

**THE VOTER'S DILEMMA, FACTIONS, AND STRANGE BEDFELLOWS
OR
WHY LATIN AMERICAN POLITICAL PARTIES HISTORICALLY
WEAKENED DEMOCRACY AND HOW WE CAN TELL**

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Welcome.**

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Political parties are considered one of the central institutions that provide the underpinnings to effective governance and a consolidated and stable democracy. Parties perform a variety of functions considered vital to democratic governance, including organizing the competition for public office, articulating and aggregating voters' preferences, and organizing policy activity in government. There is virtual unanimity in the literature regarding the importance of parties in fulfilling these critical functions in a democracy. At the same time, leading attempts to analyze and categorize parties based on their impact on effective governance and democratic stability has not met with significant success.

Within the literature on Latin American parties and democracy, there are two prominent approaches which attempt to differentiate between party systems and argue that some are more conducive to stable democracy than others. The first of these two focuses on the degree of institutionalization of party systems and argues that a more institutionalized system is more conducive to stable democracy (Mainwaring and Scully). A second approach examines the degree to which electoral law encourages individual politicians' adherence to the party label, and contends that systems which strengthen the party label facilitate effective government by providing voters with an efficient choice (Carey and Shugart).¹ When we examine the evidence from Latin America, however, both of these approaches fare quite poorly in identifying effective and stable democracies.

If institutionalization of the party system actually matters for the quality of democracy as those focusing on this characteristic allege, and some Latin American party systems are clearly more institutionalized than others, why do we observe very little variation across the region in terms of key measures of stability? The Latin American party systems most often cited as enduring and fully institutionalized include Chile, Uruguay, Colombia, Costa Rica and Venezuela. Yet three of these five have suffered several breakdowns. Of the remaining two, Venezuela is now showing ominous signs of democratic fragility. Thus, more than half of the cases fail the test of democratic stability, and a fourth appears questionable. Based on this record, it is difficult to argue that institutionalized party systems have made a difference with regard to stability.²

¹ The term efficient is used to connote a clear choice between competing *policy* programs. Similarly, the term inefficient refers to a system in which elections turn on the provision of particularistic services (Shugart and Carey, p. 8).

² There are of course, a variety of theories which argue that institutions are not the determining variable with regard to democratic stability in developing countries. Most notable of these is O'Donnell's

Similarly, if we can measure effective governance in terms of the ability to meet stated policy goals, we find little variation in effective governance based on electoral system variables across Latin America. While the electoral system theory would predict significant variation in effective governance across the region based on variation in electoral law, the post-War policy record in Latin America shows no appreciable variance in the critical features of the most important public policy program of the era, import substitution industrialization (ISI). All of the Latin American countries exhibited the same characteristic inability to meet the stated social goals of greater competitiveness, decreased dependence on international events and more egalitarian distribution of income (World Bank Report; Haggard; Little, et. al.).³ In short, the evidence does not support the proposition that either institutionalized party systems or electoral law make a significant difference with regard to effective governance and democratic stability.

The glaring empirical anomalies which confront these approaches raise very important puzzles for our understanding of the link between parties and stable democracy. If the institutionalized Latin American systems could *potentially* perform all the critical functions as effectively as their advanced industrial counterparts, what impedes politicians from exploiting them to do so? Similarly, if at least some electoral systems in Latin America provide party leaders with the necessary tools to strengthen the party label and thus alter individual behavior in pursuit of collective outcomes that would be more beneficial for all, why do they eschew this opportunity as evidenced by the uniform failure to meet stated policy goals?⁴ If more programmatic parties would facilitate the pursuit of important social goals and thus strengthen democracy, why do Latin American politicians who enjoy the institutional and/or electoral tools to provide such programs fail to meet stated program goals and why do these systems succumb to breakdown?

"Bureaucratic Authoritarianism" (1971) which argues that on the periphery of the world system, certain phases of development have an "elective affinity" with authoritarianism. Thus, regardless of the effectiveness of the democratic institutions when this stage of development is reached, basic democratic representation must be sacrificed in order to maintain the conditions for further development in these countries. If such a thesis were accepted, then these cases could not serve as a test of the relationship between party systems and democratic stability. As with numerous critics of the BA model, I reject the determinist effect of economics on politics and ascribe these failures to the political system's inability to avoid or resolve the problems. To the extent that parties serve to facilitate collective decisions regarding how to address important national problems, these breakdowns can be attributed to the inability of the party system to perform this function. I will elaborate on how and why both institutionalized and non-institutionalized party systems failed in this function further after the presentation of the model.

³ It is important to note that some argue that these failures were inherent in the ISI program (Bhagwati). If such were the case, then the disappointments could not be blamed on ineffective pursuit of the chosen program, but instead result from the inherent weakness of the overall policy. A substantial literature on East Asia's use of ISI provides evidence that these weaknesses are not inherent in the ISI program (Luedde-Neurath). For a further discussion of this issue and how political factors created the most important constraints on ISI in Latin America, see Lyne, *The Voter's Dilemma, Democracy and Economic Development*, chapter 3, forthcoming.

⁴ Many different tools can be used to alter individual behavior in pursuit of a collective goal. Those most often cited in the literature on parties include party authority over access to and order on the ballot, thus allowing party leaders to exercise significant influence over the electoral fortunes of individual candidates. This influence is used to alter individual legislators' behavior in support of the party and thus allow the preservation of a distinct party label with discernible policy content.

Both normative and positive democratic theory suggest that politicians would stand to gain from greater emphasis on programs. By strengthening the ability of the system to address social ills and translate individual preferences into effective social choice, both politicians and the system of governance would gain legitimacy and the diffuse loyalty of the citizenry. At the same time, political parties that achieved such aggregative and articulation functions would allow politicians to foster greater cooperation toward social goals, thereby providing increased material benefits such as higher aggregate welfare, and thus they would gain greater support at the polls. In the absence of a better explanation for why politicians would fail to use available mechanisms to facilitate collective action to create strong, distinct and competitive party labels and thus facilitate more effective governance and democratic stability, we are left with nothing but ad hoc explanations for these quite distinctive patterns.

This paper will provide an alternative model that can provide such an explanation. I will argue that what confounds these attempts to identify how the party system affects public policy and democratic stability is an incorrect underlying model of how politics shapes politician behavior and thus the role of the party system. I will argue that politicians design parties based on the larger context of political competition in which they operate. I will make the case by providing an alternative model of democratic political competition than that which underlies these two approaches. By altering a key assumption regarding the types of cues voters use in making their voting choice, we can develop an alternative logic of political competition which can account for these anomalies and explain further patterns these theories cannot address.

The theory will demonstrate that voters are confronted with a critical collective action problem in making their voting choice between *policy programs* and *targetted individual benefits*. As I will show, the consequences of this collective action problem, which I will call the "voter's dilemma," are that voters will always prefer individual targettable benefits of non-negligible value. Once we develop the implications of this voter's dilemma, we will see that it has critical consequences for how politicians must organize parties in order to compete in democratic elections. Under conditions in which a majority of voters can receive an individual benefit of non-negligible value, the voter's dilemma will drive a wedge between party organization to facilitate *social choice* and electoral success. Rather than organizing parties to aggregate individual *preferences* based on *competing national policy programs*, as long as the voter's dilemma reigns, politicians will be forced to organize parties to aggregate *simple vote totals* based on *the distribution of targetted individual benefits* in order to compete successfully at the polls. It is only once the voter's dilemma has been overcome, and voters begin to opt for policy programs over individual targetted benefits, that political competition will drive politicians to organize parties to aggregate individual preferences into a program for social choice.⁵ The model thus provides a theory of what drives different types of party organization with important consequences for the quality and strength of democracy.

