish (and sustain) themselves for very long periods along ethnic-religious lines, nor did they choose to adopt PR institutions. In Scandinavia, by contrast, the population is exceptionally homogeneous, yet parties on the right were unable to coordinate and chose to support PR. In the cases of Belgium and Italy, a single religious party had a majority of the vote, yet still opted for PR. In fact, the correlation between the non-proportionality of the electoral system, measured by Lijphart’s “effective threshold” variable, and Boix’ measure of ethnic-linguistic and religious fragmentation is *positive*, albeit weak ( $r=.25$ ).

Boix argues that ethnic-linguistic and religious fragmentation only matters in small countries where, according to Boix, minorities tend to be more uniformly distributed than in large countries. But even if the evidence from large countries is completely discounted by interacting fragmentation with a 0-1 dummy for country size, fragmentation only has a marginal effect on the electoral system (even if it carries the right sign). In our regressions, when we only include Boix’ threat and (interacted) ethnic-linguistic and religious fragmentation variables they never explain more than 16 percent of the variance in electoral systems. By itself, the interaction variable explains less than 9 percent and is not statistically significant.

We do not deny that language, religion, etc can sometimes be a coordination device for political organization. But the key to understanding whether countries transition to PR, we argue, is neither fragmentation on the right nor ethnic-religious divisions in society, but rather whether parties are able to credibly pursue the economic interests that they represent within the confines of a particular electoral system. When they are able to, parties will support the continuation of the electoral system; otherwise they will support change.

There are three dimensions of economic interest that needs to be brought out. The *first* is whether the protection of an interest requires specialized regulations and institutional supports, or whether general rules and market-based exchange are more conducive to the advancement of the interest. The former we will refer to as *activity-specific interests*. For example, craft-based production with relation-specific investments in labor, capital, and supplies requires very different regulation of economic exchange (guilds) than production and trade in primary or standardized goods (free markets). Likewise, small-scale family farming with cooperative processing and marketing arrangements thrive under very different institutions and government policies than large-scale agribusiness that is vertically integrated with processing plants and distribution channels.

The *second* dimension is the extent to which interests are geographically concentrated. Economic

activity that is deeply rooted in local institutions and socioeconomic networks require political representation that will be attentive to local interests. We refer to this as *location-specific (or geographically concentrated) interests*, and they contrast to interests that are based on geographically dispersed economic activity, which will be more concerned with national coordination of policies. Clearly, location-specific interests also tend to be activity-specific, but the converse is not necessarily true. Activity-specific interests can be geographically dispersed.

The *third* dimension is simply *income* or class. To use a standard Meltzer-Richard formulation, those below the mean level of income have an interest in redistribution while those above the mean do not. We can think of the electoral system games discussed above, which never lead to PR, as game where class is paramount.

With these distinctions in mind we can now consider the relationship between economic interest and electoral system. We distinguish two key features of an electoral system. The *first* is the extent to which elected representatives have an incentive to cater to local interests. This attribute is an inverse function of *district size* so that small district size, especially single member districts, encourages candidates to cultivate a local following. The more location-specific interests are, the more important this function of the electoral system is (i.e., the two attributes interact). When interests are not location-specific, candidate fortunes tend to be more dependent on the electoral value of the party label, which is an electoral-wide attribute.

The second feature is *proportionality of representation*. As is well known, the most direct way of ensuring proportional representation is by having a single electoral district with candidates from different parties being elected in proportion to the share of the vote. But this is only a sufficient, not a necessary condition, for proportionality. When interests are location-specific, properly drawn up boundaries between electoral districts can ensure that interests are represented in rough proportion to their share of the electorate. As in the case of local interest representation, the proportionality of the electoral system is thus a function of the interaction of district magnitude and the location-specificity of interests. When interests are location-specific it is possible to have a single-member plurality system that is also highly proportional. We will refer to such a system as *proportional SMP*. When interests are geographically dispersed, it is far more likely that some will be under-represented because they are in a minority in most districts. We refer to such a system as simply *majoritarian* (whether it is SMP is not important).

Table 2 combines location and activity specificity with the likely electoral system preferred by economic elites. When interests are both location and activity specific the optimal system is a proportional SMP where candidates are encouraged to represent their local constituencies at the same time as activity specific interests are represented in rough proportion to their size of the electorate. When interests are geographically dispersed and economic activities are not highly specific, we expect economic elites to prefer a majoritarian system. The reason is that the only salient economic dimension now is income or class, and empirical observation suggests that majoritarian systems redistribute less than PR systems.

The association between electoral system and redistribution was outlined above. The upshot of

this argument is that economic elites (the “right”) never choose PR system unless they are divided by economic interests other than class. Again, if it is all about class, the rich is best served by choosing majoritarian institutions as argued by Rogowski and MacRay (2003).

**Table 2. Division of economic interests and electoral system**

		Nature of investment in economic activity	
		Specific	General
Spatial ordering of interests	Location-specific	Divisions across economic activity and location. <i>Elite preference:</i> Proportional SMP	X
	Dispersed	Divisions across economic activity <i>Elite preference:</i> PR	Divisions along class lines <i>Elite preference:</i> Majoritarian

So far we have described the two scenarios where SMP, or majoritarian institutions, will be retained by economic elites. But it is easy to extend the logic to explain the adoption of PR. Quite clearly it will only occur when economic agents are engaged in specific activities that are not location-specific, or when interests are location-specific but district boundaries are not drawn in proportion to the distribution of economic activity. In table 2 we only consider the former case because the latter, at least in principle, can be effectively addressed through redistricting rather than through a complete overhaul of electoral institutions. Specific interests that are geographically dispersed, and individually in a minority, cannot count on parties or candidates under SMP paying attention to their interests because they are neither essential for vote-maximizing parties, nor for individual candidates.

