Inflation or Moderation? Presidential Runoffs, Legislative Party Systems, and Coalitions

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Abstract

Nearly half of the world’s presidential democracies choose their chief executives using a majority-runoff electoral rule (MRO), while most others used single-round plurality. What difference does it make? On the one hand, critics of MRO assert that the lower threshold of the first round inflates the number of presidential candidates, and with it the size of the party system. A fragmented party system, in turn, can make presidential coalition building difficult and volatile, which can cause policy stagnation and threaten democratic stability. On the other hand, advocates of MRO argue that is more likely to produce moderation in policy making. In the second-round, candidates must compete to assemble a majority coalition, so they will appeal to the median voter. Plurality elections, by contrast, can be won with smaller, more extreme coalitions of interests. Early studies claimed confirmation of the party system inflation effect. We take advantage of an additional 15 years worth of electoral data and find that party system inflation under MRO has diminished considerably over time, presumably as a consequence of voters and parties learning how best to operate under MRO rules. We conclude by focusing on the suggested ‘good side’ of MRO: policy moderation. We show that among the large number of leftist presidencies in recent Latin American politics, MRO systems tend to produce moderate social democratic presidencies, while single-round, plurality-rule elections beget nearly all of the radical neopopulist presidencies, arguably much greater threats to democracy than a slightly larger number of parties.

Keywords: Presidential Runoffs - Party Systems - Latin America

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Introduction

More than two decades have passed since Shugart and Carey first complicated our understanding of presidentialism by teaching us that not all presidential system are the same, and by arguing that the differences matter for the efficiency of governing, for the probability of inter-branch conflict, and, ultimately, for the stability of democracy. They observed that the so-called ‘perils of presidentialism’ (Linz, 1994) are mostly associated with divided government, that is, when the president’s party does not control the legislature. The probability of divided government, in turn, can be influenced by the details of electoral cycles and electoral rules. When legislative elections are held concurrently with presidential elections, and even better, when one branch is elected just before the other (so-called honeymoon or counter-honeymoon cycles), the likelihood of divided government is lower than when the legislative elections are held at the presidential midterm. Similarly, the president’s party is unlikely to control the legislature when legislative elections use proportional representation electoral rules. PR, especially when district magnitudes are high, tends to inflate the number of political parties, and the more parties there are, the less chance that any one party will win a majority of seats. Mainwaring (1993) focused on this latter point, warning that the combination of presidentialism and multipartism was particularly dangerous, as ‘minority presidents’ would find it difficult to govern amid shifting coalitions.

The fragmenting effects of PR for legislative elections might also be exacerbated by the presidential electoral rule. Nearly all the world’s elected presidents are chosen by either plurality rule (53%) or majority runoff (47%).¹ Plurality rule is the simplest: after a single round of voting, the candidate with the most votes wins the presidency. In the typical majority runoff system (MRO), if no candidate wins a clear majority of the votes cast in the first round, the top two vote-getters proceed to a second round of voting, where

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¹There are some cases in which the legislature chooses the executive if there is no majority winner in a popular election. Bolivia and Chile, for example, used to use this rule, and in the U.S., if no candidate wins an electoral college majority, the House of Representatives makes the choice.
one must win a majority.\textsuperscript{2} According to Duverger’s Law (Duverger, 1954), a single-round plurality election ought to reduce the field of candidates to two, as supporters abandon non-viable candidates in order to choose between the top two contenders. Parties that might otherwise have run their own candidates drop those plans and instead endorse one of the top two, in the pursuit of favorable post-election policies or perks. By contrast, parties and candidates contesting MRO elections can focus merely on advancing to the second round. As long as no candidate wins an outright majority, then any candidate who wins more than a third of the vote is guaranteed to advance to the runoff. In equilibrium, three viable contenders should emerge (Cox, 1997; Shugart and Carey, 1992; Reed, 2001).\textsuperscript{3} A more crowded field of presidential candidates could spill over into a more fragmented legislative party system (Mainwaring, 1990), especially if the legislative elections are concurrent with the first round in MRO systems. Third and fourth parties will benefit from having fielded a presidential contender, and their candidates will thereby win more legislative votes and seats. Indeed, even fifth and sixth parties might choose to throw their hats into the presidential ring, not necessarily with any hope of advancing to the second round, but with the goal of maximizing their legislative presence and hence their bargaining power when the two finalists start bidding for coalitional support before the second round. Thus, other things equal, MRO presidential elections should inflate legislative party systems (Mainwaring, 1990).

Of course, other things are not always equal, and party systems may reach equilibrium only after several elections, if indeed they ever do. The Duvergerian logic of party system equilibrium relies crucially on the assumption of common knowledge about which contenders are viable and which are not (Cox, 1997). But that assumption is not always a safe one, especially in relatively new democracies and in democracies that

\textsuperscript{2}Again, there are some exceptions to this generalization. The most important are where the threshold for first-round victory is below 50%, as in Costa Rica.

\textsuperscript{3}If the party system is bifurcated ideologically, then the first round could serve a sort of primary, with two parties of the right vying for one spot in the runoff, and two others competing to represent the left. This would mean as many as four viable competitors. France is a fair example of this scenario.
lack stable, ‘institutionalized’ political parties (Moser and Scheiner, 2012). If there is uncertainty as to which contenders are viable, there is much less reason for anyone to abandon the race. Whether the contest is plurality or MRO, if more contenders think they have a chance to win (or advance to a runoff), more will stay in the race. If that happens, a plurality race could be won with much less than a majority, and the top two in an MRO election could advance with considerably less than one third of the first-round vote.

Early empirical work did report larger legislative party systems in presidential regimes using MRO elections than in those whose presidents were elected by plurality rule (Carey, 1997; Mainwaring and Shugart, 1997). But at that time, many of the countries using MRO had held only one or two rounds of elections since their returns to democracy after years - or even decades - of dictatorship. Most of those new democracies chose MRO rules at the time of transition, having used plurality rules in earlier democratic periods. Party systems were artificially suppressed during dictatorship, so any party-system effect of moving to MRO was confounded with the transition to democracy. Now, fifteen years later, we have a much richer data set. The new democracies are no longer so new, and they have much greater experience with their electoral rules. If parties have learned through experience how best to negotiate their electoral institutions, they ought to be moving toward equilibrium over time.