⁵ Scholars of Latin American politics have long observed that parties concentrated on building relationships for this type of individualized exchange. Aside from problematic cultural arguments, however, they failed to provide an explanation for this behavior. The model developed here provides such an explanation.

As I will show, the model can subsume the anomalies that confront these alternative approaches and demonstrate why their indicators fail to distinguish party systems which serve to stabilize democratic rule. As noted in the previous paragraph, when the voter's dilemma reigns, politicians will be compelled to structure parties to facilitate the distribution of direct individual targeted benefits. While the purpose the party serves in this case is quite distinct from their quintessential function of facilitating social choice, the party can nevertheless be just as coherent, stable and institutionalized when it is aggregating votes into simple vote totals rather than aggregating preferences into coherent alternative policy programs. Thus, a simple examination of institutionalization does not allow us to distinguish between party systems which strengthen or weaken democracy. When the voter's dilemma has been overcome, parties will be institutionalized to facilitate social choice, and they will thus perform this vital democratic function. When the voter's dilemma reigns, however, parties may or may not be institutionalized, but such institutionalization not reflect a party system that facilitates social choice.

A similar argument applies the electoral system thesis. Just as with institutionalization, the strength of the party label does not serve to differentiate between parties designed to distribute individual targeted benefits and those designed to facilitate social choice. This is due to the fact that when the voter's dilemma reigns and the party serves to facilitate the distribution of individual benefits, a strong party label which provides the voters with an efficient choice is not necessarily precluded. While the party label in this instance serves to provide cues to voters for the provision of very different types of political goods, a party label that signals reliable delivery of individual benefits to particular groups can be just as durable as one that connotes a particular national policy stance.

In sum, the model will show that parties that are engaged in very different activities with distinct consequences for the strength of democracy appear identical based on the analytic variables these approaches favor. It is this inability to distinguish parties that facilitate *social* choice from those that are distributing individual benefits that explains why their analysis predicts more effective governance and greater stability than is actually observed. Party systems that are fully institutionalized but that are organized to distribute individual benefits will suffer the same fundamental weaknesses of systems in which more malleable institutions effect the same distribution of patronage. Stable consolidated democracy requires an institutionalized means for translating individual preference into *social* choice, not simply an institutionalized distribution of targeted benefits. It is only when political competition as driven by voters' choices compels politicians to design institutions to perform this aggregative function that democracy will be on a sound long term footing.

By the same token, electoral law which facilitates the maintenance of a strong party label does not guarantee effective public policy. As long as the voter's dilemma reigns, systems in which electoral law facilitates the maintenance of the party label will suffer the same ineffective public policy as those systems in which electoral law does not afford such tools. In both cases the terms of political competition will dictate that parties organize to distribute targeted benefits, whether such distribution be through efficient

party labels or more loosely grouped political followings organized around factions, individual politicians, or some other arrangement. Regardless of the organizational form, as long as the voter's dilemma has not been overcome, the terms of political competition will seriously cripple politicians' ability to promulgate effective public policy in pursuit of social goals.

After elaborating the model and how it allows us to understand where these leading perspectives break down, I will develop several new hypotheses regarding what kind of behavior we should expect in systems in which the voter's dilemma has not been overcome. Based on how the voter's dilemma affects political competition, I will develop the tendency to factionalize as an indicator of destabilizing two party systems, and alliances with strange bedfellows, that is, alliances with other parties with ostensible programmatic or ideological positions that are distant from their own, as indicators of destabilizing multiparty systems. While the current paper will not entail an extensive test of these hypotheses, I will discuss some empirical evidence from Colombia, Venezuela, Uruguay, Chile and Brazil that corroborates the predictions. By demonstrating that the model developed here can not only resolve the anomalies which confront these two leading approaches, but that it can also explain other heretofore unrelated patterns, the model passes a basic Lakatosian test for theory advance. I will conclude with a discussion of how the model developed here can provide a more general framework for comparison of party systems across all democracies. With an extension of the empirical tests to the advanced industrial democracies, we should have a reliable indicator of the critical difference between democracies which have proven uniquely stable and relatively effective in the industrialized West, and those in developing countries which often appear very similar based on the "parties are distinguishable" variables discussed here, but which have not enjoyed the same effectiveness and stability.

INSTITUTIONALIZATION AND ELECTORAL LAW AS INDICATORS OF PARTY "STRENGTH"

Two of the most important recent additions to the literature on parties and party systems attempt to capture the degree to which parties serve to facilitate effective governance and strengthen democracy. One group of analysts differentiates party systems based on the degree to which they are institutionalized (Mainwaring and Scully; Dix), while a second group makes an analytic distinction based on characteristics of electoral law (Shugart and Carey). The predictions of these perspectives, however, are not borne out by the empirical evidence. After discussing the basic features of each approach and the empirical anomalies which cast serious doubt on the causal relationships posited by each, I will discuss the analytic pitfalls which led to these problems. In brief, I will argue that the institutionalization scholars failed to consider adequately the question of institutionalization *for what purpose*, and the electoral systems proponents failed to consider more fully *the purpose of the collective action* electoral law facilitates.

The Institutionalization Argument

"Indeed, the freedom and peace of Chilean elections are striking symptoms of political health, though they are somewhat paradoxical in view of the country's grave social and economic evils" (Gil, p. 224).

It is exactly this paradox which confounds the attempt to measure democratic strength based on institutionalization of the party system. Chile has traditionally been considered one, if not *the* most stable institutionalized party system in Latin America. Yet, as we will see in this sub-section and the next, in spite of this institutional strength, neither Chile, nor any other Latin American system has escaped serious policy ineffectiveness and democratic breakdown. In their *Building Democratic Institutions: Party Systems in Latin America*, Mainwaring and Scully provide a rich study of party systems in Latin America, and contribute some new and innovative ideas for how to operationalize the concept of institutionalization.⁶ Their reformulation of the concept has drawn out new and intriguing data in each of the single case studies that make up the book. As such it is one of the most important recent contributions to the literature on parties in general and Latin America in particular. Nevertheless, their attempt to tie an undifferentiated concept of institutionalization to democratic strength is not borne out by the empirical evidence from the region.⁷

The authors develop four measures of institutionalization: the degree to which patterns of party conflict demonstrate regularity, the degree to which parties establish stable roots in society, the degree to which electoral processes and parties are accorded legitimacy, the degree to which internal party organization is institutionalized. While the first two dimensions are operationalized into quantitative measures, the last two are given qualitative estimates presumably based on the case studies and the authors' judgment. The regularity of party conflict is measured through Pederson's index of electoral volatility. Stable roots are operationalized based on the difference in presidential and legislative voting as well as the longevity of the major parties dominating the system in 1993. Each of the Latin American systems are then ranked along each of these four dimensions on a scale from 1 to 3, and then a composite, which is a simple additive function of each of the four dimensions provides an overall relative measure of the institutionalization of each system. The result is that the top five most institutionalized systems are Costa Rica, Chile, Uruguay, Venezuela, and Colombia.

⁶ For example, they argue that in party systems with stable roots in society, the same parties should dominate presidential and congressional elections, and thus provide a measure of this "stable roots" variable based on the difference between the party vote for the two institutional positions. This is a new and more reliable measure than survey data, which taps into the degree to which organized electoral activity tends to integrate the two major branches of government.

⁷ While the authors are careful to note that not all institutionalized systems strengthen democracy, they fail to provide any distinction between those institutionalized systems that will serve to strengthen democracy and those that will not, and proceed with the analysis based on an undifferentiated measure of institutionalization. The paper will demonstrate theoretically that this implicit assumption does not hold, and provide a means for differentiation between those institutionalized systems which strengthen democracy and those that weaken it.

