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Electoral Reforms and the Policy Predicaments of Parliamentary Governments under Global Capital Mobility

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Abstract

This article explains the diverse processes of recent electoral reform as a result of government responses to global capital mobility. Capital mobility aggravates the vulnerability of incumbent governments because policies that accommodate markets impose economic costs on voters and are thus unpopular. Two ways in which incumbents can reduce this vulnerability are specified: (1) enactment of market-assuring policies that are indifferent to the will of the electorate and (2) continuation of poplar measures until a speculative attack can no longer be avoided. The means by which incumbents ameliorate their vulnerability is further differentiated by the structure of electoral control of policy-making (i.e., majoritarian vs. consensus). As a result, when elected officials across party lines target the electoral system as the source of system problems, four different paths to reform are possible. The electoral reforms of New Zealand, Japan, and Italy, and the aborted reforms of the United Kingdom and France, support the argument.

I. Introduction

Why the Electoral Reforms of the 1990s?

In 1993-94, three stable but very different democracies—New Zealand, Japan, and Italy—enacted electoral reform. Electoral reforms are rare in stable democracies and thus the sudden and simultaneous occurrence of reform in countries with different political histories and institutions poses a puzzle. This article presents a framework that explains these seemingly unique and unrelated instances of electoral reform. I argue that the adoption of new electoral systems in the 1990s reflects a conscious attempt by elected officials to rectify persistent practices that had either undermined electoral control of policymaking or generated unsuitable policies. These practices represent typical ways in which incumbent governments try to ameliorate the predicament that originates from recent constraints on economic policy imposed by the phenomenon of increased capital mobility across boarders.

In this section I explain my framework. I draw on the political economy literature to explain how short-term capital mobility forces regimes to implement unpopular macroeconomic policies that make governments vulnerable and unstable. I argue that there are two typical ways in which incumbent governments are tempted to reduce vulnerability and instability. One option, *voter neglect*, involves reducing the impact of electoral changes on incumbents. The other, *policy neglect*, consists of catering to popular demands until the market responds with a currency crisis. My first key contention is that when such responses to the problem of capital mobility persist they are likely to generate demands for electoral reform because blame for inappropriate government action is ascribed by elected officials not only to incumbents and their policies but also to the electoral system itself. Ironically, persistent government strategies to reduce electoral vulnerability and government instability are likely to generate economic policy problems and a popular backlash, which trigger elected officials to blame the system, making its reform the only convincing way to rectify the problem. My second contention is that it is possible to identify the *specific* conditions under which elected officials come to view electoral reform as a means to revise existing practices and restore a balance between responsive *and* responsible governments. Democratic taxonomies are used to specify the circumstances in which elected officials across partisan affiliations blame the existing electoral system for voter/policy neglect and endorse electoral reform. As there are two possible ways governments in which may respond to the problem of mobile capital (voter neglect and policy neglect) and two typical types of democracy (majoritarian and consensus), there are four possible paths to electoral reform. It should be stressed, however, that the purpose of the framework is not prediction, but rather explanation of how a common cause leads to *different paths* to the same outcome.

After further elaboration of this framework, the second section of the paper shows that the cases of electoral reform in 1993-94 in New Zealand, Japan, and Italy fit three of my four predictions. I also show that this framework can account for the incomplete reforms of the United Kingdom and France. I conclude by discussing the implications of my argument and its improvements upon the existing accounts of electoral reform.

The Framework: The Policy Predicaments of Governments under Mobile Capital

The recent global increase of short-term capital mobility, which dwarfs the increase in trade, is a phenomenon that appeared after the first oil crisis, facilitated by floating exchange rates and the recycling of petrodollars.[1] As economies become integrated in terms of capital flows, differences in interest rates cause capital to flow towards countries with higher interest rates and away from countries with looser monetary policy. If, in such a situation, a government loosens monetary policy, the result will be a downward pressure on the nation's currency and a deterioration of its balance of payments. This will be especially true if the policy ignites inflation via large wage increases. The result is that the danger of currency speculation and balance of payment problems restricts a government's ability to pursue an autonomous monetary policy in order to reflate its economy, particularly if the market doubts the government's ability to take measures to stem inflation and show fiscal restraint. The more globally integrated the economy is, the less room the government has for monetary policy divergence because interest rate differences can ignite massive movements of short-term capital and impose severe exchange market pressure on the currency.[2]

The disinflationary constraint is strongly felt at times when a government tries to win popular approval by stimulating a slowing economy. If reflationary policies ignite currency speculation and worsen current account balances, the government is compelled to tighten economic policy to halt massive capital outflows until inflation subsides, even at the cost of a sharp economic downturn and a rise in unemployment rates. In order to gain market confidence in its disinflationary commitments, governments have to attack inflation-generating practices, particularly wage bargaining, and reduce government deficits. Even in times of low inflation and balance of payments surpluses, a government is restrained in the extent to which it can relax monetary and fiscal policy to cater to the electorate if it wants to maintain the credibility of its macroeconomic policies. Thus, governments have to consistently take steps to reduce public debt and control wage inflation even when deficit spending has not (yet) caused a currency crisis.

The fact that capital mobility has imposed a structural constraint on macroeconomic policy since the mid-1970s can be seen if we compare Figure 1a with Figure 1b. Figure 1a shows the convergence among advanced industrial states toward lower inflation. The steady trend implies that global forces have compelled governments to adhere to disinflation. However, as seen in Figure 1b, countries diverge with regard to unemployment. Some countries have allowed it to rise to highs unprecedented in the postwar era, while others have managed to hold it in check. These figures indicate that countries have been forced to control inflation even at the cost of high unemployment.

Figures 1a & 1b

This constraint caused by mobile capital exacerbates the dilemma between enacting sound macroeconomic policy and maintaining popular support for party governments. Policies to reassure global markets—wage restraint, tight monetary policy, and fiscal reconstruction (i.e., expenditure cuts and tax increases)—are also policies that aggravate unemployment and reduce social protection. These policies thus are unpopular and make governments vulnerable to voter disaffection and internal conflicts.

All incumbent governments muddle through the dilemma aggravated by mobile capital, but do so differently in different types of democracies.[3] In majoritarian democracies, parties compete in elections by claiming that they have better programs for managing the economy and by stressing policy differences with their opponents. When in government, parties are likely to accommodate the need for disinflationary policies by taking measures to curb high wage settlements—the major source of inflation—and implementing fiscal reconstruction and welfare retrenchment in a divisive way that reward party supporters and places burdens on party opponents.[4] However, governments that fail to fulfill their promises to improve economic performance become more vulnerable in elections and are likely to be voted out of office, making power changes frequent in times of economic difficulties. This pattern of policy adjustment derives from the fact that majoritarian democracies are characterized by two-party systems created by disproportional (single-member plurality) electoral systems. This type of system not only facilitates electoral competition based on policy mandates but also enables a single-party majority to dominate the legislature to carry out its mandate.

By contrast, in consensus democracies, between elections the parties in coalition governments constantly negotiate and compromise among themselves and with powerful organized interests over wage restraint (usually in exchange for employment programs) and the distribution of fiscal reconstruction. This adjustment pattern derives from the fact that consensus democracies are characterized by proportional electoral systems, which tend to create multiparty systems and coalition governments that organize corporatist groups in order to facilitate policy accommodation and implementation. When facing worsened economic performance, governments in consensus democracies become unstable, due to frequent coalition break-ups and reshuffling. This may delay the timely implementation of policies and eventually lead to a complete or partial replacement of parties in power. Whether elections result in complete or partial replacement depends on whether major parties can form two camps and present clear-cut economic policy alternatives.

In order to reduce electoral vulnerability and instability governments may respond to the capital mobility-induced economic policy dilemma in one of two ways— voter neglect or policy neglect. However, when such responses persist they are more likely to cause popular backlashes against unpopular economic policy measures and thus lead elected officials to question the appropriateness of the electoral system that allowed such persistence. Voter neglect is seen when incumbent governments enact unpopular cost-imposing policies in order to sustain market confidence by trivializing the impact of changes expressed at elections. Such practices undermine the ability of elections to bestow officials with a policy mandate and often result in a popular backlash against voter neglect in the long run. If the lack of government responsiveness to voters is attributed to the electoral system, elected officials will regard electoral reform as a means to rectify the insulation of policy-making from electoral changes. The other response, policy neglect, occurs when governments continue popular policies that undermine market confidence until such policies are rebuked by a currency speculation. A currency and balance of payment crisis destroys the policy credibility of incumbents and brings into question the ability of elections to produce competent governments. When such policy incompetence is ascribed to the electoral system, elected officials regard electoral reform as a means to rectify the persistent mishandling of economic policy and restore responsible government.

It is noteworthy that elected officials begin to promote electoral reform across party lines when the political and economic costs of voter or policy neglect become apparent and are attributed to faults of the electoral system and not just to the incumbent government or its policies. The costs become apparent to elected officials when the government faces an electoral rout or a popularity backlash either as a result of having imposed economic costs on voters without their consent or as a result of having ignited an currency crisis by enacting policies to cater to supporters. When backlashes caused by market assuring policies are recurring, extraordinary, or extensive, elected officials become vulnerable, and being unable to blame the voters or merely the incumbents, begin to search for institutional causes. When the notion that institutional change provides better opportunities for recovery spreads among elected officials across party lines electoral reform becomes likely.

