



Wirtschafts- und
Sozialwissenschaftliche Fakultät

Simon T. Franzmann

Competition, contest, and cooperation

The analytic framework of the issue market

Suggested citation referring to the original publication:
Journal of theoretical politics, 23(3), 2011, pp. 317–343
DOI <http://dx.doi.org/10.1177/0951629811411747>
ISSN (print) 0951-6298
ISSN (online) 1460-3667

Postprint archived at the Institutional Repository of the Potsdam University in:
Postprints der Universität Potsdam
Wirtschafts- und Sozialwissenschaftliche Reihe ; 80
ISSN 1867-5808
<http://nbn-resolving.de/urn:nbn:de:kobv:517-opus4-402961>

Competition, contest, and cooperation: The analytic framework of the issue market

Journal of Theoretical Politics

23(3) 317–343

©The Author(s) 2011

Reprints and permission:

sagepub.co.uk/journalsPermissions.nav

DOI:10.1177/0951629811411747

jtp.sagepub.com



Simon T Franzmann

University of Potsdam and University of Cologne, Germany

Abstract

Although party competition is widely regarded as an important part of a working democracy, it is rarely analysed in political science literature. This article discusses the basic properties of party competition, especially the patterns of interaction in contemporary party systems. Competition as a phenomenon at the macro level has to be carefully distinguished from contest and cooperation as the forms of interaction at the micro level. The article gives special attention to the creation of issue innovations. Contrary to existing approaches, I argue that not only responsiveness but also innovation are necessary to guarantee a workable democratic competition. Competition takes place on an issue market, where parties can discover voters' demands. Combined with the concept of institutional veto points, the article presents hypotheses on how institutions shape the possibility for programmatic innovations.

Keywords

cooperation; innovation; issue market; party competition; veto point

1. Introduction

Although party competition is widely regarded as an important part of a working democracy, it is rarely analyzed in political science literature.¹ In the *Handbook of Party Politics* (Katz and Crotty, 2006), there is no separate entry on 'party competition'. This is surprising, given that one would expect the importance of political systems and of party systems in particular, to have been well conceptualized and found in every definitive textbook on party politics. The objective of this article is twofold: first, to show that a careful definition of party competition helps to avoid mis-inferences, and second, to provide a framework to analyze patterns of interaction in contemporary party systems, in

Corresponding author:

Simon Franzmann, Post-doctoral fellow at the Chair of German and European Politics and Government, Department of Political Science, University of Potsdam, August-Bebel-Str. 89, D-14 482 Potsdam, Germany; Post-doctoral fellow at the Chair of Comparative Politics, University of Cologne, Germany
Email: simon.franzmann@uni-potsdam.de

particular as they relate to the creation of innovation by competition. I will argue that most analyses of party competition neglect the differentiation between the macro level and the micro level of the party competition phenomenon. Although competition is a phenomenon at the macro level, it has to be carefully distinguished from the forms of interaction at the micro level. Having a clear concept of macro- and micro-level aspects of party competition, the article presents a whole framework to analyse party competition according to Coleman's bathtub for explaining social phenomena (Coleman, 1990). Combined with the concept of institutional veto points, hypotheses are presented on how institutions shape the possibility for programmatic innovations.

The article is structured as follows. First, in Section 2, the institutional frame implementing party competition is distinguished from the concrete situation showing interaction patterns of cooperation or contest. A new definition will be proposed, claiming that competition, as an institution, defines the logic of situation, in which parties can choose between cooperation and contest. It will be shown how the differentiation between competition and contest can be fruitfully used to explain patterns of collusion and competition, and how it deepens our understanding of the intensity of competition. This example uses Sartori's (1976) thesis regarding the origin of centrifugal and centripetal competition as the logic of aggregation, and further discusses the conditions to create party cartels (Katz and Mair, 1995).

In Section 3, I argue that innovation is as important as responsiveness for a workable competition. The conditions that make innovations possible are discussed. In Section 4, the aspect of issue innovation is analysed in more detail regarding the party-voter link. In Section 5, hypotheses on how institutions shape the opportunities for parties to innovate are presented. Finally, in Section 6, the key concepts are summarized and the implications for further research are discussed.

2. Defining party competition

In this section, I will discuss how to define competition, and party competition in particular. I will identify the logic of situation, which all competitive political systems have in common. By doing so, I present hypotheses about the occurrence of party cartels and about what increases the intensity of competition.

In order to define party competition, we first need a clear understanding of competition in general. Surprisingly, the term 'competition' is often used but rarely defined, even in the field of economics. Within the political and economic debate, there is rarely a clear distinction between the *institutional framework* that allows competition and the *situation* in which people compete. In such cases, the term competition refers to both, and its meaning is reduced to the existence of the *situation* of competition while neglecting the framework for it. Indeed, we can find this abridged understanding in many applications of the Downsian theory in politics (Downs, 1957). Bartolini (1999, 2000) developed an impressive alternative draft to the Downsian competition theory by referring to Simmel (1908) and four main types of interaction: competition, cooperation, negotiation, and conflict.² I will link my argumentation to his theory. However, Bartolini (1999) reduces the framework of competition to the interaction type of competition and

characterizes both cooperation and negotiation as collusive types of interaction (Bartolini, 2000). However, even a careful reading of Simmel's work suggests the opposite; he distinguishes between the type of interaction on the one hand, and the rule of the game on the other (Simmel, 1908).³ Simmel uses *Konkurrenz* to define the type of interaction and *Wettbewerb* to describe the rule of the game. We need a similar differentiation in English political science terminology.

The term 'competitiveness' appears inappropriate as it is reserved for the ability or the inclination to participate in competition. I would like to suggest the term 'contest'; competition and contest are often considered synonymous. However, contest describes a situation where there is a clear winner. Furthermore, the noun 'contestability' is adopted in Bartolini's conditions for competition. A literal understanding would evoke 'contestability' as 'the ability of a single party to contest'. Thus, we have to define the interaction forms as *contest*, cooperation, negotiation, and conflict. Therefore, I propose defining competition as Sartori (1976) does; that is, as a rule of a game that allows both interaction forms – contest and cooperation.⁴ 'Contest' is understood as an antonym for cooperation, whereas 'competition' is understood as an antonym for collusion.⁵

To illustrate that both cooperation and contest are part of the concept of competition, Simmel (1908) provides an example using British politics from approximately a hundred years earlier. Opposition in the House of Commons was often formed by the cooperation of the two biggest opponents. For instance, the Ultra-Whigs and the Tories cooperated to overthrow a minister of the Whigs. The view of the Ultra-Whigs was that the minister made too many compromises, and in the view of the Tories, he was generally disliked. The unifying aspect for these two rival groups was the overthrow of the minister.

In abstract terms, cooperation and negotiation are pure principles of actions of solidarity, whereas contest and conflict are pure principles 'of individualistic action' (Bartolini, 1999: 439–44). What conflict and negotiation have in common is their common occurrence when the outlook of the actors differs. The difference between the two is that, with conflict, the damage of the opponent is part of the calculus, and in the case of negotiation, it is not.

Contest and cooperation are more efficient types of action. In both cases, the actors' goals are similar. However, in the case of cooperation, actors share information and resources. In the case of contest, they do not. Due to the similarity of the actors' goals, not many resources are needed to establish interaction. Actors can concentrate their resources accordingly toward their goals. Competition, as an institution, unifies the actors' goals in order to favour the 'efficient' types of interaction, contest and cooperation. Therefore, it is necessary to formulate rules that unify the diverging goals of the participants. This can be done by offering a reward attractive to nearly all involved.

A real-world example taken from sports may illustrate the importance of both contest and cooperation for a competition. In a cycle race like the Tour de France, there are cyclists seeking to win the whole race such as Alberto Contador or Lance Armstrong. Sometimes Contador and Armstrong will cooperate to distance a common rival, but at the end they will fight against each other. For instance, in a mountain stage, they will cooperate to defeat a rival who shows weaknesses in climbing mountains, hoping to create a later distance from the former cooperation partner in an individual time trial. They will do both to win: they cooperate *and* they contest.

Based on the above discussion, I would propose the following definition of competition:

§1: *Competition is an institution that constrains the room to manoeuvre of participating actors, such that, in order to attain their goals, actors have two strategic options: (1) contest and (2) cooperation.* The goals competitors want to attain are unified by an offered reward. The attainment of a certain goal by one actor restricts the degree to which the other actors can obtain this goal. This phenomenon can be called scarcity.

According to this definition, competition is on a superior logical level compared to the contest and cooperation types of interaction. Competition without cooperation will lead to suboptimal results due to the lack of informational exchange. Only in the case of perfect information is cooperation unnecessary. However, perfect information only exists in theoretical models, and not in the practical world.

