

## ON PARTY COMPETITION AND GOVERNMENT OVERLOAD\*

Franz Lehner

The purposes of this paper are twofold: First, to suggest some reconsiderations of the economic theory of democracy (specifically to the economic notion of *party competition*), and second to attempt to contribute to the analysis of the potential scope of parliamentary government and the problem of *government overload*.

Competition is the basic concept of the economic theory of democracy. Since Schumpeter's book, *Capitalism, Socialism and Democracy*, the New Political Economy has tended to equate competition with the *democratic method*.<sup>1</sup>

The economic model of party competition is rather simple. Two or more parties seeking to maximize their vote (or their plurality), normally generate some *equilibrium* condition. In this equilibrium, as a rule, party strategies will converge, although they may occasionally diverge. In both cases the equilibrium's most important characteristic is *Pareto-optimality*.<sup>2</sup>

Most economic models of party competition and parliamentary democracy describe an *ideal-type* of competitive democracy. They describe the working of such a system at its best. This idealization neglects both the latitude and the limitations of the competitive mechanism. In contrast I attempt to describe the working of competitive democracy at its worst. Such an apparently destructive analysis serves, however, the goals of a constructive science of government; it aims to point out the *limits* and *potential failures* of the mechanism of party competition.

The *focal variable* of my analysis will be the *scope of politics*. By this, I shall mean the set of activities, both individual and collective, that are controlled or regulated by government.

I will discuss the *thesis* that, if the scope of parliamentary government is high, party competition may result in divergence rather than convergence, even if there is a unimodal distribution of

voter preferences (that is even if voter values and preferences are rather homogeneous). I shall argue that party competition and the resulting divergence may reduce the *steering capacity* of government and impose severe *stress* on it.

Thus, the major contention of this article is that party competition may produce a condition of *government overload* generating a discrepancy between the expectations created by competition and government capacity to satisfy these expectations<sup>3</sup>.

The theoretical basis of the argument is a *psychologically modified* economic approach to behavior. This approach has been adequately outlined elsewhere, and it is not my intention to engage in undue repetition here<sup>4</sup>. Suffice it to say that the modifications primarily dismiss the assumption of transitive preferences, and consider social influence in terms of social comparison processes, as well as behavioral "feedbacks" on preferences and expectations.

The analysis of this paper proceeds in four stages. First, the *comparative static* model of party competition is reviewed. Second, an analysis of the *participatory input* into the political process is briefly outlined. Third, a *dynamic* model of party competition is presented. Finally, the relationship between the dynamics of party-competition and government overload is discussed.

### 1. *Party-Competition : The Comparative-Static Model Revisited*

The standard economic approach is, as McKenzie and Staaf point out, one of *comparative statics*<sup>5</sup>. Such an approach neglects the time dimension and processes of learning and behavior modification. Concerning party competition it neglects interactions between parties and parties and voters over the legislative period, as well as the effects of these interactions on parties strategic behavior in electoral campaigns. The standard economic model of party competition assumes that party strategies converge unless there exists a *polarized* socio-political structure; that is a bi- or multimodal distribution of voter preferences<sup>6</sup>. When party strategies converge there is no motive for the individual voter to participate in elections. This is the well-known "*paradox of voting*".

As long as we maintain the assumption that party strategies converge the paradox of voting cannot be solved. However, even in a comparative static approach, it can be demonstrated how and why party strategies *diverge* even if there is a unimodal distribution of voter preferences.

According to politico-economic theory, parties attempt to maximize their votes (or their plurality). They seek in *control* the

apparatus of government or to participate in its control.

While gaining the control of this apparatus (or participating in its control), of course, implies the maximization of a party's vote (or plurality), there are other considerations to be taken into account. Although the political market is primarily composed of individual citizens its structure is determined by *interest organizations*. Under conditions of uncertainty they not only play an important role as intermediaries between citizens and parties, but also provide valuable resources to the parties<sup>7</sup>.

Riker and Ordeshook have put forward the plausible hypothesis that "the greater the degree of competition the more value a candidate assigns to such resources as finances, endorsements, and the support of activists"<sup>8</sup>. Consequently, parties not only can attempt to maximize their vote, but *other resources* as well.

This, as Riker and Ordeshook point out, "can warrant strategies that diverge from the mean preference"<sup>9</sup>. Indeed, it not only can, but *must warrant divergence, for otherwise there will be no incentive* for any interest group to *discriminately support one party*<sup>10</sup>.

Maximization of either votes or plurality depends upon citizens *participation at elections*. *Psychologically, participation is a question of perceived instrumentality of voting — this in turn is determined by the perceived difference between parties with respect to subjectively relevant dimensions.*

When we consider electoral participation it is necessary to distinguish between those citizens with strong party identification and those who frequently change their positions.

For almost every party we can find a more or less large number of citizens who strongly *identify* with it and will vote for it regardless of sophisticated utility calculations.

These *regular voters* are of importance to a party for two reasons. First, parties may recruit campaign activists from their regular voters. Second, and perhaps more importantly, the regular voters facilitate the parties' strategic calculi since they may lead to a standardization of parts of the strategy<sup>11</sup>.