This categorization based on Mainwaring and Scully's operationalization of institutionalization is unproblematic. Their dimensions tap important aspects of an institutionalized party system, and their ultimate rankings are corroborated by the vast bulk of the literature on Latin American political parties.⁸ What is much more problematic is the link they wish to draw between institutionalization and stable democracy. While Venezuela and Costa Rica are exceptions with regard to breakdown, Chile, Colombia, and Uruguay have all suffered democratic breakdowns in this century, certainly the most important period in which these institutionalized party systems have operated. In addition, Venezuela and Colombia are confronted with serious challenges to democratic legitimacy in the 1990's. In order to establish these assertions, it is useful to briefly review each of these cases of institutionalized party systems.

Although Chile is often held up as the model institutionalized democracy in Latin America, the country suffered democratic breakdowns in 1927 and 1973. Neither of these can be dismissed as mere interludes-- both led to extended periods of non-democratic rule, in 1927 for five years, until the presidential elections of 1932, and in 1973, for 17 years, until the return to democracy in 1989. Furthermore, rather than argue that these breakdowns were beyond the purview of the parties, both were precipitated by party behavior and choices. The parliamentary system which functioned from 1891 to 1924 collapsed precisely due to the ineffectiveness of the party-dominated parliament (Gil, Loveman). Similarly, the breakdown in 1973 was associated with intense party polarization and support for the coup from the principle centrist party, the Christian Democrats (Valenzuela, 1989). It is thus difficult to argue that democratic fragility in Chile is either absent or dissociated with the party system. More importantly perhaps, Mainwaring and Scully's measure provides very little insight into whether the current system is less vulnerable than the one that collapsed in 1973: both are fully institutionalized according to their scheme. In the section below on strange bedfellows, I will provide a measure that in theory can differentiate between the two systems.

Colombia is another system with a long history of stable, institutionalized parties, yet one which also exhibits a quite patchy democratic record. While parties were institutionalized in Colombia in the 19th century, this period was notable for the number of civil wars and uprisings that took place, generally led by one or the other party. The breakdown that occurred in 1949 in Colombia led to a decade of extremely bloody civil war, known as La Violencia. Even more so than in Chile, this breakdown cannot be dissociated from party activity, but was in fact *led* by the two main parties, the Liberals and the Conservatives, and fought along partisan lines (Bushnell). Rather than an isolated or limited conflict, the ten years of war was characterized by extreme brutality and a very high death toll across the country. The war was finally brought to an end with the power sharing pact known as the National Front, which solidified the Conservatives' and the Liberals hold on power through an agreement to distribute all federal political posts equally among the two parties regardless of electoral outcome. The upshot of this arrangement, however, has been that the Colombian government now faces the most serious challenge to its legitimacy in the region. Guerrilla forces have occupied up to a

⁸ These same five countries appear on almost any list of the more stable party systems in Latin America since parties became an important topic of study.

third of the territory in the country and have come within striking distance of the capital (Latin American Regional Reports, 10/10/96). In sum, while Colombia is traditionally cited as having one of the most institutionalized party systems in Latin America, it is difficult to associate this party system with stable democracy.

Uruguay, like Colombia, has a party system with deep historical roots. The Blancos and the Colorados, the two overwhelmingly dominant parties, date back to the nineteenth century. Yet like Chile and Colombia, Uruguay has suffered important democratic instability. The breakdown in 1933 resulted in five years of authoritarian rule under Terra. A second and more serious breach of democratic practices began with the Pacheco government in 1967, and this creeping authoritarianism was culminated in the coup of 1973. Once again, rather than being a fleeting intervention, the coup installed a military government which was to rule until the democratic transition in 1985. And as with Chile and Colombia, it is difficult to dissociate these breakdowns from the failure of the political system, and the parties in particular, to devise programs capable of addressing the economic and social ills associated with the crisis (Finch).

Venezuela has often been cited as the quintessential institutionalized party system and stable democracy in Latin America (Martz, Levine). This country has enjoyed roughly four decades of uninterrupted democracy and has survived several transfers of power to the opposition. Nevertheless, there are several reasons to call the durability of Venezuelan democracy into question. While many have pointed to the importance of Venezuela's parties in stabilizing this democracy, many have argued that the more decisive factor which differentiates Venezuela from its Latin American counterparts is the presence of oil in great quantities. Respected observers of Venezuelan politics have argued that it is the revenues from oil that holds Venezuelan democracy together, rather than an institutionalized and legitimate system for adjudicating conflict (Karl, Romero). This point is corroborated by the experiences of our other examples of institutionalized democracy, Chile and Uruguay. As these cases demonstrate, systems which enjoy institutionalized parties and which have experienced four decades or more of stability which include alternations in power are not immune to breakdown. And finally, it is important to note the recent ominous signs of democratic fragility in Venezuela. The current inability of any elected government to address chronic problems of debt, inflation and declining standards of living looks dangerously familiar to the Southern Cone in the 1960's and 70's (Romero). This similarity to the scenario preceding democratic breakdown in the Southern Cone extends to military meddling in politics: Venezuela suffered two abortive coup attempts in the early 1990s. In short, while Venezuela has enjoyed uninterrupted democracy for almost four decades, the degree to which oil revenues have supported that democracy, and the assurance that they cannot do so indefinitely, combined with the current government paralysis, does not support the characterization of Venezuela as a strong and flourishing democracy.

Our last case of an institutionalized party system is that of Costa Rica. Costa Rica is similar to Venezuela in that caudillo politics were replaced by peaceful democratic competition at mid- twentieth century. While Costa Rica does not exhibit the same recent troubling signs as Venezuela, it is once again important to ask what led to the consolidation of democracy after a long and turbulent history that looks very similar to the

rest of Latin America. In other words, a convincing explanation for the stability of Costa Rican democracy must do more than provide ad hoc case specific explanations. The indicators to be developed in the section on factions and strange bedfellows below will provide some clues as to how such an explanation could be constructed. According to the empirical data, however, without any more precise indicators than democratic breakdown, Costa Rica counts as the one true exception, to the empirical record which contradicts the institutionalization argument. Nevertheless, this is one out of five institutionalized democracies that exhibits the kind of stability Mainwaring and Scully predict.

Finally, it is important to say a word about Argentina. Mainwaring and Scully place Argentina in the semi-institutionalized category. By their composite measure, Argentina is the next most institutionalized system after the five discussed above, significantly higher than Brazil, for instance. Yet Argentina has a far more tainted democratic record than Brazil. While in Brazil only two elected presidents were removed by force in the twentieth century (Vargas and Goulart), in Argentina, the first coup of 1930 was followed in rapid succession by many more to the point that no president served out a constitutional term from 1955 until the election of Alfonsín with the return to democracy in 1983 (Hartlyn and Valenzuela).⁹ This comparison between Argentina and Brazil thus further casts doubt on the link between institutionalization of the party system and stable democracy.

In sum, while Mainwaring and Scully argue for a causal link between party system institutionalization and democratic strength, the hypothesis is simply not borne out by the evidence from Latin America. Institutionalized and non-institutionalized systems alike have suffered breakdowns that cannot be dissociated from the weakness of the party system. I contend that this is due to the fact that the institutionalization scholars failed to consider institutionalization *for what purpose*, and thus they assume that all institutionalized systems will perform the same functions vital to stable democracy. As I will show, under certain terms of political competition, politicians can have a compelling reason to institutionalize parties for the distribution of targeted individual benefits rather than to institutionalize parties to facilitate social choice. Whether politicians will institutionalize parties for one or the other function, and thus strengthen or weaken the democratic system, depends on voter's choices. Thus, although these scholars have provided a very significant contribution to our understanding of the differences between party systems in Latin America, these differences in institutionalization are a very blunt measure indeed of long run democratic stability.