The importance of the 'reward' to be offered is formulated by both von Hayek (1946) and Simmel (1908). Von Hayek (1946) emphasizes that competition exists whenever a person seeks to win something that another person is simultaneously seeking to win. In Simmel's view, the 'reward' helps to create the social capsule in which competition will evolve and produce its desired societal outcomes. The social purpose of competition is to produce additional benefits for a third party who does not participate in the competition (Simmel, 1908). For this to happen, there needs to be a link between the subjective individual calculus of the competitors and the objective needs of the third party. This link is built by offering a special reward. This reward unifies the subjective goals the competitors seek to attain. Therefore, they are forced to cooperate or to contest as prescribed by the person or the institution who has posted the reward. In the process of doing so, the competitors produce welfare without caring about welfare (Bartolini, 1999).

It is obvious that without scarcity there can be no competition. If the goal attainment of one competitor neither affects the goal attainment of his rivals nor excludes them from the reward, there can be no competition (Simmel, 1908). Furthermore, if the competitors do not have the possibility of contesting – that is, if they are coerced to cooperate – no competition can be observed. One could think of a situation where scarcity exists, but because potential rivals cooperate for reasons of solidarity, the goal attainment of one competitor does not affect the goal attainment of the others. The primacy of solidarity and equality is not only a question of ideology but could theoretically be necessary in a state of emergency where one individual's goal-seeking would harm the welfare of all.

In the political sphere, the institutional framework is based on constitutional, electoral, or common law. The institutionally offered reward is political power gained through office. Furthermore, in representative democracies, representation of the *Demos* is offered as a reward. Parties have to contest or cooperate to gain votes and power. Party competition can exist even where significant sections of the population are excluded from suffrage. On the other hand, the existence of differing parties is not a necessary condition for party competition. One needs only to recall the party systems of the former communist regimes where all parties were forced to cooperate.

According to the above discussion, party competition can thus be explicitly defined as follows:

§2: *Party competition is an institution in which parties strategically cooperate or contest as political actors to gain political power.*

The difference between this definition and that proposed by Bartolini (1999, 2000) is that in the former, both contest and cooperation are elements of political competition. Bartolini (1999) acknowledges that cooperation is also based on the seeking of similar goals. Additionally, he recognizes that cooperation and negotiation are necessary functions of politics that contribute to social welfare but, surprisingly, he neglects the fact that cooperation may be integral to competition (Bartolini, 2000). In the proposed definition, a clear distinction between the macro level and the micro level is outlined. Competition is a phenomenon at the macro level, which defines a special logic of situation for the competing actors. The choice between cooperation and contest is the common principle for all actors in competitive polities. As all parties try to get into power, they clearly contest their rivals. But they also may cooperate in some fields. On a very general level, all parties participating in democratic competition cooperate by accepting the rules of the democratic game. This kind of minimal consensus is necessary for a workable competition (Linz, 1967). Another easy-to-detect kind of cooperation is the building of electoral alliances before elections or coalition governments after elections. Parties with compatible ideology or a common rival often try to improve their chances to get into power. A historical example is the Gladstone–MacDonald pact – a collaboration of the Liberals and Labour in England at the beginning of the 20th century. Both parties considered the conservatives as the main rival and aimed to avoid a candidature in the same constituency in order to get votes of both the liberal and the labour party supporters. However, this collaboration on the national level was not implemented on the local level due to ideological differences (Bernstein, 1983). Thus, this cooperation neither dampens the rivalry between both nor leads to an erosion of competition.

Up to this point, we have defined what can be understood as competition. What we have not yet discussed is the intensity of competition according to this definition. The link between the intensity of competition and strategic behaviour is given by the phenomenon of scarcity. The scarcer the desired good is, the higher the probability that an actor cannot reach his aims, and the higher the degree of competition is. Parties as strategic actors seek self-chosen combinations of policy-, office-, and vote-seeking. This is their logic of selection. Their calculus is restricted by political institutions which provide different incentives for the parties (Müller and Strøm, 1999). Therefore, we can hypothesize that institutions not only structure the patterns of competition but also its intensity. In the end, the intensity depends on the similarity of the strategic goals of the parties. Theoretically, it is possible that two parties with almost completely different policy aims would not be in competition with the other, because they would not be fighting for the same voters, or because both would be seeking to each achieve totally different aims. In politics, this could be a situation involving a perfect vote-seeker and an office-seeker. We can expect the highest degree of competition in a situation where the competitors seek very similar aims.

To conclude, we can summarize these thoughts as Hypothesis 1:

Hypothesis 1. The intensity of competition mainly depends on the scarcity of the offered reward and the subjectively chosen aims of the actors within the given framework of competition. At the micro level, the more the self-chosen goals are similar to those of the rivals, the higher is the intensity of competition. At the macro level it means that the intensity of party competition in a whole system is the aggregated probability that political actors cannot fulfil their self-chosen goals.

Note that this hypothesis contradicts to a certain extent the assumptions made by Strøm (1990). He claims that under plurality vote systems, vote-seeking incentives increase when electoral competitiveness increases. According to the definition of competitiveness presented above, the causal relationship is the other way round; because of the existence of two vote-seeking parties, an increase in electoral competitiveness can be observed. Where you have one vote-seeking party and one office-seeking party, parties are very likely to collude. Thus, electoral competitiveness is low even in the case of a plurality vote. The vote-seeking party will be the dominant party. The dominant party could protect its dominant position by offering the office-seeking party the formation of an oversized coalition. Then the office-seeking party will not modify its strategy toward vote-seeking and resists office-seeking. Consequently, the party system remains in a dysfunctional equilibrium characterized by collusion.

Up to this point I have clarified how party competition and the intensity of competition can be defined. Let me now demonstrate how the differentiation of contest and cooperation at the micro level can help us to have a clearer view on phenomena at the macro level. Therefore, I want to address Sartori's (1976) prediction of the direction of competition as well as the general characterization of whether competition or collusion occurs at the macro level.

I have already discussed several advantages of viewing competition as a structure rather than as a type of interaction. This definition is compatible with Keman's (1997: 85) understanding of a party system: 'a party system can be identified by a number of specific (national) features that consist of a set of "rules" directing the patterns of interaction'. As for competitive party systems, I define them as systems where cooperation and contest are the decisive patterns of interaction. Keman (1997: 85) continues:

In short a party system is a set of properties which define the institutional context of party actions. The organization and working of a party system is thus a set of formal and informal rules that direct and influence the room to manoeuvre of political parties.

Bearing in mind both Keman's definition of party systems and my definition of party competition, the usefulness of the differentiation between contest and competition can be illustrated. According to the definitions presented above, we can conclude that cooperation between parties does not necessarily lead to collusion. As we will see, cooperation between parties can even avoid a centrifugal direction of competition. The following three hypotheses are discussed in more detail and show how my definition can help to analyse the direction of party competition:

Hypothesis 2. The existence of a party cartel depends not on the number of parties belonging to the cartel, but rather on the strength of its challenger. A single challenger can be sufficient to break the cartel down.

and

Hypothesis 3. Different party goals favour cooperation because then parties do not compete for the same reward. Therefore, cooperation between a vote-seeking and an office-seeking party or a policy-seeking party is very likely. If all parties seek different goals, then the occurrence of collusion is very likely.

and

Hypothesis 4. Seeking the same party goals favours contest because the goal attainment of the one constrains the other. Therefore, focusing only on the ideological distance or proximity between two parties to predict their willingness to cooperate could be misleading. Where both are, for instance, vote-seekers, they have to contest with each other to reach their self-chosen goals.

The last hypothesis makes clearer why in the past socialists and communists have been such acrimonious rivals instead of being ideologically close to each other. Both have had a similar mixture of vote- and policy-seeking. Another possibility favouring cooperation would be policy-seeking on two different policy dimensions; for example, one concentrates on issues of the economic dimension, the other on cultural issues. We abstract from this possibility and concentrate now on a unidimensional left–right policy space and a normal distribution of voter preferences.

In Table 1, the possible relationships between the type of interaction at the micro level and the result at the macro level are summarized.

The possible interaction streams are the starting point. As the number of relevant parties increases, so too does the number of interaction streams. Each party can choose between contest and cooperation as types of interaction. Each interaction is symmetric because cooperation is only possible with the agreement of the partner. Thus, it suffices to imagine a representative party to deduce the theoretical consequence at the macro level. The choices made at the micro level determine the probability of whether competition or collusion can be observed at the macro level. As the logic of aggregation, Sartori's hypothesis regarding the conditions for centrifugal and centripetal competition is utilized. The easiest case is a two-party system. Either both parties decide to contest, and a workable competitive party system results, or both parties decide to cooperate, and collusion is the outcome.

The causal relation between cooperation and collusion is that, where all parties cooperate with each other, the electorate can neither choose between sufficiently different offers nor punish parties that are irresponsive to their demands. Competition is then no longer an instrument for guaranteeing the benefit of a third party – namely, the electorate. On the other hand, where all parties contest each other without any chance of cooperation, a multi-party system will very likely break down unless no party has won an absolute majority of seats or is seen as legitimate to govern the country.