PR, we argue, was closely linked to industrialization and urbanization and emerged in countries that had electoral arrangements that, regardless of their formal structure, in the past had effectively mimicked a PR system in its outcomes (“proportional SMP”). Representation in local and regional governments *before* the industrial revolution in many countries was based on a combination of direct representation of economic interests and effectively proportional

representation through the national legislature (despite the use of SMP). Moreover, most countries had more than two parties, none of which enjoyed a majority of seats in the legislature. In many respects these systems therefore functioned as if they were PR, and because interests were locally rooted, the incentive of candidates in single member districts to safeguard their election by cultivating a strong local following served economic elites well.

The industrial revolution, urbanization, and the extension of the franchise undermined critical aspects of the old system of representation. Direct (“corporate”) representation of interest was challenged by pressures for franchise extension, and the regional monopoly of representation by political parties (and hence the proportionality that had characterized these systems) was eroded by the emptying of the country-side and the spread of industry throughout the urban areas. Suddenly the old electoral system produced starkly disproportionate representation, with rural interests typically vastly overrepresented and city interests underrepresented. At the same time, redistricting as a remedy was opposed by the former, not simply because they benefitted from the current boundaries, but because they could anticipate becoming a minority in most or every new district based on seat-population proportionality. At the same time local representation at the national level lost much of its rationale. Industries spread across multiple districts and required coordination within national parties. The result was the transition to PR, often with the support of both left and right parties. The situation corresponds to the bottom left cell in Table 2.

But while the transition to PR in some countries reflected a deep transformation of the economic and social structure, the new political institutions did in fact not constitute a sharp break with the past, as commonly assumed. In terms of ensuring the proportional representation of specific interests, it was rather a return to the status quo ante. In countries where interests were not highly specific on either dimension, by contrast, SMP always functioned in a more majoritarian manner, with class as the central cleavage. And, of course, the industrial revolution did not lead to PR. A key implication of our argument is therefore that it is the interaction between the existence of specialized economic interests and the process of industrialization and urbanization that explains why some countries ended up with PR while others did not.

Note that implicit in this argument is a view that parliamentary representation under PR matters for policy. If influence is only exercised through the government, one would in principle have to show this by modeling government formation in a multidimensional space. One possibility along these lines is Laver and Shesple’s (1996) model government formation, since the policies of multi-party governments in their theory reflect the distinct interests of the participating parties. Parties representing agriculture dominates the agricultural ministry, parties representing industry the industrial ministry, etc.

But while we think there is some truth to this story, we are inclined to adopt a broader view of PR. We believe that government coalitions for the most part are decided by issues of redistribution, which is what most elections are fought over. Specific regulatory interests, however, find their way into parliamentary committees and associated bureaucratic agencies, and that makes representative party presence in the legislature critical. PR permits specialized interests to be represented in the parliament and hence in agenda-setting committees, while direct interest

representation in regulatory agencies provides a bridge to the executive branch. This conception of PR was first articulated by Katzenstein (1985). From our perspective the key is that the influence of organized interests in policy implementation ensures that governments cannot ignore the input of parties in the legislative process, whereas PR ensures that specific interests are being represented to provide such input.

While it is difficult to demonstrate our argument with quantitative evidence because of the absence of comparative measures of the specialization of economic interests, it does have one implication that can be tested with statistics: The proportionality of representation in the pre-industrial, and pre-PR, period should be a good predictor of the subsequent choice of electoral system. We expect those SMP systems that functioned in an essentially proportional manner (the upper left-hand corner of Table 2) to be more likely to transition to PR in response to the dislocations and spatial reconfigurations of economic activity associated with the industrial revolution. We show that this is in fact the case in the next section. We then turn to an analysis of two cases that illustrate the logic of our argument.

## 4. Quantitative Evidence

### 4.1. Re-assessing the Rokkan-Boix evidence

Since the R-B argument is the main alternative to ours we first point out some issues in the methodological choices in Boix (1999) that in our view cast doubt on the robustness of the results. We then turn to the evidence for our own argument based on a recoded data set.

A major issue, and the one on which we will focus here concerns the threat measure and its timing.<sup>4</sup> The argument states that the decision to implement PR is a consequence of fragmentation on the right when the left is strong. This is captured by a variable that is the product of the effective number of right parties and the strength of the left --- what Boix calls “Threat.” But we also know that fragmentation, one of the component variables of this index, can be an effect of electoral rules being used (Duverger’s law). Unlike situations where the causal order is clear, and where observations at one time may serve as good proxies for observations at an earlier time, one has to be very careful measuring fragmentation *before* the implementation of new election rules.