The Electoral Systems Theory

In contrast to the broad macro argument linking the party system to democratic stability presented by Mainwaring and Scully, Shugart and Carey focus on how institutions shape politicians' individual incentives. Specifically, they examine the degree to which electoral law encourages individual politicians to adhere to the party label. The argument is that electoral law which limits individual politicians' need and ability to act in defiance of the party label will facilitate clear, meaningful content to party labels, thus providing

⁹ Alfonsín in fact did not finish out his term either, but he stepped down voluntarily rather than being ousted by the military.

voters with an efficient electoral choice. In comparison, inefficient systems, in which the electoral system both encourages and permits individualistic behavior, parties will have a more difficult time maintaining coherent content to the party label and voters will have more difficulty in identifying alternative policy stances. The efficient systems thus allow the creation of a clear mandate between voters and politicians and should thus facilitate more effective public policy.¹⁰ These authors' contribution to how electoral systems create distinct incentives toward individualistic or party behavior is truly path-breaking. As with the institutionalization argument, however, the data does not support the electoral systems hypothesis regarding the link between efficient electoral choice and effective public policy.

According to the argument, two types of features are important for determining the incentives for adherence to the party label. The first entails the degree to which electoral law provides party leaders with the ability to alter the behavior of individual politicians. Such features of electoral law include the leaders' ability to determine access to and place on the ballot. The logic is that when party leaders have such power, they can ensure that party rank and file vote with the party on crucial measures necessary to implement the party program. The second aspect of electoral law which determines the degree to which politicians have an incentive to adhere to the party label entails whether the system allows voters to make an intra-party choice. Voting systems which allow electors to select between politicians of the same party create incentives for politicians to differentiate themselves from the party label in order to compete with politicians running under the same label.

Both of these features of electoral law determine the degree to which politicians will be driven to behavior that dilutes the party label. The preferences of politicians' individual districts may often conflict with the stated position of the party. A common example is when a politician represents a district with declining industry which lobbies for protection, while the party runs on a free trade platform. When party leaders do not control important party resources such as access to and order on the ballot, individual politicians have an incentive to free ride on the party label: they cannot be excluded from enjoying the benefits of the label, while at the same time, they can avoid paying any costs in maintaining its content. For example, they can lobby for an exception for the declining industries, while still enjoying all the information short-cuts the party label provides to the electorate when campaigning. In this way they have it both ways: they can receive the support of those declining industries which want protection because party leaders cannot penalize them for lobbying for an individualized exception. At the same time, when they run under the party label they also garner the support of those who favor free trade and cue simply on the party label. When the party leader *does* control position on the ballot or other valuable resources such as committee assignments, they can alter the costs and benefits to the individual politician such that they vote with the party on policy important

¹⁰ Once again, these authors are careful to note that an efficient choice between competing parties does not necessarily result in more effective public policy, yet they proceed with the analysis of efficient and inefficient Latin American polities based on this electoral system distinction. They further state that the relationship between *electoral* efficiency and effective public *policy* is a fruitful area for future research. The model developed here contributes to this question by demonstrating that a prior variable swamps the effects of electoral efficiency in relation to policy effectiveness.

to implementing the stated program and maintaining the content of the label. In addition, when intra-party voting allows voters to select between members of the same party, this incentive to differentiate oneself from the party program will be intensified. When voters can choose between politicians belonging to this free trade party, the declining industries will have the ability to reward the politician which lobbied for their exception. When voters cannot select from politicians within the party, however, the costs to the individual politician in failing to lobby for the exception will be reduced.

In sum, when party leaders control access to critical resources, particularly the use of the party label, and when voting choices do not allow an intra-party choice, parties will be able to present the voters with a much more streamlined party profile. In these systems, party labels will represent a much clearer and more coherent policy stance, and parties will provide voters with an efficient choice. In contrast, when party leaders do not control resources that will allow them to alter rank and file behavior, and intra-party voting forces politicians to differentiate themselves from the party, the party will find it much more difficult to present the same kind of united front and voting reputation that defines a clear content to the label. In these systems, party labels will be more fluid and less clearly defined, and will not present voters with an efficient choice. Based on these analytic variables, Shugart and Carey identify Costa Rica, Venezuela and Argentina as relatively efficient systems, whereas Brazil, Colombia and Chile are classified as inefficient. Uruguay falls roughly in between the efficient and inefficient systems.¹¹

How well does this theory stand up to the empirical record in Latin America? The overwhelming evidence from the most lauded public policy program implemented under democratic auspices in the region's history does not bear out the electoral system thesis.¹² Without exception, all of the Latin American polities failed to achieve the most important social goals of the import substitution programs proclaimed as the long-awaited answer to economic underdevelopment. While these countries all succeeded in developing domestic industry, they all failed to significantly increase productivity and competitiveness, reduce dependency on international events and reduce income inequality. While these failures are complex and in many instances are linked,¹³ the issue of productivity and competitiveness provides a good test of the electoral system thesis.

The issue of creating incentives for productivity and competitiveness provides precisely the kind of question upon which the interests of the party and the individual politician are likely to be in conflict, and in which parties with the power to do so should be expected to require that individual politicians vote the party line. While the party will have an incentive to enforce rules to encourage productivity and thus foster higher economic growth, entrepreneurs in an individual politician's district will prefer government

¹¹ Included in this classification are not only the electoral system attributes discussed here, but also a measure of presidential legislative powers. The inclusion of president's legislative powers does not significantly alter the logic developed here, and thus they have been excluded for simplicity.

¹² While ISI was continued under authoritarian rule, it got its most important initiation under democratic rule in most of the more developed countries including Brazil, Chile, Uruguay, Colombia, Costa Rica, and Venezuela. This was the famous urban populist coalition of industrialists, middle class and workers.

¹³ See Lyne, *The Voter's Dilemma, Democracy and Economic Development* for further elaboration of the argument of this section regarding ISI outcomes and the electoral system theory.

support without any performance requirements attached.¹⁴ Furthermore, while certainly parties do not force the rank and file to support the collective goal on all issues, this is unlikely to be one in which they will allow individual politicians to free ride. Productivity incentives are perhaps *the* most important component of programs designed to promote economic growth. While successful programs certainly entail many other components, without productivity incentives, they are unlikely to sustain high economic growth. Thus, if a party is running on a program centered around accelerating economic growth, they are unlikely to allow the rank and file to vote their individual choice on the issue of setting incentives for productivity if they have the power to do otherwise. On the contrary, we should expect a party running on such a platform to use their resources to ensure enough of the rank and file votes with the party such that the program is passed.¹⁵

The electoral systems thesis would therefore predict that Venezuela, Argentina and Costa Rica would have demonstrated a significantly better record on enforcing performance requirements and would exhibit improved outcomes of higher productivity and higher and more sustained growth than Brazil, Chile, Colombia and Uruguay. Yet once again, the empirical record exhibits virtually no variation. With regard to productivity incentives, none of the Latin American countries tied performance requirements to the receipt of very generous incentives provided to entrepreneurs. On the contrary, such benefits were provided with virtually no concern for any measure of the productivity of the investment that would follow (Gereffi and Wyman). It is thus no surprise that the World Bank Competitiveness Report noted that all the countries of the region suffered from very low productivity and international competitiveness in 1995.

As with the policy record, the outcomes of the ISI program demonstrate minimal variation; what variation is observed directly contradicts the electoral systems prediction. Sustained high growth was not a legacy of ISI in *any* of these countries. With the exception of Venezuela, all of the Latin American countries experienced very low and in some cases negative economic growth throughout the 1980's, a decade which is now dubbed as "the lost decade" based on this uniform dismal performance (Little, et. al.). Moreover, Venezuela has not been spared economic crisis; the timing of their slowdown was merely altered due to their economy's fundamental reliance on oil revenues. Finally, the country with the record for the highest levels of economic growth, Brazil, is counted among the most inefficient, and thus its relatively better performance directly contradicts the theory. The record of the most important policy program of the democratic period, therefore, does not demonstrate significant difference in ability to fulfill stated policy goals based on the efficiency of the electoral system, despite the fact that winning parties in all these polities ran on platforms of accelerated economic growth.