Regular voters differ from the Downsian type of voter, in Max Weber's terms their behavior is "wertrational". They stick to their party as long as there is no great change in the party's basic ideology. They will for the most part participate at elections on grounds of *loyalty*. In order to maintain the loyalty of their regular voters parties necessarily have to *diverge* at least at the level of their *general ideologies*.

The Downsian type of voter is one who votes on the basis of a utility- and issue-related *party differential*. He does not identify with

any party but may change his position from election to election.

Clearly, a *floating voter* participates in elections if and only if his party differential is *significant*, that is if one party offers him more than another. In order to motivate floating voters to participate, parties necessarily have to *diverge*. They will, as Tullock suggests, offer "fairly complex programs which have a concentrated beneficial effect on a small group of voters and a highly dispersed injurious effect on a large group of voters"<sup>1 2</sup>.

This amounts to providing *selective incentives* to small groups of voters to motivate them to participate and vote for the party. Any strategy of selective incentives once more implies divergence rather than convergence.

Thus far our brief analysis has shown that despite the widely accepted hypothesis of economic theory party competition will result not in convergence, but rather in *divergence of programs and strategies*.

Nevertheless, we need not expect this divergence to be maximal. There are, in any pluralist society, some dominant *vested interests* which are represented by powerful and efficient organizations. These have to be considered by any party which attempts to maximize its vote (or plurality).

Even if a specific party enters into a *coalition* with one of these vested interests it nevertheless has to adapt its strategy to the position of opposing interests at least to that degree which is great enough to prevent the injured interest organization from mobilizing all its resources and influence against the party.<sup>1 3</sup>

Generally, a pattern of *partial* convergence-divergence is more suited to the pattern of partial consensus and conflict among interests in modern industrial societies than is clustering and convergence.

In this section we have discussed party competition in a *static perspective*. That is, we have considered parties' choice in an election. In the remainder of this paper we will focus on *dynamic* party competition; the strategic behavior of parties *between* elections. We will thus not consider the "hot" phases of campaigning, but rather the "normal" day-to-day interaction of parties.

## II. *The Participatory Input of Politics — Some Aspects of Voters' Behavior*

In concerning ourselves with the dynamics of party competition we shall begin by returning once more to a discussion of some basic problems of political economic theory.

New Political Economy usually assumes that there exists a *well defined issue-space*, and a *given distribution of voters' preferences* over this issue space. This amounts to a methodological assumption that either the issue-space and distribution of preferences are invariant, or that variances in the issue-space and preferences are beyond the scope of the analysis and may therefore be neglected.

Furthermore, competitive democracy is usually compared with the *market mechanism* in economics and is seen as an analogue to it<sup>14</sup>. Collective choices made by democratic voting are framed as a choice between sets of *well specified goods*, as for instance a choice between more taxes or more pollution (or mosquitos, or whatever). While the analysis is, for the most part, couched in terms of representative democracy, it is clear that the underlying model is closer to *direct democracy*.

There is little relationship between the economic market and that of *representative democracy*. Choices about a *large variety* of public goods and services are *reduced* to one single election. The voter has little or no choice between specific goods and services, but at best one between a number of more or less distinctive and rather unspecified bundles of goods and services. Under these conditions, the voter is unable to express different preferences and different intensities of preference, but rather must order his preferences *quasi-transitively*.

To the extent to which voting decisions are *not* predetermined by loyalty, citizens usually construct some rough party differential on the basis of a relatively small number of selected issues. *Issues selection* and *evaluation* takes place under conditions of uncertainty and rational ignorance, and is, therefore, strongly determined by *individual cognitive structures* and *subjective perceptions*.

An individual's *cognitive structure* represents his perceptual and cognitive adjustment to his environment. It can be understood as a "conceptual framework" by which perceptions are arranged, related, interpreted and systematically joined to behavior reactions

Cognitive structures can be more or less *differentiated* and *integrated*. A cognitive structure is highly differentiated if it contains many exclusively defined criteria for the discrimination and evaluation of perceived information. It is highly integrated if these criteria are linked together in many inclusive combinations.

Note that the *economic notion of rationality* implicitly assumes that individuals possess highly differentiated and integrated cognitive structures.

The differentiation and integration of cognitive structures, however, depends upon and varies with an individual's level of

*information* about his environment (or segments of the environment). Briefly speaking, differentiation and integration are a positive function of the quantity and variability of *perceived* and *stored information* about corresponding facts. Cognitive differentiation and integration is, thus, a matter of knowledge — the result of a learning process.

This implies that an individual's cognitive differentiation and integration will *vary* with respect to different sets of events. An individual's cognitive structure will be highly differentiated and integrated only when related to those events about which he has acquired a high level of information and knowledge.

Only those individuals with a *high level of political information* and knowledge will possess highly differentiated and integrated cognitive structures with respect to politics. The "rational ignorant" citizen will, therefore, *not* possess highly differentiated and integrated cognitive structures.

Electoral choices in a representative democracy are choices between *complex alternatives* because choices about a large variety of political issues are reduced to choices between two or a few parties. The whole complexity of the political *issue-space* is packed up into the choice between parties and the potential policies they represent.