In terms of at least 7 of the 22 cases that form the main focus of Boix’s empirical analysis, we believe there are problems with the timing of the threat measure. We briefly discuss these

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<sup>4</sup> Another endogeneity problem is that the strength of left parties is partly a function of the inclusiveness of electoral rules. In particular, this variable may reflect the choice of elites to extend the franchise rather than the underlying strength of the left. If the choices of new electoral rules and the extension of the franchise are interdependent, as there are good reasons to suspect, then a variable that is a function of the latter (namely left electoral strength) cannot be treated as an exogenous variable to explain the former.

problems, and how they may be resolved, in the following. Appendix A goes into more detail on how we assess the historical materials.

*First*, three cases are completely missing appropriate data prior to the introduction of PR: Austria, Finland, and Luxembourg. The specific issues in each case are discussed in Appendix A, but we believe it is clearly inappropriate to use any of these cases.

*Second*, there are several countries where the timing for the threat measure needs to be altered. In the case of the Netherlands, for example, Boix notes that he uses the year 1919, but there was no election in that year. Rather, there had been an election in the previous year (1918) where both PR and universal male suffrage were introduced. We chose to use data for the election of 1913 since (1) it was the election immediately preceding the introduction of PR and (2) it would seem that the restrictions on male citizens participation in elections were not that restrictive relative to 1918 (participation rate 22% in 1913 and 35% in 1918). Appendix A discusses similar issues in the cases of Greece, Iceland and Sweden.

*Third*, and as noted above, there is a potential problem of using the effective number of parties as a measure of barriers to coordination on the right. The theoretical logic emphasizes the existence of a dominant right party around which coordination can occur. We therefore used a simple alternative that is based on the vote share of largest non-socialist party minus the second largest. To get a measure of threat we divide 1 by this difference plus 1 (to avoid the possibility of a divisor of zero). We then multiply by the left vote share as before.

In Table 3 we first replicate Boix' results and then report what happens when some controversial codings are modified. Column 1 is equivalent to Boix' model and uses the data supplied in the appendix to his article. Recall that "Threat" is equal to the product of the effective number of right parties and the strength of the left. The ethnic-linguistic fragmentation times area dummy variable need not concern us here – it is not important to either his or our argument, but included here for comparability. These results are substantively identical to those reported in Table 1 of his paper.<sup>5</sup> We then estimate the model with the slightly smaller sample of 19 cases, which excludes those cases for which appropriate data are missing. The results are shown in column 2. Note that this procedure does not appear to produce any important difference in the size of the parameters or the quality of the model fit.

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<sup>5</sup> The only difference appears to be that one or another of the variables that make up the Threat index used in Boix' analysis range from 0 to 1.0, while in the table Appendix A of Boix' paper these two variables are shown as ranging from 0 to 100.

**Table 3. Replication and re-test of Boix's model on the choice of electoral rules in the interwar period**

	(1)	(2)	(3)	(4)
Dependent Variable: Average Effective Threshold in 1919-39	Replication using data reported in Boix (1999)	Replication as in (1) but with 19 cases	Replication using our timing and 19 cases	Replication as in (3) but with dominance-based threat score
Constant	31.30* (4.68)	34.06* (4.76)	28.18* (5.21)	25.63* (4.72)
Threat	-.134* (.049)	-.147* (.050)	-.064 (.044)	-.432 (.570)
Ethnic-linguistic Fragmentation X area dummy <sup>6</sup>	-33.16* (14.75)	-35.09* (14.32)	-37.13* (17.87)	-35.12* (17.55)
Adj. R-squared	.33	.40	.16	.12
SEE	10.57	10.19	12.12	12.43
Number of Obs.	22	19	19	19

\* sig. at .05 level

*Notes:* Cols 2,3 and 4 exclude Austria, Finland, and Luxembourg from the analyses.

When, however, we employ the threat measure with corrected timing, the results are quite different. While the coefficient on the fragmentation/area variable is only marginally different, the parameter on the threat measure is now appreciably smaller and statistically insignificant. The overall fit of the model (using adjusted R-squared) is also notably reduced. The results further deteriorate when one uses the alternative measure of threat based on dominance. Once again, the coefficient on threat is statistically insignificant and the overall fit of the model is very low with an adjusted R-squared equal to .12.

<sup>6</sup> Columns 3 and 4 use a correction to the Ethnic-Linguistic Fragmentation variable. Boix uses a measure of ethnic and religious fractionalization that portrays Iceland, a country with one of the most homogenous of populations, as having the sixth most fractionalized in his sample of 22 OECD countries. One of the authors of the source whence Boix obtained the data for this measure indicated that the value reported on Iceland is indeed incorrect [personal communication]. We are endeavoring to acquire the correct value from the original source. In these analyses we use the Swedish value on fragmentation or fractionalization as a surrogate for that of Iceland.

Summarizing, when we use a measure of the threat concept that is sensitive to proper timing (cause must precede effect), as well as a measure of right party balance that more accurately captures the theoretical logic, the results reported by Boix disappear. While reasonable people can differ on issues such as these, we do believe that we have identified some non-trivial methodological problems that reinforce the theoretical reservations we raised earlier. Simply put, the results reported by Boix in support of the R-B model are not robust.

#### 4.2. From Proportional SMP to PR

Our argument emphasizes the economic specialization of interests and the effect on these of the transition from a pre-industrial economy with production rooted in local networks to a modern economy with geographically dispersed industries. In countries where the pre-industrial economy was characterized by specialized interests and location-specific economic activities, the SMP electoral system functioned in a manner that bonded MPs to local constituencies, while simultaneously providing for more or less proportional representation of broader geographically separated interests. Because most electoral districts tended to be dominated by a single economic interest, the system did not function in a “majoritarian” fashion in the usual meaning that every local election is hotly contested by national parties. Instead, national parties “owned” a set of electoral districts and the proportional representation of each party could be relatively easily achieved by appropriately drawing the lines between constituencies – even in systems with more than two parties. This system of representation is what we referred to above as *proportional SMP*.