The factors that cause elected official across party lines to ascribe popular backlash against economic policies to practices embedded in the electoral system differ according to the electoral system. In majoritarian democracies, in which alternations of power by the two major parties are expected, it is necessary for both major parties to alternately face popularity backlashes over their economic policies for elected officials to regard the electoral system as the cause of the persistent problematic practices. Elected officials of both parties come to regard electoral competition *per se* and strong single-party majority governments as the cause of voter or policy neglect when both parties alternately enact either cost-imposing measures without the voters' consent or policies that ignite a currency crisis. Electoral reform is viewed by increasing numbers of politicians of both parties as a means to overcome the negative aspects of the current system and thereby increase policy stability and their own electoral security.

In consensus democracies, in which policy consultation by governments between elections is the norm, calls for electoral reform are preceded by the exposure of a collusive arrangement that had enabled governments to continuously neglect voters or policy adjustments. The collusive arrangement that produced either unresponsive governments that enacted cost-imposing measures without the voters' consent or irresponsible governments that ignited currency crises must be seen as having been sustained by the electoral system. Such a revelation usually comes in the form of a scandal that provides justification for elected officials from government and opposition parties to advocate electoral reform as a means to destroy current collusion and monopolization of power. Thus electoral reform becomes a means for reformers to access power while increasing government stability and their own electoral security.

Based on the above framework, we can discern the four typical paths toward electoral reform summarized in Table 1. The first case is seen in majoritarian democracies where the governments engage in voter neglect. That is, the parties in power implement cost-imposing measures to assure global markets by disregarding their economic policy campaign pledges. When both parties engage in such behavior this effectively insulates them from the impact of electoral changes. When the recurrent disregard of electoral mandates by both parties causes a popularity backlash, the electoral system is blamed for producing single-party majority governments that can ignore policy mandates and enact cost-imposing policies once elected. I refer to this type of case as “elite disregard.” The second type of case, “policy oscillation,” occurs when both parties in a majoritarian democracy practice policy neglect. Here attempts by major parties to enact their electoral mandates are repeatedly challenged by global markets in the form of speculative attacks, causing the governments to resort to frequent policy reversals. When the parties in power repeatedly ignite currency crises and popularity backlashes, the electoral system is blamed for producing governments that implement inept policies in order to cater to their supporters.[5]

Table 1

Similarly, there are two types of cases in which electoral reforms become an issue in consensus democracies. The first type is seen when governments in a consensus democracy carry out voter neglect. When an electoral backlash against cost-imposing measures accompanies a scandal which reveals that collusive arrangements had allowed incumbents to monopolize power and trivialize electoral change, the electoral system is blamed for not allowing parties to mobilize supporters via policy competition and for sustaining collaborative arrangements. I label this “elite cartelization.” The final type, “policy collusion,” occurs when governments in a consensus democracy continue policy neglect. In this case, a speculative attack in response to the government’s failure to enact market-assuring policies causes a voter backlash and accompanies a scandal that reveals that collusive arrangements had enabled incumbents to monopolize power to reward their supporters. As a result, the electoral system is blamed for preventing electoral competition from breaking up the collusive arrangements and allowing irresponsible policies. In each of the above scenarios, when elected officials blame the electoral system, support for reforms spreads across party lines and is not restricted to only incumbent or opposition parties. Not all politicians, of course, will support the reform; the key point here is that support for reform is not limited to one side or the other. For pro-reform politicians, electoral reform is an opportunity to increase electoral security or government stability by rectifying the existing situation of voter/policy neglect. In majoritarian democracies making government more responsive and responsible means reducing the damaging consequences of single majoritarian governments by increasing policy consultation between elections. In the case of consensus democracies making government more responsive and responsible means increasing policy competition during elections to prevent policy consultation from turning into a collusive mechanism for incumbents.

The Cases

In the preceding discussion, I have identified four different sets of circumstances that result in the spread of support for electoral reform across party lines and make its realization likely. Since the advent of global capital mobility there have been three major cases of electoral reform—New Zealand, Italy, and Japan. To these cases, I add the cases of the UK and France in which electoral reforms were discussed or temporarily introduced but did not institutionalize.

According to Lijphart, New Zealand, the UK, and France were majoritarian democracies with pluralistic electoral systems, whereas Italy and Japan were consensus democracies with proportional electoral systems.[6] The governments in New Zealand, without consulting the electorate, repeatedly enacted some of the most severe austerity programs seen in the OECD countries.[7] However, unlike the UK and France, governments in New Zealand did not resort to policy reversals after speculative attacks. Thus, New Zealand fits the case of elite disregard, whereas the UK and France[8] both went down the path of policy oscillation. Before elected officials across party lines blamed the electoral system for policy oscillation, however, the governments of both countries enacted and adhered to disinflationary policies. They thus averted the need for repeated economic policy reversals. As a result, in both countries, electoral reform was an incomplete and partisan effort. This outcome supports my claim that the electoral system has to be blamed across party lines for the recurrence of a certain government strategy for enduring electoral reforms to be introduced.

Italy and Japan are consensus democracies that had exceptionally stable political systems in the 1980s until incumbents were hit by voter backlash against their economic policies and scandals that revealed the existence of collusive arrangements lubricated by illicit money. However, while Japan curbed its public debt in the 1980s to assure global markets of its fiscal discipline, Italy continued to accumulate public debt throughout the 1980s (see Figure 2) until the lira was attacked in 1992 because the market no longer trusted the government's ability to impose fiscal discipline. Thus, Japan seems to fit the characteristics of elite cartelization and Italy that of policy collusion.

Having explained the framework and given an overview of the cases, I now examine whether policy adjustments to economic globalization in these countries led to the processes of electoral reform expected by the framework.

II. The Evidence

A Case of Elite Disregard: New Zealand

In the second half of the 1980s New Zealand faced severe currency and balance of payments crises, which compelled the enactment of disinflationary policies. These economic pressures coincided with changes in government in 1984 and 1990. In New Zealand neither of the two major parties had campaigned on a neoliberal platform; however, when faced with an economic crisis, the government drastically tightened monetary policy and cut spending. Both major parties enacted cost-imposing measures without obtaining the consent of the voters. When the 1990 National Government enacted drastic disinflationary policies, as its Labor predecessor had in 1984, it became clear that both parties, once in government, were willing to ignore their own policy platforms in order to enact policies to quell global markets. Thus, after the National Government imposed austerity policies in 1990 that ignited voter displeasure, electoral reform, until then a lame issue, gained support among elected officials in both major parties. Although standard accounts of electoral reform in New Zealand list government actions that "betrayed" campaign platforms as the cause of electoral reform, these accounts tend to underestimate the constraint imposed by mobile capital and thus ignore the comparative implications of the reform.[9]

The phenomenon of elite disregard of electoral platforms first appeared in 1984. At the time of the 1984 election, the government was facing a currency crisis, an over-regulated economy, and high levels of debt. Once in government, the Labour Party resorted to monetarism, drastic market deregulation, and state sector restructuring. None of these policies had been part of the party's election promises. Along with devaluation, abolition of exchange controls and currency floatation, the government removed industrial and agricultural subsidies, imposed a goods and service tax, increased prescription charges, commercialized state services, reduced public payrolls, and ended controls on wages, rents, and interest rates. These measures were relentlessly pursued during Labour's second term until 1988, when Prime Minister David Lange sacked Finance Minister Roger Douglas, the architect of the economic restructuring. The power struggle between Lange and Douglas led to Lange's own downfall and the breakdown of party leadership on the eve of the 1990 election. This cost Labour the election amid another economic downturn.[10]

Until 1990, electoral reform had been a symbolic issue used as a pawn in the game of adversarial partisan competition. No elected official actually expected that reform would be realized. After winning office in 1984 the Labour government convened a Royal Commission to reappraise electoral law as a way of honoring its campaign pledge for constitutional review. The Commission proposed the mixed member proportional (MMP) system as a means of rectifying the ability of parties to enact policies not mentioned in election promises. It was argued that MMP would encourage the development of a multiparty system and coalition governments that would have to engage in consultation and negotiate policies between elections. However, there was virtually no support for electoral system change. Instead, party leaders consistently used the issue to embarrass their rivals. Prime Minister Lange endorsed a binding referendum on the issue in the 1987 election campaign because his rival had opposed electoral reform, although Lange himself had no intention of implementing the Commission Report and decided against a referendum once he returned to power. Amid party infighting over austerity polices on the eve of the 1990 election, a Labour backbencher presented a bill to fulfill Lange's 1987 promise. This led the opposition National Party to promise a binding referendum, which it had opposed in the previous election, in order to attack Labour.

The Bolger National government (1990-93) was forced to enact costly austerity measures immediately after taking office as a result of another speculative attack on the currency. The enactment of another market-assuring austerity package led to recognition among elected officials across party lines that the electoral system had enabled governments of both parties to disregard campaign promises and enact policies contrary to the wishes of voters. The National government's decision not to fulfill its election promise to repeal a surcharge on superannuation payments (which had been introduced by Labour) created public outrage and its popularity plummeted. If Labour had angered voters by enacting a policy that it had never mentioned during the 1984 campaign, National's policy betrayal caused even greater outrage. Furthermore, the new Finance Minister, Ruth Richardson, presented a drastic neoliberal package of expenditure cuts to maintain market confidence and prevent capital flight, further departing from what the voters had expected from Prime Minister Bolger's campaign rhetoric of "inclusive" politics and "the decent society." Wanting to avoid further declines in popularity, Prime Minister Bolger was compelled to honor his 1990 election commitment to hold a referendum on the electoral system. More importantly, the reform idea rapidly gained support among politicians across party lines and among the voters. New small parties strongly supportive of the MMP formula were launched by splits in both major parties, while social movements supportive of MMP gained also momentum.[11] Ultimately, the government decided on a two-stage process—an advisory referendum on the selection of electoral systems held in 1992 and, based on its outcome, a binding referendum held in conjunction with the 1993 election—in which the voters selected the MMP system.[12]

The New Zealand case confirms our expectations. When it became clear that both of the major parties would enact drastic austerity measures without regard for voter preferences, there was a popularity backlash that led elected officials of both parties to blame the electoral system for creating single-party majority governments that could trivialize elections. Thus, MMP was adopted as a means to promote coalition government and policy consultation between elections.

