

Electoral Control in New Democracies: Fluid Party Systems as Perverse Incentives*

A Draft

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*Earlier drafts of this paper were presented at the Annual Meeting of the International Political Science Association in Durban, South Africa, at the Annual Meeting of the American Political Science Association in Philadelphia, and at the Yale University Comparative Politics Workshop.

1 Introduction

The central proposition of modern democratic theory is that repeated elections function as a mechanism of accountability. The underlying logic behind this claim is simple: If politicians want to be reelected and if voters condition their ballots on policy outcomes, then politicians have an incentive to implement policies that benefit the electorate. Otherwise, they lose. This argument is intuitive and well known, but is it empirically true? Does the system of repeated elections function as a mechanism of political control?

This question is particularly interesting in the case of new democracies of Eastern Europe because these countries permit us to study electoral control in the context of unstable party systems. As has been well documented, politicians in post-communist Europe frequently switch political parties either by creating new parties and abandoning their old ones or by moving from one existing party to another (references). As a result, new party systems consist of many short-lived organizations with murky policy reputations and fluid personnel. This is in contrast to mature democracies where well-organized parties tend to persist for long periods of time and manage to develop clear policy reputation and stable leadership structures. Since the current understanding of electoral control is based primarily on the analysis of the established democracies of the West (references), we have only a limited understanding of how electoral control works, if at all, in the context of fluid party systems (references). Indeed, a number of basic questions about the impact of fluid party systems on electoral accountability have not yet been studied.

To appreciate the significance of this point, focus on individual legislators and notice that fluid party systems create a situation where the process of electoral control could take two distinct *forms*. The first possibility is that electoral control works through political parties, just like it does in mature democracies. In this case, when policy outcomes are bad, voters

punish those legislative incumbents who belong to a governing party, and they reward those incumbents who belong to an opposition party. Under this scenario, voters use party labels to determine which incumbents are members of the legislative coalition that controlled the government and therefore should be held responsible for policy outcomes. Alternatively, electoral control could bypass political parties. Here, when policy outcomes are bad, voters hold legislative incumbents accountable regardless of their party affiliation. If legislators frequently switch political parties, either by creating new parties or by shifting from one existing party to another, party labels may not accurately reflect who was a member of the governing coalition and who belonged to the opposition. In effect, unstable party systems might dilute the informational content of party labels to such an extent that voters might ignore incumbents' party affiliation and hold legislators accountable irrespective of their party membership. Given this possibility, an important research question is to determine which type of electoral control, if any, exists in new democracies: Does electoral control in new democracies work through political parties, or are these organizations irrelevant to democratic accountability?

In addition to the form of electoral control, the fluidity of new party systems might also affect the *extent* of electoral control. If electoral control works through political parties so that voters punish legislators from a governing party for poor performance, then bad policy outcomes create an electoral incentive for these legislators to switch parties and contest the next election as members of an opposition party. If voters use party labels to identify which incumbents should be held responsible for economic performance, then switchers might be able to “trick the voters” and increase their probability of reelection despite the fact that they preside over bad policy outcomes. Notice that such behavior reduces the informational content of party labels in a particularly pernicious way. If the probability that incumbents move from a governing to an opposition party increases when policy outcomes are bad, then party labels lose their informational value precisely when the accuracy of electoral sanction

is especially important. In other words, if voters use party labels as markers of responsibility and if politicians switch parties when their performance is poor, then voters are more likely to spare members of the governing coalition at the time when these individuals should face an imminent sanction. As a result, party switching represents an important problem for democratic theory. If members of the governing coalition anticipate that they might be able to escape electoral punishment by switching parties, then the system of repeated elections becomes less effective in inducing politicians to implement good policies. In short, party switching may erode the institutional incentives generated by the electoral process and thus undermine the key promise of representative democracy.

This brings us to a broader theoretical point, namely that for the purpose of studying democratic accountability, party systems should be seen as “incentive structures,” i.e. as arrangements that affect the motivation of individual politicians to represent their electorate. In other words, we can think of party systems as informal institutions that generate different incentives for individual politicians to act in the interest of the voters. This is an important conceptual step because once party systems are seen in this light, then it is possible to explicitly investigate how they interact with repeated elections to either foster or inhibit democratic accountability. For example, fluid party systems, which make party switching relatively easy, may reduce legislators’ motivation to represent the electorate. If individual politicians anticipate that they might be able to evade electoral sanction by switching political parties, then their incentive to act in the interest of the electorate is lower because party switching increases their chances of reelection even though they do little to for the voters. In contrast, stable party systems, which make party switching relatively difficult, may enhance politicians’ motivation to represent the electorate. If individual politicians anticipate that they will not be able to escape electoral sanction by switching parties, then they have a greater motivation to represent the voters because the act of representation is their primary means of reelection.

To investigate the impact of fluid party systems on democratic accountability, we constructed a new database on Poland that contains detailed information about individual legislators and economic conditions in their electoral districts. The data set encompasses all competitive, legislative elections that took place since the 1989 transition to democracy (1991, 1993, 1997, 2001). Since the Polish parliament has 460 legislators, the database has 1,840 observations (4×460), where the unit of observation is an incumbent/election.¹

We find that, despite the fluidity of Poland's party system, electoral control in that country works through political parties, just like it does in mature democracies. When economic outcomes are bad, voters in Poland punish those legislative incumbents who belong to a governing party, and they reward those incumbents who belong to an opposition party. Party labels communicate to the electorate which legislators are members of the governing coalition and therefore should be held accountable for economic performance. However, in the context of a fluid party system, this method of controlling politicians creates a situation where some legislative incumbents manage to escape accountability by switching parties. In particular, the probability that an incumbent from a governing party switches to a non-governing party increases when economy deteriorates. Moreover, when economic outcomes are bad, the reelection probability of incumbents who switch to an opposition party is greater than the reelection probability of incumbents who do not switch and contest an election as members of a governing party. In addition, party switching is electorally costless: when economic

¹The construction of the Polish data set was funded by an OSU Seed Grant and by a Mershon Center Research Grant. The data set is based on three primary sources: the official election report (*Wyniki Wyborow do Sejmu*), the official web page of the Polish parliament (*Strona Internetowa Sejmu*), and the annual statistical almanac (*Rocznik Statystyczny*). We presented preliminary results at the Comparative Politics Workshop at the University of Chicago, May 2003, and at the meeting of the International Political Science Association, Durban, South Africa, July 2003. We would like to thank the late Wojciech Zaborowski of the Polish Academy of Science and Ewa Adameczyk of the Polish Statistical Office, as well as our research assistants Russell Davidson, Sheri Kunovich, and Katarzyna Wilk

outcomes are bad, the reelection probability of incumbents who switch to an opposition party is identical to the reelection probability of incumbents who have been in the opposition from the beginning. As a result, by switching parties, legislative incumbents are able to extract electoral benefits from bad policy outcomes for which they should have been sanctioned.