The lower an individual's degree of differentiation and integration — the less he is able to *differentiate* and *discriminate* among *complex alternatives*

— the more his choices among complex alternatives are determined by an evaluation of a *few selected properties* of the alternatives

— the less capable he is of *adjusting* his cognitive structure and his behavior to rapid changes in his environment

— the less he will be capable of ordering his preferences transitively and the more he will, at any time, possess only quasi-transitive preferences.

We reasonably may assume that in any existing democracy only a minority of citizens are well informed and knowledgeable about politics. A large majority of citizens have only a *low level of political information*. Consequently, most individual voting decisions are based on an evaluation of subjectively selected sub-sets of the "objective" issue-space. Different individuals in general use *different subsets*, while one individual may also use different subsets over time.

On an aggregate level, this means that the *motives* determining the vote for any party are *nonhomogeneous* and rather *unstable*.

This heterogeneity and instability acts as the *motive force* of

dynamic party competition. It leads to a difficulty in *aggregation* which is similar to the "Arrow-problem". Parties have to aggregate diverse interests to transform them into policy proposals and eventually into policies. Such an aggregation is only possible if all citizens have completely *transitive* and *stable* preferences and if they make their decisions in *one single-peaked* issue-space.

The broader the base to which any given party appeals, the likelier it is that there will exist a *discrepancy* between its *supporters*: preferences and policies actually implemented. Due to an instability of the supporters' preference orderings this discrepancy may increase over the legislative period.

This implies that any party having *won* an election and, therefore, determining governmental policy will necessarily *frustrate the interests* of at least some of the citizens who had voted for it. It will, therefore, produce some *dissatisfaction* among its electoral base. For parties in opposition this will hold to a much lesser degree as they are not called upon to implement policy.

In order to analyze the *consequences* of this dissatisfaction for citizen participation and party competition we shall apply Hirschman's theory<sup>15</sup>. Hirschman distinguishes two ways in which individuals react to the unsatisfactory behavior of firms, organizations and governments. "*Voice*" refers to an aggressive reaction such as complaint, protest or demand. "*Exit*" is a regressive disruption of an interaction.

More specifically, "*exit*" may either mean switching from one party to an opposing one or renouncing participation. A voter of the governing party who is dissatisfied with its post-electoral behavior, may react with "*exit*" by either voting for the opposition or not voting at all at the next election.

Strictly speaking, our use of the concept of "*exit*" with respect to participation does not fully accord with Hirschman's theory. Non-participation can only be equated with his "*exit*" in the strict sense of its *purpose* is to *convey dissatisfaction* with government policy. Sheer apathy and resignation is not an "*exit*" — such behaviour does not fall within the domain of Hirschman's theory. For our purposes, however, we can neglect such subtle motivational problems. For a political input-structure, the motivation behind participation and renunciation of participation are unimportant.

An individual's *prospensity towards "exit" and "voice"* can be explained in terms of his cognitive structure. This relationship can roughly be represented in the following diagram :

| Level of Information | Cognitive Structure | Strength of Preference Order | Behavioral Choice                    |
|----------------------|---------------------|------------------------------|--------------------------------------|
| LOW                  | Simple              | (Irrelevant)                 | Exit or Stereotypical Identification |
| HIGH                 | Complex             | High                         | Voice                                |
|                      |                     | Low                          | Exit or Voice                        |

Those individuals who are generally *well informed* and have a highly ordered preference structure are likely to react in terms of "voice". Those who are generally *not well informed* but are, nevertheless, not stereotypical identifiers, are more likely to "exit". Individuals belonging in categories which fall between the extremes — the non-identifiers with moderate political information — a priori may behave in either way, their cognitive structure allowing for either "voice" or "exit"<sup>16</sup>.

Vocalization is, however, also determined by factors exogenous to the cognitive structure of the individual. We reasonably may assume that few individuals are in a condition *to vocalize with low costs and high probability of success* (influence). For the most part individuals will not be able to do so and will consequently exit. Therefore, *dissatisfaction with governmental policy among its supporters in the previous election will be likely to produce more "exit" than voice, directly affecting the governing party's popularity* (although there might be some delay of exit because of some post-decisional loyalty).

Note that the patterns described in this section will be stronger the greater *the scope of politics*. The greater this scope, the higher the complexity of electoral choices and the higher the level of information required to adequately differentiate and discriminate party platforms and programs.

Briefly speaking, this implies *the higher the scope of politics the higher the probability of post-electoral dissatisfaction and post-electoral popularity losses for the governing party*.

### III. *The Dynamics of Competition — A Mass Production of "Exit"*

The existence of post-election dissatisfaction and exit offers interesting possibilities for parties to *dynamically adapt* their strategies to citizen; preferences and issue related organized interests, as well as to reduce their strategic risk. During electoral campaigns

parties are usually unable to adapt their strategies, differentially or in detail, to citizen preferences on the issues that might affect their final decision. It is not only highly *uncertain* which issues may or may not determine the voting-decision of different citizens and how these issues may be weighted. Even if this could be known, there remains *an analog to the "Arrow-problem"*, for individual preference functions can hardly be consistently aggregated. It seems obvious that only if all citizens have completely transitive preferences and make their decisions in one identical issue-space, can such an aggregation eventually be possible. Both assumptions are unrealistic, as has been demonstrated in the previous section.