¹⁴ Such government support can include protection from international competition, subsidies, tax breaks and privileged access to scarce resources such as foreign exchange. ISI programs in Latin America typically provided entrepreneurs with all of these types of support.

¹⁵ The argument is not that no exceptions will be allowed. The prediction of the theory is simply that a basic overall set of national incentives for productivity, be it either generally low trade barriers or performance requirements tied to government incentives, will be put into place by parties which run on a program of accelerated economic growth and which have the power to alter the incentives of the rank and file. Typical performance requirements which were tied to generous incentives in East Asia were demonstrated ability to export.

In conclusion, the electoral systems approach focuses the analyst's attention on how electoral law facilitates collective action for the maintenance of the party label. But in their attempt to tie such electoral law to policy outcomes, they have not sufficiently considered *the goal of the collective action* such electoral law may facilitate. Party leaders may use their control over access to and position on the ballot primarily to insure votes to support critical party programs *or* to insure reliable distribution of targeted benefits to the party loyal. As I will show, with the assumption that the voter's dilemma has been overcome, and voters are thus cueing on party platforms and diffuse indicators of performance, the electoral systems arguments gain more relevance. When we alter this assumption, however, and develop the implication of the assumption that the voter's dilemma has not been overcome, we can account for the lack of variation in the empirical record in Latin America. In short, voters' choices and their implications for political competition heavily condition any effects efficient electoral systems have on effective public policy. Thus, while the authors' theory of how electoral law affects electoral efficiency is an important contribution to our understanding of institutional functioning, it provides very little purchase on critical democratic outcomes in Latin America, including politicians' ability to meet stated public policy goals.

THE VOTER'S DILEMMA AND PARTY DESIGN

In this section I will argue that democratic political competition is fundamentally shaped by voter's choices. After developing the implications of the voter's dilemma for voting choices, I will then elaborate how altering the assumption regarding voter's choices fundamentally alters what we will predict regarding democratic competition. I will show how these voter's choices are the critical constraint on whether party organization serves to strengthen or weaken democracy regardless of whether the party system is institutionalized or whether electoral law allows for an efficient choice.

The relationship between voter's choices and the nature of political competition has been little studied. I argue that voter's confront a critical collective dilemma in all democratic elections. This dilemma, which I call "the voter's dilemma," is based on a central difference in how voters evaluate individual targeted benefits versus programs which provide diffuse benefits. When voters face a choice between an individual targeted benefit, or a program designed to provide diffuse benefits, due to the non-excludability of the latter, they will always prefer individual targeted benefits of non-negligible value. Since by definition no one can be excluded from diffuse benefits such as increased aggregate welfare, voters maximize their return by opting for targeted benefits. In choosing targeted benefits, if diffuse benefits are also provided, the voter enjoys both. Conversely, if voters opt for diffuse benefits, they run the risk of receiving nothing, if such diffuse benefits are not provided. In sum, the consequence of this inherent difference between the two types of goods is that voters have no reason to spend their vote "buying" programs that provide diffuse benefits as long as they can gain something else of value with this vote. Let us now develop the implications of altering the assumption regarding voter's choices for democratic competition, party organization, effective governance and democratic stability.

When the voter's dilemma reigns, political competition destroys politicians' ability to develop parties that can translate individual preferences into a program for social choice and coordinated social action. Instead, in order to compete in an environment in which voters are cueing on the receipt of an individual benefit, politicians will be forced to organize parties to distribute such benefits and monitor the vote in order to be competitive at the polls. In order to understand how voters' choices produce this outcome, let us return to the example of a program for providing productivity incentives discussed above. The key to understanding why some politicians find it politically profitable to discipline powerful economic groups through the imposition of productivity incentives and some find it politically suicidal lies with how voters register different types of benefits politicians can provide, and how this alters politicians' competitive position. The benefits that result from imposing productivity incentives, either through the maintenance of competitive market conditions or through enforcing performance requirements in return for government supports are quintessentially *diffuse untargettable benefits*. The enforcement of productivity incentives results in improved resource allocation and new employment of resources through technological advance, both of which increase economic growth and thus lead to higher aggregate welfare. The puzzle, of course, is why politicians providing these incentives wouldn't always defeat those who fail to do so, if they result in higher aggregate welfare? If all would be better off under these policies, why aren't all politicians competing under democratic rules uniformly driven to this choice? It is the voter's dilemma which provides the answer to this critical puzzle.

Consider the position of the politician attempting to impose discipline in the case where voters are making their choice on the basis of a direct exchange of an individual benefit in return for political support. The results of imposing discipline on entrepreneurs does not provide more individual benefits, but instead provides diffuse, untargettable benefits and thus will not be registered in voters' choices. Thus, these voters' choices do not change based on whether productivity incentives are imposed or not. In this case politicians will have no basis upon which to mount a challenge to the defection of entrepreneurs attempting to avoid such discipline.¹⁶ The politician who gives the government support without discipline and divides the spoils with the entrepreneurs will always come out ahead: he has both the support of the entrepreneurs as well as more resources from which to buy other votes. The politician who attempts to challenge this defection and impose discipline loses on both counts: he will not receive the support of the entrepreneur, and he will have fewer resources with which to buy other votes. Thus, the attempt to impose discipline does not result in altered entrepreneurial behavior, and higher economic growth, but instead the defeat of the politician attempting it.

Now consider the competitive situation when voters cue on diffuse outcomes and party programs, as opposed to the receipt of a direct benefit. When voters cue on diffuse outcomes and the benefits of discipline such as aggregate welfare gains are registered in voters' choices, politicians will find that forcing the entrepreneur to face discipline will increase their political competitiveness. Under these conditions, the politician who is able to court the entrepreneur through the provision of benefits while also creating incentives

¹⁶ Recall from our discussion above, all other things being equal, entrepreneurs will always prefer government support without performance requirements.

for productivity and efficiency will defeat those engaged in the simple distribution of targeted benefits: while the latter will enjoy the support of only the entrepreneur, the former will have the support of the entrepreneur as well as the average voter. In other words, the support of the vast majority of voters who are cueing on diffuse outcomes will provide a counterweight to the entrepreneur's ability to blackmail the politician and obtain his first policy choice. In short, when voters cue on diffuse indicators of system performance, those politicians who provide higher performance will in fact defeat those who fail to do so, as a simple evaluation of the voting calculus without a consideration of the voter's dilemma would predict.

Policies which impose discipline on entrepreneurs are only one example of the larger class of *policies which seek to alter individual behavior in pursuit of improved aggregate outcomes for the collectivity*. Parties are integral to facilitating the presentation of alternative policies for improving collective outcomes and aggregating individual preferences into a coherent set of clear choices for collective action, as well as providing a structure in which politicians can act to implement these choices. The key theoretical point here is that whether such party organization will lead to success at the polls depends on what one assumes regarding voters' cues. When voters cue on diffuse outcomes and thus their choices register the provision of diffuse collective benefits, politicians will stand to gain competitively by supplying such diffuse benefits. Under these conditions they will organize parties to present alternative program choices. Yet when voters cue on the receipt of an individual benefit and thus they do not reward the creation of such diffuse benefits, parties will not be organized to perform these vital democratic functions. Instead, parties will be perverted into activities that serve to win elections, but which do not ultimately serve the polity in the long run. In sum, *under conditions in which the voter's dilemma reigns, party organization will serve to aggregate votes, but will fail to aggregate preferences and translate them into social rules for improving collective outcomes*. As this point is the linchpin of the argument, it bears repeating: the distinction between parties that strengthen democracy and those that ultimately weaken it is based on a distinction between parties that aggregate *votes*, and those that aggregate *preferences* into social policy. While the latter parties aggregate votes as well, they do it in a fashion that translates these votes into authoritative decisions aimed at improved collective outcomes.