Whether or not we can find evidence that MRO presidential elections inflate legislative party systems, as long as there are more than two parties, presidents will have to build coalitions in order to legislate. They might include other parties’ leaders in their executive cabinets, but even if they do not, they will need extra votes in the legislature to

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4For example, Paraguay’s Fernando Lugo won the presidency with only 41% of the vote in 2008. He was impeached in 2012 by political foes in the legislature in what some neighboring governments called a constitutional coup d’état.

5For example, in the first round of the Argentina’s 2003 election, with as many as five viable candidates, the top two candidates garnered only 25% and 22% of the vote, respectively.

6If there are only two parties, then either the president’s party controls the legislature (unified government) or the opposition party does (divided government). In either case, assuming party cohesion, the only possible ‘coalition’ is unanimity.
pass their policy programs (Cheibub, 2007). In plurality systems, the winner might have built an electoral coalition, trading support from parties that did not field a challenger for promises of policy deals or office perks. Or, especially since such promises may not be credible, the cobbled together of a legislative majority might begin after the election, and might even proceed on a bill-by-bill basis. In an MRO system, by contrast, the period between rounds (usually a couple of weeks or more) is devoted to concerted and often very public horse-trading. The finalists bid for the endorsements of other parties, to the point that voters are able to assess the second round as a choice between coalitions, not just individuals. The winning coalition will have a majority mandate to govern (Powell, 2000; Stokes, 2002), whereas the winner of a plurality-rule presidential contest often will enter office with the explicit support of only a small plurality of voters.

This logic implies that presidential coalitions are more likely to be of majority size and ought to be more stable in MRO systems than in plurality systems. Is this in fact the case? And is the uncertainty about coalition building, and the susceptibility to coalitional shifts implicated in the supposed fragility of presidentialism? Or, alternatively, if MRO systems really do increase the partisan fragmentation of the legislature, does that worsen the governability problems of multiparty presidentialism? Finally, numbers of parties and of coalitional combinatorics aside, might the explicit inter-round bargaining in MRO systems produce qualitatively different types of coalitions than the more free-wheeling deal-making in plurality-presidentialism? Might the need to present a prospective coalition to voters in the hope of receiving an electoral mandate lead to coalitions that are more pleasing to the median voter?

Cheibub (2007), in his reassessment of the literature and evidence on the perils of presidentialism concludes that any correlation between presidentialism and democratic breakdown is coincidental. Presidentialism just happened to be a popular constitutional choice in many places that were for other reasons inhospitable to democracy. That such democracies collapsed was not due to presidentialism, nor indeed to any of its particular
institutional sub-types. In Cheibub’s explanation, MRO is irrelevant to democratic stability, at least through the path that leads from MRO to party system inflation to coalitional instability to democratic breakdown. But again, the most recent historical period, since the beginning of the Third Wave of democratization (Hagopian and Mainwaring, 2005), confounds electoral sub-type with other recent trends. If MRO does produce more moderate coalitions on average, then the secular shift to MRO rules that coincided with the most recent transition to democracy could be part of the reason that that transition has proved, so far, to be durable. We will offer some thoughts about how we might study this last question at the end of the present paper.

**Presidential election rules and legislative party systems**

Do countries that use majority-runoff for presidential elections have more parties in their legislatures? If so, is this because of MRO, or is it merely a coincidence? And perhaps more to the point, did countries that switched from plurality to MRO see a permanent increase in their numbers of legislative parties? Although these questions are crucial to the understanding of many electoral systems around the world, there have been few attempts to assess them carefully. The empirical work that supports the conventional wisdom on this issue is weak, and it is affected by three main problems: (1) scholars use results of a small number of democratic elections to evaluate the effects of runoffs over party systems; (2) the effects of democratic transitions were not accounted for; and (3) no systematic technique was used to evaluate the substantive effect of the differences observed. When Shugart and Carey (1992), for instance, showed the influence of runoffs on government instability, they were necessarily looking at very few democratic electoral results (data through 1991), they did not control for any effect that transitions would have (i.e. years since the first democratic election), and no confidence intervals were estimated to assess the uncertainty of the estimates fitted. In this section, we investigate these questions by interrogating a new dataset that covers 423 elections in 35 presidential
democracies from 1946 to 2011.

Although roughly half of all the world’s elected presidents are chosen by MRO, the highest concentration is in Latin America. Today, 13 of the 18 presidential democracies in Latin America use a majority runoff system. In Table 1, we present the complete list of democracies that use MRO for presidential elections, and for each, the year of implementation. In all of the analysis that follows, we focus only on the pure presidential systems in the left column.

Table 1: Countries using Majority runoff for Presidential Elections

<table>
<thead>
<tr>
<th>Presidential</th>
<th>Semi-Presidential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina (1994-)</td>
<td>Croatia (2001-)</td>
</tr>
<tr>
<td>Bolivia (1985-)</td>
<td>Finland (1999-)</td>
</tr>
<tr>
<td>Brazil (1988-)</td>
<td>France (1958-)</td>
</tr>
<tr>
<td>Chile (1989-)</td>
<td>Poland (1997-)</td>
</tr>
<tr>
<td>Colombia (1991-)</td>
<td>Portugal (1976-)</td>
</tr>
<tr>
<td>Costa Rica (1948-)</td>
<td>Romania (1991-)</td>
</tr>
<tr>
<td>Cyprus (1960-)</td>
<td></td>
</tr>
<tr>
<td>Dominican Republic (1996-)</td>
<td></td>
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<tr>
<td>Ecuador (1979-)</td>
<td></td>
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<tr>
<td>El Salvador (1984-)</td>
<td></td>
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<td>Ghana (1992-)</td>
<td></td>
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<td>Guatemala (1985-)</td>
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<tr>
<td>Indonesia (2002-)</td>
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<tr>
<td>Kyrgyzstan (1999-)</td>
<td></td>
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<tr>
<td>Namibia (1992-)</td>
<td></td>
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<tr>
<td>Nicaragua (1996-)</td>
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<tr>
<td>Nigeria (1999-)</td>
<td></td>
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<td>Peru (1980-)</td>
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<tr>
<td>Ukraine (1999-)</td>
<td></td>
</tr>
<tr>
<td>Uruguay (1996-)</td>
<td></td>
</tr>
</tbody>
</table>

Source: IDEA (2013)
Latin American countries in bold-face type

Analyzing presidential systems around the period of transitions, Jones (1995), Carey (1997), and Mainwaring and Shugart (1997) suggested that the most important difference.