In a majoritarian democracy, however, there is another situation that can also encourage elected officials to promote electoral reform. When governments compelled to carry out their electoral promises cause policy maladjustment and economic crises and force reform. Although to date there have been no cases of policy oscillation that have led to successful electoral reform, the cases of UK and France indicate that electoral reform was a possibility in such instances. Before looking into these cases of incomplete reform, however, I examine the instances of electoral reform in consensual democracies.

A Case of Elite Cartelization: Japan

Japan in the 1980s reinforced its fiscal policy credibility by curbing its public debt through fiscal reconstruction and welfare retrenchment (see Figure 2) during a period that was considered the renaissance of conservative rule.[13] It is thus a puzzle why stable rule by the Liberal Democratic Party (LDP) was abruptly interrupted at its zenith in 1993, when some LDP members split from the party to cooperate with the former opposition parties and enact electoral reform. The standard accounts, which fault the multi-member electoral district system for aggravating personality (instead of policy) competition and illicit fund raising, are insufficient to solve this puzzle because the system and its problems had been persistent throughout the postwar years, yet had failed to produce reform.[14]

Figure 2

I argue that the LDP government in the 1980s devised a collusive arrangement that allowed incumbents to monopolize power and trivialize the impact of elections. This allowed it to enact unpopular policies that assured global markets. The LDP government enacted fiscal reconstruction and welfare retrenchment to reduce public debt by controlling intra-party factional competition and by establishing cooperative relations between the LDP and other parties. However, when the 1988 Recruit scandal and the 1989 voter revolt against the new consumption tax hit both the LDP *and its ally parties*, the electoral system was blamed for preventing parties from mobilizing supporters via policy competition and for sustaining collaborative arrangements.[15] These instances revealed to the electorate that the collaborative arrangements among the LDP and its ally parties' leaders, which had enabled the passage of the detested consumption tax, were lubricated by illicit funds. The results of the 1989 election also made it clear to leaders that the arrangement could not insulate them from voter discontent any longer. Thus, electoral reform was seen as the best way to promote policy-based voter mobilization (rather than cash-based mobilization) and reduce politicians' hunger for cash. Electoral reform provided a focal point for discontented groups within the LDP, who were struggling to secure funds to keep their seats, and members of its ally parties, whose policy achievements had not translated into voter popularity. Supporters regarded the introduction of single-member districts as an opportunity to break the LDP's grip on power and eliminate money politics by enhancing electoral competition.

Japan curbed its public debt after US pressure on the Japanese government to drastically revalue the yen and enact fiscal stimulus measures caused budget deficits to increase in the late 1970s and mid-1980s. To reduce levels of public debt that had increased significantly in the late 1970s, the government continued a cap on expenditures in the first half of the 1980s and passed health care and public pension reforms in 1985-86. When public debt soared again in 1987-88, after the Japanese government conceded to US demands to stimulate its economy following the yen appreciation of 1985-87, the government introduced a new consumption tax in 1989. As a result of this fiscal retrenchment, Japan, along with Germany, was one of the few countries that did not face a currency crisis after the mid-1970s. Each of these reforms—health care, pension, and tax—was passed by an alliance of the LDP and two moderate parties (the Democratic Socialists and the *Komeito*) after the former made minor concessions to the latter. This arrangement was a new collaborative formula that first appeared in the 1980s and was achieved largely because the bureaucracy was able to design reform packages that distributed costs across client groups. In health care and pension reform the Ministry of Health and Welfare (MHW) packaged welfare retrenchment with cross-subsidization prior to the involvement of political parties. In tax reform, the Ministry of Finance (MOF) packaged the new consumption tax with direct-tax cuts. Retrenchment in Japan in the 1980s was therefore less socially divisive and less subject to partisan mobilization than what was seen in the UK and the US.[16]

However, the passage of cost-imposing bills was realized by controlling factional competition within the LDP in tandem with cooperation with the moderate parties. The then Tanaka faction of the LDP orchestrated this strategy of intra- and inter-party collaboration. It is well known that around 1980 the LDP had established the practice of distributing cabinet spoils and party leadership positions among its major factions according to faction size and strict seniority.[17] This practice favored the Tanaka faction, the largest of the LDP factions, and replaced the old system of rewarding the factions that backed the party leader. The practice was installed after ex-Prime Minister Kakuei Tanaka, who was indicted in the Lockheed bribery case, was forced to leave the LDP. Tanaka sought to quell fierce factional infighting after his departure and install a system that would allow him, as leader of the largest faction, to exert influence proportional to his faction size without controlling the office of party leader. The faction maintained its size by using its share of the spoils of office to raise funds and aggregate votes for its members.

The Tanaka faction also made itself indispensable to the party leader by becoming the intermediary that brokered compromises among social groups and with the small parties to pass unpopular policies.[18] By offering a venue to influence policymaking the Tanaka faction could solicit funds and votes from social groups and cooperation from moderate parties. It is noteworthy that legislative cooperation between the LDP and the moderate parties started in the late 1970s, just as the Tanaka faction was establishing its hegemony within the LDP.[19] Cooperation between the LDP and these parties was reinforced and formalized in the 1980s, even when the LDP held absolute majorities after the 1980 and 1986 elections.

This cartelization of power by party leaders generated discontent among three groups of elected officials. One group consisted of LDP leaders discontented with consensual policy-making that obscured policy debates and trivialized strong leadership. Another dissatisfied group within the LDP was made up of junior elected officials who saw their chances of promotion as being stifled by rigid seniority and their election prospects as being hurt by unpopular policies. Junior LDP Diet members were harsh critics of money politics because electoral vulnerability, aggravated by the government's enactment of market-assuring measures, had forced them to raise large sums of money to maintain the constituent organizations they needed to win their seats.[20] The third discontented group was composed of the two small parties that cooperated with the LDP in passing unpopular reforms. For those parties, policy cooperation with the LDP government had only led to electoral stagnation in the 1980s, since voters who wanted to register their discontent with the government began to vote for the Socialist party rather than credit the moderate parties with ameliorating the impact of policy retrenchment.[21]

When, accompanied by the demise of Takeshita (Tanaka's successor and champion of the collaborative arrangement), the Recruit scandal and voter backlash against the new consumption tax hit the LDP and its allies, discontent with the electoral system's encouragement of money politics spread among elected officials across party lines, especially those in the aforementioned discontented groups. The reform advisory committees set up by the outgoing Takeshita government also argued that the electoral system was the root of the problem. As a remedy, the committees endorsed similar variations of a mixed-member system that combined single member districts and proportional districts. This type of system was expected to enhance policy-oriented and party-centered competition and to eliminate the role of money politics. Importantly, the proposals of these committees were strongly supported by the groups of discontented politicians that became the backbone of the Kaifu cabinet. The Kaifu cabinet committed itself to political and electoral reform after it was launched in the wake of the political turmoil of 1988-89. Another string of corruption incidents in the early 1990s reveled the persistence of money politics, fueled criticism of Tanaka-Takeshita faction dominance, and further tarnished the reputations of LDP faction leaders. Support for electoral reform spread across the LDP-opposition lines. Kaifu's failure to pass the electoral reform bills in 1991, backpedaling on the issue by his successor, and the debut of a new pro-reform party in the 1992 Upper House election only further galvanized the "reformist" movement.[22]

In short, during the 1988-89 debacle it was revealed that the collusive arrangement that had enabled the government to pass costly market-assuring policies and monopolize power was based on the collection and distribution of illicit funds. The electoral system was blamed for sustaining the collusive arrangement that had made rank-and-file politicians and cooperative party leaders dependent on cash raised by LDP leaders and discouraged policy competition in elections. Allegedly, the electoral system compelled incumbents to solicit votes with cash instead of appealing to policy ideas, making them dependent on LDP leaders who could raise money illicitly. Thus, support spread among elected officials across party lines for a mixed-member system, which it was hoped could break the Tanaka-Takeshita faction's grip on power and reduce electoral vulnerability by opening up party competition based on policy alternatives. A similar process was seen in Italy in 1992, when the lira crisis and the *Tangentopoli* scandal revealed how the government had mobilized electoral support at the cost of neglecting policies necessary to assure global markets.

A Case of Policy Collusion: Italy

Italian politics specialists agree that the five-party (*pentapartito*) coalition that emerged in the 1980s achieved stability previously unseen in Italian politics and that the strategy's prolongation came at the cost of mounting public debts and rampant corruption. Figure 2 shows that Italy's public debt was exceptional even among G7 countries during the *pentapartito* years (1980-92). The postwar Italian party system had been characterized by the uninterrupted dominance of the Christian Democrats (DC), as the pivotal party in coalition governments, and the colonization of state and public agencies by the parties in government. Both of these characteristics were embedded in the proportional representation electoral system. However, in order to understand why electoral reform was realized in the 1990s, it is necessary to understand that the *pentapartito* coalition differed from its predecessors in its intensification of clientelism and corruption and in the incompatibility of its policies with the ongoing European currency integration.