The effect of industrialization was to spread new forms of production across geographical areas, and although this process was concentrated in urban areas, new industries sprung up everywhere in formerly rural districts. Interests represented by the new industries thus cross-cut existing electoral districts. Consequently, where agricultural and industrial capital and labor remained poorly integrated, and where investment in human and physical capital was highly industry-specific, the SMP electoral system jeopardized proportionality of representation. Because the interests represented by parties were diverse, even as they shared common distributive preferences, party mergers and strategic voting were blocked. With barriers to coordination, pressures for adopting a PR system increased.

We explore the key hypothesis empirically by focusing on the differences in the system of representation between proportional and majoritarian SMP (the top left and bottom right cells in Table 2). We do this by simply measuring the level of disproportionality in the electoral system before the breakthrough of the industrial economy. Again, while all electoral systems in the pre-industrial period were varieties of SMP, some worked in a more proportional way than others.

The measure of disproportionality is taken from Gallagher (1991) and defined as the square root

of the sum of squared differences between vote and seat shares.<sup>7</sup> Vote shares refer to the outcomes of national elections, and we use seat-shares in the lower house since this is where legislative power in most democracies is concentrated. An exception is Denmark where the upper house remains as powerful as the lower house until the constitutional reform in 1901 (more on this in the case study section). In this case we use the mean seat shares in the two houses.

Of the countries that were (quasi-)democracies before 1900, we have pre-1900 data for 12 cases: Belgium, Canada, Denmark, Germany, Italy, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the UK, and the US.<sup>8</sup> Figure 1 shows the evolution of the disproportionality index from the 1870s until the last democratic election before the Second World War in these 12 cases.<sup>9</sup> We distinguish between countries that retained SMP voting (solid line) and those that transitioned to PR (dotted line), using 5-year moving averages (to smooth single-year spikes).

Note that during the pre-industrial period (roughly before 1890), the countries that eventually adopted PR had electoral institutions that, despite similar formal rules, functioned in a relatively proportional manner compared to the majoritarian systems. As before, we refer to the former as proportional SMP.

What is evident from the graph is that this difference begins to disappear with the industrial revolution. Countries with proportional SMP are in effect being transformed into majoritarian systems. For countries with highly specialized interests this was highly disruptive for the representational system, and given the option of PR, SMP now constituted a disequilibrium. From this perspective, the adoption of PR can be seen as a restoration of the proportionality of representation that had existed in the pre-industrial period. The difference, of course, is that the new PR system provided fewer incentives than the old SMP system for politicians to cater to local interests. But at the same time such local interest had been declining in economic importance.

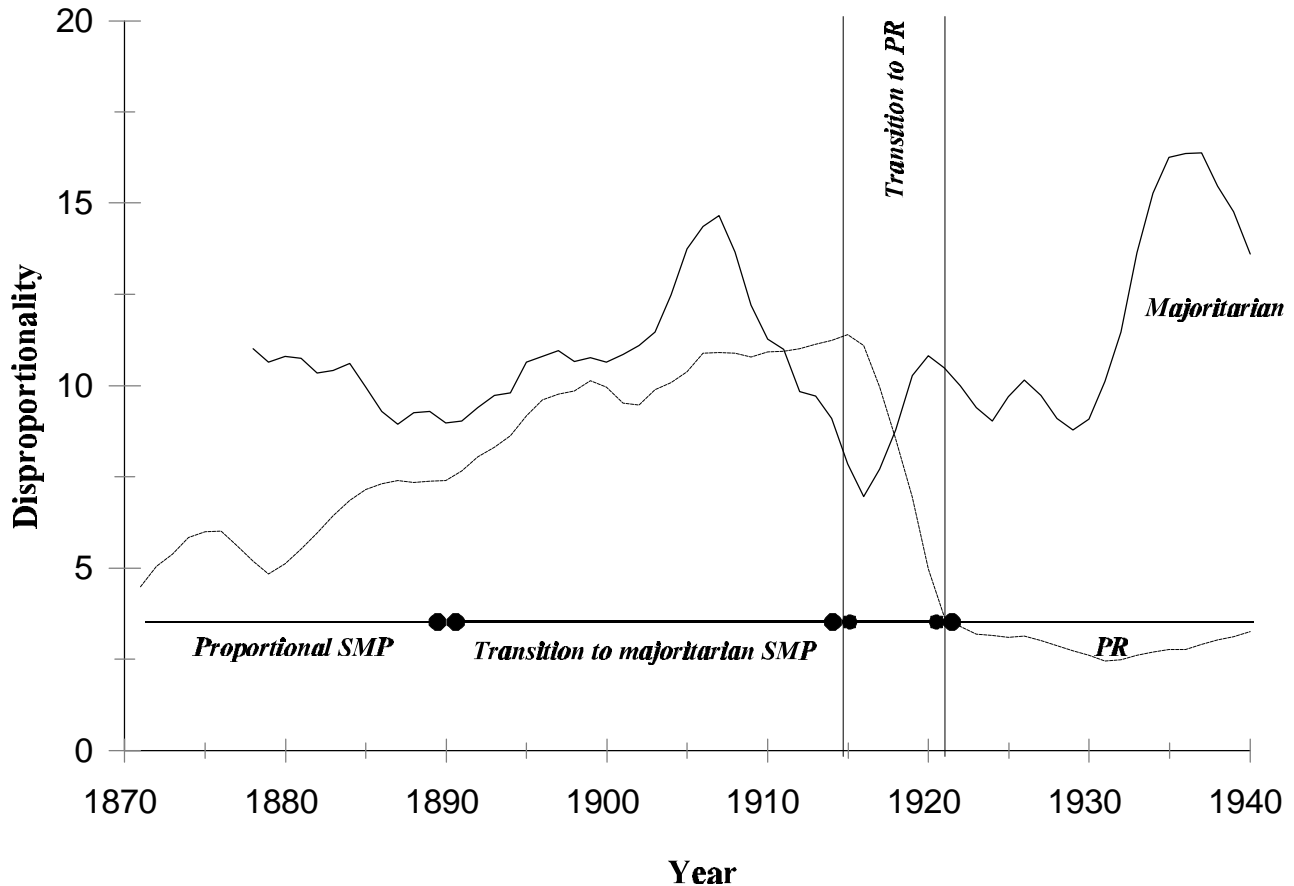
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<sup>7</sup> Because of non-linearity the statistical analysis measures disproportionality without the square root transformation. The effects on the results are minor.