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7 The exceptions are Honduras, which used MRO 1957-1962, Mexico, Panama, Paraguay and Venezuela.
between plurality and MRO systems is that MRO encourages a greater number of presidential candidates to compete than does plurality. Under plurality, where the threshold for success is high, the best strategy for a presidential aspirant who cannot reasonably expect to win the most votes is to enter into a pre-electoral coalition with a viable candidate. Under MRO, on the other hand, the first-round threshold is much lower. One need only finish second in the first round to survive. Moreover, given that electoral coalitions can be renegotiated after the first round in anticipation of the runoff election, even nonviable candidates might participate in the first round in order to demonstrate their electoral strength and the value of their second-round endorsement.

An initial look at the data supports the hypothesis of greater fragmentation of the first-round vote among presidential candidates in MRO than in plurality systems, although the difference is not large as earlier comparisons (based on many fewer years of data) tended to show. Data from 329 elections across 39 countries show that the mean effective number of presidential candidates winning votes (ENPres) was 2.91 under MRO, as opposed to 2.55 under plurality, a difference of 0.36 (see Figure 1, left panel).

For Latin American countries (right panel), the difference is basically the same (0.33). Carey (1997) claims that the higher number of presidential candidates has important implications for the legislative party system, for two reasons. First, where executives and legislatures are both popularly elected, executive elections tend to be more salient to voters than legislative ones. As a result, the effects of institutional rules governing executive elections tend to spill over into legislative party systems. Second, where presidential and legislative elections are held at the same time, legislative elections are typically held concurrently with the first round of MRO presidential elections, rather than with the second round. The result is that legislative party systems tend to mirror the fragmenta-

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8 The horizontal lines in the boxes show the medians of the distributions, and so are somewhat different than the means we report in the text.

9 Because nearly all of the literature in this area focuses on Latin America, we shall present results for a Latin American sub-sample alongside those from the full sample of presidential democracies throughout this paper.
tion of first- (or single-) round presidential contests: where plurality elections encourage broad coalitions at the presidential level, legislative party systems are less fragmented. Where MRO encourages more fragmentation in presidential campaigns, on the other hand, legislative party systems reflect this pattern as well.

For these authors, the irony is that one of the principal arguments in favor of MRO has been that it would ensure the election of a president with a mandate from a majority of voters (Jones, 1995). To the extent that MRO contributes to fragmentation of the legislative party system, they argue, it makes legislative coalition building more difficult and thus undermines the ability of presidents to act. This concern seems much less momentous, however, when we observe that the difference of fragmentation between MRO and plurality has dwindled to 0.36 presidential candidates, compared with a difference of 1.0 when data was restricted to 1997 or so. Although the descriptive evidence seems to cast doubt on the purported mechanism by which presidential election rule inflates the legislative party system, we will assess this more rigorously in the last sections of
this paper. Before focusing on the supposed mechanism of change, however, we investigate the actual difference in the number of legislative parties across the two forms of presidential electoral rule. The mean effective number of parliamentary parties winning seats in the lower house (ENPP) was 3.75 under MRO, as opposed to 2.71 under plurality (see Figure 2). This difference is substantially larger than what we observed before for the ENPres, although it does not hold true for Latin America (3.40 for MRO vs. 2.82 for plurality).

**Figure 2**: Effective Number of Parliamentary Parties by Electoral Formula, 34 countries, 1946-2011

Another critical feature of institutional design affecting party systems is the relative timing of presidential and assembly elections, or the electoral cycle. As suggested by Carey (1997) and Mainwaring and Shugart (1997), the fragmenting effect of MRO presidential elections on the legislative party system is most relevant when elections for the two branches are held at the same time. Across political systems, however, there is enormous variance in electoral cycles. In many cases, presidential and assembly elections are
always concurrent and members of both branches serve simultaneous terms (e.g., Costa Rica, Venezuela, Uruguay, and Nicaragua). In others, concurrent elections alternate with assembly mid-term elections (e.g., the United States, the Philippines, and Argentina). In still others, presidential and assembly terms are of different durations, and staggered in such a way that assembly elections sometimes occur early in presidential terms and sometimes later (e.g. France, South Korea, and Chile).

In plurality systems, these authors claim, broader coalitions behind presidential candidates translate into less fragmentation of the vote among legislative parties. Voters are most likely to cast legislative votes for the set of candidates associated with their presidential choice. Thus, fragmentation of the legislative party system should be lowest under the plurality/concurrent format; indeed it should be dominated by two big parties. Conversely, more fragmented presidential contests under MRO generate more fragmented legislative party systems. Where elections are not concurrent, the attenuating effects of presidentialism should be weaker, so legislative party systems should expand. In the non-concurrent scenario, the difference between plurality and MRO presidential elections should matter less for the legislative party system because legislative campaigns are conducted on their own terms.

The average effective number of parliamentary parties (ENPP) in plurality/concurrent elections is 2.60, whereas it is 3.89 in MRO/concurrent elections. The average ENPP in plurality/non-concurrent elections is 2.42, compared with 3.97 for MRO/non-concurrent elections. The difference between plurality and MRO is substantially and statistically significant, but it is only marginally bigger when we compare concurrent with non-concurrent cycles. The argument finds, then, only partial support in the raw data. When we compare the data for Latin America with the full data set (including Latin America), we see that the argument is much weaker for the Latin American cases. As we can see in the top-left panel of Figure 3, MRO elections held concurrently tend to have a higher effective number of parties than do plurality elections in the full sample. The difference
goes away for the sub-sample of Latin American cases (top-right panel).

**Figure 3:** *Effective Number of Parties by Electoral System and Concurrency, 34 countries, 1946-2011*

So far, the evidence that incorporates 20 more years of information provides at best weak support for the early analyses by Jones (1995), Carey (1997), Mainwaring (1990) and Mainwaring and Shugart (1997). The legislative party system differences between MRO and plurality cases are not very large. Did the earlier studies get it wrong? We agree with Geddes (1995) and Shugart (1998) that abnormally high levels of fragmentation are not surprising immediately after democratic transitions, especially when the authoritarian regime had suppressed the ‘natural’ representation of societal interests. Because those early analyses focused on electoral results since transition, and had only a few to observe, it is likely that they were overly influenced by the artificially low baseline of authoritarian-era party systems and the artificially high level of party-system instability in only recently unleashed democracies.
Learning the system

If it is correct that the initial increase in party system size in early-1990s Latin America was due in part to the exuberance and uncertainty surrounding the return to democracy, then we should expect to see the number of parties decreasing as voters and parties gain more experience with democratic competition, including the incentives of the new MRO format for presidential elections. In order to investigate this claim, we use a changepoint analysis on the over-time trends in party-system size, standardizing the evolution of the party systems by the number of years since each country introduced MRO.