We use these statistical results to quantify the impact of fluid party systems on electoral incentives faced by individual legislators. To this end, we perform a counterfactual comparison of electoral incentives that exist in Poland's fluid party system where party switching is a realistic alternative to the electoral incentives that would have existed in Poland had its party system been stable and party switching impossible. In particular, we assume that incumbents place a monetary value on winning and losing, and we estimate the expected value of an election with and without party-switching. We find, for example, that if district unemployment increases by 15%, and if incumbents can not switch parties, then the expected monetary value of an election for members of a governing party is equal to 648 dollars per month. In contrast, if party switching is possible, then the same increase in unemployment yields an expected value of 789 dollars per month. As a result, the fluidity of Poland's party system reduces legislators' monetary incentive to select good policies by 141 dollars per month. In a country, where the average monthly wage is 538 dollars and the rate of unemployment is 18%, this represents a considerable erosion in electoral incentives.

The rest of the paper is organized as follows. Section two situates our work within the existing literature on accountability and explains the theoretical importance of incumbent-level data in studying electoral control. Section three provides basic information about Poland's constitution and electoral rules, as well as its party system and its economic performance. (This section is not yet complete.) Section four contains the first part of our empirical analysis. We analyze a sequence of "logistic regressions" that predict whether or not an incumbent is reelected and whether or not an incumbent switches parties based on the change in the level of unemployment in an incumbent's electoral district. Section five contains the

second part of our analysis. Using the statistical estimates from the previous section, we quantify the impact of fluid party systems on electoral incentives by constructing a counterfactual comparison of incentives that exist in a fluid party system with incentives that would have existed in a stable party system. Section five concludes by spelling out the broader implications of our findings. (This section is not yet complete.)

2 The Theoretical Significance of Incumbent Data

Two distinct strands of scholarship are relevant to the study of electoral accountability. The first one is game-theoretic (Barro 1973, Ferejohn 1986, Austen-Smith and Banks 1989, Banks and Sundaram 1993, 1996, Fearon 1999), and it represents electoral control as a variety of the principal-agent problem, where voters are principals and politicians are agents. One of the most significant contributions of this work is to specify clear micro-foundations underlying electoral control. The second line of work initiated by scholars focusing on the United States (Mueller 1970, Kramer 1971, Tufte 1978) is empirical and studies the impact of economic conditions on voting behavior, mostly in the established democracies of the West but increasingly also in the new democracies of the East. Here, some scholars focus on the relation between economic conditions and aggregate electoral results (Paldam 1991, Powell and Whitten 1993, Pacek 1994, Gibson and Cielecka 1995, Bell 1997, Powell 2000, Fidrmuc 2000, Tucker 2000, 2001). Others study the impact of economic conditions on voting behavior of individual citizens (Lewis-Beck 1988, Przeworski 1996, Stokes 1996, Powers and Cox 1997, Anderson 2000, Duch 2001). The empirical findings generated by this work are varied. (See Lewis-Beck and Stegmaier 2000 and Tucker 2002 for a review.) A number of scholars report that a weak economy diminishes the vote share of governing parties and makes individuals more likely to vote for the opposition. Other scholars, however, report that this relationship is not stable or that it vanishes all together. Moreover, some recent

work demonstrates that the survival of chief executives is unaffected by economic conditions (Cheibub and Przeworski 1999). As a result, the existence of systematic electoral control remains an empirically open question.

This paper is influenced by both strands of the literature. From theorists, at least from some of them, we take the preoccupation with electoral incentives faced by individual legislators. From empiricists, we take the focus on economic performance as the key determinant of electoral outcomes. As a result, we aim to contribute to the study of accountability in two related ways: we operationalize accountability by reference to the probability with which legislative incumbents are reelected, and we collect data on individual politicians. In particular, we propose the following definition: accountability for economic outcomes exists if and only if bad economic conditions increase the probability that at least a subset of legislative incumbents lose.

There are two reasons for thinking about accountability in this manner. The first reason is theoretical. In virtually all types of democracies, from the extreme form of presidentialism to the purest form of parliamentarism, major policies have to be voted on by the legislature. Consequently, if repeated elections are to function as a mechanism of accountability, they must create clear incentives for individual legislators to support policies that are beneficial to the electorate and to oppose those policies that are harmful. To this end, legislators must cast their votes with an eye towards future reelection, and the probability of their reelection must be contingent on policy outcomes. As a result, the focus on individual legislators is theoretically appealing because it concentrates on the micro-mechanism of accountability – individual-level incentives to select policies that benefit the electorate.

Notice a subtle but important theoretical difference between the empirical literature which focuses on voting behavior and this paper which emphasizes electoral incentives. Scholars who study economic voting generate information about voters, whereas this paper aims

to generate information about incentives faced by individual legislators. In other words, studies of economic voting tell us how voters respond to different economic outcomes, while we investigate whether different economic outcomes impinge on the welfare of individual legislators. Notice that by shifting the emphasis away from voters and towards legislative incumbents, we can study repeated elections as a system of incentives that is designed to align the interest of individual legislators with the interest of the electorate. This step is important because it makes it possible to explicitly analyze how the incentives generated by repeated elections, i.e. by the prospect of electoral sanction, interact with the incentives generated by fluid party systems, i.e. by the prospect of switching parties. As a result, by focussing on individual incumbents, we can use our data to shed light on one of the core problems in the study of representative government: the impact of party systems on electoral accountability.