In 1992, the Maastricht criteria—the roadmap for a single European currency that aimed to discipline national macroeconomic polices in a world of mobile capital—made it clear that Italy's large public debts could not be permitted if the country were to remain in the monetary union. When the market attacked the lira, it dismissed the ability of the government to reduce public debt. Corruption and the extravagant partisan abuse of public resources, revealed by the ongoing Clean Hands investigation, were at the heart of Italy's inability to reduce public debts. Thus, voter backlash starting in the 1992 local elections and a speculative attack on the currency immediately followed the exposure of the collusive arrangement that had enabled incumbents to monopolize power and continue the irresponsible policies that catered to their supporters. As elaborated below, the electoral system was blamed by elected officials in and outside the *pentapartito* for the partisan abuse of public resources and distribution of illicitly raised cash that had allowed the *pentapartito* to monopolize power and continue irresponsible accumulation of public debt. Thus, supporters viewed electoral reform as an opportunity to change the way ruling parties controlled the state and public agencies by introducing a system in which electoral competition based on policy alternatives would result in responsible governments.

During the *pentapartito* years, the Socialist Party (PSI) fiercely competed with the DC over electoral support. This turned social policies and public works into distributive mechanisms for favoring party supporters, expanded corruption through patronage links, and consequently stalled fiscal reforms. For example, local party members staffed the social welfare bureaucracy, allocated resources according to partisan strength, and frequently exceeded the annual spending ceilings set by the government. Fraud and false declarations administered by these party officials undermined the effectiveness of increases in pension and health-care contributions and attempts to impose strict rules on applications. Programs fueled by patronage, such as income protection, generous pension and health care schemes, and access to university education increased social expenditures and exacerbated the public debt. Widespread tax evasion only further contributed to this. Furthermore, the Clean Hands investigation later revealed the pervasiveness of public construction kickbacks, bribes from private companies, and the delivery of money and "packets of votes" in exchange for political placements in state-owned companies and government agencies. The money collected by politicians was used to purchase the votes of "faithful" party members and places on proportional representation electoral lists. In short, despite a strong need to curb public debts, the *pentapartito* chose government prolongation over fiscal reconstruction and welfare retrenchment. Indeed, the aggrandizement of partisan power through the competitive expansion of patronage spoils and the strengthening of the clientelist ties that grew in tandem with the corruption increased PSI support in elections and by the mid-1980s had made its leader, Bettino Craxi, the first postwar Socialist Prime Minister.[23]

Discontent with the government's policies mounted within and outside the *pentapartito* parties, but did not converge into a movement in support of electoral reform until the incidents of 1992. Allegations of welfare abuse, especially in the South, had bred anti-tax and anti-South sentiments in the North, which led to the sudden local rise of the *Lega Nord* (Northern League) in the 1990s. Protests against the reign of the Mafioso, which brokered many of the illicit deals, had also emerged in the South within existing parties. As a result, the Electoral Referendum Movement led by Mario Segni, who had failed in his efforts to reform the DC from within, was able to pass a 1991 referendum on preference votes. The passage of this initiative, which caught the *pentapartito* leaders by surprise, showed that voters had come to view the electoral system as the root of the *pentapartito*'s strategy of using state resources to enhance partisan support.

In 1992, the major parties of the *pentapartito* were handed disastrous local election defeats and the Clean Hands investigation began to eliminate the *pentapartito* parties' sources of illicit funding and therefore crippled their membership. As the political and economic crisis deepened, the major parties that had ruled postwar Italy collapsed almost instantaneously, as internal reform efforts within the DC and PSI led to infighting and the split of both parties. Umberto Bossi's *Lega Nord* had burst onto the national political scene advocating neoliberal policies and institutional changes by claiming that a corrupt, party-dominated bureaucracy in Rome had appropriated the resources of the North to maintain its power in the underdeveloped South. Overnight, the *Rete* (Network) emerged as a movement against the influence of organized crime in Southern politics, despairing of the inability of the DC to break from tradition. Elected officials from the existing parties and new parties began to line up in support of the Amato cabinet's drastic austerity measures for stabilizing the lira. These same politicians also supported the 1993 referendum, which compelled lawmakers to adopt a mixed-member electoral system that combined single-member districts with proportional ones for both the Senate and the Chamber of Deputies.[24]

In short, the lira crisis and the political crises of 1992 attacked the collusive arrangement that had allowed the *pentapartito* parties to monopolize power by rewarding supporters at the cost of irresponsible fiscal policy. The electoral system was blamed by elected officials for aggravating the abuse of public resources and the spread of corruption, for prolonging the incumbents' grip on power, and for causing the lira crisis that endangered Italy's prospects of joining the EMU. Thus, electoral reform provided an opportunity to destroy the collusive arrangements of the *pentapartito*. The Italian case was the reverse of the Japanese case in which the LDP's collusive arrangements enabled the government to enact fiscal reconstruction measures and had the effect of diminishing electoral competition based on policy alternatives. Although in both countries elected officials across party lines favored electoral reform to rectify the problems caused by collusive arrangements, in introducing single-member districts, Italian reformers stressed the restoration of responsible government whereas Japanese reformers stressed the creation of responsive government.

The Cases of Incomplete Electoral Reforms: The UK and France

The British and French cases show that the electoral system needs to be blamed by elected officials across party lines for the persistence of a specific response pattern by the government for electoral reform to be regarded as an enduring remedy. Both countries represent instances of incomplete electoral reform that followed the path of policy oscillation. In the UK, the attempts by both Conservative and Labour governments in the 1970s to honor their election pledges ignited a currency crisis and compelled incumbents to reverse the policies they had pledged during election campaigning. The electoral system, which facilitated adversarial policy competition between opposition parties and single-party majority governments, was blamed for the recurrence of ineffective government. However, before dissatisfaction with the electoral system spread throughout the Labour Party, the Thatcher government in 1979 began to enact disinflationary policies without making another policy "U-turn." This prevented electoral reform from gaining bipartisan support. In France (a presidential system technically outside the scope of this framework but worth examining briefly here), electoral reform was a preemptive strike by President Mitterrand, who aimed to prevent an impending electoral rout in response to the unpopularity of his policy reversal. Mitterrand also hoped that electoral reform would avert a constitutional crisis.[25] However, the electoral system was not widely blamed for the policy U-turn, and because the reversal was not repeated, the demand for electoral reform did not spread. Instead, the electoral reform of 1985 was regarded by elected officials as a partisan move and was repealed after the following election by the new Gaullist government, which had vowed to restore the *ancient regime ante* during the election.

Both countries can be regarded as incomplete instances of policy oscillation because the Thatcher government in the UK and the *cohabitation* governments in France were able to break the cycle of policy U-turns. Instead, both governments tried to mobilize support for their neo-liberal policies of fiscal retrenchment, deregulation, and privatization. Thus, the parties in both countries restored the balance between responsive and responsible governments by packaging austerity policies in a way that benefited their supporters and put costs on their opponents at the risk of being voted out of office in bad economic times. The fact the governments' of the UK and France obstinately adhered to disinflationary policies, despite being voted out of office, shows the extent to which macroeconomic policies are constrained by the fear of currency speculation in these nations.

In the 1970s the two major parties of the UK came to power by presenting the electorate with clear policy alternatives. Both parties faithfully enacted their economic mandates until they had to abandon these mandates when their policies generated currency and balance of payments crises in 1972 and 1976. First, the Tories came to power in 1970 emphasizing the need for radical change in order to unleash economic growth. They stressed the need to promote freer markets and market discipline and reduce public expenditure. Although the government rapidly dismantled Labour's incomes and industrial policy machinery, it faced difficulties in controlling inflation, and made its infamous "U-turn"—reinstating incomes policies, government bailouts, and regional development grants—when it faced economic crisis in 1972. Similarly, in 1976 the Labour government abandoned the Social Contract—in which it promised to extend public ownership, establish planning, increase subsidies, abolish social service charges, and redistribute income and wealth in exchange for voluntary incomes policy—and announced expenditure cuts when it faced another sterling crisis caused by high inflation, balance of payments deficits, and budget deficits.[26]

The recurring policy U-turns of both Conservative and Labour governments not only destroyed the policy credibility of both parties but also led some to blame the electoral system for policy ineptness.[27] At the heart of Samuel Finer's "adversary politics" critique and Lord Hailsham's notion of "elective dictatorship"[28] was the concern that two party competition in single member districts amplified policy differences and compelled governments to enact extreme policies until they were forced by markets to make a humiliating policy retreat.[29] However, support for electoral reform was limited to the Conservative Party in opposition.[30] When the Thatcher government adhered to the disinflationary policies it promised—at the cost of deep recession, high unemployment, high sterling, the slump in manufacturing, harsh criticism by economists, a cabinet revolt, and inner-city riots—without policy reversals and was returned to power, the electoral system was no longer blamed for problematic policies. As a result, electoral reform lost momentum.[31]

In France, President Mitterrand abruptly introduced electoral reform when an election rout was inevitable given the government's about-face from reflationary to disinflationary policy in 1983. Prior to 1983, the Mitterrand government had honored its election promise to stimulate the economy by cutting social security contributions, increasing spending for social programs, adding public sector jobs, and raising the minimum pension and minimum wages. After such policies caused double-digit inflation, capital flight, a falling franc, and a large trade deficit, Mitterrand reversed policy in favor of austerity by pegging the franc to the D-Mark. He continued this policy despite the fact that it deepened the recession and caused unprecedented levels of unemployment.[32] The adoption of the proportional representation electoral system in 1985 was aimed to avert a Socialist rout and to stabilize the presidency by confounding alliance building by the conservative parties. However, the electoral system was not blamed for the policy U-turn, and the reform proposal raised concern even within the left about a possible return to the instability of the Fourth Republic. The conservative parties united in pledging to restore the old system. As a result, the Chirac *cohabitation* government promptly restored the old system after the 1986 election, while also stepping up the post-1983 disinflationary policy.[33]