Figure 4: Average of Effective Number of Parliamentary Parties by Years With(out) Runoff

The overall pattern is plotted in Figure 4 and it seems to reveal four different periods. The first lasted until roughly 20 years before MRO was implemented for presidential elections, while the second spanned those final 20 years before MRO. The third traversed the first 15 years after MRO was introduced, and the fourth covers the most recent 15 years or so. Qualitatively, these four eras can be classified roughly as: (1) pre-authoritarian-
plurality, (2) authoritarian-plurality, (3) democratic transition-MRO, and (4) democratic consolidation-MRO. Such qualitative classification of the correlation of the political era with the effective number of parties observed in all countries already suggests the operation of the mechanism we suggest, but the use of changepoint analysis may confirm this idea more clearly.

In its simplest form, changepoint detection is the name given to the problem of estimating the point at which the statistical properties of a sequence of observations change. More formally, let us assume we have an ordered sequence of data, $y_{1:n} = (y_1, ..., y_n)$. A changepoint is said to occur within this set when there exists a time, $\tau \in \{1, ..., n-1\}$, such that the statistical properties of $\{y_1, ..., y_\tau\}$ and $\{y_{\tau+1}, ..., y_n\}$ are different in some way. This idea can be extended easily to multiple changes (Killick and Eckley, 2011). For this analysis we use only the post-redemocratization period, although the results are robust for the entire period as well. The results are compelling (see Figure 5).

**Figure 5:** Average Effective Number of Parliamentary Parties (ENPP) by Number of Elections

Figure 5 shows the same information as in the previous figure, but only taking into
consideration the number of elections since MRO was implemented. We observe three distinct periods. In the first period, elections without runoff saw legislative party fragmentation increase slowly, not exponentially as expected by the literature that informs the conventional wisdom. In the second period, we observe a dramatic increase, peaking after five elections are held (or approximately 16 years). In the third period the decline of party fragmentation is almost as strong as the increase in the previous five elections. The changepoint analysis predicts the cutpoints to be at the second election and at the eighth election after runoffs were implemented. This is solid evidence for the effect of experience with the MRO system over time on the fragmentation of the party system.

To give a better sense of the information displayed in the Figures 4 and 5, we show the years during which each country was using Plurality or MRO and hence contributing its party-system size to the average depicted in the Figures. Figure 6 shows the distribution of elections for each country having as a reference – the value 0 – the year MRO was adopted for the countries that adopted it. As we can see, Costa Rica is the country that has held the most MRO elections, followed by Cyprus, Ecuador, and El Salvador. In fact, most of the data in the right tail of Figure 5 is determined by the electoral results of these countries. Argentina, Bolivia, Brazil, Chile, and Peru have so far held around 6 or 8 elections under MRO and are still showing a pretty high level of vote fragmentation, although the most recent elections in both Bolivia and Chile saw a substantial drop in ENPP. Colombia, Uruguay and Guatemala are the next ones in line, having held either 4 or 5 MRO elections. Nigeria, Malawi, and Indonesia have just started using MRO, and therefore, are the countries whose high effective number of parties we expect to decline after several more election cycles.

The statistical analysis we are going to pursue here is informed by the patterns we have just described in the data above. To account for temporal correlation within subjects and over time, we fit a REML Linear mixed-effects model with Random Intercept for countries and Autoregressive-Moving Average (1,1) [RI + ARMA(1,1)] covariance model.
Figure 6: Distribution of Election Periods Over Time by Country

Formally, the model we estimate is specified as follows:

\[ Y_{i,j} = x'_{i,j} \alpha + \eta_i + \epsilon_{i,j} \]

\[ \eta_i \sim N(0, D_\eta) \]

\[ \epsilon_{i,j} \sim N(0, \Sigma(\theta)) \]

Where \( Y_{i,j} \) is the effective number of parties for country \( i \) at time \( j \); \( x'_{i,j} \) is a matrix of covariates (electoral formula for presidential election, electoral cycles, district magnitude, effective number of presidential candidates, time since MRO was used for the first time, electoral formula for legislative elections, total number of parties and type of electoral system); \( \alpha \) is a vector of fixed effects; \( \eta_i \) is the random effect for country \( i \); and \( \epsilon_{i,j} \) is an error term. The random effects are assumed to be normally distributed with mean zero and fixed but unknown variance-covariance matrix \( D \). The residual has covariance...
matrix $\Sigma(\theta)$, which here we model as Random Intercept plus Autoregressive Moving Average (1,1) as discussed above.

\[ \text{Table 2: Linear Mixed-effects Model Fitted by REML} \]

\begin{table}[h]
\centering
\begin{tabular}{lcccccc}
\hline
 & \multicolumn{2}{c}{M&S} & \multicolumn{3}{c}{N&T} \\
 & 1997 & 2011 & ENPres & Time & Amelia & Original \\
\hline
(Intercept) & 3.59 & 3.80 & 2.04 & 2.77 & 1.85 & 1.68 \\
 & (0.90) & (0.73) & (0.69) & (0.58) & (0.58) & (0.59) \\
Run-off & 1.63 & 0.93 & 0.67 & & & \\
 & (0.93) & (0.65) & (0.57) & & & \\
Concurrent & -0.82 & -0.57 & -0.45 & -0.67 & -0.82 & -0.72 \\
 & (0.68) & (0.52) & (0.45) & (0.38) & (0.33) & (0.33) \\
Ave. District Mag. & -0.10 & -0.19 & -0.14 & -0.21 & 0.06 & 0.03 \\
 & (0.17) & (0.14) & (0.12) & (0.11) & (0.15) & (0.16) \\
Run-off $\times$ Concur. & -0.94 & -0.37 & -0.04 & & & \\
 & (0.65) & (0.49) & (0.44) & & & \\
ENPres & & & 0.55 & 0.43 & 0.37 & 0.41 \\
 & & & (0.09) & (0.07) & (0.09) & (0.10) \\
Time-runoff & & & 0.14 & & & \\
 & & & (0.05) & & & \\
(Time-runoff)$^2 < MRO_8$ & & & & 0.05 & 0.07 & \\
 & & & & (0.06) & (0.06) & \\
Time-runoff $> MRO_8$ & & & & -0.37 & -0.42 & \\
 & & & & (0.59) & (0.57) & \\
Legisl. Plurality & & & & 0.67 & 0.55 & \\
 & & & & (0.37) & (0.39) & \\
Tot. Parties & & & & 0.11 & 0.11 & \\
 & & & & (0.02) & (0.02) & \\
\hline
Observations & 230 & 417 & 415 & 398 & 416 & 395 \\
BIC & 386 & 595 & 571 & 591 & 406 & 377 \\
Country-years & 16 & 22 & 22 & 22 & 22 & 22 \\
\end{tabular}
\caption{Effective Number of Parliamentary Parties (ENPP)}
\end{table}