<sup>8</sup> We also have data for France, but only for the second round of voting.

<sup>9</sup> The starting year is dictated by the data. We would have liked to have gone back further but cannot.

**Figure 1. Disproportionality by electoral system, 1870s-1940.**



Of course, Figure 1 only present averages without control for other variables. We therefore regressed the effective electoral threshold variable used by Boix as a proxy for the interwar electoral system on the disproportionality of representation prior to 1900.<sup>10</sup> Since PR is associated with much lower thresholds than majoritarian systems, the electoral threshold variable is essentially dichotomous. The issue is therefore whether pre-1900 disproportionality, while all countries were still majoritarian, accurately predicts the interwar electoral system (when the transition to PR had been completed). Table 4 reports the results. Model (1) is identical to the last column of Table 3 except that the sample now is reduced to only 12 cases for which pre-1900 disproportionality data exist. As before, the effect of the threat variable is negative but statistically

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<sup>10</sup> We use 1900 rather than 1890 as the cutoff point to maximize the number of observations given the paucity of pre-1900 data.

indistinguishable from 0, and the explanatory power of the model is low. By adding the pre-1900 disproportionality variable, the explained variance increases four-fold (from 15 to 65 percent). The positive effect of disproportionality is also highly statistically significant.<sup>11</sup>

**Table 4. Pre-industrial disproportionality of representation and electoral system (standard errors in parentheses)**

	Dependent variable: Effective threshold (interwar period)		Dependent variable: Disproportionality (interwar period)	
	(1)	(2)	(3)	(4)
Constant	26.71 (6.97)	-1.90 (8.90)	87.85* (32.70)	-32.87 (48.22)
Threat	-2.05 (1.24)	-0.15 (0.08)	-0.71 (0.58)	-0.47 (0.44)
Pre-1900 Disproportionality	-	0.34* (0.09)	-	1.43* (0.49)
Ethnic-linguistic Fragmentation X area dummy	-32.29 (22.75)	-28.39 (14.65)	-105.98 (106.77)	-89.55 (79.33)
Adj. R-squared	0.15	0.65	0.00	0.45
No of observations	12	12	12	12

\*  $t < .01$

Model (3) and (4) substitute disproportionality in the interwar period for the threshold variable. Disproportionality of representation is a reasonable alternative measure of the electoral system. In this formulation the R-B model loses all explanatory power, while the pre-1900 disproportionality index continues to perform well.

<sup>11</sup> Of course, if we dichotomized the dependent variable into PR and majoritarian systems and used logit regression to predict PR, the effect of the disproportionality variable would be deterministic (both necessary and sufficient for explaining the choice of electoral system).

We think the quantitative results are suggestive of the potential explanatory power of our theoretical argument. At the same time it is admittedly based on a very indirect measure of the theoretical mechanisms that we have in mind. We therefore turn to specific historical cases in order to get a better sense of the operation of the theoretical mechanisms.

The logic of our case selection is essentially an application of what is usually called the most different nations design (Ragin ???). Using Table 1 above we pick one case from each logically possible historical transition. The transition from proportional SMP to PR is captured by the Danish case, while the UK illustrates a case that almost from the outset was located in the lower right majoritarian cell. Finally, we consider the interesting case of the US, which we will argue transitioned from and essentially proportional SMP system to a majoritarian system. The US case also raises issues of the proper understanding of federalist institutions that we see as a fruitful area for further research. Although logically possible we do not believe there are any cases that started as proportional SMP systems and remained there.

## 5. Three Historical Cases

### 5.1. Britain: Majoritarian class politics

The British electoral system evolved through the 19<sup>th</sup> century as a result of three reform acts, 1832, 1867 and 1885. Each act produced major increases in suffrage, so that there was substantially universal male suffrage by 1885: new constituencies were created in the burgeoning industrial centres, small constituencies were abolished, and the right to vote was progressively extended. At the same time, two member constituencies were progressively decreased in number (though not eliminated until the next century). In all cases election was on a plurality basis. And, as is well-known, this never changed.