Following Katz and Mair (1995), I interpret collusion as a state with no direction of competition and low or absent intensity caused by the successful cartelization of the party system. As the number of parties increases, the range of possible outcomes increases too, but the pattern still remains the same. When more parties decide to cooperate, the probability that collusion will occur increases, and when more parties decide to contest, the probability that competition will occur rises. But only if all parties cooperate with each other can we be certain that a party cartel occurs. Such a cartel could be built of parties seeking totally different goals, such as where one is a perfect vote-seeker and the other is an office-seeker. Voters would have the choice of voting for different parties, but none constrains the goal attainment of the other. Thus, parties are not vulnerable, and no competition exists for the same award. An office-seeking party might be happy being part of a government coalition with a dominant vote-seeking party, and the dominant

Table 1. Interaction streams and the direction of competition

Number of Parties (interaction streams)	Micro Level: Possible Patterns of Interaction	Macro Result: Competition/Collusion	Direction of Competition
2 (1)	→ contest	→ competition	Centripetal (or Breakdown) ¹
	→ cooperation	→ collusion	None, Cartelization
3 (3)	→ contest all	→ competition	Centripetal (or Breakdown) ¹
	→ contest one, cooperate one	→ competition or collusion	Centripetal
	→ cooperate with all	→ collusion	None, Cartelization
4 (6)	→ contest all	→ competition	Centripetal (or Breakdown) ¹
	→ contest two, cooperate one	→ more likely competition	Centripetal
	→ contest one, cooperate two	→ more likely collusion	Centripetal or centrifugal ^{2,3,4}
	→ cooperate with all	→ collusion	None, Cartelization
	→ contest all	→ competition	Centripetal (or Breakdown) ¹ , Centripetal
5 (10)	→ contest three, cooperate one	→ competition	Centripetal or centrifugal ²
	→ contest two, cooperate two	→ more likely competition	None or centripetal ^{2,3}
	→ contest one, cooperate three	→ more likely collusion	None, Cartelization
	→ cooperate with all	→ collusion	Centripetal (or Breakdown) ¹
	→ contest all	→ competition	Centripetal or centrifugal ²
6 (15)	→ contest four, cooperate one	→ competition	Centripetal or centrifugal ²
	→ contest three, cooperate two	→ more likely competition	Centripetal or centrifugal ²
	→ contest two, cooperate three	→ more likely collusion	Centripetal or centrifugal ²
	→ contest one, cooperate four	→ more likely collusion	None or centripetal ^{2,3}
	→ cooperate with all	→ collusion	None, Cartelization

Table 1. (Continued)

Number of Parties (interaction streams)	Micro Level: Possible Patterns of Interaction	Macro Result: Competition/Collusion	Direction of Competition
7 (21)	→ contest all → contest five, cooperate one → contest four, cooperate two → contest three, cooperate three → contest two, cooperate four → contest one, cooperate five → cooperate with all	→ competition → competition → more likely competition → more likely competition → more likely collusion → more likely collusion → collusion	Centripetal (or Breakdown) ¹ Centripetal or centrifugal ² Centripetal or centrifugal ² Centripetal or centrifugal ² None, centripetal or centrifugal ^{2,3,4} None or centripetal ^{3, 4} None, Cartelization
Annotations	¹ Where all parties contest each other due to a lack of agreement in the basic rules of the game or lack of willingness to form or accept a government, a political system will break down. ² If a centre coalition is confronted with two relative anti-system parties from different party camps, a centrifugal competition can occur. According to Sartori (1976), it is assumed that unilateral opposition corresponds with bipolar or centripetal competition. ³ If only the largest party is excluded from cooperation, we can observe collusion but simultaneously a centripetal competition between the largest party and the coalitions of the parties. ⁴ If only one party or two small parties are excluded from cooperation, the other competitors can build up a cartel.		

vote-seeking party might be happy that the office-seeking party does not try to gain more votes unless their representatives get into office.

If only one party is excluded from the cartel, the question is whether this party has the strength to get into power alone and successfully challenge the cartel. If not, we would have a party cartel such as existed in Italy until 1993, with the exclusion of the greatest opposition party, the PCI, from government formation. Hence, for the empirical question, whether a party cartel exists or not, has to be tested first if all parties cooperate and do not effectively constrain the goal attainment of their rivals. Then it has to be tested whether those outside the cartel can get into power without the help from the cartel.

What we do not know at this stage is whether the direction of this party competition is centrifugal or centripetal. According to Sartori (1976), it is assumed that unilateral opposition corresponds to bipolar or centripetal competition. The decisive factor for whether a party is seen as a potential partner for cooperation is its relative anti-systemness (Capoccia, 2002). Whereas Sartori only addresses totalitarian parties, Capoccia has presented a further development. He emphasizes that not only a party's ideology but also the ideological distance of its electorate from neighbouring parties, the low coalition potential and outbidding propaganda tactics define whether a party is seen as an 'outlaw' or not. For the purposes of this paper, this can be understood in the following way. The significant distance is not equated with programmatic distance in a particular policy area, but as a disagreement in the most general form of cooperation; that is, agreement in the formal and informal rules of the politics in a particular country. Thus, even a party that does not favour a totalitarian ideology can be a threat to the stability of a political system. Because the relatively anti-system party does not share its rivals' adherence to the rules of the game, it has no incentive to cooperate with them because cooperation would end in some degree of acceptance of the existing formal and informal system.

If a centre coalition is confronted with two such relatively anti-system parties belonging to different party camps – one from the ideological right and one from the ideological left – then a centrifugal competition can occur. As can be seen in Table 1, such centrifugal competition is theoretically possible with four parties or more, and with six parties or more, it is more likely to occur. If one of these relatively anti-system parties decides to cooperate with the others by, for instance, tolerating a minority government as happened in Denmark,⁶ it agrees to a certain extent to the rules of the game and partly loses its character as an anti-system party. Vice versa, the parties in government accept the status of the former outsider as part of the system. Cooperation at the micro level can lead here to unilateral opposition, and thus a centripetal competition confronting ideological right with an ideological left bloc. The same can occur everywhere, where two or more parties build an alliance in order to contest a dominant party. However, where the pro-system parties are not able to further reintegrate the anti-system party and their electorate in the political system, the governing parties will eventually be confronted again with a bilateral opposition. Then the collaborating parties will have only helped to legitimate the radical opposition of the anti-system party. For defending democracy, a collaboration of the major centre parties combined with a strong stance against extremists on both sides can be more advisable. As Capoccia (2001) has demonstrated, analysing the cases of Belgium, Finland, and the Czech Republic compared to the German Weimar Republic and Italy in the 1930s, this strategy has kept democracy alive. Decisive for the survival or

downfall of democracy and democratic party competition was the decision of the ideological border party either to cooperate with the centre parties and defend democracy or to cooperate with the extremists and contest the centre parties (Capocchia, 2001).

The fewer effective parties there are in a system, the easier it is to predict which behaviour at the micro level will have which consequences at the macro level. In the case of two effective parties, to contest clearly leads to competition and to cooperate to collusion. Where there are three effective parties, it is sufficient to have one party that does not cooperate with the other two in order to evoke unilateral opposition and centripetal competition. If all parties do not cooperate with each other, we will not observe collusion. However, depending both on the number of parties and on the distribution of voters, an atomistic party competition can occur. Such an atomistic party competition reveals no clear strongest party; it is unclear how the goal attainment of the one party affects the goal attainment of the other parties, and it is also difficult for the voters to anticipate the implications of their vote for government formation. In addition, as mentioned above, in a state where no party is prepared to cooperate with another, a breakdown of a political system is very likely where there are unclear government majorities. In the next section, the conditions for a workable party competition are discussed.

Up to this point, I would like to emphasize that greater competition at the macro level is not the same as greater contest at the micro level. As Bartolini (2000) pointed out, the outcome of a situation of perfect competition is theoretically the same as the outcome of a situation of perfect collusion. It is not known how the actors will behave. What we can expect is that they will employ greater efforts toward creating innovations in view of a potentially increasing intensity of competition.

3. Conditions for innovation

In the previous section, we defined the phenomenon of competition. The relationship between the macro- and micro-level analyses of competition has been clarified. The essential principles of competition involve ways of interaction, contest and cooperation. However, what needs to be clarified are the conditions necessary to guarantee a competition that delivers the desired societal effects. In this section, I argue that accountability, responsiveness *and* innovation are the desired effects of competition. Furthermore, I discuss which conditions are necessary in order to fulfil these desired societal effects.