To summarize, then, as long as the voter's dilemma cannot be overcome, parties which increase politicians' competitiveness at the polls simultaneously severely debilitate the political system's ability to address social issues and problems. When parties simply distribute targeted benefits, they fail to provide a means for addressing collective issues and problems. Such collective issues, such as the provision of public goods, require the enforcement of rules which alter individual behavior in pursuit of the collective goal. This is the quintessential role parties are presumed to play in a stable democracy. They facilitate citizens' choice between alternative visions for authoritative collective action. What I have shown is that when the voter's dilemma reigns, such party design will not lead to success at the polls. This is why I term it "the voter's dilemma". Collective dilemmas are defined as situations in which rational individual behavior leads to unanimously dispreferred social outcomes (Cox and McCubbins). As I have shown, under the

assumption that the voter's dilemma cannot be overcome, the most rational individual choice by the voter drives politicians to organize parties in a fashion that weakens and destabilizes the polity by reducing its ability to organize for improved collective outcomes. Under what conditions, then, will the voter's dilemma be overcome and voters' choices begin to drive politicians to develop parties that facilitate the translation of individual preferences into social choice?

The theory of collective action tells us collective dilemmas are overcome in two ways. Institutions can be designed to alter payoffs such that individual calculations internalize collective costs. In this manner individual choices are aligned with the collective interest. Collective dilemmas can also be overcome when the costs of individual contributions to the procurement of the collective good are reduced. When the costs of the contribution are minimal, individuals can afford to ignore free riders and act to procure the good (Olson). It is the second of these two that allows voters to overcome the voter's dilemma. No institutional mechanism exists to force voters to pay the equivalent of the lost social welfare incurred due to their vote for individual targeted benefits. While such a mechanism could in theory serve to bring individual voting choices in line with the collective interest, such an institution is impractical and violates a central democratic tenet of the free exercise of the franchise. The second factor is in fact how the voter's dilemma is overcome: when the individual targeted benefits offered in return for the vote is of negligible value to the voter, the costs of acting to supply the program of diffuse benefits is reduced. Voters can ignore free riders (those who continue to opt for targeted benefits) and vote for programs because the reduced value of the targeted benefits implies that they are no longer forgoing anything of value in opting for such programs of diffuse benefits. It is thus only when such individual targeted benefits are no longer of any value to the voter that it becomes costless to vote for diffuse benefits programs and the voter's dilemma can be overcome.

Let us now see how altering our assumption regarding voter's choices allow us to develop a model of political competition which can resolve the anomalies that confront the leading alternatives.

Institutionalization and Electoral Systems Revisited

What the argument presented here demonstrates is that party systems can be well-institutionalized, yet wholly incapable of performing the critical function of aggregating preferences into policy. The institutionalization proponents failed to consider sufficiently the question of institutionalization *for what purpose*. If the voter's dilemma has been overcome and voters are cueing on diffuse outcomes, we will expect that politicians will institutionalize the party system and they will institutionalize it for the purpose of translating individual preference into social choice, as these analysts assume. When political competition dictates that aggregation of individual votes based on the distribution of individual targeted benefits will defeat a strategy of aggregating preferences into collective policy programs, however, institutionalized party systems may not always enjoy an advantage over other forms of organization.

Institutionalized parties will have an advantage when the task is to aggregate preferences into social choice. This is because institutionalized parties provide the means

by which individual politicians can overcome their own internal collective action problems in supplying programs. As discussed above, institutionalized parties develop the carrots and the sticks that allow the leadership to alter individual politicians' behavior and thus allow them to overcome the conflict of interest between politician and party in implementing the party program (Cox and McCubbins). Thus, when we assume voters are cueing on diffuse outcomes, this does lead to a prediction that institutionalized party systems will stabilize democracy as Mainwaring and Scully assume. When political competition requires the distribution of targeted benefits, however, institutionalized parties will not necessarily enjoy a uniform advantage. This is because when the task is to distribute individual targeted benefits, the conflict between the leadership and the rank and file is of a different character. In this case the threat the rank and file represent is not the dilution of the party label, but distribution of the targeted benefits in their own rather than their superior's interests. As long as individual politicians can be cut out of the benefits, he has no ability to free ride on the party label as when the goods delivered are diffuse, untargettable programs which are advertised to the voter through the party label. When the voter's dilemma reigns, then, under some conditions institutionalization may be beneficial, whereas under other conditions a faction or an individual politician may be able to organize the distribution of targeted benefits just as effectively. This is what explains the variation in institutionalization and near uniform democratic instability. While there will be variation regarding the value of institutionalization when voters cue on targeted benefits, both institutionalized and non-institutionalized party systems will fail in the principle task of selecting between alternative programs for collective action.

While the reasons for why institutionalization of the distribution of targeted benefits conferred an advantage in our five most institutionalized systems is a subject for further research, it is important to underscore the contribution of the model developed here. As I have shown, when we alter our assumption regarding voters' cues, we see that what we predict regarding the relationship between institutionalized party systems and democratic stability is drastically altered. I have also shown that what we predict conforms with the empirical record much more closely than the predictions of a ubiquitous positive relationship between institutionalization of the party system and democratic stability. Our model of political incentives under an assumption that voters are cueing on targeted benefits allows us to reconcile the fact of institutionalization with breakdown in Chile, Uruguay and Colombia, and provides insight into why Venezuelan democracy moves with the vicissitudes of oil revenues. It also allows us to explain why these institutionalized systems are much more prone to breakdown than their advanced industrial counter-parts. An institutionalized party system will buttress democracy in the long run only when it serves the function of choosing social rules that can improve collective outcomes, not simply when it facilitates that aggregation of votes in order to obtain office. Let us turn now to our second alternative, the electoral systems argument.

As with the institutionalization scholars, those examining electoral law failed to consider sufficiently the possibility that political competition may drive politicians to collective action for other purposes than to implement a policy program. The theory of the voter's dilemma the incentives it creates for politician behavior now provides a simple explanation with which to challenge the electoral systems hypothesis. If we assume that

voters evaluate all policies equally, it is plausible to hypothesize that politicians which have the tools to create a strong party label would use those tools to develop programs to improve collective outcomes. As discussed in the introduction, our leading positive and normative theories of democracy lead us to believe that politicians who do so will enjoy greater prestige and competitive success. Yet once we understand how the voter's dilemma conditions how voters evaluate individual benefits in comparison to programs that provide diffuse benefits, we see that when the voters dilemma reigns, the presence of electoral law which facilitates a strong party label is irrelevant to effective policy. Under these conditions, such institutional rules will not be used to create and implement collective programs because such programs will not be rewarded at the polls.

The mistake of the electoral systems scholars is to assume that institutions provide the critical impetus to organizing for certain types of collective action. I argue, rather, that when political competition dictates that politicians have something to gain from organizing collectively to produce a policy program, they will utilize available institutions or formulate new ones that allow them to capture these gains.¹⁷ When the voter's dilemma is overcome, politicians will have an incentive to use electoral law or whatever means are at their disposal to enforce behavior that strengthens the program content of the party label. When it cannot be overcome, electoral law will be irrelevant to how well the party system facilitates effective governance defined in terms of the ability to organize collective action in pursuit of improved collective outcomes such as increased aggregate welfare.¹⁸ In this case voter's choices have precluded the possibility of using electoral law to enforce behavior to strengthen program content, even when such tools are available.