The 19<sup>th</sup> century saw an extraordinary pace of industrialisation, so that by 1900 nearly 40% of all manufactured goods in world trade were produced in the UK. It also saw a major development of the political system (Cox 1997). In the early years of the 19<sup>th</sup> century, legislation was substantially initiated by MPs with the government playing an executive role. By the 1860s the government had de facto assumed most of the initiative in legislation: hence Bagehot's "efficient secret" (the title of Cox's luminous book) which permitted government to function in a period of rapid change and massive need for legislation. With this change came the development of a disciplined party system, so that government MPs were "whipped" into supporting the legislation which the government proposed, just as opposition MPs were whipped into opposing it. And a mass electorate grew up - helped by mass newspapers themselves partisan and by the growth of party organisations in constituencies - which voted party not candidate.

Workers entered the electorate in large numbers as a result of the 1885 Reform Act. To the two major parties of the 19<sup>th</sup> century, the Conservatives and Liberals, was added in 1900 the Labour Party. It won 43 seats in 1906, and by 1929 had become the largest party in the House of

Commons, forming the first (minority) Labour government. At no time was there any significant pressure from the two established parties to move away from the plurality voting system to PR. Before analysing why not, the historical sequence can be traced. Throughout the second half of the 19th century the Liberal and Conservative parties had been roughly balanced, even though there was major disproportionality between votes and seats: majorities in the popular vote were exaggerated by majorities in the House. The Liberals stood more for reform, the Conservatives for the defence of established interests. In the 1906 election, the Liberals under Campbell-Bannerman won a landslide victory supported by many working-class votes (and supported in the House by the 43 Labour MPs). This government, with Asquith, Lloyd-George and Churchill, introduced a slew of radical reforms, including the introduction of social security. But by the 1918 election Liberal support had slumped as Labour representation grew. In the 1931 election, the Liberal party was just a rump: its former voters had moved to Labour on the left and to the Conservatives on the right, and it had suffered a major defection of so-called National Liberals to the Conservative Party in 1931 election (they were not opposed by the Conservatives). The transition to a two party system with first past the post voting in single member constituencies had fully taken place.

Why? Our argument is that the underlying economy was not based on specific interests. Had it been, our argument is that the Conservative and Liberal parties would not have evolved into hierarchical disciplined organisations in which the role of individual MPs was reduced to “lobby fodder”. Instead, as the need for parties developed, the representation of specific interests would have required that the parties became the locus for consensus formation of policies by the representatives of the different interests. Because interest representation also required that (if interests were affected by national policies) the parties themselves wanted proportionality of representation in the legislature, there would have been pressures for PR if the existing system led to disproportionality. This would likely have been set off by the rise of Labour, but the need might have (as in Denmark) been understood before the working class became a major influence. In Britain, it was easy for both electors and MPs to switch parties because they did not have the established bargaining position within a consensus based organisation that they would have had as owners or representatives of specific interests. Thus, whether or not they understood Duverger’s law or Downs’ theory, the Conservatives could see that as a radical party the Liberals could not compete ultimately with Labour; and the Liberals were aware that they were caught between the two parties in a long run perspective.

Interestingly, there were major cleavages in 19<sup>th</sup> century politics along both urban-rural and religious lines. The Conservative party represented agriculture (it split for almost 20 years on the repeal of the Corn laws), while manufacturing was predominantly Liberal. And there was a similar religious split (among Protestants) between the established Anglican church - the Tory party at prayer - and the Dissenters in the Liberal party.

## 5.2. Denmark: Breaking up location-specific interests

Denmark had a single member plurality (first past the post) system from 1849 until 1918, when it

was replaced by proportional representation for elections to the lower house (Folketinget) in the urban areas. Since 1920, all seats for Folketinget have been selected by a two-tier PR formula with a high degree of proportionality and a low threshold (never higher than 2.6 percent). The upper house (Landstinget) was elected by an indirect method that ensured over-representation of the economic elites. Landstinget was equal to Folketinget in terms of power over the legislative process until the constitutional reform in 1901.<sup>12</sup> It was abolished in 1953. Our focus is on the transition from SMP to PR for election to the lower house, starting in 1920.

It is noteworthy that political parties played virtually no role in the Danish system until the 1870s. Although there were loose alliances of MPs that can be seen as pre-parties, the emphasis was on the representation of local interests. Elections in local districts were open and occurred in a public location such as the town square. Candidates were often chosen by a simple show of hands. If the result was contested, there would be a second round where the vote of each eligible person would be registered (but still in a public manner). In the 1800s most elections did not go to a second round, and in about half of the cases there was only a single candidate (Elklit 1988, 40). Conflicts within districts were muted, and thus was reinforced by the open nature of the election, which made dissent difficult.

The emergence of the party system coincided with the rise of towns, but the distinction between rural and urban interests became visible long before the onset of the industrial revolution (Dybdahl 1971; Degn 1978). Urban interests were originally centered around craft production and regional trade, and it grew out of a developed guild system organizing artisans in the different trades. Initially integrated into local economies, craft production has transformed into industries that were linked across regions.