The second reason for studying electoral control with incumbent-level data concerns the measurement of accountability in new democracies. Notice that measures of accountability based on party vote-shares in effect presume that electoral control works through political parties. While this assumption is perfectly reasonable in mature democracies, in the case of fluid party systems it is important to explicitly test its plausibility because, as discussed above, fluid party systems may dilute the informational value of party labels. Moreover, when party systems are fluid, measures based on party vote-shares, may either underestimate or overestimate the extent of electoral control. On one hand, if electoral control bypasses political parties, then party vote-shares will be unrelated to policy performance. Based on such a finding, we might underestimate the degree of accountability by concluding that elections do not function as a mechanism of electoral control, when in fact they do but not through political parties. On the other hand, if electoral control works through political parties, then party vote shares may be strongly related to policy performance. However, if legislative incumbents switch parties in order to escape accountability, then we might

overestimate the degree of accountability by concluding that incumbents are punished for bad economic performance, when in fact many of them are reelected because they switched parties.

To the extent that measures of accountability based on individual voting intentions or on their reported vote focus on political parties and not on individual incumbents, they encounter identical problems as measures based on party-vote shares. If accountability bypasses political parties, then such measures will underestimate the degree of accountability in fluid party systems because intentions to vote for parties will be unrelated to policy outcomes, even though voters might punish individual incumbents when conditions are bad. Conversely, if accountability works through parties but if incumbents switch, then such measures will overestimate the degree of accountability because intentions to vote for parties will be highly correlated with policy outcomes even though many incumbents manage to escape accountability. Moreover, in highly fragmented party systems, measures of accountability based on voting intentions or reported votes encounter an additional difficulty. When the number of political parties is large, voters who want to sanction either an individual incumbent or a governing party for poor policy outcomes might disperse their ballots among the many alternatives and thereby allow either the individual incumbent or the governing party to win. As a result, in fluid party systems measures based on individual voting intentions or their reported vote may overestimate the degree of accountability because individual incumbents or governing parties who preside over poor policy outcomes might escape punishment even though individual voters consciously aim to punish them at the ballot box.

Overall, then, the definition of accountability by reference to the reelection probability of individual legislators is attractive on both theory and measurement grounds. At the level of theory, this definition focuses on the individual incentives to select good policies and thus captures the specific micro-mechanism of accountability. At the level of measurement, it allows us to explore electoral accountability in the context of unstable party systems by

investigating a number of phenomena that are salient in such systems, and that are difficult to investigate with other forms of data.

3 Institutions, Parties, and the Economy

Throughout the period of our study (1991-2001), Poland's constitution can be best described as a premier-presidential system with a bicameral legislature. The country has a directly elected president, an indirectly elected cabinet, a directly elected upper house (Senat) with 100 members, and a directly elected lower house (Sejm) with 460 members. The Sejm is the sole gate-keeper of legislative initiative, and it is responsible for appointing and removing the cabinet. The cabinet, in turn, is the locus of executive power. The president has the right to veto the Sejm, but his or her veto can be overridden by a qualified majority of the Sejm. The Senat has the right to amend the legislation proposed by the Sejm, but its amendments can be overridden through a simple majority in the Sejm. As a result, the Sejm plays a central role in the politics of the country: it exercises major influence over the legislative process, and it controls the executive. Consequently, we focus our analysis on the four fully-competitive elections to the Sejm. All of these elections were contested in multi-member districts with open party lists. [Add an Appendix that details the main reforms of both the constitution and the electoral system that took place between 1991 and 2001.]²

Since 1991, the party system in Poland has been in a state of organizational fragmentation that is broadly characteristic of party systems in new democracies. For instance, 48 political

²Although, the 1997 constitution introduced a number of revisions to the constitutional arrangements that emerged after the "Round Table" negotiations of 1989, these basic contours remained unchanged. The analogous is true of the electoral rules. Although the specific details of these rules were changed on several occasions, the basic structure remained unaltered.

parties (party lists) contested the 1991 election of which 46 were new. In 1993, 26 political parties campaigned, and 6 of them were new. In 1997, there were 25 parties, and 5 were new. Finally in 2001, 14 parties competed, and 4 were new. The average electoral volatility score between the 1991 and the 1993 elections was 26.8. Between 1993 and 1997, this score was 22.3, and between 1997 and 2001, this score was 20.1. [Provide More Data]

With regard to economic performance, the country went through a period of considerable macro economic transformation. For example, it managed to reduce the national rate of inflation from 600% in 1990 to 1% in 2002, while increasing the national rate unemployment from 1% in 1990 to 18% in 2002. These broad national trends, however, hide considerable variation in economic performance across both space and time. To illustrate, Table One provides a frequency distribution of individual incumbents based on the change in the unemployment rate in their electoral districts between any two consecutive elections. The maximum increase was 17.9%, while the maximum decrease was 12.3%. An average incumbent ran for reelection in an electoral district where unemployment increased by 3.79% since the previous election. [Provide More Data]

[Table One:]

4 Reelection, Switching, and Unemployment

We organize this part of our analysis into two basic steps. We begin by asking whether or not voters in Poland use elections to hold politicians accountable for economic performance. As discussed above, we consider two different forms of accountability. The first option is that electoral control works through political parties: when economic outcomes are bad, incumbents from a governing party are less likely to be reelected, while incumbents from an opposition party are more likely to be reelected. The second option is that electoral control

bypasses political parties: when economic outcomes are bad, incumbents are less likely to be reelected irrespective of their party affiliation. In the next step, we investigate the consequences of party switching when electoral control works through political parties. To this end, we consider the possibility that switching is motivated, at least in part, by the desire to escape accountability, and we ask whether incumbents from a governing party are more likely to switch to a non-governing party when economic outcomes are bad. Moreover, we assess the electoral effectiveness of party switching as means of evading accountability. Here, we ask two questions: (a) When economic outcomes are bad, are incumbents who switch and contest an election as members of an opposition party more likely to be reelected than incumbents who do not switch and contested that election as members of a governing party? and (b) Are incumbents who switch and contest an election as members of an opposition as likely to be reelected as incumbents who have been in the opposition since the beginning? If the answer to the first question is yes, then party switching is an effective means of escape. If the answer to the second question is also yes, then party switching is not only effective but also electorally costless because switchers are treated on *par* with other members of the opposition, as far as reelection is concerned.