The argument presented here thus explains why we see no variation in the ISI policy record with regard to productivity incentives despite a wide variety of electoral law across Latin America. If the voter's dilemma cannot be overcome, politicians will assiduously avoid imposing such rules because the results will not be rewarded at the polls regardless of the suitability of electoral law for such purposes. This returns us to the question of how we know when the voter's dilemma reigns and when it has been overcome.

Now that we have shown that the model of political incentives derived from a consideration of voters' cues resolves the glaring anomalies that plague the two leading alternatives, our next step will be to demonstrate how a model based on the alternative assumption regarding voter's choices can explain further patterns beyond the purview of these models.

¹⁷ I will return to this point in order to provide an explanation for the rise of the PT, a programmatic party that is competing quite successfully in Brazil's ostensible personalist system. See section on factions and strange bedfellows below.

¹⁸ This does not mean, however, that electoral law will not vary, based on a variety of factors, including what types of arrangements will facilitate the distribution of targettable benefits under different circumstances. We can hypothesize that in systems in which a highly lucrative geographically concentrated resource such as oil is present, those controlling this resource will favor efficient electoral systems that allow them to ensure the rank and file deliver to the party loyal. Venezuela is an obvious example.

THE VOTER'S DILEMMA, FACTIONS, AND STRANGE BEDFELLOWS

The premise of the argument to be developed here is that certain types of party behavior will be more competitive when voters are cueing on a direct targettable benefit and other types will be more competitive when voters are cueing on programs and diffuse indicators of system performance such as the health of the economy. Thus, we should be able to make clear predictions regarding what types of behavior should be more prevalent based on the incentives derived from alternative assumptions regarding voters' cues. The validity of the model in explaining why certain democracies are ineffective and unstable, then, is further supported by its ability to explain other behavior prevalent in these polities. This section will develop two hypotheses and discuss some suggestive evidence. Rigorous testing of the hypotheses will await future research. In order to develop these hypotheses we must consider two party and multiparty systems separately. I consider only presidential systems here.

In two party systems, under the assumption that voters are cueing on individual benefits, politicians will have a strong incentive to develop internal factions. This tendency to factionalization is due to the fact that this will be one of the only means for challenging a dominant politician's hold on the party and thus for leadership turnover. If all subordinate politicians continue to loyally deliver the votes and distribute the benefits in support of the party leadership, there will never be an opportunity for effective challenge. When the principle route for building one's own power is through the development of one's own following through the distribution of individual targetted benefits, this sets up a zero sum game between the leadership and new aspirants. An individual deputy's loyal followers represent votes the party leadership necessarily loses. In other words, when parties aggregate votes based on the delivery of targettable individual benefits, there is a direct contradiction between supporting the party in the rank and file and ascension to leadership. This holds even with no re-election of the president. Incumbent presidents generally try to ensure the victory of their chosen successor. This successor is someone who can be trusted to continue to maintain the flow of benefits to the president once he leaves office, so that he has ample resources from which to stage a comeback after waiting out one term or simply to maintain a position of influence within the system. Incentives to develop factions in these systems are further strengthened by the fact that such a differentiation will not entail costly confusion in the minds of the voters. Voters understand that such a break from existing leadership is a signal that another contender is vying for the leadership in the distribution of benefits. Their calculations regarding whether to support a new faction is a relatively simple one regarding whether the new faction or the sitting leadership is more likely to deliver targettable benefits to them.

Now let us consider the incentives created in two party systems when we assume voters cue on party platforms and diffuse indicators of performance. In this case it is possible to mount a challenge from within the party without creating a zero sum game between leaders and aspirants, and it is relatively costlier to develop a separate reputation from which to challenge the leadership in the minds of the voters. When parties attract voters based on legislative performance in implementing a program, aspiring for the leadership and performing party functions do not create a zero sum game. Aspirants can challenge a ruling leadership from within the party, by demonstrating legislative leadership

on the basis of the party platform. There is no zero sum relationship between building up one's own legislative record and the goals of the party leadership. The task here is to demonstrate that one has better ideas for how to convey the program to the voters and get it passed through the legislature. At the same time that it is easier to challenge from within the party, it will be quite costly to establish a new programmatic appeal if challengers develop open factions within the party. In short, the incentive here, then, will be to challenge for the highest positions from within the party.

We thus have our first hypothesis:

H1: Under the assumption that voters cue on individual benefits, two party presidential systems will create an incentive for party factionalization. Under the assumption that voters cue on diffuse outcomes, two party systems will not degenerate into factions.

In multiparty presidential systems the effects of the types of cues voters are using will be reflected in coalition behavior. Under the assumption voters are cueing on the receipt of an individual benefit, politicians will have a strong incentive to enter into coalitions across the ideological spectrum. When parties increase their votes based simply on access to resources for the distribution of individual benefits, alliances with any party that will facilitate such access will improve the party's electoral success. Since voters are not making their voting choice based on program content, the confusing signals strange bedfellow alliances would normally produce will have no cost. If parties are attempting to attract voters based on competing visions for national policy, however, strange bedfellows should constitute a liability. Thus, a measure of parties' propensity to accept strange bedfellows provides us with an indicator of the degree to which they are organized to aggregate voters into alternative visions for national policy and thus fulfill the critical function of facilitating true *social* choice.

We thus have our second hypothesis:

H2: Under the assumption voters cue on targeted benefits, multiparty presidential systems will produce an incentive to enter into strange bedfellow alliances.

PRELIMINARY EMPIRICAL DATA

In order to test the first hypothesis, we would need to measure factionalism across two party presidential systems. While an extensive test is not possible within the scope of this paper, it can be noted that the theory provides an explanation for the long noted factional politics in the three long standing two party systems of Colombia, Venezuela and Uruguay. Coppedge provides an in-depth analysis of factionalism in Venezuela and notes that such factions follow very specific patterns, among others that when in power the AD factionalizes and when out of power it coalesces. While Coppedge does not provide a theoretical explanation, we can see how this follows directly from the logic of political competition in two party systems under the assumption voters cue on targeted benefits. Furthermore, we also have an explanation for the similar behavior in the other two party systems. The two parties in Uruguay and Colombia are also riven with factions. While attempts at complete splits have often led to violence in Colombia, as with the Gaitan threat before the onset of the civil war in 1948, Uruguay has avoided open splits by institutionalizing them in the ley de lemas. One way to understand Uruguay's ley de lemas

is as an ingenious method for status quo groups to mitigate the zero sum conflict that has afflicted the AD in Venezuela and led to violence in Colombia. The ley de lemas, which allows factions to organize formally within the party and requires a pooling of votes across all factions, diminishes the zero sum threat new factions will present for the party as a whole. The ley de lemas allows the status quo groups to enjoy some of the benefits from factionalization, by using the vote totals such new factions will provide in their competition with the other party.

A superficial comparison with the other two party presidential regime, the United States, indicates a much higher rate of factionalization in the Latin American systems than in the U.S. This provides an initial indication that there is a difference between these systems along this dimension, which can be explained based on how voters cues shape political competition. Moreover, the U.S. conforms to all the predictions of a model based on the assumption voters cue on diffuse outcomes. In other words, the model developed here would predict that in systems in which voters cue on diffuse outcomes we should expect to see lower rates of factionalization, a higher rate of institutionalized party systems, relatively greater policy effectiveness and democratic stability.¹⁹ If we measure policy effectiveness based on sustained economic growth and aggregate welfare levels, we see that the United States fits all the predictions of the model when the voter's dilemma has been overcome. Similarly, the Latin American systems conform to all the predictions when the voter's dilemma reigns: relatively high factionalization, relatively less policy effectiveness, and democratic instability. In contrast, the institutionalization argument would predict democratic stability in Uruguay, Colombia and Venezuela, which as we have seen, was not borne out by the evidence. Similarly, the electoral systems argument would predict greater policy effectiveness in Venezuela, Argentina and Costa Rica than in the U.S., a proposition clearly refuted by the evidence of sustained economic growth and levels of aggregate welfare. In sum, in a preliminary evaluation of the data, the model developed here not only resolves the anomalies the record presents for these two leading theories. It also explains additional patterns that these theories cannot address.