We owe to Bartolini (1999: 454–5) the identification of four conditions that must be fulfilled simultaneously ‘to grant the unintended value of political responsiveness’. These four conditions are (1) electoral contestability; (2) electoral availability of the voters; (3) decidability of the electoral or policy offer; and (4) electoral vulnerability of the incumbents. It is not the maximization of one of these conditions that is necessary to guarantee responsiveness and accountability, but rather the simultaneous realization of all of them. However, the sole focus on political responsiveness leads to neglect of the role of creating innovation through competition. Traditional functionalism particularly has emphasized that one of the central functions of political competition is to create innovation (Lehmbruch, 1976; Lowi, 1963). Therefore, if a dynamic theory of party competition, as seen in Schumpeter (1942) or von Hayek (1968), is to be formulated, this theory should focus on states of disequilibria evoked by innovations. We are indebted to Lowi (1963: 570) for his insight, that in political systems, stability and equilibrium are created by a process of

continuous adjustment. Therefore, it is impossible for an eternal status quo to exist in a free and dynamic society. We find the same idea reflected in the writings of Gordon Smith (1989), who describes the phenomenon of a 'core persistence' of a party system during a time of change. The political system is kept in a state of continuous evolution through innovations. Due to their special relationship with the electorate, parties are responsible for fulfilling this function of evolution (Lowi, 1963).

Therefore, I hypothesize that both responsiveness and innovation are the decisive factors for a workable condition:

Hypothesis 5. A workable party competition is guaranteed by accountability, responsiveness, and innovation.

Although Bartolini (2000) implicitly recognizes the dynamic aspects of party competition in criticizing the Downsian logic of party competition as based on unrealistic and static assumptions, he does not explicitly draw the consequences of this insight. On a theoretical level, it has to be noted that the idea of combining responsiveness and innovations as the purpose of party competition solves the vicious circle detected by Pappi (2000) in Bartolini's framework. If parties are responsive to voters' preferences and parties shape voters' preferences, then they are responsive to their own preferences. However, this criticism is only true if we refer to a static understanding of responsiveness. In the dynamic perspective, parties are not only responsive to voters' present preferences, but they are also responsive to the past and hypothetical future preferences. They have to justify their actions and government or opposition performance of the past, they have to regard voters' present demands, they have to formulate a programme that does not hinder finding a coalition partner and solves political problems, and they need to have a good action record for the upcoming election.

Hence, on an empirical level, focusing only on responsiveness as Bartolini (1999, 2000) suggested would lead to mis-inferences in the way that a political system with low problem-solving capacity could be characterized as having a workable party competition but, in fact, it has not. By comparing voters' demands and parties' political action and rhetoric, a stable congruence between voters' demands and parties' offers would be interpreted as a sign of a workable condition. Very probably, the political elite would argue in exactly this way – that they only do what the electorate wants. However, without innovation, only a party cartel would be protected by this rhetoric. Urgent future problems would not be brought onto the political agenda, and unless no party contests the other parties by putting these issues on the agenda, the party cartel will be stable. Therefore, in empirical research, issue congruence between voters and parties should always be analysed regarding several points in time instead of only one, and should also regard electorates' satisfaction with the problem-solving capacity of the whole system as well as patterns that show that the electorates' satisfaction with the system can be improved after a phase of increasing dissatisfaction. The latter might be a good indicator of successful core persistence and evolution.

What are the conditions for guaranteeing innovation? Innovation and the consequence of evolution do not stem from nothing. Each innovation has its own history. An actor can successfully react or not react to changing circumstances if she has or has not developed the first appendages of the adoption strategy of the past. Heterogeneous actors are therefore essential for evolution. In the case of total homogeneity, the likelihood is very

high that no party is able to find solutions for new problems. Within politics, the representation of different social classes and milieux provides this necessary heterogeneity. On the one hand, heterogeneity is necessary for creating innovation. On the other hand, as mentioned in the previous paragraph, the more homogenous the society is, the more that desired societal benefits are created through competition. Each polity is confronted with this tension between homogeneity and heterogeneity. Most institutional frameworks within the political sphere are actively trying to develop this balance between homogeneity and heterogeneity. This can be seen especially within consociational democracies. A maximization of complete social heterogeneity would risk a collapsed polity.

Competition and innovation are not solely initiated by exogenous effects. Party elites, interpreted as entrepreneurs, play an important role in shaping the creative processes of competition. If the actions of one competitor are successful, rivals will imitate or create another successful type of action (Prisching, 1995; Schumpeter, 1942). Consequently, new constellations are being permanently created that do not evolve into positions of equilibrium. It is, in particular, these factors that are often characterized as symptoms of the imperfection of competition, which constitute the competitive process. Neoclassical and Downsian conditions for competition, in a perfect world, are those which cease all competitive activity creating innovation in the real world (Heuß, 1980). We should reconsider the conditions causing these permanent disequilibria in a situation of stable creative competition. In short, in addition to Bartolini's dimensions for a workable competition, there are four conditions that are needed to fulfil the function of the evolution and innovation of a party system through competition. First, similar to the contestability concept proposed by Bartolini, freedom is required in order for a person to undergo processes of innovation. Second, party system development through competition is only possible with a certain degree of uncertainty. Third, heterogeneity is needed; with the existence of perfect homogeneity, there can be no competition that will bring the best offers to the surface. Fourth, a delayed reaction rate is important.

Contestability is the linking factor between the purposes of party competition. It is a condition for both responsiveness and innovation. Contestability entails that parties can be founded freely and that parties can take part in electoral competition. If this condition is fulfilled, parties are free to choose with whom they cooperate or contest. Contestability is a necessary condition for creating heterogeneity. Parties need both resources and freedom in order to be able to formulate their own manifestos. Heterogeneity itself is a necessary but insufficient condition for innovation. At the macro level, the existence of homogenous manifestos reduces the possibility of innovation taking place through party competition. Conversely, heterogeneity is directly linked to Bartolini's concept of decidability and, hence, to the concept of responsiveness. Voters will be able to make the necessary distinctions between parties only when the parties have sufficiently heterogeneous manifestos.

A situation of perfect information is not normally observed in reality. Theoretically, the existence of uncertainty of both voters' and competitors' preferences is a sufficient condition for innovation. Parties must come up with novel ideas to solve recent problems, or they need to attract voters with methods that are different from those commonly employed by their competitors. In particular, parties do not know how the voter will react

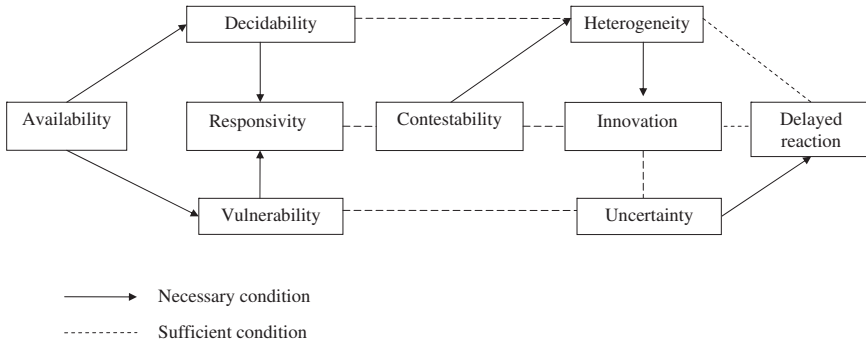


Figure 1. Preconditions for a workable party competition

Source: Adapted from Bartolini (1999, 2000).

in response to a newly formulated manifesto. In a world of perfect information, competition would be substituted by administrative delegation. In a world of uncertainty, political competition is a process of trial and error. Parties are vulnerable to making wrong decisions and to failing to meet voters' demands completely, but they will make progress when, through these discovery processes, they identify the electorate's needs faster than their rivals do.

Finally, the delayed reaction rate is an important condition for workable competition. The prospect of gaining votes by being the first party to develop ingenuity is the decisive incentive to create innovations. However, if a competitor were to copy the innovation, the innovator would have no incentive to innovate. Slow reaction rates and uncertainty exist in politics in particular. Only the election result can tell us if an innovation was successful, and even if we observe the election results, it is still not a clear indicator of why voters voted for a certain party.

4. Innovations on the issue market (market and forum)

Up to this point, we have clarified what is necessary for a workable competition that guarantees responsiveness and innovation. However, the relationships illustrated in Figure 1 only comprise the logic of the macro level. If we really want to know when parties innovate, we have to take a closer look at the relationship of parties and voters. By doing so, we not only get a better picture of under which circumstances parties as actors in political competition innovate, we also get a deeper understanding of when new parties arise. From a macro perspective, the establishment of a new party can be interpreted as one of the clearest kinds of innovation at the system level.