4.1 Forms of Electoral Control

To ascertain which form of electoral control, if any, exists in Poland, we classified all political parties that contested a given election as either governing or non-governing. A party was classified as governing if before the election it held a ministerial portfolio in the longest-lasting cabinet. For example, in the 2001 election, both the AWS and the UW were classified as governing because the AWS-UW cabinet lasted longer than the AWS cabinet.³ All other

³AWS is the Polish acronym for The Electoral Action Solidarity, while UW denotes The Freedom Union. Both parties are splinters of the former Solidarity movement.

parties were classified as non-governing. (Our results are robust to different classification criteria.) For each legislative incumbent, we constructed a binary variable called “governor” (g), which equals one if the incumbent was a member of a governing party and zero otherwise. In addition, we considered the change in the rate of unemployment (Δu) in the incumbent’s electoral district since the last election, and the incumbent’s reelection status (w), where $w = 1$ if the incumbent is reelected and 0 otherwise. We then estimated, the following model for all legislative incumbents who ran for reelection:

$$P(w = 1) = F(\beta_0 + \beta_1 g + \beta_2 g \times \Delta u + \beta_3 \Delta u) \quad (1)$$

where $P(w = 1)$ is the probability that an incumbent is reelected, and $F(\cdot)$ is the Logistic cumulative distribution function. Our expectations were as follows. If voters in Poland do not use elections to control politicians, then there should be no relation between the change in unemployment and the probability of reelection ($H1 : \beta_2 = 0$ and $\beta_3 = 0$). If electoral control works through political parties, then an increase in unemployment should decrease the reelection probability of a legislative incumbent from a governing party, and it should increase the reelection probability of a legislative incumbent from an opposition party ($H2 : \beta_2 + \beta_3 < 0$ and $\beta_3 > 0$). Finally, if electoral control bypasses political parties, then an increase in unemployment should decrease the reelection probability of all legislative incumbents equally ($H3 : \beta_2 = 0$ and $\beta_3 < 0$). Table One presents the results.

Table One

variable	estimate	standard error
intercept	0.004	0.095
g	-0.533**	0.130
$g \times \Delta u$	-0.120**	0.022
Δu	0.049*	0.017

dependent variable: $P(w = 1)$
pdf: Logistic

estimator: Maximum Likelihood
significance: *0.05, **0.01 (two-tailed test)
N = 1,232

The results allow us to reject hypotheses one and three, and they are consistent with hypothesis two. When economic outcomes are bad, incumbents from governing parties are less likely to win, while incumbents from opposition parties are more likely to win. From this we draw two conclusions. Elections in Poland function as a mechanism of political control, and the process of electoral control works through political parties. Despite the informational noise that exists in fluid party systems, party labels appear to communicate to the voters which incumbents were members of the governing, legislative coalition and therefore should be held responsible for economic outcomes.

Since model one is non-linear, the coefficients reported in Table Two cannot be interpreted as slopes. Consequently, to provide a sense for the magnitude of these effects, Figure One plots the estimated probability of reelection for members of a governing party and for members of an opposition party as a function of the change in district unemployment (Δu). The chief point to note is that the reelection probability of governing legislators is a decreasing function of Δu , and that the reverse is true for members of the opposition. For example, when unemployment declines by 20% ($\Delta u = -20$), individual members of a governing party have an 80% chance of reelection while individual members of an opposition party have a 10% chance of reelection. In contrast, when unemployment increases by 20% ($\Delta u = 20$), members of a governing party win with a 3% percent probability, while members of the opposition win with a 53% probability.

[Figure Two]

4.2 Party Switching

Given the fluidity of Poland’s party system, the significance of political parties in the process of electoral control prompted us to consider the following issue. If electoral control works through political parties, then individual politicians in unstable party systems might be able to escape accountability for poor economic performance by switching from one party to another. If voters use party labels to identify which incumbents should be held responsible for economic performance, then members of a governing party who preside over bad economic outcomes have an incentive to switch parties and contest the upcoming election as members of an opposition party. Since party switching is common in Poland, we decided to investigate whether or not this behavior constitutes an attempt to escape electoral accountability. (Approximately 12% of incumbents who are members of the governing party switch to a non-governing party in an average election.) To this end, we created a dichotomous variable called “switch” (s), which is equal to one if a legislative incumbent switched from a governing to a non-governing party and zero otherwise. For example, if a legislative incumbent contested the 1997 election as a member of the AWS but then ran in the 2001 election as a member of the SLD, then we classified that incumbent as a “switcher” because in 2001 the AWS was a governing party while the SLD was an opposition party.⁴ We then estimated the following model for those legislative incumbents who did not switch and contested the election as members of a governing party and those legislative incumbents who switched and contested the election as members of an opposition party.

$$P(s = 1) = F(\beta_0 + \beta_1 \Delta u) \tag{2}$$

where $P(s = 1)$ is the probability that an incumbent switches. Our expectations were as follows. If party-switching is at least in part an attempt to escape electoral control, then

⁴SLD is the Polish acronym for The Alliance of the Democratic Left, the main post-communist party in Poland.

an increase in district-level unemployment should increase the probability that a legislative incumbent switches from a governing to a non-governing party ($H4 : \beta_1 > 0$). If party-switching is motivated exclusively by intra-party conflicts over either ideology or power, then changes in district-level unemployment should have no impact on the probability that a legislative incumbent switches parties ($H5 : \beta_1 = 0$). Table Two presents the results.

Table Two

variable	estimate	standard error
intercept	-2.174**	0.551
Δu	0.181**	0.009

dependent variable: $P(s = 1)$

pdf: Logistic

estimator: Maximum Likelihood

significance: *0.05, **0.01 (two-tailed test)

N = 492

The results are consistent with hypothesis four, and they allow us to reject hypothesis five. When economic outcomes are bad, legislative incumbents are more likely to switch from a governing to a non-governing party. From this we infer that party switching is motivated, at least in part, by a desire to escape accountability.

To give a sense for the magnitude of this phenomenon, Figure Three plots the estimated probability that a member of a governing party switches to an opposition party as a function of Δu . The probability of a switch is an increasing function of Δu . For example when unemployment declines by 20%, there is a 0% chance that a member of a governing party switches to an opposition party. In contrast, when unemployment increases by 20%, the probability of switching is equal to 80%, so that nearly all legislators leave the governing party on average.