The cases of the UK and France support my point that in a case of policy oscillation the electoral system must be blamed for recurrent economic policy U-turns across policy lines for electoral reform to be supported as a remedy. The major parties in the UK and France have come to accept the policy constraint of mobile capital and have not resorted to cost-imposing policies without the consent of the voters, unlike the New Zealand governments. Had the Thatcher government conducted another policy U-turn, or had the *cohabitation* government abandoned disinflationary policy to avoid an election defeat, the electoral systems in these nations would likely have been blamed for policy oscillation and bipartisan (or bi-camp) support for reform would have developed. However, the governments of both countries adamantly adhered to austerity policies and the electoral system was no longer blamed for policy failures. The major parties in the UK and France mobilized support for fiscal austerity and accepted the possibility of being voted out of office, rather than trying to protect themselves by reflating their economies. For instance, in the UK Thatcherite policies continued but the boom since the mid-1980s resulted in the delay of monetary tightening that eventually ignited the 1992 sterling crisis. This destroyed the policy credibility of the Tories and led to a defeat from which the party has yet to recover. In its stead the new and more Thatcher-like Labour Party came to power in 1997. In France, the major parties tenaciously adhered to disinflationary policy despite frequent changes in government—this was true of the *cohabitation* between 1986-88, the Socialist majority between 1988-93, and a second *cohabitation* after 1993. In both countries, the major parties of the right *and* left stressed the basic need for a strong currency and disinflationary economic policy. Further, they no longer promised reflationary policies that were sure to diminish market confidence and result in policy reversals.

IV. Implications

This article has shown that attempts by incumbents to limit electoral vulnerability and/or government instability in the face of the dilemmas of globally mobile capital were generally unpopular to the electorate. I have argued that the three actual cases of electoral reform in the 1990s fit three of four possible paths to electoral reform and that the incomplete reforms of the UK and France make the remaining path plausible.

In order to present a framework that explains the diverse and seemingly unrelated processes of electoral reform, I have relied on recent developments in international political economy to identify as a primary cause of electoral reform the common policy constraint that mobile capital imposes on democratic governments. Building on that idea, I have outlined the ways in which efforts by incumbents to overcome the dilemma between responsive and responsible policymaking eventually cause elected officials to blame the electoral system for voter or policy neglect. Finally, by drawing on the insights of democratic taxonomies, I have shown that the paths to electoral reform differ in majoritarian and consensus democracies.

This framework has three major implications. First, this framework provides a link between policy change and institutional change. The endeavor undertaken here develops the line of inquiry started by the adversary politics literature of the 1970s, which focused on the interaction between economic policy (mal-) adjustment and the workings of democratic institutions.[34] However, the framework presented here takes the adversary politics theme out of its uniquely British context and generalizes it by embedding its insights in the recent developments of democratic taxonomy. The framework enables us to identify the types of problems majoritarian and consensus democracies are likely to face in *general* when they are confronted with the policy imperatives of mobile capital. I also extend the adversary politics theme by exploring how policy imperatives result in *institutional change*. Democratic taxonomies are static and therefore void of a concept of how processes induce institutional change. However, if democratic taxonomies aspire to explain how different democracies produce different policy processes, then an explanation of how policy processes change the institutions by which the electorate controls policy-making is also necessary. In other words, even if democratic taxonomies can explain the patterns of policy-making equilibria induced by different types of democratic institutions, still lacking is an explanation of how policy processes change the equilibria of democratic institutions. This article aims to make a contribution to the filling of that void.

Needless to say my attempt to develop a framework that ties policy change to institutional change is historically limited in its explanatory scope. This framework only explains electoral system change in full parliamentary democracies facing rapid increases in short-term mobile capital. However, given that there has been virtually no systematic discussion of electoral reform in fully developed democracies, even an account of limited scope is valuable.[35]

My claim that there has been no coherent account of recent electoral reforms in developed democracies leads us to the second major implication of the analysis presented here. The framework enables us to rectify the problems of existing accounts that either fail to identify a common cause of electoral reform or tend to fall back on idiosyncratic explanations when using comparative frameworks. I have already mentioned problems with country-specific explanations when describing each case. However, comparative accounts also suffer from major problems. Many comparative accounts do not specify a common cause and a causal link that leads to electoral reform in different countries. For instance, Pippa Norris lists three long-term conditions—changes in the party system, weakening party loyalty, and a series of scandals and/or government failures—and short-term catalysts as the causes for electoral reform.[36] It is not clear, however, why the three long-term conditions lead to demands for electoral reform. Instead, her long-term conditions and short-term catalysts are simply the common denominators of the cases of New Zealand, Italy, and Japan. Similarly, Takayuki Sakamoto stresses "system failure" in New Zealand, Italy, and Japan as the factor that facilitated electoral reform. However, what constitutes system failure differs for each country and thus the system failure approach is equivalent to saying, "what went wrong before the reform" causes reform, making the causal argument circular.[37] In contrast to these explanations, my explanation identifies capital mobility as a single cause and specifies when the electoral system of a democracy is likely to be blamed for problematic government responses to that cause.

A related problem of existing comparative accounts is that they tend resort to idiosyncratic factors. One comparative study of New Zealand and Japan ascribes electoral reform to political miscalculation in the case of New Zealand but to problems of the electoral system in Japan.[38] Thus, the cause of reform is different in the two countries. Sakamoto, in the aforementioned article, argues that "country specific factors" were critical in overcoming political resistance to reform and cites public referendums in New Zealand and Italy and changes in the party system in Japan as such specific factors. The question remains, however, as to why elected officials not only failed to prevent referenda from taking place but also eventually endorsed them in New Zealand and Italy, and why the party system changed in Japan in 1993. My explanation specifies the circumstances that compel elected officials to blame the electoral system for government strategies taken to reduce electoral vulnerability and government instability driven by capital mobility. I also explain why elected officials come to see electoral reform as an opportunity to revise problematic practices and reintroduce electoral security.

Finally, existing accounts do not convey the importance of agents in electoral reform. The above accounts imply the voters are the main agents demanding reform, although Sakamoto emphasizes the role of voters in Italy and New Zealand, where referenda were held, and the role of politicians in Japan, where the party system was transformed. Although I stress the importance of electoral or popular backlash against incumbents' economic policies, in my framework it is the elected officials who are critical. It is when blame for persistent problems that cannot be addressed by mere government or policy change spreads among elected officials across party lines that electoral reforms is likely to be realized.

Whatever its shortcomings, this framework allows us to establish a connection between the impact of financial globalization on state policy-making and the enactment of electoral reforms aimed to change the ways in which policy-making is institutionally controlled. Although the limited number of electoral reforms in full democracies makes analysis sensitive to the cases and limits its scope, I believe that the arguments present here are inductive and coherent enough to provide generality and do justice to the individual cases. Hopefully, this framework will serve as a modest contribution to the analysis of the relationship between economic policy adjustments and institutional change in industrial democracies.

Notes

[1] Eric Helleiner, *States and the Reemergence of Global Finance* (Ithaca: Cornell University Press, 1994), chaps 1 & 6; Beth A. Simmons, "The Internationalization of Capital," in Herbert Kitschelt et al., eds., *Continuity and Change in Contemporary Capitalism* (Cambridge: Cambridge University Press, 1999), 36-69.

[2] David M. Andrews, "Capital Mobility and State Autonomy," *International Studies Quarterly* 38-2 (1994), 193-218; Barry Eichengreen, , Andrew K. Rose & Charles Wyposz, "Exchange Rate Mayhem: The Antecedents and Aftermath of Speculative Attacks," *Economic Policy* (1995), 251-312; David Leblang & William Bernhard, "The Politics of Speculative Attacks in Industrial Democracies," *International Organization* 54-2 (2000), 291-354.

[3] Arend Lijphart, *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries* (New Haven: Yale University Press, 1999), chaps 1-3; G. Bingham Powell, Jr., *Elections as Instruments of Democracy: Majoritarian and Proportional Visions* (New Haven: Yale University Press, 2000), chaps 1-2.

[4] Holding down wages can be pursed by either market deregulation or income policy arrangements and to achieve fiscal reconstruction, right parties reward investors and target the "undeserving" poor by proposing regressive income tax cuts and expenditure cuts on income-support and employment programs, whereas left parties reward the needy and target the affluent by endorsing progressive tax reforms and the elimination of investment tax incentives.

[5] These two problems of majoritarian democracies lie at the heart of the "adversary politics" critique. Advocates of this approach criticize the policy consequences of "elective dictatorship" by disproportionate governments and argue in favor of proportional electoral representation. See Samuel E. Finer, ed., *Adversary Politics and Electoral Reform* (London: Anthony Wigram, 1975); Lord Hailsham, *The Dilemma of Democracy: Diagnosis and Prescription* (London: Collins, 1978), 125-135; Samuel E. Finer, "Adversary Politics and the Eighties," *Electoral Studies*, 1-3 (1982), 221-230.

[6] Cf. Lijphart, *Patterns of Democracy*, appendix

[7] Cf. C. John McDermott & Robert F. Wescott, "An Empirical Analysis of Fiscal Adjustments," *IMF Staff Papers* 43-4 (1996), 725-753; Alberto Alesina & Robert Perotti, "Fiscal Adjustments in OECD Countries: Composition and Macroeconomic Effects," *IMF Staff Papers* 44-2 (1997), 210-248.