Parties are one of the channels through which voters express their demands (Sartori, 1976).⁷ Following Robertson (1976), parties offer ways to fulfil the policy outcomes demanded by the voters. The task of electoral competition is to coordinate both. Therefore, parties offer a selection of issues. If we ignore the fact that parties also offer candidates, we can classify issues as the traded good on the political market and term the part of the political market focused on here as an issue market (cf. Franzmann, 2006). According to Elster (1986), this issue market can be characterized as being both a market

and a forum. The notion of a 'forum' views politics as an arena of discourse, preference coordination, and preference shaping. The notion of a 'market' takes into account efficiency aspects. Its inputs are the preferences shaped in the forum (Elster, 1986). The political forum is the source of innovations. The electoral market should guarantee responsiveness, as Downs (1957) has described it. The issue market contains both market and forum.

As with the idea of the issue market, we can observe that party systems transform social heterogeneity into represented heterogeneity. This transformation takes place both on the market and on the forum. The rules on the electoral market are defined by electoral law. In particular, the number of effective parties is directly affected (Duverger, 1954; Riker, 1982).

Figure 2 illustrates how supply and demand come together on the issue market. At the top of the figure the supply is symbolized as the whole programmatic offer of political parties. It is dependent on the format, that is, the number of relevant parties, and according to the calculus illustrated in Table 1 above, parties choose different strategies. These different strategies cumulate at the aggregate level in the programmatic *heterogeneity*. Note that this heterogeneity describes programmatic differences irrespective of these differences being ideological in nature or not. It is a measurement of the supply and therefore written on the side closer to the supply. Nevertheless, the programmatic offer is not solely developed by interaction of the elites. It is also developed in interaction with the electorate on the forum. That is symbolized by the two-pronged arrow at the very left. At the bottom of the graph the demand is symbolized. On the aggregate, voters' demand is shaped by the social diversity and, consequently, by the diversity of voter preferences. On the voting issue market, which is symbolized by the box in the middle of the figure, these diverse voter preferences meet the heterogeneity of the different party programmes. To the extent the programmatic heterogeneity links to social cleavages, we can observe polarization. Because polarization therefore only exists in cases of ideology-relevant voter demands, it is closer to the demand side.

The allocation of votes to particular parties generates the input into the whole political system. Electoral systems transform voters' preferences into parliamentary mandates. By doing so, the interaction transforms the population heterogeneity into the format of a party system (Powell, 1982), and it leads to different patterns of party fragmentation, government and oppositions as well as programmatic innovation.

The number of parties is not a sufficient indicator for programmatic heterogeneity. We can imagine a party system with many parties that have relatively similar manifestos, and we can conceive of a party system with fewer parties that have more differentiated manifestos. Nonetheless, a heterogeneous society is more likely to produce a heterogeneous party system than a homogenous one. The electoral system and its rules take supply and demand as a given, but the supply and demand factors are formed in the forum. The format of a party system is determined by the electoral market, but without reconsidering the forum, we cannot know how the system works. In this system, the diversity of voter preferences is translated into the programmatic heterogeneity of political parties, as illustrated in Figure 2. Lipset and Rokkan (1967) state that these translation channels can build up long-term voter alignments and can institutionalize cleavages within the party system. When the conditions for creating responsiveness are fulfilled, as explained above,

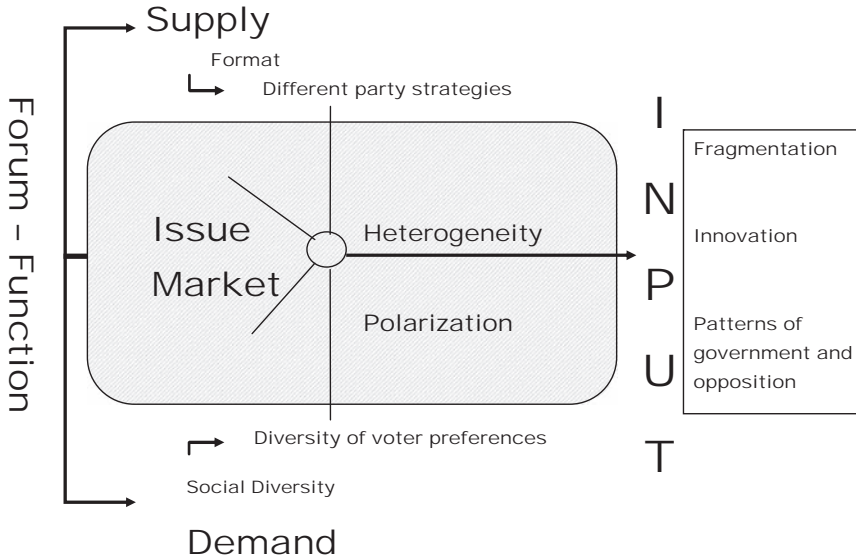


Figure 2. The issue market

voters can, through elections, demote parties on the market that do not represent their demands. However, there is no deterministic causal link from social conflicts to political cleavages. As Bartolini and Mair (1990) have shown, parties exist to discover, articulate, and activate such cleavages. Parties are sometimes even able to introduce new cleavages through their government policies in order to create new voter alignments (Chhibber and Kollman, 2004; Chhibber and Torcal, 1997). However, the diversity of party programmes does not automatically provoke polarization within the electorate. The electorate is not necessarily divided into separate ideological camps by different programmatic offers. Therefore, it should be obvious that the heterogeneity of the programmatic offers and the ideological polarization within the political arena are two sides of the same coin. Polarization functions on the demand side of politics, whereas heterogeneity clearly belongs to the supply side.

Polarization is certainly affected by antithetic party ideologies and programmes. However, not everything that is part of a party's programme is presented in order to polarize the electorate. For example, parties can offer new policy methods in handling valence issues (Stokes, 1992). As explained in the previous section, heterogeneity is a necessary condition for innovations, and such innovations help parties win elections. This is not only true for prospective voting in the current election. In the case of a successful implementation of a new policy, it is also true for retrospective voting in the following election (Fiorina, 1977; 1981). In sum, parties have large incentives to formulate different manifestos and try innovations in order to win elections. In doing so, party competition offers a resource for producing not only input legitimacy by means of responsiveness but also output legitimacy by means of innovations for a political system (Scharpf, 1970). That would be the case if a governing party implemented a new policy against the majority of public opinion but gained support later from good performance. But under the condition

of a workable competition, party elites have always to reconsider the voters' demands. If a party elite changes its programme without regarding voters' demands or even simply what voters' demands are, such inventions will not be successful due to foreseeable punishment in the next elections. In such a case, the 'forum' functions of an issue market, which is the link between party elite and electorate, has not worked well and leads to reallocation of votes on the electoral market. This theoretical argument is mirrored by the recent empirical findings of Tavits (2008). She demonstrates that the high volatility in the new democracies in central eastern Europe is not driven by an undecided electorate but by frictions in parties' programmatic offers. The erratic behaviour of the elites without presenting sufficient output legitimacy seems to be the cause of the high volatility.

Where all established parties ignore a particular demand of the electorate or part of the electorate, it is hypothesized that a new party is very likely to emerge. We find a similar idea in the writing of Meguid (2008), claiming that niche parties build their success on being the advocate for a new policy dimension. What has to be emphasized according to the framework of the issue market is the link between party elite behaviour and voters' demands. Consequently, I formulate the following hypothesis:

Hypothesis 6. The less the established parties represent the diversity of voter preferences, the more likely is the emergence of a new party. (Of course, this is only true under the condition of a workable party competition).

The consequence for empirical work on party entries is that the relationship of demand and supply has to be analysed. Tavits (2006), for instance, includes ethnic fractionalization in her analyses of new party entry. However, according to the framework presented here, it should only have an impact if the established parties fail to effectively represent this fractionalization. The addition of a factor measuring the programmatic heterogeneity should improve the explanatory power of such analysis. This programmatic heterogeneity is different from ideological polarization because, as mentioned above, not each programmatic difference has a polarizing effect. Hence, an indicator different from ideological polarization is necessary to capture the programmatic heterogeneity on the supply side.

5. Institutional constraints on (incentives for) innovation

Although the macro-level perspective of party competition has been discussed, as shown in Section 2, for a greater understanding of party competition, the micro-level perspective needs to be considered as well. We need to discuss what the logic of situation is for the acting parties. What all democratic polities have in common is that the principle of competition creates opportunities for the parties to contest or to cooperate. However, each polity is different regarding its institutions, and this factor will modify the principle of competition. Institutions and political culture shape the way parties absorb the demands of civil society. For instance, there are institutions that introduce negotiation in addition to contest and cooperation. Polities with great incentives for the politics of compromising can therefore be characterized as negotiation democracy (Kaiser, 1997).