[Figure Three:]

Since incumbents switch parties in order to escape electoral control, the next step is to check whether or not such behavior is electorally beneficial. Do switchers improve their probability of reelection in comparison to those who remain loyal to their party and do not switch? To answer this question, we estimated the following model for those legislative incumbents who contested an election as members of a governing party and those legislative incumbents who switched and contested an election as members of an opposition party:⁵

$$P(w = 1) = F(\beta_0 + \beta_1 s + \beta_2 s \times \Delta u + \beta_3 \Delta u) \quad (3)$$

Our expectations were as follows. If party switching is an effective strategy for escaping electoral accountability, then an increase in unemployment should increase the probability that a legislative incumbent who switched from a governing to a non-governing party is reelected, and an increase in unemployment should decrease the reelection probability of legislative incumbents who did not switch and contested that election as members of a governing party ($H6 : \beta_2 + \beta_3 > 0$ and $\beta_3 < 0$). Table Three has the results.

Table Three

variable	estimate	standard error
intercept	-0.747**	0.112
s	0.914	0.534
$s \times \Delta u$	0.199*	0.102
Δu	-0.106**	0.018

dependent variable: $P(w = 1)$

pdf: Logistic

estimator: Maximum Likelihood

significance: *0.05, **0.01 (two-tailed test)

N = 492

⁵Notice that this model does not include g and $g \times \Delta$ because the information on membership in a governing party is contained in s and $s \times \Delta$. Keep in mind that here we are excluding from the analysis all members of an opposition party who did not switch. N = 631 rather than 1,232.

The results are consistent with hypothesis six. When the economy deteriorates, Polish voters reward those legislative incumbents who were members of a governing party but switched to a non-governing party, and they punish those incumbents who were members of a governing party and did not switch. As a result, the act of switching parties when economic conditions are bad constitutes an effective strategy for escaping electoral accountability.

The fact that switching is a good way of evading political responsibility for bad economic performance prompts the question of whether or not switching is punished at all. Are switchers reelected with the same probability as other incumbents who contest an election as members of an opposition party? If they are, then switching is electorally costless because switchers are treated on *par* with other members of the opposition. If they are not, then switching is beneficial but costly. Switchers improve their chances of reelection *vis á vis* those who remain loyal to the governing party and do not switch, but their electoral prospects are not as good those of incumbents who have been members the opposition from the beginning. To answer this question, we estimated the following model for those legislative incumbents who were members of an opposition party since the last election and those legislative incumbents who were members of an opposition because they switched from a governing party:

$$P(w = 1) = F(\beta_0 + \beta_1 s + \beta_2 s \times \Delta u + \beta_3 \Delta u) \quad (4)$$

Our expectations were as follows. If party switching is electorally costless, then an increase in unemployment should increase the probability with which switchers are reelected to the same extent that it increases the probability with which non-switching members of the opposition are reelected (H7: $\beta_2 = 0$ and $\beta_3 > 0$). If party switching is beneficial but costly, then an increase in unemployment should increase the probability with which switchers are reelected to a smaller extent than it increases the probability with which non-switching members of the opposition are reelected (H8: $\beta_2 < 0$ and $\beta_2 + \beta_3 > 0$). Table Four presents the results.

Table Four

variable	estimate	standard error
intercept	0.034	0.101
s	0.133	0.531
$s \times \Delta u$	0.039	0.102
Δu	0.055**	0.018

dependent variable: $P(w = 1)$

pdf: Logistic

estimator: Maximum Likelihood

significance: *0.05, **0.01 (two-tailed test)

N = 562

The results allow us to reject hypothesis six, and they are consistent with hypothesis seven. When the economy deteriorates, the reelection probability of incumbents who switched to a non-governing party increases at the same rate as the reelection probability of incumbents who were members of a non-governing party from the beginning. As a result, the act of switching parties when economic conditions are bad constitutes an electorally costless way of escaping accountability for poor economic performance.

Over all, then electoral control in Poland works through political parties, just like it does in mature democracies. In the context of a fluid party system, however, the voters' reliance on party labels to sort legislative incumbents into those who are responsible and those who are not allows some legislators to escape accountability by switching from a governing to a non-governing party right before an election. *Prima facie* such behavior reduces the extent of political control exercised by the Polish electorate because voters mistakenly spare some incumbents who should be sanctioned.

5 Fluid Party Systems and Individual Incentives

In light of these findings, our final step is to consider the impact of party switching on the electoral incentives confronted by individual legislators. To what extent does the possibility of switching political parties erode the electoral incentive to represent the electorate that is generated by the prospect of an electoral sanction? To answer this question, we construct a counterfactual case and compare the electoral incentives that exist in Poland's fluid party system, where the prospect of party switching is a realistic possibility, to the electoral incentives that would have existed had Poland's party system been stable and party switching were not an option.

To this end, we turn to the theory of decision-making under uncertainty. (See Lewis 2000 for a discussion of why theories play a central role in the construction of proper counterfactuals.) In particular, we assume that legislators place a monetary value on winning and losing, and that they think of elections as lotteries over these two outcomes. We then construct two electoral lotteries, one that represents elections in stable party systems where party switching is not an option and the other that represents elections in fluid party systems where party switching is a real alternative. For a given change in unemployment, we then compare the expected value of the electoral lottery without party-switching to the expected value of the electoral lottery with party-switching. If the expected value of the lottery with switching is greater than the expected value of the lottery without switching, then it follows that party switching erodes electoral incentives. In effect, for each change in unemployment, the possibility of switching parties raises the expected payoff received by an individual legislator above the expected payoff that an individual legislator would have received had the option of switching parties been foreclosed by the stability of the party system. As a result, when legislators anticipate that they might be able to escape accountability by switching parties, they have a smaller incentive to improve economic outcomes.

To make our assumptions about monetary values of winning and losing as plausible as possible, we assume that parliamentarians value winning at 2,245 dollars per month (8,980 zloty per month) because this was the monthly wage received by a parliamentarian in 2002. Moreover, we assume that parliamentarians value losing at 538 dollars per month (2,152 zloty per month) because this was the average monthly wage in the country as a whole in that same year. If the assumption that legislators place a monetary value on electoral outcomes seems unduly crass or highly artificial, consider the following exchange that took place during a parliamentary debate in the Sejm. (The deputies' names are available upon request.)