Landed interests were divided between large estates, large independent farmers, and small-holders. The majority of farms joined the cooperative movement, which set up creameries and distribution channels operated by collectively owned corporations. The conflict between town and countryside centered on agricultural prices (including, later, exchange rates), protectionism (agriculture in favor of free trade; industry opposed), and labor, and it was sharpened by the decline of agriculture at the end of the century. The small-scale nature of farming did not facilitate migration of capital to the cities, and the cooperative organization of processing and distribution essentially shut out capital from the cities and prevented the emergence of large-scale industrial farming as it was known in Britain.

The Liberal Party (Venstre) formed in the early 1870s as a parliamentary party through a coalition of MPs elected in rural areas, and it was quickly turned into a major political force capitalizing on

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<sup>12</sup> Because the king could choose his ministers without regard to the distribution of seat in Folketinget until the reform in 1901 (which followed a constitutional crisis), one could argue that the system was not democratic until then. Still, a (largely) democratic representative system did exist starting in 1849. Male suffrage was restricted in various ways, but it still reached 73 percent of males 30 and above in 1849. Female suffrage was not introduced until 1918.

rural and agricultural organizations and promoting the interests of these (albeit with a division between larger and smaller farms). The Conservative Party (Højre) developed in response to Venstre and became a party of representing urban interests. Like the Liberals, the party thrived on the organizational and social networks associated with the guilds, the emerging trade associations, and the rising industrial employer organizations. The Social Democratic Party also came to life around this time, but it did not become a party to contend with until the end of the century. At that time the Liberal Party had divided into two, with the new Social Liberals essentially representing the interests of small-holders and the Liberals increasingly representing large independent farmers.

Even before the rise of the four-party system (under SMP electoral rules), the electoral system became an issue of contention between the two old parties. The restrictive eligibility rules for the upper house ensured a majority for the Conservatives, to which the Liberals objected. On the other hand, the Liberals were over-represented in the lower house because they constituted a majority in most electoral districts.<sup>13</sup> This prompted suggestions from the Conservatives for reforms, but since both houses were important in the legislative process, if the seats in both chambers are weighted equally the system actually worked in a fairly proportional manner. Before 1900, Gallagher's disproportionality score was 8.6 whereas it was 14.7 from 1900 to the adoption of PR in 1918 (when it dropped to 3). This rough equality of representation muted calls for reforms on both sides for many years.

Yet, tensions were mounting as the century drew to a close. The rise of towns, and the spread of manufacturing, occurred across the country, but they were part of larger agricultural districts where town interests for a long time constituted a minority. At the same time the expansion of the Copenhagen metropolis produced a few populous districts with clear urban majorities, but with a disproportional small number of MPs. This process was exacerbated by the onset of industrialization and accelerated migration to the cities. Quite obviously, the SMP electoral system no longer ensured a proportional representation of the main economic interests in society, at the same time as the conflict between these interests intensified. The problem was exacerbated by the formation of the Radical Liberals and the growing minority strength of the Social Democrats (and neither party had representatives in Landstinget).

The first attempt at a resolution was a redistricting reform in 1894 (on the initiative of the Social Democrats). The reform reduced the overrepresentation of Venstre and the underrepresentation of all other parties. But it was a temporary fix. The fundamental problem was that interests tied to the rise of industry were dispersed across geographical areas and almost ensured the emergence of large minorities in multiple electoral districts. What had in the past been a consensual system of local representation turned into a system of national contestation. Correspondingly, whereas 46 percent of elections before the 1870s were either uncontested or easily decided with a show of hands, this figure dropped to 8 percent in the period from 1849-71 (Elklit 1988, 62). The system

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<sup>13</sup> Until the district reform in 1894 the Liberal Party was almost guaranteed 70 of the 102 seats (Elklit 1988, 26).

of Proportional SMP, in other words, was rapidly breaking down and turning into a majoritarian system.

This is the context in which we must understand the unfolding of events after the constitutional reform in 1901 when the king lost his ability to appoint cabinets based on the distribution of seats in Landstinget. The decline of the power of Landstinget made the Conservatives ready for deeper reforms, and it is at this point the Danish electoral system enters a critical juncture. The galvanizing event was the 1913 general election when the Conservatives won 23 percent of the vote but only 6 percent of the seats in Folketinget (Elklit 2001, 17).

Had the main line of conflict been class, conceived as the distribution of income and wealth, the Conservatives might well have considered a rapprochement with the Liberals to form a united front against the rising “threat” of social democracy. In the short to medium run a combined party would easily have excluded the Social Democrats from power, and in the long run it would have precluded government dominance by the left and ensured a prominent role of middle-class interests (the “median voter”). But this was never an option considered by either of the old right parties. Nor was there any chance that the Liberals would become a focal point for middle and upper middle class voters in the cities. For these voters, and for the Conservative Party, the Liberals were perceived to be as contrary to their own interests as the Social Democrats.<sup>14</sup>

In the end, the Conservatives shunned their natural class ally and formed a coalition behind PR, including a reform of elections to Landstinget. Although the Liberals eventually endorsed the inevitable, the compromise that introduced PR (and made elections to Landstinget more equitable) was forged between the Conservatives and the Social Democrats. It is impossible, in our view, to conceive of this compromise as the result of an alliance to protect the class interests of the right. Rather it was a cross-class alliance put together for the purpose of protecting specific economic interests. It was these interests that stood in the way of a class-based majoritarian solution as in Britain.