In this section, how institutions shape the opportunity structure of the issue market is considered. According to their different incentives and opportunities to cooperate, to

contest and to negotiate, parties have incentives to create different programmes. As we have seen in the previous section, these differing programmes define the extent of heterogeneity as a source of innovation for the political system.⁸ Thus, a discussion regarding the logic of situation, which is dependent on the different institutional frameworks, not only permits us to look into which type of interaction is theoretically preferred at the micro level of a polity but also gives us an impression of how, in sum, the likelihood of innovations at the macro level is influenced by institutions.⁹

Institutional veto points can be implemented in order to modify the way parties give weight to their possible self-chosen goals of policy-, office- or vote-seeking (Müller and Strøm, 1999; Strøm, 1990). The more policy-seeking a party is, the more it will concentrate on policy innovations. The weighting of these three different party goals is crystallized within the strategic alignment of each party manifesto. Vote-seeking is often seen as being solely an instrumental goal in order either to influence policy or to benefit from office (Müller and Strøm, 1999). I presume that those parties whose self-conception is mainly oriented toward being a policy-seeker will have the greatest incentives to formulate divergent policies. In Section 3, I have shown that heterogeneity is a necessary condition for innovation. Hence, one would expect that veto points, which strengthen the incentives in the formulation of divergent policies, would increase the likelihood of policy innovations. Therefore, it is necessary to analyse all types of veto points in order to ascertain their ability to strengthen policy-seeking to the disadvantage of vote-seeking and office-seeking. Figure 3 represents the theoretical micro–macro link of the argument. The focus of this section is on the political institutions and veto points that complement the principle of competition in each polity. Due to their different incentives, parties will be more likely to cooperate or to contest.

According to Kaiser (1997), one can distinguish between four types of veto points: consociational, delegatory, expert and legislative veto points. As a slight alteration to the typology of Kaiser, I propose to subdivide the types of delegatory veto points into two further forms: the delegation of competences to (a) the sub-state level and (b) to a supranational organization. I assume that these two sub-types will have different impacts on the structure of national party competition. In summation, one can distinguish between the following types of veto points:

1. Consociational veto points (coalition government, PR electoral system).
2. Legislative veto points (bicameralism, super-majorities, judicial review).
3. Delegatory veto point, type A: delegation to a supranational organization (European Union).
4. Delegatory veto points, type B: delegation to a sub-state level (federalism and decentralization, Quango).
5. Expert veto points (independent central bank, arbitration boards).

Figure 3 summarizes the different impacts. Each veto point is analysed according to its impact on the three differentials of policy-seeking versus vote-seeking, policy-seeking versus office-seeking, and office-seeking versus vote-seeking.

The first two types of veto points – consociational and legislative – are similar in their effects. Both break the pattern of cooperation and contest. Laver (1989) has pointed out that coalition formation in the legislative arena and vote-maximizing competition in the electoral arena can evoke contradictory effects on the dynamics of party competition.

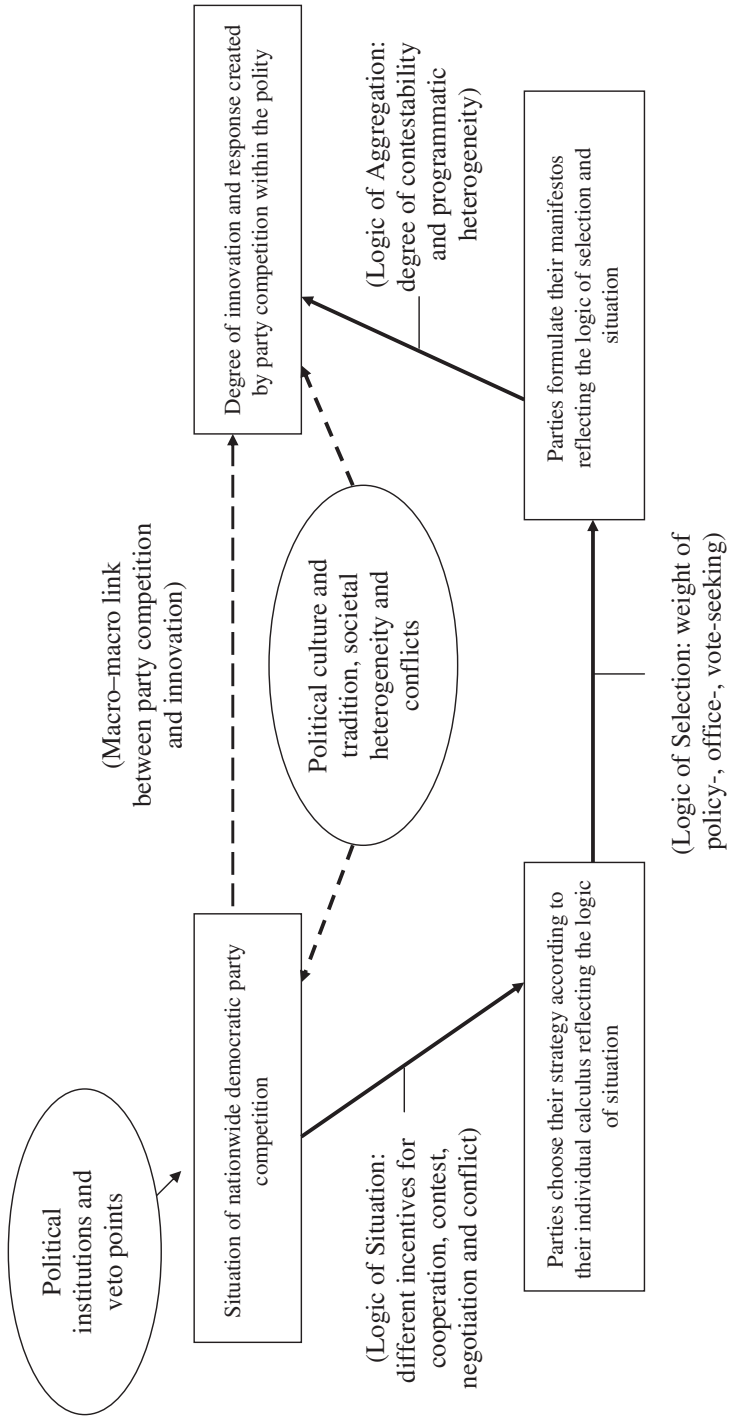


Figure 3. The theoretical micro macro link between party competition, institutional veto points, and innovation

Golder (2006) has analysed the conditions for pre-electoral coalitions. She concludes that ideologically similar parties tend to form pre-electoral coalitions rather than ideologically dissimilar parties. They are more likely to do so if the entire party system is ideologically polarized and the electoral rules are disproportional. I would expect that with an increasing number of pre-electoral coalitions, the issue market would be increasingly segmented, whereas the probability of issue innovations being formulated would decrease. However, the favourable conditions for pre-electoral coalitions might be the same as those that increase the benefits of policy-seeking in other arenas, as Laver (1989) has assumed. In Table 2, I concentrate on making hypotheses about direct institutional effects regarding the benefits of policy-seeking.

I assume that institutional veto points affect both the party goals and the interaction patterns. The fewer incentives there are for contest and cooperation, the fewer there are for innovation.

Consociational veto points cut through the pattern of competition in favour of negotiation. Democratic polities are characterized by the principle of competition – namely, cooperation and contest. However, consociational veto points can be seen as necessary to avoid polarization within a polity. In this case, consociational veto points, with their ability to dampen competition, can be seen as desirable. Dampening competition will probably not have the effect of degrading policy-seeking. On the contrary, when compared to vote-seeking, it might even have an invigorating effect. First-past-the-post electoral systems, as one type of disproportional electoral system, definitely increase the benefits of vote-seeking and therefore dampen the efforts for policy innovations.

Let us consider proportional representation instead of a majority voting system, and the fact that electoral results do not translate into government majorities. Proportional representation allows small parties to survive and to become part of a government coalition. Parties do not necessarily compete with each other to gain votes in each district, but rather establish a successful position initially in order to bargain in government formation. Under the conditions of a majority voting system, policy-, vote- and office-seeking are nearly equal in importance, as the government can only gain by having the most votes. Under proportional representation, concentration on promoting special policies in the issue market in order to attract a particular group of core voters could be seen as a successful strategy. It is not necessary to have the most votes to be part of the government. In order to participate in government formation, being attractive to coalition partners is sufficient. Consequently, policy-seeking is more encouraged as compared to vote-seeking. Up until this point, a higher degree of heterogeneity of party manifestos and an increased likelihood of innovations could be expected. However, regarding the relationship between policy-seeking and office-seeking, we should expect the opposite, that is, an increase in office-seeking. This is especially true when oversized coalitions occur within a political system.