These problems, however, do not exist for a dynamic strategy between elections. There are three reasons for this. First, the strategy can develop *issue by issue*, in a series that is determined by the timing of governmental policy. Second, the strategy can be *concentrated* on those groupings of citizens affected by a certain issue at a given time. Third, there is *no need for aggregation* over all issues and over the whole electorate.

When we consider dynamic strategies we have to realize that the strategic situation *differs systematically* with respect to governing and opposition parties. There exists an asymmetric "exchange" between an opposition and the governing party. We will first consider the strategy of the opposition.

A former Chancellor of the Federal Republic of Germany is said to have formulated a simple principle for the actual functioning of parliamentary democracy: The government says yes, the opposition no, no, no. Indeed, the dynamic strategy of the opposition amounts to *differentiated and sophisticated nay-saying*. A simple no, of course, would hardly be of considerable perceived instrumentality for most citizens and would not affect citizen attitudes.

A sophisticated oppositional strategy is directly and aggressively related to *the government's popularity function*. The latter provides rather complex information about citizens' issue-related preferences and attitudes. In almost any western democracy many professional researchers and survey institutes are permanently engaged by parties and governments to *measure* governmental popularity with respect to most issues of ongoing policy. Furthermore, there is a complex *day-to-day* input of information and demands from interest organizations.

There is, therefore, a much lower degree of uncertainty with respect to dynamic strategies.

The opposition's "anti-strategy" will seek to utilize *existing dissatisfaction* among those citizens who supported the governing

party in the last election. In order to motivate these citizens to exit from the governing party it will propose a *strict and global* alternative to a specific governmental policy, *if* and only if a sufficient number of the addressees of the opposition's anti-strategy disapprove governmental policy with respect to *basic goals*. It will offer a *technical* alternative if most basically agree with government's policy, but disagree with respect to its *modalities*.

Quite often, however, there will be an *insufficient number of floating voters who disagree on important issues with the government's policy*. We may reasonably assume that in cases where governmental policy is likely to affect a *larger* number of citizens and organized interests, government will accept higher costs for information in order *to adjust its policy* as closely as possible to citizen preferences and organized interests. In such cases, there may be relatively few citizens who supported the governing party in the last election but now disagree with its policy.

On any *important issue*, if there is insufficient dissatisfaction on the part of the governing party's supporters, the strategy of the opposition will first be to generate dissatisfaction. Dissatisfaction is essentially the result of a *discrepancy* between an individual's *aspirations* (or expectations) and his *perception of his actual condition*. Thus, there are roughly two ways to generate dissatisfaction: first, by increasing aspirations; second, by changing perceptions of real conditions. More concretely, the opposition can either offer an *interpretation of the best possible outcome* for a given policy, which is much better than that provided by the government; or it can offer an alternative and, of course, much more negative, *interpretation of actual conditions*. For example, the opposition could pretend that a recession is much deeper than governmental "data" suggest, or it could postulate that some alternative economic policy would result in a higher rate of growth and a lower rate of inflation<sup>17</sup>. Naturally, the opposition as well as the government would always be able to find expert opinion to confirm its statements

Where citizens are in a situation of "rational ignorance", a strategy designed *to produce mass exit* on the part of supporters of the governing party holds no great risk for the opposition party and has a considerable chance of success. The opposition need not offer more than *verbal statements* whose effect upon citizens utilities and costs is less obvious than *actual implemented policy*. For the most part there is little chance that the opposition's dynamic strategy will produce exit among its *own supporters*. As the governing party has to implement policy and, therefore, must necessarily affect citizens'

costs and benefits, it is not only *precluded* from responding with a similar exit strategy, but is also *highly vulnerable* to the exit strategy of the opposition.

This, however, does not mean that the governing party is unable to deal with the exit strategy of the opposition. The fact that the government has some *control over the costs and benefits* accruing to citizens through the implementation of policy not only constitutes a strategic disadvantage, but is, at the same time, a major advantage. It will use a very different, but no less effective strategy to produce mass exit among supporters of the opposition. This strategy is far more strongly directed towards forthcoming elections. Its goal is to *increase expectations* with respect to the government at election time. Frey provides us with a rather cynical, but nonetheless realistic description of such a strategy. He argues that government systematically manipulates economic conditions so as to induce cycles of growth and employment. About two years before the next election it attempts to slow down the economy and later on will reverse its policy in order to achieve high employment, growth and stability of prices shortly before the election<sup>18</sup>.

#### IV. *Dissent and Stress — The Effects of Dynamic Party Competition*

A dynamic analysis demonstrates more clearly than a comparative-static one, that party competition will result not in convergence but rather in *divergence* of programs and strategies. There are three major *levels of divergence*: first, competing parties offer diverging interpretations of the *actual conditions* in important policy areas; second, they suggest diverging interpretations of the *best possible conditions* in these areas; third, they propose alternative and diverging *conceptions* as to the ways and means by which the best possible condition can be attained.

This divergence does not extend over the whole scope of politics, but rather *concentrates* on those *few issues* that are considered to be the major source of dissatisfaction and voter "exit". It will, however, neglect issues that only lead to short-term dissatisfaction — unless the next election is in the near future too.

Dynamic party competition contains a systematic *bias in interest-aggregation*. Prior to an election competing parties to some degree aggregate different interests. In Riker's terms, they form different interest-coalitions<sup>19</sup>. But in the course of inter-election competition, *both* the governing party and the opposition appeal for the most part in the same groups of voters — to those dissatisfied supporters of the governing party in the last election.