[8] The French presidential system makes it a hybrid and technically outside my framework of parliamentary democracies.

[9] Keith Jackson, & Alan McRobe, *New Zealand Adopts Proportional Representation: Accident? Design? Evolution?* (Aldershot, Hants: Ashgate Publishing, 1998), chap. 1; Richard. Mulgan, "The Democratic Failure of

Single Party Government: The New Zealand Experience," *Australian Journal of Political Science*, 30 (Special Issue, 1995), 82-96; Jack Vowles, "The Politics of Electoral Reform in New Zealand," *International Political Science Review*, 16-1 (1995), 95-115.

[10] Richard Mulgan, "The Elective Dictatorship in New Zealand," in Hyam Gold ed., *New Zealand Politics in Perspective(Third Edition)* (Auckland, New Zealand: Longman Paul, 1992), 513-532; Brian Easton & Rolf Gerritsen, "Economic Reform: Parallels and Divergences," in Francis Castles, Rolf Gerristsen & Jack Vowles eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (New Southwales, Australia: Allan & Unwin, 1996), 22-47; Shaun Goldfinch, "Remaking New Zealand's Economic Policy: Institutional Elites as Radical Innovators 1984-93," *Governance*, 11-2 (1998), 177-207.

[11] For instance, in 1991, a number of unhappy National MPs left the party in protest. Two of the former National MPs formed the Liberal Party, while another rebel MP and MMP supporter launched New Zealand First. The Liberals soon joined the Alliance, a multi-party electoral list, and began to put organizational resources into the 1992 referendum campaign.

[12]Jonathan Boston, "Electoral Reform in New Zealand: The Report of the Royal Commission," *Electoral Studies*, 6-2 (1987), 105-114; Stephen Levine & Nigel S. Roberts, "The New Zealand General Election and the Electoral Referendum of 1993," *Political Science*, 46-1 (1994), 40-69; Vowles, "The Politics"; Jackson & McRobe, *New Zealand Adopts*, chaps. 3-6.

[13] Takashi Inoguchi, *Gendai nihon seiji keizai no ko'zu* (Tokyo: Tôyô Keizai Shinpôsha, 1983), chap. 1; Seizaburo Sato & Tetsuhisa Matsuzaki, *Jiminto seiken* (Tokyo: Chuokoron-sha, 1986).

[14] Cf. Norihiko Narita, "Seiji kaikaku no katei ron no kokoromi," *Leviathan* (Special Edition, 1996), 7-57; Rei Shiratori, "The Politics of Electoral Reform in Japan," *International Political Science Review*, 16-1 (1995), 79-94.

[15] Leaders of the LDP endorsed small member districts for partisan reasons in the mid-1950 and mid-1970s, but the early 1990s was the first time electoral reform was endorsed across partisan lines. Furthermore, the Recruit Scandal was the first of several major scandals that revealed the nature of the collusive arrangements that had emerged in the 1980s.

[16] Nobuhiro Hiwatari, "Adjustment to Stagflation and Neoliberal Reform in Japan, the UK, and the US," *Comparative Political Studies* 31-5 (1998), 602-632.

[17] Sato & Matsuzaki, *Jiminto*; Hirofumi Iseri, *Habatsu saihensei: jiminto seiji no omote to ura* (Tokyo: Chuokoron-sha, 1988); Sadafumi Kawato, "Seniority Rule to habatsu," *Leviathan*, Special Edition (1996), 111-

145.

[18] The Tanaka faction was instrumental in realizing policy cooperation across government-opposition lines, since it dominated strategic positions for negotiating with the opposition and implementing fiscal retrenchment, even after Noboru Takeshita took over the faction from Tanaka in 1985. The faction dominated the two strategic posts for legislative bargaining—the chairmanships of the Lower House Ways and Means Committee and the LDP's Diet Affairs Committee—as well as the post of Finance Minister. Recollections by journalists and politicians all stress that the exceptional ties between the Tanaka-Takeshita faction leaders and the small parties were rumored to be lubricated by money. Cf. Asahi Shinbun, *Takeshita-ha shihai* (Tokyo: Author, 1992); Ibid, *Seikai saihen* (Tokyo: Author, 1993); Ibid., *Kenryoku no daisho* (Author, 1993); Junya Yano, *Nijû kenyoku yami no nagare* (Tokyo: Bungei Shunjyu, 1994) ..

[19] Ellis Krauss & Jon Pierre. 1990. "The Decline of Dominant Parties: Parliamentary Politics in Sweden and Japan in the 1970s," in T. J. Pempel (ed.), *Uncommon Democracies: The One Party Dominant Regimes* (Ithaca: Cornell University Press, 1990), 226-259.

[20] Hideo Ôtake, "Jiminto wakate kaikaku-ha to Ozawa Group," *Leviathan*, 17 (1995), 7-29; Mitsutoshi Itô, "Jiminto geya no seijikatei," in Nihon Seijigakkai (ed.), *Nenpo Seijigaku 1996: 55-nen Taisei no Hokai* (Tokyo: Iwanami Shoten, 1996), 109-128; Narita, "Seiji kaikaku."

[21] An analysis of electoral swings in the four Lower House elections of the 1980s shows that the small parties were not credited for passing necessary policies but rather were punished along with the LDP whenever the LDP did something unpopular. Nobuhiro Hiwatari, "55-nen taise no 'shûen' to sengo kokka," Leviathan 16 (1995).

[22] Munetaka Tanaka,.*Seiji kaikaku 6-nen no dôtei* (Tokyo: Gyôsei, 1997); Sasaki, Takeshi, ed., *Seiji kaikaku 1800-nichi no shinjitsu* (Tokyo: Kôdansha, 1999), chaps. 1-5.

[23] Donatella Della Porta, "Political Parties and Corruption," *Modern Italy*, 1-1 (1995), 97-114, 1995; Maurizio Ferrera, "The Rise and Fall of Democratic Universalism: Health Care Reform in Italy, 1978-1994," *Journal of Health, Policy and Law*, 20-2 (1995), 275-302; Donald Sassoon, "*Tangentopoli* and the Democratization of Corruption," *Journal of Modern Italian Studies*, 1-1 (1995), 124-143, Dwayne Woods, "The Crisis of Center-Periphery Integration in Italy and the Rise of Regional Popularism," *Comparative Politics*, 27-2 (1995), 197-203; Valeria Faargion, "Social Assistance and the North-South Cleavage in Italy," *Southern European Society & Politics*, 1-3 (1996), 135-154; Martin Rhodes, "Financing Party Politics in Italy," *West European Politics*, 20-1 (1997), 54-80, 1997.

[24] Phillip Daniels, "Italy and the Maastricht Treaty," in Stephen Hellman & Gianfranco Pasquino (eds.), *Italian*

Politics: A Review, Volume 8 (London: Pinter Publishers, 1993) 178-191; David Hine, “The Italian Socialist Party and the 1992 General Election,” in Gianfranco Pasquino & Patrick McCarthy (eds.), *The End of Post-War Politics in Italy* (Boulder: Westveiw Press, 1993), 50-62; Douglas A. Wertman, “The Last Year of the Christian Democratic Party,” in Carol Mershon & Gianfranco Pasquino (eds.), *Italian Politics: Ending the First Republic* (Boulder: Westview Press, 1995) 135-150; Ilvo Diamante, “The Northern League,” in Stephen Gundle & Simon Parker (eds.), *The New Italian Republic: From the Fall of the Berlin Wall to Berlusconi* (London: Routledge, 1996), 113-129; Paul Furlong, “Political Catholicism and the Strange Death of the Christian Democrats,” in Gundle & Parker (eds.), *The New Italian Republic*, 59-71; Stephen Gundle, “The Rise and Fall of Craxi’s Socialist Party,” in Gundle & Parker (eds.), *The New Italian Republic*, 85-98; James L. Newell, .*Parties and Democracy in Italy* (Aldershot, UK: Ashgate, 2000), chaps. 1-5.

[25] The fear was that an absolute majority in opposition to the president would either unseat the president or make him ineffective, undermining the Fifth Republic’s constitutional intent of a strong president.

[26] Andrew Gamble, “Economic Policy,” in Zig Layton-Henry (ed.), *Conservative Party Politics* (London: Macmillan Press, 1980), 26-49; Alan Warde, *Consensus and Beyond: The Development of Labour Party Strategy Since the Second World War* (Manchester: Manchester University Press, 1982), 95-186; Martin Holmes, *The Labour Government, 1974-79* (London: The Macmillan Press, 1985).

[27] Geoffrey Debnam explains the specific circumstances in which partisan competition based on policy alternatives becomes problematic. He argues that only in times of acute economic crisis, when the major parties’ spending policies become unsustainable because of inflation and public borrowing, do highly disciplined parties allow policy extremists to control the party. Under these circumstances, party competition becomes intense and the government party realizes that advocating radical change is better than maintaining a failing system. Single-member districts allow small swings to create large majorities, and thus cause policy reversals and alternations of the party in power. Geoffrey Debnam, “Adversary Politics in New Zealand: Climate of Stress and Policy Aggressors,” *The Journal of Commonwealth and Comparative Politics*, 28-1 (1990), 1-24.

[28] See ft. 5 and the references therein.

[29] It seems therefore that the issue at the time was the policy consequences of single member districts and not the system’s unfairness to minor parties as claimed by Pippa Norris. Pippa Norris, “The Politics of Electoral Reform in Britain,” *International Political Science Review*, 16-1 (1995), 65-78.