Probably the best example for such a consociational veto point is the Swiss formula of government formation. A change in the government coalition can only be observed when there is a large change in the number of votes. Policy changes, in fact, have no impact on government formation. The issue market is almost completely divided between the four established parties (Linder, 1997). To conclude, an increase in programmatic heterogeneity and innovation caused by consociational veto points concerning government formation can only be expected in the case of a strong intra-party democracy

Table 2. Veto points and their impact on party goals and incentives for innovations

Type of veto point	Type of impact on patterns of interaction within the party systems	Policy/Vote	Policy/Office	Office/Vote	Impact on likelihood to innovate
Consociational veto points	Cut through the cooperation and contest pattern (i.e. competition) in favour of negotiation	P+	O+	=O+	Increase, decrease in the case of weak intra-party democracy and oversized coalitions
Legislatory veto points	Cut through the cooperation and contest pattern to protect small competitors	P+	O+	O+	Decrease
Delegatory veto points Type A – Fed; Quango	Exclusion of policies from direct nationwide confrontation, but still an indirect impact by multi-level party competition	+-=	+-=	+-=	No general trend
Delegatory veto points Type B – supranational	Exclusion of policies from both direct nationwide confrontation and indirect multi-level competition. Opposition is only possible as opposition against the whole system. Conflict is the only interaction pattern remaining	P+	O+	O+	Decrease because of modified incentives and limited possibilities for policy formulation
Expert veto points	Exclusion of policies from the cooperation and contest pattern (i.e. competition). Office-seeking is impossible and both vote- and policy-seeking are reduced	+-=	+-=	+-=	Decrease because of limited possibilities for policy formulation, but not because of modified incentives

Annotations: P+: Policy-seeking is institutionally encouraged; O+: Office-seeking is institutionally encouraged; =O+: No general trend or office-seeking is institutionally encouraged; +-=: No general trend.

where parties are prevented from office-seeking. In all other cases, we have to expect a decrease.

Regarding legislative veto points, similar impacts are to be expected. Akin to bicameralism, a legislative veto point cuts through the cooperation and contest pattern in favour of negotiation. These veto points check the parliamentary majority. Consequently, once more, a reduction in vote-seeking can be expected relative to both vote- and policy-seeking. However, policy-seeking is also reduced relative to office-seeking. Even if a party wins an election due to its popular policies, it is constricted when implementing them.

We can assume that the same outcomes for the policy-, office- and vote-seeking relationships also hold true regarding the existence of supranational veto points. By transferring competencies to a supranational level, such as the European Union, single policies and issues are excluded from direct nationwide confrontation and nationwide multi-level competition. Opposition to these policies is only possible when there is opposition targeted at the entire system. Conflict is the only interaction pattern that is left concerning the transferred competencies.¹⁰ Contrary to the first two types of veto points, the possibility for cooperation and contest within the national system is not only reduced; it no longer exists. What may exist is a collusion between the established parties. For sure, a decrease in heterogeneity and innovations will necessarily result from this.

Such a clear tendency cannot be detected regarding delegatory veto points on sub-national units. The direct impact is an exclusion of policies from the nationwide confrontation. However, there is still an indirect impact from multi-level party competition within the polity. Therefore, theoretically, it cannot be determined whether one of the party goals is degraded in favour of another. Very often, federalism is connected with the existence of bicameralism, which clearly has the legislative veto point effect of encouraging office-seeking. Nonetheless, this is not a separate effect of such a delegatory veto point.

I assume the same result of indifference for the existence of expert veto points. Single issues, such as monetary policy in the case of an independent central bank, are excluded from political competition. Hence, office-seeking in this area is impossible, and both vote- and policy-seeking are at least strongly reduced. A decrease in heterogeneity and innovation can be expected as a result of the limited possibilities of policy formulation. However, it could not be expected as a result of modified incentives for the weighting of the different party goals.

The discussed impacts of veto points on programmatic heterogeneity and innovation can be empirically tested in further research. One might get different results from analysing only one party rather than the general trends. The impact of the veto points is not deterministic. Parties, even within the same polity, have different traditions of intra-party democracy and the weighting of office-, policy- and vote-seeking. However, parties belonging to the same party system are affected by the actions of all of their relevant competitors. Referring to the Wittman model, Smirnov and Fowler (2007) have shown how the change in policy positions of one party influences the policy choices of its competitors. Thus, it is enough if only one party is directly affected in its policy formulation by the existence of veto points. If, initially, one party reacts to the given incentives and has tried to use the room to manoeuvre to its own advantage, all competitors will have

to react in a similar way in order to be successful in the future. Thereby, in the end, the generalized impacts described above should be observable to some extent.

6. Summary and further research

Starting from a refined definition of party competition, it has been shown that a careful separation at the micro and macro levels helps to detect patterns of cartelization, collusion, and competition, and the consequential responsiveness and innovation. At the micro level, both contest and cooperation are types of interaction within the competitive game. This clashes to a certain extent with the widely used concept characterizing cooperation as ‘collusive’ (cf. Bartolini, 2000). Cooperation might lead to collusion at the macro level, but as explained in Section 2, in other cases, it even enables a workable competition at the macro level. In a similar way, the intensity of competition can be better detected by regarding the micro level and analysing the (conflicting) goals of the competing parties than by focusing solely on the aggregate level. With this complete macro–micro link of party competition, we are now able to clearly distinguish between the logic of situation created by the institutional macro level and the logic of selection of individual party behaviour based on the micro level constrained by institutional level.

Further, the role of innovation for a workable competition has been re-introduced. The debate on the democratic quality of party competition has focused on responsiveness, but as has been discussed in Section 3, competition that does not evoke innovation will very likely lead to low problem-solving capacity in a political system. The preconditions for creating innovation through competition are a delayed reaction time of the competitors, uncertainty, contestability, and programmatic heterogeneity. While the first two preconditions are seldom influenced by the institutional design of a political system, the last is of special importance. Heterogeneity is the basis for innovations. If parties are too homogenous in the sense that they do not sufficiently represent voters’ diversity, the emergence of new parties is very likely. The prerequisite for the emergence of the new parties is contestability. The more parties are policy-seeking, the higher the probability is that they seek issue innovations. Institutional veto points can modify the incentives for policy-seeking, thereby creating programmatic heterogeneity and innovation. Although most veto points dampen competition and innovation, consociational veto points favour negotiation but also innovation because smaller competitors are able to participate in the government formation game.

The theoretical framework and the hypothesis presented here should be of interest to scholars of both party competition and comparative democracies. Both the extension of game-theoretic models and hypothesis-testing in empirical research are enabled. For example, it is possible to model the change in individual party behaviour and its disposition toward cooperation due to the incentive structures given by veto points. In empirical research, a test of the hypothesized impacts of the different institutional veto points, summarized in Table 2, can be undertaken. Using the distinction between the different types of interaction, the dominant type of interaction within a political system can be identified. It could be used to modify Lijphart’s (1999) famous typology of consensus and majoritarian democracy into a democracy that favours cooperation, contest, or negotiation. Furthermore, the phenomenon of programmatic heterogeneity beyond the terms of polarization, and the relationship between heterogeneity and polarization, was until now

completely unexplored. Such an indicator enables us to analyse programmatic aspects beyond a pure left–right positional logic of party competition. Comparing the differences between the heterogeneity of parties’ offers and the heterogeneity of voters’ demands should improve the prediction of new party entry. Regarding the vanishing explanatory power of left–right orientations, analysing programmatic heterogeneity beyond ideological left–right terms should be a promising way to refine existing theoretical and empirical models of party competition.

Acknowledgements

I gratefully acknowledge the useful comments of André Kaiser, Ulrich Glassmann, Michael Koss, Saskia Ruth, Daniel Taras and Christina Isabel Zuber. I also thank the editors of the *Journal of Theoretical Politics* and the anonymous referees. This article has a long history. I first presented my ideas about this analytical framework at the ECPR Summer School on Parties 2005 in Rijs, The Netherlands, and I thank all participants for their comments. I wrote the main part while doing my PhD at the University of Cologne. I am very grateful to everyone who supported me and encouraged me to publish this article.

Notes

1. There are many other factors aside from party competition explaining a working democracy. Nevertheless, Capoccia and Ziblatt (2010) have recently emphasized the role of political parties in the historical emergence of democracies in Europe.
2. Bartolini (1999) discusses the relationship between these four types of interactions in more detail.
3. Simmel (1908: 217) uses the expression ‘Konkurrenz’ as a special form of ‘Kampf’ which can best be translated as ‘fight’ or ‘struggle.’ Therefore, in an orthodox interpretation of Simmel’s work, those interactions that are the special type of fight that helps create a social value through the unified goals of the participating actors are called ‘Konkurrenz’. In my view, this meaning is better preserved by ‘contest’ than by ‘competition’. Competition defines the rules of the game. Contest is a type of interaction within these rules.
4. This interpretation can be found in modern considerations of economic competition.
5. For standard textbooks such as Ware (1996) or Pennings and Lane (1998), which describe party competition as being about competition and cooperation, I would like to suggest party competition as being about contest and cooperation instead. Later on, I will demonstrate that this is not only a question of semantics but also a careful differentiation of analytical levels.
6. Since 2001 the Danish People’s Party, the ideology of which can be characterized as right-wing populism, has supported the minority government of liberals (Venstre) and conservatives (KF) without being a formal part of the coalition.
7. Of course, social movements have a similar function in expressing citizens’ demands, but they do not participate in elections. Therefore, social movements are part of the ‘forum’ but not of the whole issue market.
8. Institutions also shape the degree of government responsiveness to voters’ demands. Here I want to concentrate on creating innovation. The empirical phenomenon of government issue-responsiveness is discussed by Hobolt and Klemmensen (2008). Although the authors present a theoretically and empirically convincing model, they detect patterns of party change that cannot be explained. According to the theoretical framework presented here, it could

be hypothesized that this unexplained pattern might be caused by disregarding innovation. Adding factors that capture innovation might improve the explanatory power of their interesting model.