The economic theory of democracy as well as traditional political theory stresses the importance of party competition with respect to the *responsiveness* of governmental policy to citizen preferences. Our analysis suggests that, between elections, parties mainly compete only on few selected issues and only consider the interests of potential floaters on these issues.

If we accept that party competition is a necessary precondition for responsiveness, we may conclude that a *high* degree of responsiveness of governmental policy exists only with respect to those issues with a considerable potential for *dissatisfaction* and "exit". Furthermore, policy will be predominantly responsive to the preferences of potential *floating* voters, but not to the preferences of the whole electorate.

On issues that do not belong to the actual focal domain of party competition we may expect that government policy will, for the most part, be responsive to highly organized *special interests* or will be determined by *bureaucratic* and *technocratic criteria*.

Such a situation may result in *new* dissatisfaction which, in turn, may produce either "voice" if organized and activable interests are concerned, or some new potential for "exit" by previous supporters of the governing party. As soon as this potential exceeds a certain level, the related issue becomes part of the *focal domain* of party competition. Then, governmental policy and the opposition's strategy will become responsive to the preferences of the potential *floating voters*. Hence, the focal domain of party competition will more or less strongly *vary* over the legislative period. In other words, the issues and interests considered by party competition change over time. At any given point, competition concentrates on those issues that have the relatively highest potential for dissatisfaction and "exit". Whenever this potential decreases, on whatever grounds, the attention of competing parties *switches* to other issues.

This amounts to a *disaggregation* of government policy and opposition strategy. Between elections, parties rarely operate on the basis of over-all coherent platforms and programs, but rather determine their *competitive* activities by *short-term* considerations. Metaphorically speaking, dynamic party competition is hand to mouth competition.

The focal domain of party competition is characterized by a *divergence* of parties' strategies, programs and proposals. This divergence, at the outset may not be related to fundamental questions but rather to more or less *technical aspects*. Dynamic party competition, however, is likely to transform disagreement on technical matters, or on limited policy problems, into fundamental

*ideological conflicts.*

As Hirschman argues, exit is much less likely if *loyalty* is present<sup>20</sup>. The exit strategy of parties is primarily directed toward citizens with low party-identification, and hence, apparently low levels of loyalty. Citizens who change their positions, as a rule, do not have transitively ordered preferences. The decision to vote for a specific party will then produce *post-decisional cognitive dissonance*. The reduction of this dissonance will lead to a post-decisional reordering of preferences. This will in turn generate some *post-decisional loyalty*, inhibiting or delaying "exit". Furthermore, post-decisional loyalty may prevent exiting voters from immediately turning to the opposition party; rather, it may motivate *abstention* in the next election. Consequently, any exit-oriented strategy has to attempt to break down even the slightest loyalties to the other party. Therefore, each party will try to *attribute* the perceived unsatisfactory behavior, or the lower efficiency of a competing party, to *fundamental differences* between them. It will attempt to persuade voters that the other party is necessarily less efficient and less able to deal with the special interests of the citizens concerned because *it has a wrong basic "approach" to politics*.

This may not be much more than a *verbal labelling* of the opposite party's "ideology". Even if this labelling does not strictly correspond to reality, it can have tremendous impact on citizens attitudes. Such labelling is likely to accentuate existing (however small) ideological differences between parties<sup>21</sup>. We argued in the first section that there must be some ideological differences between parties in order to maintain party identification. In a reasonably homogeneous society such differences will not be great. Party competition, however, *accentuates* these differences and *increases their importance*, so that ideological cleavages are likely to grow.

In accentuating ideological differences and cleavages dynamic party competition may disturb the *operational legitimacy* of the political system because it may produce a desintegration of societal value structures. A continuing divergence of parties on those issues that are central to party competition and symbolic politics is likely to create *increasing disagreement* among citizens on values, goals and means of politics and policy. If such a disagreement is sufficiently large *any* policy bears a high potential for both dissatisfaction among citizens and insufficient operational legitimacy<sup>22</sup>. In the long run this may well affect the nerves and steering capacity of democratic government<sup>23</sup>.

The nerves of government are affected by the impact of dynamic party competition on the *expectations and aspirations* of citizens far

more greatly in the short run than in the long run. As is true with economic competition, political competition means not only the adjustment of offers and supply to given desires, but also to a large extent the *creation of new or at least increased desires*. Indeed, to raise expectations and create new ones is a central element of competing parties' strategies, as we have seen in the last section. Dynamic party competition, thus, amounts to an acceleration of expectations<sup>24</sup>.

Rising expectations have to be satisfied by rising *entitlements*. Party competition is, therefore, likely to produce an escalation of expectations and entitlements, finally resulting in a *demand-overload* on political decision-making. Simultaneously, there will be an increase in *distributive conflicts* within the political system. In order to at least partially settle and limit these conflicts there has to be a permanent *growth of public spending*. Party competition may well be considered a major source of public growth.