Deputy X: Let us ask ourselves, who is responsible for the current economic situation in the country. The answer, despite appearances, is quite simple. The responsibility rests on those who govern: the president, prime-ministers, various ministers and us – parliamentarians. Currently, a parliamentarian receives a monthly wage of 8,980 zloty, while the minimum wage is equal to 760 zloty and the national average is 2,152 zloty. We are obviously dealing with a serious disproportionality here. ... I ask, therefore, what teacher, what nurse, what worker receives such wages. Let me answer: None.

Deputy Y: That is because they are not parliamentarians (Laughter in the chamber.) *Stenogram Posiedzeń Sejmu*

Now consider the representation of elections as lotteries. In a stable party system, where switching is not an option, an election can be represented as the following lottery. An incumbent from a governing party wins with probability $P(w = 1|g = 1)$ and receives $V(w = 1) = \$2,245$, or he or she loses with probability $1 - P(w = 1|g = 1)$ and receives $V(w = 0) = \$538$. Likewise, an incumbent from an opposition party wins with probability $P(w = 1|g = 0)$ and receives $V(w = 1) = \$2,245$, or he or she loses with probability $1 - P(w = 1|g = 0)$ and receives $V(w = 0) = \$538$. The values of $P(w = 1|g = 1)$ and $P(w = 1|g = 0)$ can be computed for each value of Δu based on the estimates presented in Table One. As a result, the expected value of an election without switching for a legislator

from a governing party is:

$$EV(g = 1) = P(w = 1|g = 1) \times V(w = 1) + (1 - P(w = 1|g = 1)) \times V(w = 0) \quad (5)$$

Analogously, the expected value of an election without switching for a legislator from an opposition party is:

$$EV(g = 0) = P(w = 1|g = 0) \times V(w = 1) + (1 - P(w = 1|g = 0)) \times V(w = 0) \quad (6)$$

Since the reelection probabilities $P(w = 1|g = 1)$ and $P(w = 1|g = 0)$ are contingent on Δu , the expected value of an election is also contingent on Δu . For example, when $\Delta u = 5\%$, the expected value for a legislator from a governing party is equal to 848 dollars per month, while the expected value for a legislator from an opposition party is equal to 1096 dollars per month. Likewise, when $\Delta u = 15\%$, the expected value for a legislator from a governing party is equal to 648 dollars, while the expected value for a legislator from an opposition party is equal to 1326 dollars. Figure Four below plots the expected value for both types of legislators as a function of Δu . Notice that the expected value of an election for legislators from a governing party declines when Δu increases, and that the opposite is true for legislators from an opposition party. As a result, elections in stable party systems provide a clear monetary incentive for members of the governing party to fight unemployment. When party systems are stable and party switching is not an option, governing legislators are literally better off financially when they manage to lower the rate of unemployment in their districts.

[Figure Four:]

Now consider the impact of party switching on these incentives. In a fluid party system, where party switching is a realistic alternative, an election has to be represented as a compound lottery. In particular, there is a $P(s = 1)$ probability that an incumbent from a governing party switches parties and contests the election as a member of an opposition party. Should this happen, he or she receives the expected value equal to $EV(g = 0)$ from

equation 6 above. Alternatively, there is $1 - P(s = 1)$ probability that an incumbent from a governing party does not switch and contests the election as a member of a governing party. Here, his or her expected value is equal to $EV(g = 1)$ from equation 5 above. Since the value of $P(s = 1)$ can be computed for each value of Δu based on the estimates in Table Two, the expected value of an election with switching for an incumbent from a governing party is:

$$EV_{switch} = P(s = 1) \times EV(g = 0) + (1 - P(s = 1)) \times EV(g = 1) \quad (7)$$

For example when $\Delta u = 5\%$, the expected value for a legislator from a governing party is equal to 891 dollars per month, but when $\Delta u = 15\%$, the expected value for that legislator is equal to 789 dollars per month. Figure Four below plots the expected value of an election with and with out switching for governing legislators as a function of Δu . There are two things to note about this figure. An increase in Δu decreases the expected value of elections with switching. As a result, despite Poland's fluid party system, elections in that country still generate individual incentives to fight unemployment. However, the expected value of an election with switching is above the expected value of an election without party switching. This implies that while fluid party systems do not completely undermine the role of elections as a mechanism of accountability, they do erode the effectiveness of electoral sanction. Holding economic performance constant, the possibility of switching parties increase the expected payoff received by members of a governing party and thus reduces their incentive to improve economic performance.

The magnitude of this effect is non-linear, but the difference between the expected value of an election with switching and the expected value of an election without switching is always an increasing function of Δu . This means that when economic outcomes are very bad, party switching erodes the effectiveness of electoral sanction to a greater extent than it does when the economic outcomes are only moderately bad. The reason for this is that both the probability of switching from a governing to a non-governing party and the reelection

probability for members of the governing party are an increasing function of Δu (please see Figures Two and Three). As a result, when economic outcomes deteriorate, incumbents from governing parties are more likely to switch, and they are more likely to win once they switch. For example, when unemployment increases by 5%, there is a 17% chance that an incumbent will switch and a 32% chance that he or she will win conditional on having switched. In contrast when unemployment increases by 15%, there is a 21% chance that an incumbent will switch and a 46% chance that he or she will win conditional on having switched. As a result, when district unemployment increases by 5%, the difference between the expected value of an election in fluid party systems and the expected value of an election in stable party systems is equal to 43 dollars per month. In contrast, when district unemployment increases by 15% that difference is equal to 141 dollars per month. In a country, where the average monthly wage is 538 dollars and the unemployment rate is 18%, party-system instability leads to clear reduction in monetary incentives to improve economic outcomes.