$MRO_8$ refers to the 8th election held using MRO rules.

Table 2 displays the results from estimating our model using six different specifications. We are particularly interested in the substantive comparison between Plurality, MRO, and the interaction of Time with MRO. We begin by replicating the results from Mainwaring and Shugart (1997) using their data, but modeling the variance-covariance
structure of the data explicitly. Table 3 displays the estimated ENPP for each combination of presidential electoral rule (Plurality or MRO) with each type of electoral cycle (Concurrent presidential and legislative elections or Non-Concurrent). Looking first at the data through 1997, we find essentially the same results as did Mainwaring and Shugart. In both Plurality and MRO systems, ENPP is higher when presidential and legislative elections are not concurrent. And in both concurrent and non-concurrent contexts, MRO systems show higher ENPP than Plurality systems. In the rightmost column, then, we run the same model but use our data set, which is updated through 2011. In this analysis we find the difference of ENPP between MRO and plurality to be significantly smaller than in the early data. Among Concurrent systems, the average ‘inflationary effect’ of MRO drops from 1.51 extra parties as of 1997 to 1.13 as of 2011. And for country-elections with Non-Concurrent cycles, the difference drops from 1.63 parties in 1997 to only 0.93 in 2011. So the longer view shows smaller effects than the earlier assessments, but still, all effects seem to point in the same direction as Mainwaring and Shugart (1997) reported.

Table 3: Estimated Average of Effective Number of Parliamentary Parties by Presidential Electoral System and Election Cycle, 34 countries, 1946-2011

<table>
<thead>
<tr>
<th>Presidential Formula/Election Cycle</th>
<th>Data through...</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1997</td>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>Plurality/Concurrent</td>
<td>2.77</td>
<td>3.23</td>
<td></td>
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<tr>
<td>MRO/Concurrent</td>
<td>4.28</td>
<td>4.36</td>
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</tr>
<tr>
<td>Difference</td>
<td>1.51</td>
<td>1.13</td>
<td></td>
</tr>
<tr>
<td>Plurality/Non-concurrent</td>
<td>3.59</td>
<td>3.80</td>
<td></td>
</tr>
<tr>
<td>MRO/Non-concurrent</td>
<td>5.22</td>
<td>4.73</td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>1.63</td>
<td>0.93</td>
<td></td>
</tr>
</tbody>
</table>

These replications show that the limited time frame analyzed by all the seminal papers in this area seems to have skewed the conclusions draw in those studies. Figure 7 displays the differences visually. Note, for instance, how the slopes for the marginal
Figure 7: Predicted Values of ENPP by Election Type and Cycle, 1997 and 2011

Effects displayed in Figure 7 are much steeper for the 1997 data (top) than for the 2011 data (bottom), especially for MRO systems (right panels). The instability of the results suggests that we need to find a better explanation for the impact of presidential electoral rules on the effective number of legislative parties. To advance our understanding, we need to assess more rigorously the effect of time over the dynamics of party systems around the world.

In Model (3), we add a variable that tests the mechanism claimed by the conventional wisdom as the link between MRO and inflated ENPP: the effective number of presidential candidates (ENPres). As Carey (1997) explains, the key is that MRO induces more
candidates willing to run in the first round of the presidential election. The inflation of legislative party system, in turn, will tend to mimic the inflation of the presidential contest. Results from Model (3) indeed show that. A unit increase in the number of presidential candidates is associated with a 0.55 increase in the effective number of parliamentary parties. As is to be expected if ENPres is truly an intervening variable between election type and ENPP, when ENPres is included in the model, the coefficients for the sizes and difference of ENPP on Plurality and MRO shrink dramatically. It seems clear that at least some of the relevance of presidential election type on the number of legislative parties works through the number of presidential candidates. To understand the substantive effect of ENPres, note the steepness of the slope on Figure 8. It is showing how the increase in the ENPres tends to produce substantive large differences in the party system size.

**Figure 8: Predicted ENPP by Levels of ENPres**

Having documented the much-smaller-than-earlier-reported effect of MRO when us-
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ing the updated version of the data set, and the large and substantive influence of ENPres over ENPP, we move one step forward to discuss the results of models (4), (5) and (6). These models incorporate structure in the time variation that differs from the way we have done thus far. Therefore, it allows us to visualize and predict the expected effects of MRO and plurality over time. Formally, we employ a nonlinear piecewise model (Moffitt, 1986; Oh and Kim, 2002) that models the features of the data as explained before, but that include the following structure to fit the variation we observe over time:

\[
(Time-runoff)^2 < \text{MRO}_T = \begin{cases} 
0 & \text{for } Time < 0 \\
\text{time + Time}^2 & \text{for } 0 < Time < T \\
0 & \text{for } Time > T 
\end{cases}
\]

and

\[
\text{Time-runoff > MRO}_T = \begin{cases} 
0 & \text{for } Time < T \\
1 & \text{for } Time > T 
\end{cases}
\]

Thus, Time-Runoff takes the value 0 for country-elections using Plurality, that is observations for which the experience with MRO has not begun (and maybe never will). It takes on a quadratic function of time for the period between adoption of MRO and the threshold year (MRO\textsubscript{T}) identified in the earlier change-point analysis, and then again takes the value 0 after the threshold, at which point we assume that longer experience with MRO will have no further marginal effect on the number of legislative parties. For the second variable we simply compare the last period after the changepoint analysis threshold and the previous period.