The acceleration of expectations and increasing distributive conflict not only promote public growth, but also exert permanent pressure towards *an extension of the scope of politics*. In order to safeguard its re-election, any governing party (independent of its ideology) has to attempt to gain sufficient control over factors affecting the politically relevant benefits and costs to citizens. Furthermore, it has to be able to assure a high degree of socio-economic growth so as to meet, as far as possible, excessive expectations. Government needs to gain sufficient power to control the distribution of scarce resources so as to *optimize its prospect for re-election*. There is, therefore, in every parliamentary democracy with strong and potentially effective competition, a structural drive toward an *extension of the scope of politics* which significantly intensifies a similar drive caused by socio-economic development<sup>25</sup>.

#### V. *Competition and the Scope of Politics : A Structural Dilemma.*

The relationship between the scope of politics and the competitive mechanism is *not mono-causal*. We have argued in the last section that strong and potentially *effective* party competition produces a drive to successively extend the scope of politics<sup>26</sup>. But the scope of politics also affects the working of party competition, and contributes to an escalation of conflicts between parties.

The larger the scope of politics, the larger will be the number of issues affecting voting decisions and the more *complex* the political issue-space. Of course, any single individual will hardly make use of all the dimensions of the issue-space, but will consider only a few.

This must result in a *causal heterogeneity* of the *aggregated* electoral decision and a high potential for dissatisfaction with regard to post-electoral policies of the winning party. Thus, *the larger the scope of politics, the larger will be the potential for post-electoral exit from the winning party.*

We arrive at the same conclusion if we ignore the aggregated electoral decision, considering rather *individual* decisions — mainly those of floating voters. Clearly, an increasing scope of politics will *not* affect the dimensionality of judgement of those citizens with simple cognitive structures. They are unable to cope with the increasing complexity of politics. Nevertheless, their behavior will potentially be affected by the increasing scope of politics because simple cognitive structures will become less and less adjusted to the *actual cost-benefit conditions*. This will result in *increasing frustration of expectations* and, accordingly, an increase in political apathy<sup>28</sup>. As far as individuals with differentiated and complex cognitive structures are concerned, the argument is simple: the larger the scope of politics the higher the probability of *post-decisional dissonance* and the higher the *probability of post-decisional exit*.

Altogether this means that with an increasing scope of politics, the fierceness of competition will drastically increase. Among other things, this implies that an increasing scope of politics will result in a *vicious cycle* as it will increase the *drive to extend the scope of politics further*.

Another interesting aspect of the increasing scope of politics is the resultant *growth in the interdependence of politics*. With a minimal state it is generally possible to deal with issues and policies in a rather isolated way, as most of the consequences of policies can be *externalized* — that is, they are imposed on non-political decision-making. The more the scope of politics is extended, the more will any policy produce consequences for structures and processes that fall within the power of the political system. This means that with increasing power of government, the consequences of policies are successively *internalized and have an increasing impact upon other policies*. This *systematically affects the governing party's* strategy of maximizing its votes (or plurality) at the next election, because it makes a *concentrated allocation of benefits* and a *dispersed allocation of costs* an incalculable task. With high interdependence, policy decisions on one issue may affect the costs and benefits on another, so that the *intended cost-benefit-effect* is significantly changed or even reversed.

In order to prevent such unintended effects, government would have to *switch from weakly coordinated* single issue-oriented

decision-making to *strongly coordinated* and centralized *total decision-making*.

Instead of optimizing a number of *separate* popularity-functions with respect to specific issues and specific publics, it would have to optimize an *overall popularity-function*. Dynamic competition, however, creates conditions which make cohesive total decision-making virtually impossible. It has strong *disaggregative* effects.

There are *two effects* which are relevant here. First, the *acceleration of expectations*, and second, *the timing of governmental policy*. Strong and effective party competition produces an increasing acceleration of expectations and, as Frey points out, a decreasing time perspective<sup>28</sup>. Both factors are, of course, highly interdependent.

If acceleration of expectations is high, an *adjustment of a cohesive and highly coordinated overall policy* will always involve much time and thus can only be managed in the long term. If, however, competition is effective, and the re-election of the governing party is uncertain, then *time* becomes the most *scarce commodity* for any government. Thus, government will concentrate on those policy-variables that most endanger its reelection, neglecting others even at the risk of significant negative effects on other variables<sup>29</sup>. We can add yet another argument in favor of our thesis. As we have seen in the last section, strong and effective party competition is an efficient mechanism for the production of *dissent*. Dissent which is unfavorable to continuous, cohesive, long term political activity producing greater discontinuities the more competition results in an alternation of governing parties.

This amounts to a *structural dilemma* for competitive democracy with respect to the scope of politics. *While competition enforces a systematic and successive extension of the scope of politics it simultaneously reduces government ability to effectively cope with the extended scope*. In other words, while more socio-economic structures and processes become subject to governmental power, its ability to steer these structures and processes is continuously, systematically *and in the long terms* decreasing (or is, at best, insufficiently increasing).

## VI. Government Overload : The Problem of Complexity

There are several reasons for government overload. This article has stressed *one-party* competition. Our argument, however, implies that it is not party competition per se, but rather party competition

under conditions of a complex issue-space. Government overload is, to a great extent a problem of *complexity*.

Our analysis apparently suggests that party competition and parliamentary democracy only work *efficiently* where the scope of politics is *limited* and the political issue-space is simple. Such a conclusion, however, is misleading.