[Figure Five:]

6 Conclusion

The objective of this paper is to assess the impact of fluid party systems on democratic accountability. To this end, we proceed in three steps. First, we represent party systems as incentive structures that influence the motivation of individual legislators to act in the interest of the electorate. This allows us to investigate how the incentives generated by fluid party systems, i.e. by the prospect of switching political parties when economic outcomes are bad, interact with the incentives generated by the system of repeated elections, i.e. by the prospect of an electoral sanction when economic outcomes are bad. Second, we analyze a new database that contains information about all legislative incumbents and all

competitive elections that took place in Poland after the country's transition to democracy. We establish the following: (a) the reelection probability of incumbents from governing parties is a decreasing function of economic performance, while the reelection probability of incumbents from governing parties is an increasing function of economic performance; (b) the probability that incumbents from a governing party switch to a non-governing party is a decreasing function of economic performance; (c) the reelection probability of incumbents who switch parties and contest elections as members of an opposition party is the same as the reelection probability of incumbents who were members of an opposition party from the beginning. In the third step, we use these results to construct a counterfactual comparison of electoral incentives that exist in Poland's fluid party systems to the electoral incentives that would have existed in Poland had its party system been stable. In particular we compare the expected value of an election when party switching is possible to the expected value of an election when party switching is not an option. We find that holding economic performance constant, the expected value of an election with switching is greater than the expected value of an election without switching. This implies that individual incentives generated by fluid party systems erode the incentives generated by the system of repeated elections and thus reduce the extent of democratic accountability.