Although this modeling structure clarifies the data in terms of the questions we are trying to find responses here, it makes regression coefficients difficult to interpret. In order to understand what the model is producing we need to look at predicted-value
plots that take into account the time variance of the data. Figure 9 shows how ENPP changes as a country’s experience with MRO elections increases. It is only in the first years of runoff that we can say there is an inflationary of the party system. After several elections what we predict is a sharp decrease in the effective number or parties – which we interpret as a result of learning. Such decay in the effect of MRO, however, does not go lower than what the conventional wisdom expect for a system that is already highly fragmented. Our model predicts that MRO systems will converge over time toward an effective number of parties around 3.

These results lead us to some preliminary conclusions: First, it is very likely that the findings of Jones (1995), Carey (1997), and Mainwaring and Shugart (1997) were solid only for the first time period showed in the Figure 4. As the authors were investigating Latin American party systems just after the re-democratization, they observed the effects that transitions have over fragmentation and attributed these effects (mistakenly, we argue) to the MRO presidential election rule. Second, it is insufficient to analyze the
effects of electoral rules without considering over-time changes in the effects that they have over the political system as a whole. Elites and voters need some time to understand how the rules and the incentives produced by them can affect the results, given their preferences. The uncertainty that is endemic to regime transitions dissipates as voters and politicians learn how their new institutions work in practice.

**Presidential election rules and presidential coalitions**

The previous section showed that while there is some evidence of larger legislative party systems in presidential regimes that use MRO elections than in those that use plurality rule, and that the difference is driven in part by the effect on the effective number of presidential candidates (ENPres), the differences are small (less than one party) and shrinking over time. Indeed, it is not altogether clear that MRO matters for much at all, save the proximal, almost mechanical effect on the number of first-round presidential candidates. As card-carrying institutionalists, it pains us to consider the possibility that this particular institutional choice is not of great moment, but we are buoyed by the need to understand why so many countries, when they transitioned (back) to democracy, went out of their way to replace plurality presidential elections with MRO. Why did they choose MRO if the choice doesn’t matter?

Any president whose own party lacks a legislative majority, and who does not face a single opposition majority party (that is, truly divided government), will try to build a legislative coalition in order to make policy. Does the two-round structure of MRO presidential elections, which officially narrows the field to two finalists, create the conditions for fundamentally different types of coalitions than are common in plurality presidential systems?

We return to the simple description of the runoff system. Its most immediate effect is that the eventual winner, the individual who will serve as president for a fixed term of several years, enters office with a majority mandate. If he or she wins an outright
majority in the first round and a runoff is not needed, then the mandate is for the individual candidate and party and platform. If the win comes via the runoff, then the mandate is for the coalition that the winner built between rounds. For that coalition to have won a majority, it is likely that its ideological center of gravity is near the median voter, either because the new president is himself or herself a moderate, or because the new president coalesced with centrist partners to appeal to the middle.

By contrast, a plurality winner could be more extreme, especially if the winning plurality was much less than 50%. And because voters in plurality systems do not necessarily get the chance to assess a governing coalition (merely to choose the formateur for unknown future coalitions), plurality winners are more likely to be ‘minority presidents.’ They will need to make deals on the fly to pass bills, and will be more tempted to use whatever powers are granted to the executive branch in lieu of legislating. Decree powers, if they exist (Carey and Shugart, 1998) are perhaps more likely to be abused by an extremist, minority president. This is precisely the situation that Linz and other early critics of presidentialism warned about, and that even Shugart and Carey admitted were the worst case scenario for presidentialism.

At this point, we are unable to measure the ideological bent of presidents or their cabinets in any precise way. But we offer here a suggestive analysis drawn from the so-called ‘rise of the left’ in contemporary Latin America. We show that the combination of stable parties (regardless of their number) and MRO is correlated remarkably well with a more responsible, moderate, social-democratic flavor of leftism, while the combination of a weak party system and plurality rule tends to produce populism, a less moderate and potentially more dangerous form of leftist politics.

**MRO and the Varieties of Leftism in Latin America**

The emergence of left governments in many Latin American countries over the last two decades is generally attributed to voters’ dissatisfaction with neoliberal policies’ out-
comes in the first years after democratic transition (Gasparini, Cruces and Tornarolli, 2009; Hochstetler, 2006; Lustig, 2009; Shifter, 2007). Growing inequality and underemployment were just two of the many consequences of neoliberal policies that spurred calls for change (Gasparini, 2003; McLeod and Lustig, 2011). Many scholars have investigated the left turn in the region, and have proposed classification schemes to make sense of the diversity of leftist movements, leaders, and governments (Petkoff, 2005; Castañeda, 2006; Arnson and Perales, 2007; Weyland, Madrid and Hunter, 2010). In this section we take the discussion a crucial step further by investigating why some left governments are social democratic (e.g., Brazil, Chile, and Uruguay), whereas others are neopopulist (e.g., Bolivia, Ecuador, and Venezuela), if in fact all of them were elected in reaction to similar problems on the ground and concerns among voters.  

Interestingly, major left parties in almost all countries were quite radical until the 1990s. Some of those parties moved sharply to the center under the pressures of market reform and the associated electoral incentives to capture the median voter in the 1990s (Weyland, Madrid and Hunter, 2010). In Brazil and Chile, the left that eventually won the presidency was very much shaped by the context of the 1980s and 1990s, especially market reform and democratic consolidation, and the moderating incentives that those  

\[10\] A neopopulist strategy is based on the personalistic relationship between the politician and the voters, or in other words, the neopopulist discourse frequently buttresses an authoritarian, top-down process of political mobilization in which the leader addresses the masses without the mediation of institutions. A social democratic strategy, however, is defined by the presence of political parties as the main competitors in the democratic process.