5.3. The US: Sectionalism transformed.

## 6. Conclusion

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<sup>14</sup> Boix suggests that the reason for the Conservatives to choose PR in the Danish case was that voters were “unable to determine which nonsocialist party [had] a better chance to defeat [the Social Democrats.]” So far as we can determine there is little support for this claim in the historical record. The Liberals polled more votes than the Conservatives (often with a margin of 20 percent or more) in every election but one until the introduction of PR (the exception was the 1892 election when the party had just split into two). In the election before the PR compromise was reached, the Liberals won 38 districts while the Conservatives won 7. Hardly a difficult coordination game for voters to solve – if that was what they were trying to do, of course.

We have argued in this paper that the key to understanding the choice of electoral system in the beginning of the last century is the structure of economic conflict that prevailed. Where the primary division of conflict centered on class and redistribution, right parties chose to maintain majoritarian institutions in the face of a rising left. They did so quite irrespective of the initial number of right parties or the size of the left electoral challenge. Where right parties chose PR it was because they were divided by interests that were specific to the economic assets and activities with which they were engaged. With industrialization and extension of the franchise, what had previously been a system of representation rooted in local production network was replaced by competition between national parties across electoral districts. In a SMP system this implied either party collusion if intra-class interests were not too divided (as in Britain) or transition to PR when they were (as in Denmark).

This account helps to bring the politics of the origins of electoral institutions into line with what we know about the consequences of electoral institutions. Majoritarian electoral rules provide the middle and upper middle class with guarantees against redistributive demands, as reflected in smaller welfare states, but only PR can ensure a party system which pays close attention to specific interests.

One key issue that we have barely touched is the relationship between specific interests and the nature of political parties. When interests are highly specific, say tied to particular industries, there clearly cannot be one party representing each interest. Parties then have to work out differences internally, and for that to be possible the pressure to have a strong leader who is free to pursue popular electoral strategies cannot be too great. Clearly, this is more easily accomplished under PR than under majoritarian institutions. Party organizations may therefore differ systematically across electoral systems and between parties representing different types of interest. Or, to put it differently, the structure of political parties, like the electoral system, is potentially endogenous to the structure of economic interests.

## **Appendix A: Procedures for exclusion or reclassification of cases**

### 1. Three cases with missing data:

Finland, under Russian control for nearly a century, achieved a degree of autonomy and democracy as a consequence of the weakened condition of the Russian regime following the revolution of 1905. But prior to the first election (1907) under universal suffrage (this was introduced for both men and women simultaneously), which also saw the use of proportional representation, the Finnish legislative system was based on four estates with very limited and unequal suffrage. There is simply no instance before the introduction of universal suffrage and PR that would allow one to fairly test the Boix argument.

Austria also needs to be excluded from the analysis. The Austro-Hungarian Empire used a curial system based on extremely restrictive suffrage until 1907. In that year the curial system was abolished, universal male suffrage introduced and a majoritarian system established. But we have been unable to discover data on seats or votes in the 1907 and 1911 elections, and they are not part of the Boix data set. Data become available for the Austrian Republic only with the first election in 1919, when, indeed, a PR electoral system was introduced.

The third case that needs to be excluded is that of the Grand Duchy of Luxembourg. Again, universal suffrage for men (and women as well) was introduced in 1919 along with PR. But no data are available in terms of election results or partisan composition of the Constituent Assembly prior to this election.

### 2. Cases with altered timing

In the case of Greece, Boix uses data from the year of 1926, but universal male suffrage had been established well before this election. Indeed it dates back to 1<sup>st</sup> half of the 19<sup>th</sup> century. Although it is the first year for which data are available, 1926 marks the first election under PR and therefore should not be used (assuming that parties assess their chances of election before deciding whether to contest an election). This points to excluding Greece. The question is, however, whether 1926 is properly viewed as the first year of a new electoral system. Greece, in the inter-war period, had a confused and rapidly changing political situation. Indeed, after the election of 1926, where PR was introduced, this electoral system was rather swiftly dumped and a majoritarian system reintroduced for the election of 1928. So 1926 can hardly be seen as the year of transition to a new electoral system equilibrium. PR was reintroduced in 1932 with one subsequent election (1933) under Majoritarian rules. Given that it is inappropriate to measure fragmentation after the introduction of PR, and that data are not available before 1926, and that it is unclear whether 1926 should be seen as a switch to a new electoral system, we chose to use data based on the values from the 1928 election in an effort to preserve data.

In the case of Iceland there is a smaller issue. Boix uses 1934 as the base for his measure of

threat. Yet, universal suffrage for male and females had been introduced in 1916. Admittedly, there were some minor restrictions, but none of which that would seem to warrant such a late date. We chose instead to use the year 1922, the first year in which electoral data are available.

In the case of Sweden, the change to a PR electoral system was initiated by legislation passed in 1907. This needed to be reaffirmed by legislation passed by a newly elected parliament. This parliament, which had the decisive voice in the transition to PR, was elected in 1908. While not elected on the basis of universal suffrage (which was also passed by the legislature elected in 1908) this is the last year before the introduction of PR and therefore, in our view, the only sensible year to use for the threat measure. Both PR and universal male suffrage became law in 1909 and applied to the elections of 1911, 1914, 1917, 1920, and 1921. Yet, Boix uses 1921 to measure the threat variable.

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