Figure One

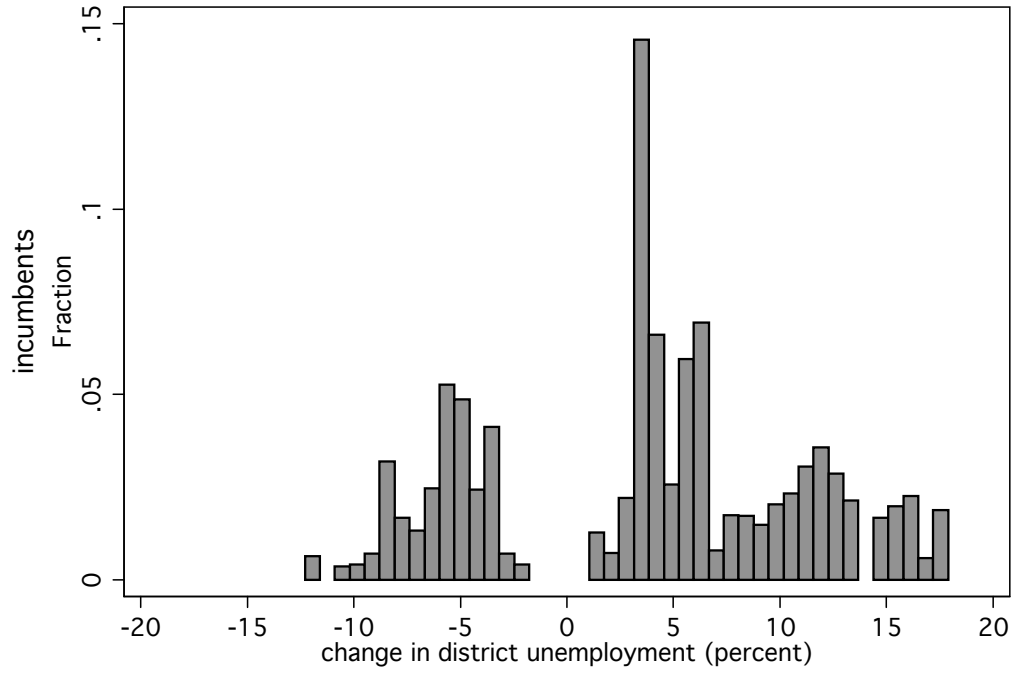


Figure Two

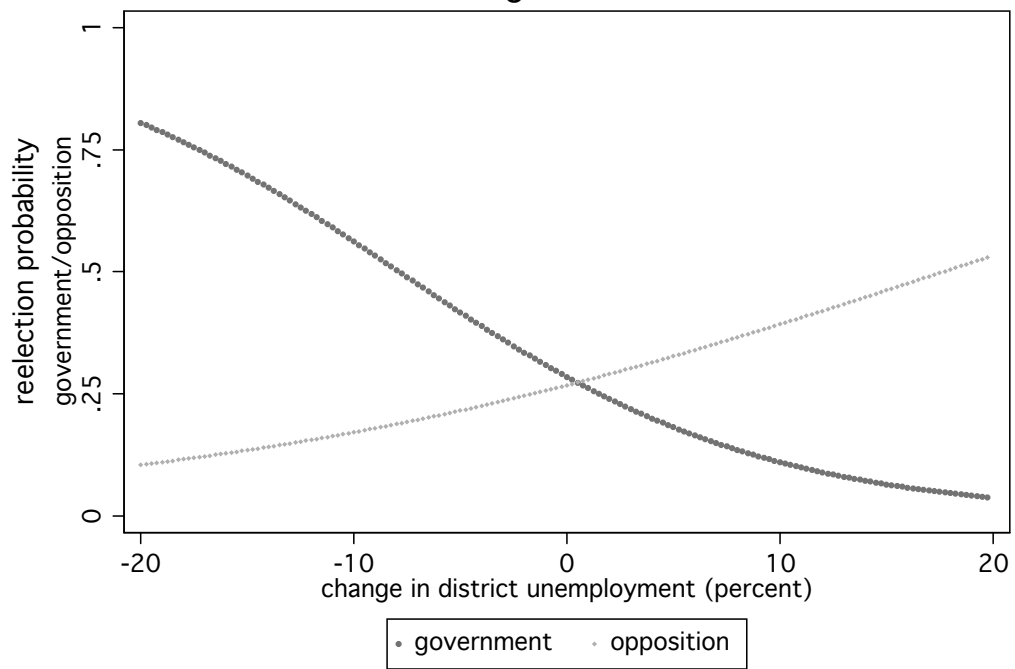


Figure Three

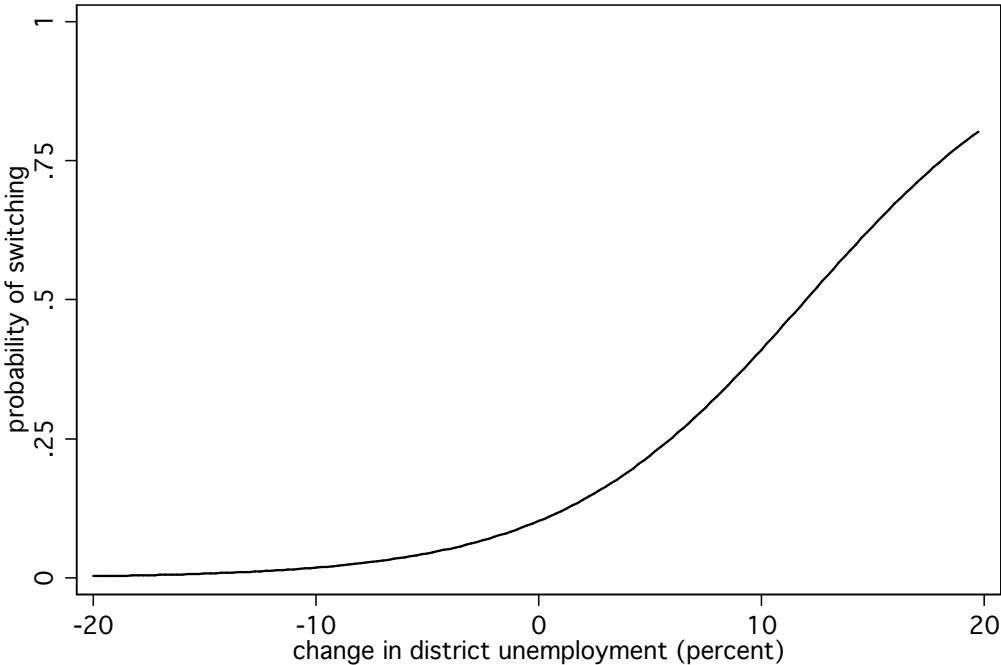


Figure Four

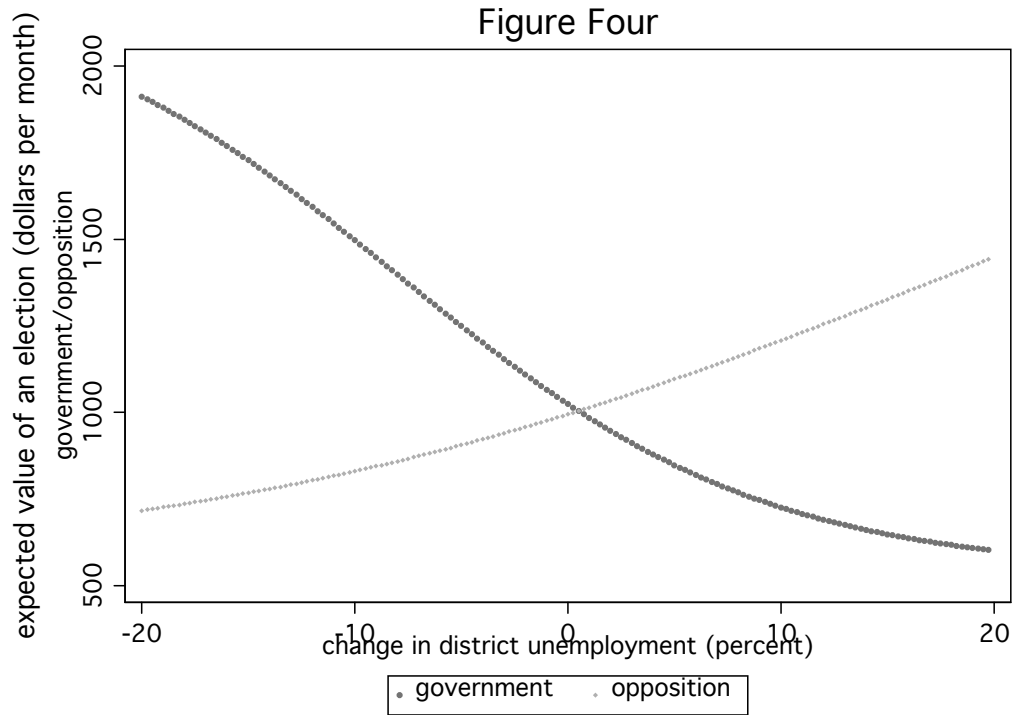
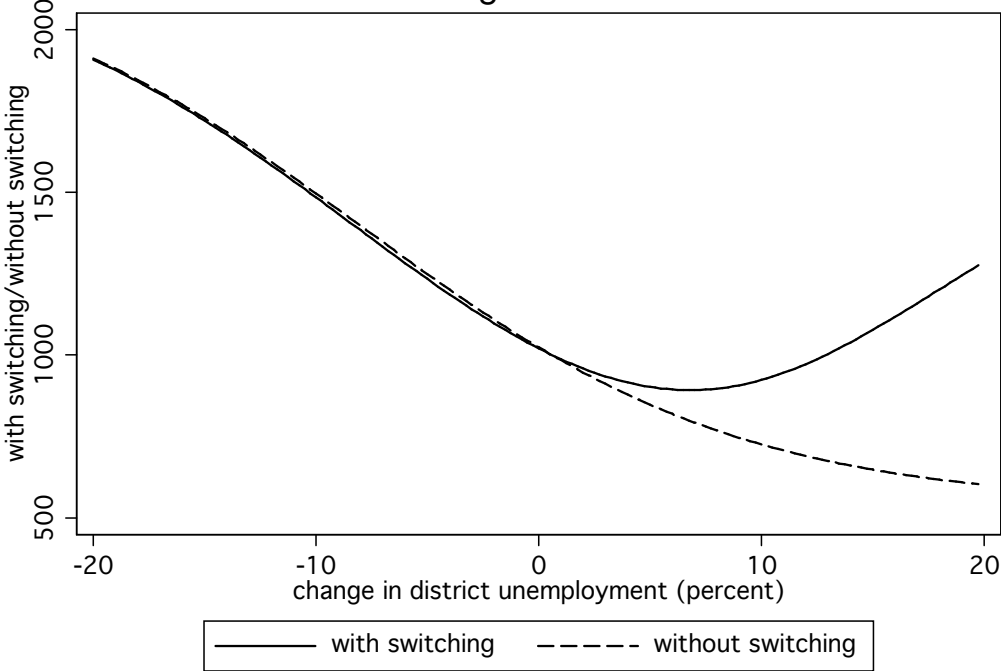


Figure Five



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