\[11\] The PT in Brazil, the PS in Chile, the MIR in Bolivia, the APRA in Peru, and the MAS in Venezuela were all born under the same ideological umbrella: anti-regime, socialism, and social rights. The PT was launched by a heterogeneous group, formed by trade unionists, left-wing intellectuals and artists, and Catholics linked to the liberation theology (Meneguello, 1989). They were deeply influenced by the socialist movement in the 1960s. The PS in Chile is the embodiment of socialist ideologies present in the country since mid-19th century. Ideas around civil rights and social equality took hold in the labor movement at the beginning of the 20th century and were diffused through writers and political leaders (Petkoff, 2005). The MIR was founded in 1971 by a group of young Christian Democrats and was linked to the student movement that swept across the world in the latter part of the 1960s. Initially, the MIR expressed solidarity with urban guerrilla groups and had close ties to its namesake, Chile’s more radical ‘Movimiento de la Izquierda Revolucionaria’ (Wiarda and Kline, 2010). APRA, in turn, initially espoused anti-imperialism, Pan-Americanism, international solidarity, and economic nationalism. It was a democratic socialist party that aimed to influence the whole continent (Kantor, 1953). Finally, MAS was founded by a faction of the Communist Party of Venezuela, with a view to emphasizing a socialist message (Ellner, 1986).
economic and political-institutional constraints created. By contrast, leftists in other countries were not forced to follow the same path. In Bolivia and Venezuela, for example, the left-wing parties that underwent a similar process of moderation foundered on the shoals of an aborted process of market reform (Venezuela) or the disappointing outcomes of structural adjustment (Bolivia). The discrediting of center-left forces in these countries opened up space for the rise of much more radical left-leaning movements. As economic and political constraints were losing force, neopopulist anti-system movements emerged.

Our research builds on the findings of Roberts and Wibbels (1999) concerning the reasons that the left chooses a moderate or an antagonistic posture in different Latin American countries. They argue that “left-wing forces, parties, and governments in Brazil and Chile have been deeply shaped by organizational, institutional, policy-regime, and resource constraints, which have made much less of an imprint on [Venezuela’s] Chavez, [Bolivia’s] Morales, and their supporters” (Roberts and Wibbels, 1999). We concentrate on institutional variables to show that leftist politicians are molded into either social democratic or populist presidents as a result of their political environments. Specifically, we explore the impacts of two variables: (1) MRO presidential elections, and (2) the presence or absence of structured political parties inside legislatures. We will argue that the variation in Latin American leftism is not a result of the election of ‘good’ or ‘bad’ politicians, but rather is a consequence of an institutional setting that constrains or does not constrain the actions of office holders.

The actual occurrence of runoffs encourages the presidential candidates who advance to the second round to commit to a ‘coalition contract’ before the election ends. Without such a contract, a finalist candidate will find it difficult to obtain endorsements from third and fourth parties, and will weaken her chances at winning the presidency. Given the necessity to persuade a majority of voters in order to win in the second round, presidential candidates are more likely to adopt moderate positions (Downs, 1957). Either the candidate herself will already embody a moderate position, or else a less moderate
candidate will seek out coalition partners that will help her to appeal to the median voter. The main consequence is that the likelihood of victory in a runoff and of survival in government is a function of how well candidates are able to make compromises and respect agreements both in campaign and in office.

The implications of the dynamic described above are especially likely to be observed when the party system is structured around broad national coalitions. Well-structured political parties in a legislature, for instance, are able to enforce pre-electoral agreements, but they are also able to threaten the presidential policy agenda, should the president not have forged a majority coalition. We should expect therefore that even radical presidents, the ones intending to produce more extreme decisions, have to moderate their proposals if they want to survive in such an environment. The impeachment of Collor de Melo, the first elected Brazilian president after re-democratization, is a good example of how a structured Congress can punish a president who does not behave as they believe he should. The recent constitutional changes in Venezuela, Bolivia, and Ecuador are good examples of how populist presidents had to emasculate congressional veto players in order to implement radical agendas.

To make the case, we analyze every Latin American leftist president since 1990.\textsuperscript{12} It is important to point out that there has been much greater variance in the type of leftist presidents across countries than within countries. Specifically, while leftist presidents in Chile, Brazil, and Uruguay have all been social democrats, their counterparts in Argentina, Bolivia, and Ecuador have all governed as neopopulists. Our results show strong support for the claim that the combination of strong parties and MRO presidential elections encourages politicians to adopt moderate agendas, while weak parties and plurality pave the path for populists.

1. Presidents are classified as either social democrats (SD) or neopopulists (NP) based

\textsuperscript{12}The motivation for analyzing the new-left instead of the traditional one comes from the importance of understanding the implications of neoliberal policies that brought presidents to power to deal with a new agenda of redistribution in the region. There were other left presidents elected before 1990, but our analysis will focus on the neo governments elected after transitions.
on how they set their government policies. Social democrats try to redistribute resources and reduce inequality without challenging the liberal policies implemented before they assumed office. Neopopulists, by contrast, came to power appealing to specific groups in society (i.e. indigenous communities, unemployed, informal sector) and have challenged and even reversed the liberalization policies while in office (Leaman, 2004; Arnson and Perales, 2007; Hawkins, 2009; Weyland, Madrid and Hunter, 2010).

2. The occurrence of runoffs is coded not *de jure*, but *de facto*. That is, we consider the effect of an actual runoff election, rather than an institutional provision for one if no candidate wins a first-round majority. Hence, cases such as Ecuador in 2006 and Argentina in 2007 are not classified as having had runoff, although the electoral rule provided for one if needed.

3. Party systems are classified as strong if the electoral volatility is low, the parties competing for presidential election are regularly the same, and it is easy to identify different agendas among the parties in competition. Otherwise, the party system is classified as weak (Coppedge, 1997; Roberts and Wibbels, 1999; Sartori, 2005; Dalton and Weldon, 2007). We combined presidential volatility information from Philip (1998), and ideological position of political parties that run for presidential election from Saiegh (2009). to classify the systems as strong or weak.\(^\text{13}\)

As one can see in Figure 10, 75% of the leftist presidents who won via a runoff election were social democrats, whereas only 17% of one-round elections produced a social democrat winner.\(^\text{14}\) The differences are statistically significant (Chi-square 5.54, d.f. = 1, p-value = 0.01).\(^\text{15}\)

\(^{13}\)This classification is not as precise as we would like it to be, but it is highly correlated with an index extracted from a factor analysis applied to this data.

\(^{14}\)Ecuador’s Humala was omitted because we do not know yet whether he will govern as a social democrat or as a neopopulist.