[30] The conservative "Action for Electoral Reform" (proposing a single transferable vote system) was created in

1974, and electoral reform was considered at the Tory's 1975 conference.

[31] Martin Holmes, *The First Thatcher Government 1979-1983* (Brighton: Wheatsheaf Books, 1985) 18-107; Ibid., *Thatcherism: Scope and Limits, 1983-87*, (London: Macmillan, 1989), 19-37.

[32] Peter Holmes, "Broken Dreams: Economic Policy in Mitterrand's France," in Sonia Mazey and Michael Newman, eds., *Mitterrand's France* (New York: Croom Helm, 1987), 33-55; Volkmar Lauber, "France and the Economic Crisis 1974-1987," in Erik Damgaard, Peter Gerlich and J. J. Richardson, eds., *The Politics of Economic Crisis* (Brookfield, Vermont: Gower Publishing, 1989), 108-130; David Ross Cameron, "From Barre to Balladur: Economic Policy in the Era of the EMS," in Gregory Flynn, ed., *Remaking the Hexagon: The New France in the New Europe* (Boulder, Colorado: Westview Press, 1995), 117-157; Jacques E. Le Cacheux, "Fiscal Policy in France: Assessing the Possibilities for Reducing Budget Deficits in the EMU Perspective," *European Economy, Reports and Studies*, no.3, 1994; and idem., "The Franc Fort Strategy and the EMU," in Flynn, *Remaking the Hexagon*, 69-86.

[33] Andrew F. Knapp, "Orderly Retreat: Mitterrand Chooses PR," *Electoral Studies*, 4-3 (1985), 255-260; idem, " Proportional but Bipolar: France's Electoral System in 1986," *West European Politics*, 10-1 (1987), 89-114; John Frears, "The French Electoral System in 1986: PR by Lists and Highest Average," *Parliamentary Affairs*, 39-4 (1986), 489-495; and Alistair Cole & Peter Campbell, *French Electoral Systems and Election since 1789* (Aldershot: UK, Gower, 1989), chap. 8.

[34] See ft. 5

[35] For instance, the most historically comprehensive and systematic account of electoral reforms, presented by Carles Boix (ft.1), relegates the cases of New Zealand and Italy to a single footnote (ft.43), totally ignores the Japanese case, and characterizes the last eight decades as a period of election system stability. Boix, "Setting the Rules of the Game."

[36] Pippa Norris, "Introduction: The Politics of Electoral Reform," *International Political Science Review*, 16-1 (1995), 3-8.

[37] Sakamoto, Takayuki, "Explaining Electoral Reform: Japan versus Italy and New Zealand," *Party Politics*, 5-4 (1999), 419-438.

[38] Rudd, Chris & Taichi Ichikawa, "Electoral Reform in New Zealand and Japan: A Shared Experience?" (Working Paper No.8, New Zealand Centre of Japanese Studies: Palmerston North, New Zealand, 1994).

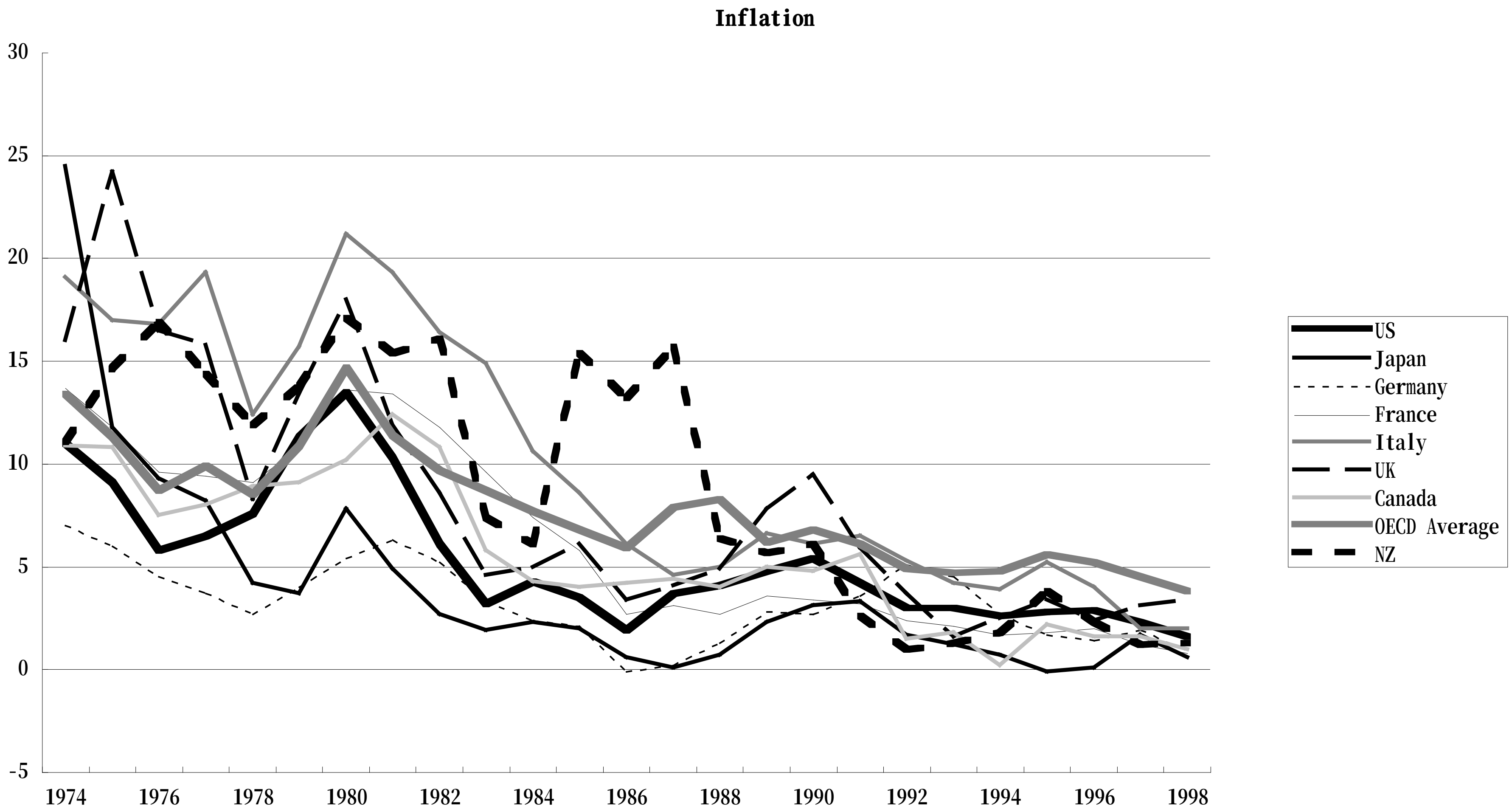

Figure 1a Inflation trends of major industrial nations (Source : OECD)
Source: OECD

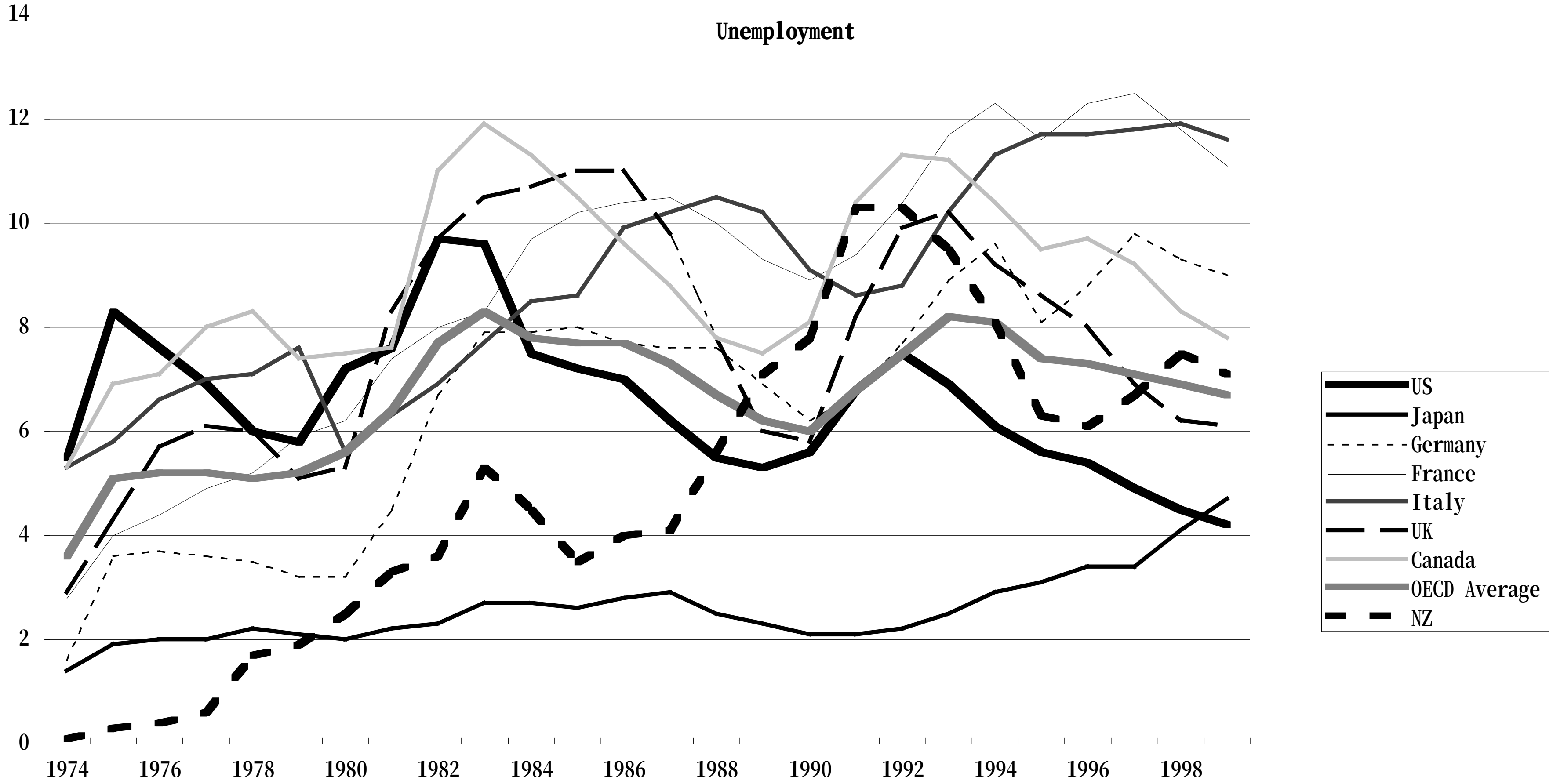

Figure 1b Unemployment trends of major industrial nations (Source: OECD)
Source: OECD