A wide scope of politics does not necessarily involve a high complexity. Whether or not a wide scope of politics leads to high complexity depends upon the *organizational complexity* of the political decision-making apparatus

The organizational complexity of democratic political systems is rather *low*. Usually, there are not more than three levels of *political* decision-making; that is, not more than three levels on which the *principle of representative democracy* and party competition apply. As a rule, there are many more administrative levels.

The relationship between the *political levels* again is rather simple; it is, for the most part, either one of *formal independence* or one of *vertical hierarchy*. There is often too much centralization and too little *mutual interdependence*.

The complexity of the political issue-space can be *reduced* by an *increasing* organizational complexity in the political system. To increase organizational complexity primarily means to *decrease centralization* and to *increase the mutual interdependence* of different levels of political decision-making.

*Decentralization* is a major means of reducing *substantial* complexity (that is the complexity of the political issue-space). It also reduces the *costs of consensus*, as Buchanan and Tullock demonstrate<sup>30</sup>.

Decentralization need not merely amount to a transfer of decisional power from higher to lower level government. Instead, it may involve a *structural differentiation*, a horizontal division of power among governmental units that are not related in terms of a strict hierarchy. In several countries, for example, economic policy is partly determined by the executive branch and partly by an independent national bank (such as the Federal Reserve Bank in the United States or the Bundesbank in the Federal Republic)<sup>31</sup>.

Decentralization has to be complemented by mechanisms of *mutual interdependence* — otherwise organizational segmentation may result. Organizational segmentation is likely to create various external effects, effects of decisions by one governmental unit on the decision-making of other units. Such external effects can hardly be controlled and may, in the short and the long term, produce various *unintended and unforeseen consequences*. This would dramatically increase substantial complexity.

Mechanisms of mutual interdependence of governmental units are, as Scharpf, Reissert and Schnabel demonstrate by the example of the Federal Republic of Germany, suitable for *moderating* both excessive demands and accelerating expectations<sup>3 2</sup>.

The *conclusion* of our analysis, therefore, is that in a representative democracy, the scope of politics may be increased without creating conditions of government overload if, and only if, the organizational complexity of the political system (or more generally, of government) is increased simultaneously. The modern problem of government overload is, to a large extent, the result of a lack of structural and organizational innovation in the western democracies during the last two centuries.

## NOTES

\*An earlier version of this article has been presented at the Annual Meeting of the Public Choice Society, Roanoke, Virginia, 1976. — For helpful comments and criticism I am indebted to James M. Buchanan, Karl W. Deutsch, Malte Faber, Victor Goldberg, Christopher S. J. Goodrich, William Keech, Duncan MacRae, Friedrich Schneider, Robert J. Staaf, Jürg Steiner, Gordon Tullock and Rudolf Wildemann.

The contents of this article are part of a research project financed by a grant of the Deutsche Forschungsgemeinschaft.

<sup>1</sup>J. A. Schumpeter, *Capitalism, Socialism and Democracy*, New York : Harper and Row, 1950, 3rd edition, chapter 22.

<sup>2</sup>For example : J. M. Buchanan, "Democracy and Duopoly : A Comparison of Analytic Models", *American Economic Review*, 58, 1968; M. J. Hinivh and P.C. Ordeshook, "Social Welfare and Electoral Competition in Democratic Societies", *Public Choice*, 11, 1971; G.J. Stigler, "Economic Competition and Political Competition", *Public Choice*, 13, 1972; and B.S. Frey, "Models of Perfect Competition and Pure Democracy", *Kyklos*, 23, 1970.

<sup>3</sup>On the problem of government overload see A. King, "Overload : Problems of Governing in the 1970s", *Political Studies*, 23, 1975.

<sup>4</sup>See F. Lehner, "Economics Psychology and Political Analysis : A Plea for an Integrated Theory", Paper presented at the Basel Meeting

of the Public Choice Society, European Section, 1976. *Mimeo*; F. Lehner and H.G. Schuette, "The Economic Theory of Politics: Suggestions for Reconsideration", in B. Barry (ed.), *Power and Political Theory: Some European Perspectives*, London-New York: Wiley, 1976; F. Lehner, "Cognitive Structure, Uncertainty and the Rationality of Political Action", *European Journal for Political Research*, 3, 1975; and F. Lehner, *Politisches Verhalten als sozialer Tausch*, Bern-Frankfurt: Lang, 1973

<sup>5</sup>R.B. McKenzie and R.J. Staaf, *An Economic Theory of Learning*, Blacksburg, Va.: University Publications, 1974, p. 2.

<sup>6</sup>For details see A. Downs, *An Economic Theory of Democracy*, New York: Harper, 1957, Chapter 8.

<sup>7</sup>See R. Bartlett, *Economic Foundations of Political Power*, New York-London: Free Press/Collier Macmillan, 1973, Part IV.

<sup>8</sup>W.H. Riker and P.C. Ordeshook, *An Introduction to Positive Political Theory*, Englewood Cliffs, N.J.: Prentice-Hall, 1973, p. 362.

<sup>9</sup>*Ibid.*

<sup>10</sup>See P. Bernholz, *Grundlagen der Politischen Oekonomie*, 2. Band, Tuebingen: Mohr, 1975, pp. 32ff and 53ff.