\(^{15}\)The explanation that we provide, therefore, works for the majority of the cases, but fails to justify five
So how do MRO hinder the emergence of neopopulists? We argue that they do so by forcing politicians to compromise, and build coalitions that can target the median voter in order to win the majority of the vote and then survive in government. Two quick examples that illustrate this argument are the well documented changes of Lula and Humala in the consecutive elections they contested. A former top union leader, Lula won the presidency in Brazil in 2002 and 2006. But this only happened after Lula was able to moderate his position, and compromise with center and right sectors of the society. The same happened to Humala. In order to win the Peruvian presidential election in 2011, he had to remake his image as an extreme leftist, and convince the situations: (a) the election of Kirchner in Argentina in 2003, (b) the election of Gutierrez in Ecuador in 2002, (c) the election of Ortega in Nicaragua, (d) the election of Funes in El Salvador, and (d) the election of Vasquez in Uruguay in 2004. The main focus of this section has been to present an argument about how runoffs and strong party systems tend to leave small chances for populists to win elections in presidential systems. Nonetheless, sometimes the median voter simply supports neopopulist policies.

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**Figure 10: Left Presidential Status by runoff Occurrence in Latin America**

<table>
<thead>
<tr>
<th>Neopopulist</th>
<th>Plurality</th>
<th>MRO</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Social Democrat</th>
<th>MRO</th>
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<tbody>
<tr>
<td></td>
<td>Lula (2006)*</td>
</tr>
<tr>
<td></td>
<td>Bachelet (2006)*</td>
</tr>
<tr>
<td></td>
<td>Rousseff (2010)*</td>
</tr>
<tr>
<td></td>
<td>Mujica (2010)*</td>
</tr>
<tr>
<td></td>
<td>Humala (2011)</td>
</tr>
</tbody>
</table>

*Strong party system
Argentina: Nestor Kirchner, Cristina Fernandez de Kirchner
Bolivia: Evo Morales
Brazil: Lula, Dilma Rousseff
Chile: Ricardo Lagos, Michelle Bachelet
Ecuador: Lucio Gutierrez, Rafael Correa
El Salvador: Mauricio Funes
Nicaragua: Daniel Ortega
Paraguay: Fernando Lugo
Uruguay: Jose Mujica
Venezuela: Hugo Chavez

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*References and Footnotes*

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*Figures and Tables*

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*Data and Methodology*

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*Conclusions and Implications*
Peruvian middle class that the ‘old’ politician who had lost the a previous contest to Alan Garcia by staking out an image very similar to that of Venezuela’s Hugo Chavez, had been reborn as a reproduction of the moderate Lula.

**Conclusion**

The number of parties operating in a political system is considered by many scholars to be an important variable to explain regime and government stability. This makes understanding the determinants of the number of parties a key issue in comparative politics. One influential claim is that the two-round presidential elections tend to damage the stability of democracies by producing fragmented party systems. What do MRO elections ultimately do? This paper addresses several dimensions of political systems worldwide in order to find better answers for this question. With the benefit of a much richer data set of presidential and legislative elections than was available when the early critiques of MRO were published, we conclude that MRO does not increase the effective number of parties over the long term. MRO elections do, however, seem to work pretty well in blocking the emergence of extreme politicians.

In this paper, we show data analysis in support of the view that the alleged inflating effect of runoffs on party systems has been overestimated. Although legislative party system fragmentation is still greater in systems with presidential runoffs than in plurality systems, that difference shrinks as voters and parties gain more experience over time. We argue that the apparent early evidence of party system inflation in new MRO systems was due more to the uncertainty surrounding transitions (back) to democracy than to the specific choice of presidential election rule, and that a longer view reveals that to have been only a temporary phenomenon.

But if the use of MRO or plurality for presidential elections is not significant for the effective number of legislative parties over time, we do have preliminary evidence suggesting that MRO systems are considerably less likely to produce presidents who
pursue neopopulist policy agendas. Indeed, the correlation between the agendas pursued by presidents and the rules that governed their selection to office, at least among "new left" governments in Latin America, seems almost deterministic.

Our next steps in this research project are clear. First, we must investigate the mechanisms by which party system fragmentation increases and decreases in post-transition democracies. Can we find more direct evidence of learning by voters and party leaders, and the spread of ‘common knowledge’ about which are the most viable parties around which coalition formation will proceed? This will be particularly important in the largest party systems at the present time, such as Brazil and Chile. How does consolidation proceed? Second, our speculated link between the majority-building imperatives of MRO and policy moderation holds observable implications for the stability and size of executive and legislative coalitions. Is it true that MRO presidents are more constrained to govern as moderates than are plurality presidents? Third, we must undertake a focused study of the electoral tactics and coalition-building contexts of would-be neopopulists. How much of their success, where it occurs is because they sneak through in crowded presidential fields, and how much of it is because the median voter actually prefers a radical populist agenda?

Of course, implicit in much of the research agenda discussed here is the assumption that party systems are strongly affected by institutional rules. The most fundamental challenge to this agenda is the fact that institutional design is not simply imposed on political systems exogenously. The rules of political competition are the product of political processes, and are subject to ongoing dispute and negotiation. Therefore, the extent to which it is useful to think of political institutions as independent variable in shaping party systems should bring serious attention. The question of which factors drive the choice and stability of political institutions is simultaneously important in comparative politics. We have not discussed why countries have adopted MRO elections for choosing presidents, but this might be important to explain the results we present here. The
results of our (admittedly preliminary) research suggest that treating formal rules as independent variables and examining them as products of political contestation are not necessarily contradictory approaches.

Future research on institutions as independent variables should ultimately consider the normative goals behind electoral and institution engineering (Przeworski, Stokes and Manin, 1999; Przeworski et al., 2000; Mainwaring and Welna, 2003; Maravall and Przeworski, 2003; Norris, 2004). As political scientists we should be able to evaluate institutional arrangements by the degree to which the policy they produce grants various concepts of voters preferences. Linking voters preferences with public policies, after all, as Dahl (1989) explains, is one of the fundamental normative claims of democracy. Yet the connection between the median voter preference and the institutions that translate them into policies, still remains a point of serious debate. With regard to political party systems, this paper makes some claims about the implications of institutional design, for example, that specific changes in rules contribute to specific changes in party-system size, differentiation and fragmentation. The more complicated puzzle of whether general normative implications for democracy are correlated with the policy outcomes remains to be discussed.
REFERENCES