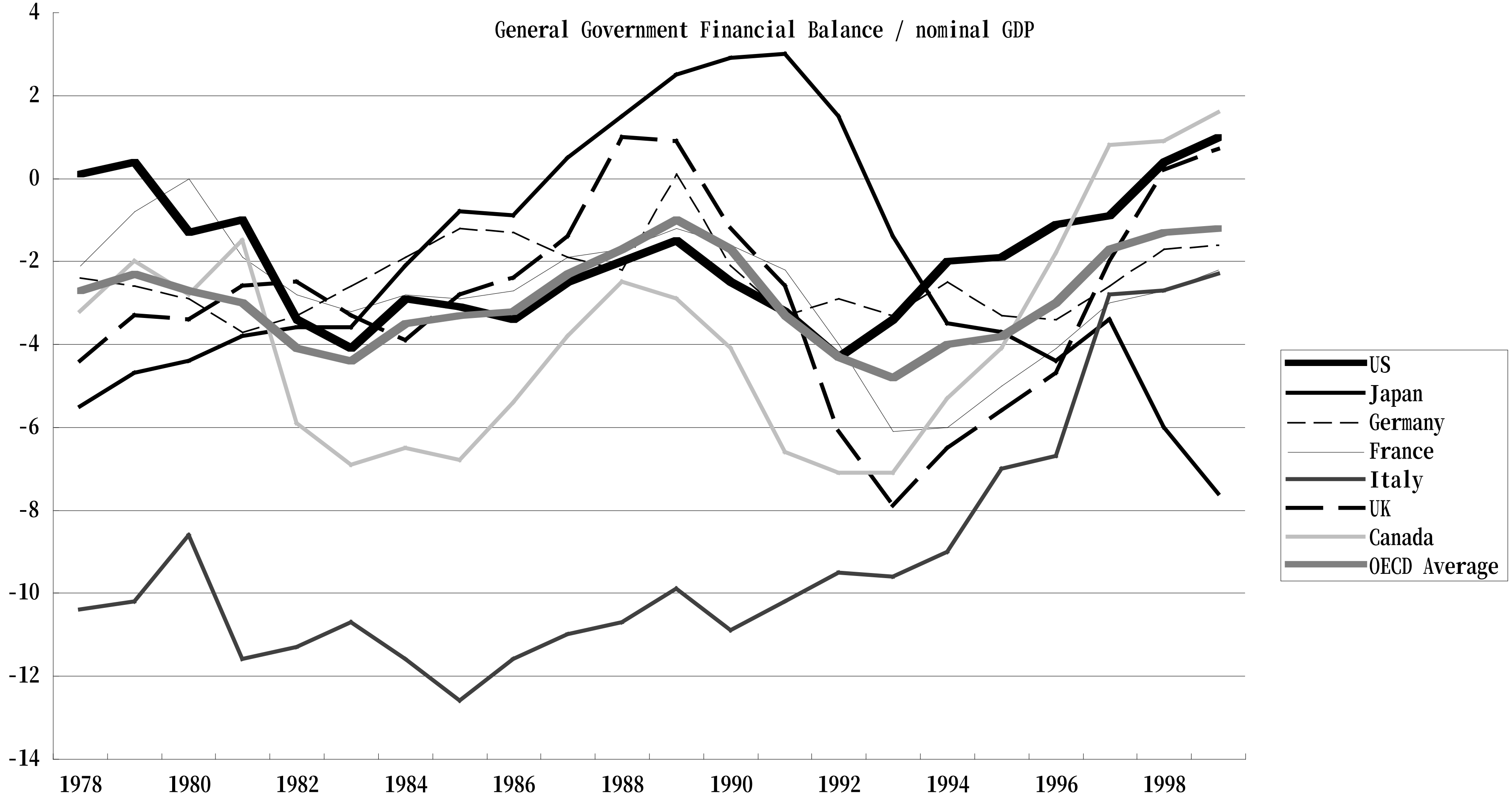

Figure 2 Budget deficits of major industrial nations (Source: OECD)

*Data for New Zealand not available

	Type of Democracy		
		Majoritarian	Consensus
Strategies facing the Predicament of Capital Mobility	Voter Negelct	Elite Disregard (New Zealand)	Elite Cartelization (Japan)
	Policy Neglect	Policy Ocsillation (UK & France*)	Policy Collusion (Italy)

Table 1: The Four Typical Paths toward Electoral Reform

*The UK and France are cases of incomplete electoral reforms that can be put in this category

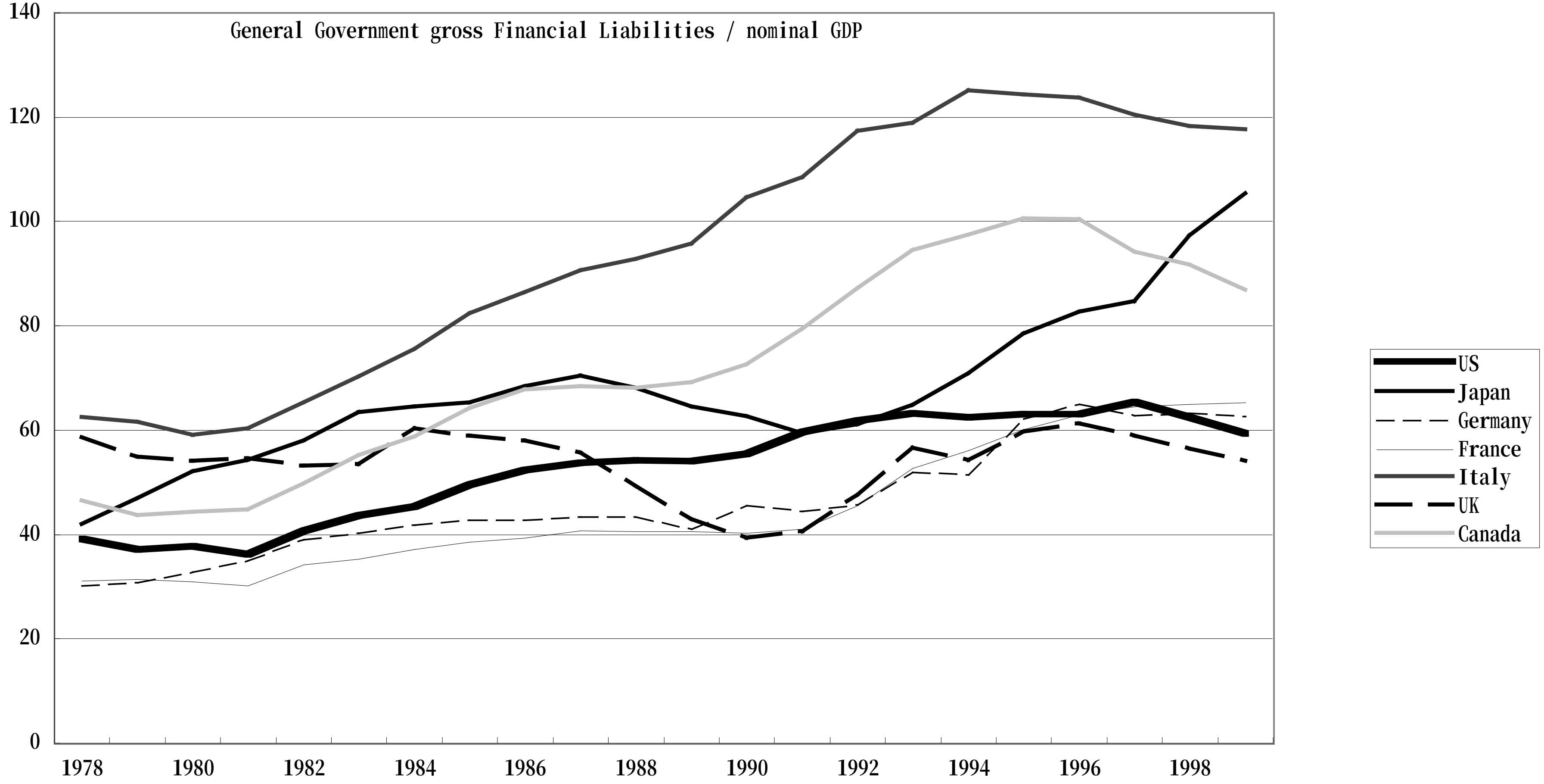

Figure 2 Trends in public debts of industrial nations (Source: OECD)

*Figures not available for New Zealand

Source: OECD