<sup>11</sup>See P. Bernholz, *op. cit.*, pp. 85ff.

<sup>12</sup>G. Tullock, *Toward a Mathematics of Politics*, Ann Arbor: University of Michigan Press, 1967, p. 103.

<sup>13</sup>In a way, this amounts to Pareto-optimality as a strategic principle for parties — to increase the utility of the allied interest groups as much as possible without imposing intolerable losses to opposing interests

<sup>14</sup>See for example B.S. Frey, "Models of Perfect Competition and Pure Democracy", *op. cit.*

<sup>15</sup>A.O. Hirschman, *Exit, Voice, and Loyalty* Cambridge: Harvard University Press, 1970.

<sup>16</sup>See F. Lehner, "Cognitive Structure, Uncertainty, and the Rationality of Political Action", *op. cit.*, pp. 285ff.

<sup>17</sup>See for example B.S. Frey, "Eine politische Theorie der wirtschaftlichen Wachstums", *Kyklos* 21 (1968); or W. Hankel and F. Lehner, "Die gescheiterte Stabilitätspolitik und ihre politischen Bedingungen", *Hamburger Jahrbuch für Wirtschafts- und Gesellschaftspolitik* 1976.

<sup>18</sup> Compare B.S. Frey, "Zur gegenseitigen Einwirkung von Politik und Wachstum", in *Probleme der Wachstumstheorie*, ed. B. Gahlen and A.E. Ott, Tübingen : Mohr, 1972, p. 341.

<sup>19</sup> See W.H. Riker, *The Theory of Political Coalitions*, New Haven : Yale University Press, 1962.

<sup>20</sup> A.O. Hirschman, *op. cit.*, p. 77.

<sup>21</sup> For the psychological background of this contention see J.S. Bruner and L. Postman, "Symbolic Value as an Organizing Factor in Perception", *Journal of Social Psychology* 27 (1948); W. Lilli and F. Lehner, "Akzentuierung und klassifikatorische Wahrnehmung", *Zeitschrift für experimentelle und angewandte Psychologie* 19 (1972); H. Tajfel and A.L. Wilkes, "Classification and Quantitative Judgement", *British Journal of Psychology* 54 (1963).

<sup>22</sup> In recent writings both J. Habermas and C. Offe have pointed to the urgent problems of legitimacy of capitalist democracies. Although their arguments are based on a different theoretical perspective than this article they are, nevertheless, relevant for our analysis. — See J. Habermas, *Legitimitätsprobleme im Spätkapitalismus*, Frankfurt : Suhrkamp, 1973, esp. pp. 96ff; C. Offe, *Strukturprobleme des kapitalistischen Staates*, Frankfurt : Suhrkamp, 1972.

<sup>23</sup> This is pointed out by K.W. Deutsch in his book *The Nerves of Government*, New York : Free Press, 1963, 1966.

<sup>24</sup> The acceleration of expectations or "the generation of excessive expectations" is — as S. Brittan argues — an endemic threat to representative democracy. See his article "The Economic Contradictions of Democracy", *British Journal of Political Science* 5 (1975). (Quotation from page 9).

<sup>25</sup> According to Offe a systematic extension of the scope of politics and of political steering of the economy is the consequence of an increasing failure of economic exchange and market mechanisms. See his article "Krisen des Krisenmanagement': Elemente einer politischen Krisentheorie", in *Herrschaft und Krise*, ed. by M. Jaehnicke (Opladen : Westdeutscher Verlag, 1973). Whereas Offe argues from a neo-Marxist point of view, the "father" of New Political Economy, Schumpeter, predicts the necessity of an increasing scope of politics due to the increasing concentration of production and the resulting structural transformation of the economic system. Interestingly enough he was able to maintain an optimistic view on competitive democracy while simultaneously

discussing sophisticated economic competition as the major source of the self-destruction of capitalism. See his well-known book *Capitalism, Socialism and Democracy*, *op. cit.*

<sup>26</sup>I speak of effective party competition existing if and only if there is a reasonable chance that the party now in opposition will win the next election.

<sup>27</sup>See F. Lehner, "Cognitive Structure, Uncertainty, and the Rationality of Political Action...", *op. cit.*, pp. 285ff.

<sup>28</sup>See B.S. Frey, "Zur gegenseitigen Einwirkung von Politik und Wachstum", *op. cit.*, p. 354; see also W.D. Noidhaus, "The Political Business", *Review of Economic Studies* 42 (1975).

<sup>29</sup>Compare B.S. Frey and H. Garbers, "Der Einfluss wirtschaftlicher Variabler auf die Popularität der Regierung — eine empirische Analyse", *Jahrbücher für Nationalökonomie und Statistik* 186 (1971/72) : 294.

<sup>30</sup>J.M. Buchanan and G. Tullock, *The Calculus of Consent*, Ann Arbor : University of Michigan Press, 1962, 1974.

<sup>31</sup>These banks are not democratically controlled. There is, however, no reason why they could not be so.

<sup>32</sup>F.W. Scharpf, B. Reissert and F. Schnabel, *Politikverflechtung : Theorie und Empirie des kooperativen Föderalismus in der Bundesrepublik*, Kronberg : Scriptor Verlag, 1976.