Now let us consider multiparty presidential regimes. Once again, the argument is that when we assume voters cue on targeted benefits, multiparty presidential regimes create an incentive for strange bedfellow coalitions. A rigorous test would require large cross national comparisons. I would like to suggest, however, that this measure provides us with a means to distinguish whether the current Brazilian and Chilean democracies have more propitious conditions for consolidation than those of the earlier period (Brazil: 1945-64; Chile: 1932-73). Our leading theorists discussed here cannot provide us with much help. Is the Chilean party system more institutionalized now than in the earlier period? And if it is, would this guard it against another breakdown? The Brazilian system exhibits many of the same characteristics that are charged with its weakness in the earlier period, particularly the same "personalist" electoral system. Is it doomed to policy ineffectiveness and breakdown once again? Remmer has argued persuasively against those

¹⁹ The argument is about averages across the two types of systems, not that we won't see any factionalized systems in the case where the assumption is that voters cue on diffuse outcomes. Other variables may impinge on the propensity to factions. This is why large cross national comparisons of the hypotheses are necessary for a more rigorous test.

who view the current democratization as merely initiating another cycle, yet she provides no theoretical justification for her position that the current wave is different. The model and indicators developed here provide a theory and an indicator that can support her view. If all good things go together as the model developed here would suggest, a decrease in the propensity to form coalitions with strange bedfellows in the current regimes would indicate propitious conditions for improved policy effectiveness and democratic stability in these two countries. In other words, if the model of how the voter's dilemma constrains democracy is correct, a move away from strange bedfellow coalitions would indicate that parties are now organizing to translate preferences into social choice in pursuit of improved collective outcomes, thus increasing the ability of parties to perform these functions universally considered vital to effective public policy and stable democracy. While a full test awaits a future study, I would like to suggest how the argument presented here can shed light on important trends in Chile and Brazil.

Valenzuela (1989) has argued that instability in Chile was caused by the incentives inherent in presidentialism. His logic is that parties do not have an incentive to support the president after elections, and this creates conflict between the legislature and the executive and thus instability. He also notes that such patterns of legislative obstruction after elections have diminished in the current democratic period. His argument can neither account for this change in behavior despite the maintenance of presidentialism, nor the stable presidential system in the United States. The model developed here can accommodate both. Legislative obstructionism in multi-party systems can be seen as the counterpart to the factionalization in two party systems discussed above. The incentive to obstruct the president after the elections is not inherent to presidentialism, but results from what it takes to compete with a president in system in which voters cue on targeted benefits. In this case, once again, presidential hopefuls are in a zero sum game with the incumbent. They must destroy the incumbent's ability to consolidate distribution networks in order to compete successfully. This is why we saw this behavior in Chile from 1932-64. If the voter's dilemma has been overcome in the current period, however, this zero sum conflict will be attenuated. In this case we should expect presidential hopefuls to concentrate on supporting the president while in the cabinet and attempting to present more attractive policy proposals than the incumbent when in the opposition. Presidential hopefuls from within the cabinet strive for the success of the sitting government and the possibility for the extension of the program under their leadership in the next term. Aspirants from without attempt to present their superior programs to the electorate by demonstrating the weaknesses in the president's, but this does not require direct sabotage as in the case when voters cue on individual benefits. The altered behavior of the legislature in the current period, which Valenzuela cannot explain except through the ad hoc argument of the legacy of authoritarianism falls into place when we consider how voters' choices alter incentives under the same institutional rules.

Brazil is a case that is almost universally roundly criticized in terms of its democratic credentials (Mainwaring). Yet it now boasts one of the strongest and most programmatic parties in Latin America, the Worker's Party (PT) (Karl, Meneguello). Far from a minor player, the PT presidential candidate has taken the second place in the last two presidential elections, and is one of the five largest parties in the Chamber of

Deputies. The electoral system theories cannot explain this party's ability to compete in the highly personal electoral system in Brazil. The theory developed here, however, would view the success of the PT as a harbinger of greater changes in the terms of political competition in Brazil, which bodes well for democratic stability. Once again, we can understand the PT's success as the result of political entrepreneurs taking advantage of the opportunities that arise once the voter's dilemma is overcome. A PT could never emerge before the current period because the terms of political competition as driven by the voter's dilemma ensured that party programs were not rewarded at the polls. The PT has found a way to exploit the new electoral opportunities for programs despite the incentives in the electoral system for personalist behavior. By placing the rules for party discipline within the party statute, the PT provides its leaders with the tools to constrain the behavior of the rank and file and thus insure a legislative record that conforms to the party program. The behavior of the PT is illustrative of the larger problem with the electoral system theory. Although the electoral system does not provide the tools party leaders need to facilitate collective action, when programs become politically competitive, political entrepreneurs will devise tools that make such collective action possible. The programmatic PT competing successfully in the inefficient (personalist) electoral system in Brazil today is thus the obverse of the Costa Rican parties competing based on the distribution of targeted benefits in the efficient (incentives to adhere to the party label) electoral system that polity enjoys. Neither of these patterns can be explained by the electoral systems theory, while both fall into place once we understand how the voter's dilemma constrains and shapes political competition.

CONCLUSION

The theory developed here is designed to develop a logic of why some party systems strengthen democracy and why some inevitably weaken it. The argument has been that voter's choices critically shape political competition which in turn has important implications for what kinds of party systems politicians will adopt. By developing the voter's dilemma, I provided a general logic of the voting calculus. By developing the implications of alternative assumptions regarding voters' cues, I have shown that what appears to be similar democratic competition can produce quite distinct incentives regarding party design, with important implications for policy effectiveness and democratic stability. When voters cue on targeted benefits, democratic competition requires that politicians develop parties which aggregate votes, rather than parties which facilitate the translation of voter's preferences in to social rules aimed at improved diffuse outcomes for the collectivity. By the same token, when voters cue on diffuse outcomes, politicians will adopt the latter type of party design. I further developed additional strategies that we can expect parties to adopt under one or the other assumption regarding voters choices, and demonstrated that the logic of my argument does a better job of explaining outcomes with respect to democratic stability and effective governance than the two leading alternatives. There are many more hypotheses regarding what type of behavior we can expect based on whether the voter's dilemma has been overcome. The current paper is merely suggestive of a larger research agenda. In my dissertation I demonstrate that voter's choices under the reigning voter's dilemma seriously constrains

politicians' ability to develop policy in pursuit of social goals, and thus I develop a theoretical explanation for the relatively low performance of the developing democracies in terms of sustained growth and aggregate welfare. Similarly, if we can demonstrate that under the reigning voter's dilemma politicians will be driven to adopt regime destabilizing practices such as the creation of weak parties and legislative obstructionism developed here, we will have the potential to explain why some democracies are more stable than others. In short, if we can show that competition under the same democratic rules produces very different incentives for party behavior and policy choice based on the types of choices voters are making, we will make inroads toward a parsimonious, unified theory of democratic political competition. Such a theory will provide an explanation for the relatively poor performance of the developing democracies without requiring reference to their greater ignorance (learning arguments), venality (arguments based on "corruption" and clientelism), or moral or cultural inferiority (arguments based on lack of sufficient public spirit, etc.). Such a development will not only be an important contribution to theory, it will also be an important step toward eradicating these ultimately deprecating arguments used to explain outcomes in developing countries.

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