9. Of course, institutional veto points do not only influence programmatic innovation. Koß (2010) examines how institutional veto points, in combination with strategic party goals and discourse about corruption, provide incentives for establishing state funding to political parties.
10. The pressure toward conflict can be reduced by referenda regarding the transferred competencies. However, if this is the only way for the electorate to express their preferences, it is most likely to produce a negative result, as is often observed in the referenda about the European constitution.

References

- Bartolini S (1999) Collusion, competition and democracy, Part I. *Journal of Theoretical Politics* 11(4): 435–470.
- Bartolini S (2000) Collusion, competition and democracy, Part II. *Journal of Theoretical Politics* 12(1): 33–65.
- Bartolini S and Mair P (1990) *Identity, Competition, and Electoral Availability: The Stabilisation of European Electorates 1885–1985*. Cambridge: Cambridge University Press.
- Bernstein GL (1983) Liberalism and the progressive alliance in the constituencies, 1900–1914: three case studies. *The Historical Journal* 26(3): 617–640.
- Capoccia G (2001) Defending democracy: Reactions to political extremism in inter-war Europe. *European Journal of Political Research* 39(4): 431–460.
- Capoccia G (2002) Anti-system parties: A conceptual reassessment. *Journal of Theoretical Politics* 14(1): 9–35.
- Capoccia G and Ziblatt D (2010) The historical turn in democratization studies: A new research agenda for Europe and beyond. *Comparative Political Studies* 43(8/9): 931–968.
- Chhibber PK and Torcal M (1997) Elite strategy, social cleavages, and party systems in a new democracy: Spain. *Comparative Political Studies* 30: 27–54.
- Chhibber PK and Kollman K (2004) *The Formation of National Party Systems: Federalism and Party Competition in Canada, Great Britain, India, and the United States*. Oxford: Oxford University Press.
- Coleman JS (1990) *Foundations of Social Theory*. Cambridge, MA: Harvard University Press.
- Downs A (1957) *An Economic Theory of Democracy*. New York: Harper & Row.
- Duverger M (1954) *Political Parties*. London: Methuen.
- Elster J (1986) The market and the forum: Three varieties of political theory. In: Elster J and Hylland A (eds) *Foundations of Social Choice Theory*. Cambridge: Cambridge University Press, 103–32.
- Fiorina MP (1977) An outline for a model of party choice. *American Journal of Political Science* 21: 601–625.
- Fiorina MP (1981) *Retrospective Voting in American National Elections*. New Haven, CT: Yale University Press.
- Franzmann S (2006) Parteistrategien auf oligopolistischen Issue-Märkten. Eine empirische Analyse der Wahlprogrammatik in Deutschland, Dänemark, Österreich und den Niederlanden mit Hilfe des Gutenberg-Modells. *Politische Vierteljahresschrift* 47(4): 571–94.
- Golder SN (2006) Pre-electoral coalition formation in parliamentary democracies. *British Journal of Political Science* 36(2): 193–212.
- Heuß E (1980) Wettbewerb. In: Albers W et al. (eds) *Handwörterbuch der Wirtschaftswissenschaften, Band 8*. Stuttgart, New York, Gustav Fischer, Mohr, Vandenhoeck & Ruprecht, 679–697.

- Hobolt SB and Klemmensen R (2008) Government responsiveness and political competition in comparative perspective. *Comparative Political Studies* 41(3): 309–337.
- Kaiser A (1997) Types of democracy: From classical to new institutionalism. *Journal of Theoretical Politics* 9(4): 419–444.
- Katz RS and Crotty WJ (eds) (2006) *Handbook of Party Politics*. London: Sage.
- Katz RS and Mair P (1995) Changing models of party organization and party democracy: The emergence of the cartel party. *Party Politics* 1(1): 5–28.
- Keman H (1997) Centre-space politics: Party behaviour in multi-party systems. In: Keman H (ed.) *The Politics of Problem-solving in Postwar Democracies*. Basingstoke: Macmillan, 85–112
- Koß M (2010) *The Politics of Party Funding: State Funding to Political Parties and Party Competition in Western Europe*. Oxford: Oxford University Press.
- Laver M (1989) Party competition and party system change. The interaction of coalition bargaining and electoral competition. *Journal of Theoretical Politics* 1(3): 301–324.
- Lehmbruch G (1976) *Parteienwettbewerb im Bundesstaat*. Stuttgart: Kohlhammer.
- Lijphart A (1999) *Patterns of Democracy: Government Forms and Performance in Thirty-six Countries*. New Haven, CT: Yale University Press.
- Linder W (1997) *Swiss Democracy: Possible Solutions to Conflict in Multicultural Societies*. Basingstoke: Palgrave Macmillan.
- Linz JC (1967) Cleavage and consensus in West German politics: The early fifties. In: Lipset SM and Rokkan S (eds) *Party Systems and Voter Alignments: Cross-national Perspectives*. New York: Free Press, 283–321.
- Lipset SM and Rokkan S (1967) *Party Systems and Voter Alignments: Cross-national Perspectives*. New York: Free Press.
- Lowi T (1963) Toward functionalism in political science: The case of innovation in party systems. *American Political Science Review* 57(3): 570–583.
- Meguid BM (2008) *Party Competition between Unequals: Strategies and Electoral Fortunes in Western Europe*. Cambridge: Cambridge University Press.
- Müller WC and Strøm K (eds) (1999) *Policy, Office, Votes? How Political Parties Make Hard Choices*. Cambridge: Cambridge University Press.
- Pappi FU (2000) Zur Theorie des Parteienwettbewerbs. In: Klein M et al. (eds) *50 Jahre empirische Wahlforschung in Deutschland: Entwicklung, Befunde, Perspektiven, Daten*, Wiesbaden: Westdeutscher Verlag, 85–105.
- Pennings P and Lane J-E (eds) (1998) *Comparing Party System Change*. London: Routledge.
- Powell BG (1982) *Contemporary Democracies: Participation, Stability and Violence*. Cambridge, MA: Harvard University Press.
- Prisching M (1995) The limited rationality of democracy: Schumpeter as the founder of irrational choice theory. *Critical Review* 9: 300–324.
- Riker WH (1982) The two-party system and Duverger's Law: An essay on the history of political science. *American Political Science Review* 76(4): 753–766.
- Robertson D (1976) *A Theory of Party Competition*. London: John Wiley & Sons.
- Sartori G (1976) *Parties and Party Systems: A Framework for Analysis. Volume 1*. Cambridge: Cambridge University Press.
- Scharpf FW (1970) *Demokratiethorie zwischen Utopie und Anpassung: Konstanzer Universitätsreden 25*. Konstanz: Universitätsverlag.
- Schumpeter JA (1942) *Capitalism, Socialism and Democracy*. London: Allen and Unwin.
- Simmel G (1908) *Soziologie: Untersuchung über die Formen der Vergesellschaftung*. Berlin: Duncker & Humblot.
- Smirnov O and Fowler JH (2007) Policy-motivated parties in dynamic political competition. *Journal of Theoretical Competition* 19(1): 9–31.
- Smith G (1989) A system perspective on party system change. *Journal of Theoretical Politics* 1: 349–363.

- Stokes DE (1992) Valence politics. In: Kavanagh D (ed.) *Electoral Politics*. Oxford: Clarendon Press.
- Strøm K (1990) A behavioural theory of competitive political parties. *American Political Science Review* 34(2): 565–98.
- Tavits M (2006) Party system change: Testing a model of new party entry. *Party Politics* 12(1): 99–119.
- Tavits M (2008) On the linkage between electoral volatility and party system instability in Central and Eastern Europe. *European Journal of Political Research* 47(5): 537–555.
- von Hayek FA (1946) *Individualism and Economic Order*: Hodges, Figgis & Co., Blackwell.
- von Hayek FA (1968) *Der Wettbewerb als Entdeckungsverfahren*. Kiel: Universitätsverlag Kiel, Institut für Weltwirtschaft.
- Ware A (1996) *Political Parties and Party Systems*. Oxford: Oxford University Press.