Party Institutions and Social Welfare

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It is widely acknowledged that democracy affects economic growth and social welfare. The existing political economy literature, however, rarely disaggregates political institutions in ways that generate testable propositions about causal mechanisms. Our project seeks to advance this important strand of research by reconceptualizing both the independent and dependent variables. Specifically, we argue that stronger party systems, characterized by electoral competition between few disciplined parties, are more likely to implement effective government policies that generate inclusive economic growth than weaker systems with undisciplined or multiple coalition parties. We then show that government investments in early childhood education and care (ECEC) and family in-kind benefits are especially good at promoting long-term social welfare. To test our argument, we estimate the effect of party institutions on such future-oriented government spending by exploiting the timing of major changes to party discipline and fragmentation in an original dataset covering the last forty years in OECD countries. Overall, we show that political systems in which parties are large and disciplined are more likely to spend on effective public policies.

I.   INTRODUCTION

Many scholars agree that political institutions affect economic growth and social welfare. However, causal effects are hard to identify for several key reasons. First, the concept of political institutions is capacious and often ill-defined.   Second, many unobserved variables also simultaneously affect GDP. A clear identification strategy is not always possible, and estimations may be biased. Third, endogeneity, and especially reverse causality, complicate the analysis leading to inconclusive or competing predictions. For example, Gerring et al. (2005) conclude that the process of democratization has no impact on growth during the last fifty years.[1] Acemoglu et al. (2019), also using a cross-sectional dataset, conclude the opposite.

Our paper tackles these problems by studying party systems. Leadership and candidate selection mechanisms affect how reliably parties can develop and offer coherent party platforms. Broad party selectorates, in which a wide voter base chooses leaders and parliamentary candidates, constrain party discipline. At the same time, if parties are small (and that the political system is more fragmented), narrow and intense groups of voters drive policy priorities away from broad interests of voters in the political middle. Rather than testing the effects of political institutions on economic growth directly, we gauge whether stronger political systems impact governance by spending a higher proportion of the public budget on policies that promote economic growth in the long-term. We take early childhood education and care (ECEC), family in-kind benefits, and long-term investment in labor markets as indirect measures of public-spirited policies (see Hendren and Sprung-Keyser 2020).

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[1] In the same direction, Friedman (2009) argues that even when nondemocracy countries certainly have their drawbacks, it can also have great advantages when the political system is led by enlightened leaders.

We believe that our methodology gives us a better specifying causal mechanisms by looking at various aspects of party strength. Additionally, the reverse causality critique weaken by using policies instead of economic growth as dependent variable.

We test our arguments with an original panel dataset that covers OECD countries over the period of 1980-2016, complemented with several in-depth qualitative studies of national party systems. Our overall finding is that party discipline is an important antecedent of effective governance. First, we show that many of the leading party indicators in the literature, such as party cohesion or party linkages in the Varieties of Democracy (V-Dem) database, are rather similar across today's OECD countries despite the well-known qualitative differences in party discipline. Consequently, they do not allow us to explain the observed cross-country and cross-time variations of our public goods measures. Nevertheless, our cross-country analysis demonstrates that stronger political systems increase long-term social spending. As a result, countries with less inclusive leadership and candidates selectorates, lower fragmentation, and higher relevance of public campaign financing generally spend more on ECEC, family benefits and programmatic investment in labor markets. We find that Scandinavian countries, besides having historically strong unions and social organizations claiming higher spending on social issues, have especially strong party systems.

We next find that the impact of party discipline on public goods provision is larger when fragmentation is low. When parties are numerous, it becomes irrelevant whether or not small parties are disciplined because there is an alignment between the leadership and the narrow base. Related to this, we document that parties spend more on in-cash family benefits when they become more local.

Finally, we show that countries spending more between the economic slumps of the early 1990s and the 2008 financial crisis, faces lower post 2008-crisis unemployment rates even when they spent *less* during the crisis and face a similar drop in the GDP growth than other countries. These findings tell us that long-term investment in labor markets is better than *sudden* short-term spending. Once again, countries with stronger political systems take better programmatic long-term growth enhancing decisions.

II.   PARTY DISCIPLINE AND PUBLIC GOODS: THEORETICAL EXPECTATIONS

It is common in democratic politics to assume that politicians are poorly motivated to offer voters effective governance or the policies that aim at the wellbeing of all citizens and their successive generations. Politicians who offer public-minded policies instead of clientelistic favors or symbolic identity-based appeals that advance their re-election chances are like firms that fail to maximize profits: they disappear.

Existing scholarship offers starkly different views on this problem. At one extreme, some despair altogether of democracies' capacity for long term investments, because elections require myopic strategies (e.g., Healy and Malhotra 2009; Achen and Bartels 2016). Autocrats are often said to be free to pick and back economic winners with an eye to long-run returns (but see Przeworski et al. 2001). At the other extreme, market purists believe only in the power of private investments protected by property rights, ensured most safely in democracies made incapable of market interference by institutional checks and balances.

Here we consider another possibility, that strong party systems may offer better policies. The party system is stronger when fewer and more disciplined parties shape politics. Both elements

in this formulation are required: disciplined parties allow voters to choose between policy platforms that will be implemented; and larger parties encompass the interests of more voters. Table 1 offers a visual summary of party types and incentives in a 2X2.

Party discipline	Fragmentation	
	Low	*High*
Disciplined	Strong	
Undisciplined		Weak

Table 1: Party system's strength

We follow the literature in measuring fragmentation by the effective number of parties in parliament. Party discipline is more complex to define and operationalize but theoretically it is a simple concept: parties are endogenously strong when rank and file members are willing to delegate disciplining authority to the front bench in support of a common policy agenda that, over time, benefits all.[2] Strong leaders, so authorized, manage candidate selection and campaign finance. From the point of view of the leadership, party discipline implies picking the candidates that can both get (re)elected and vote according to the party platform. From the point of view of the particular rank-and-file member, party discipline implies delegating authority for the sake of (re)election via platform delivery.

Disciplined parties that face alternation in government by these means are motivated to cultivate and protect their long-term reputations for policies that work. While voters cannot themselves coordinate on punishment or reward strategies, strong party institutions with good information and good incentives play precisely this role (Rosenbluth and Shapiro 2018).

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[2] Note that party cohesion (e.g., in a set of legislative votes) can simply be a result of similar preferences and other factors unrelated to discipline (Hazan 2003).

We expect that more disciplined parties, so motivated, would be more likely than less disciplined parties (or coalition governments in fragmented multiparty systems) to implement effective government policies and invest in projects that generate strong and inclusive economic growth. In other words, governments are able to make more socially optimal investments when democratic competition pushes parties to appeal to broad coalitions and enables them to deliver policies that appeal to these coalitions. These policies, by definition, will be aimed at encompassing economic interests: policies that make most people better off, in the long run. To the extent that these incentives break down, politicians will offer clientelist policies that favor narrow groups or jurisdictions at the expense of the public as a whole, or symbolic policies that have no economic benefits at all.[3]

Party institutions of the kind we have laid out, that motivate parties to offer policies aimed at the encompassing and long-term interests of the electorate, rest on fragile foundations. This is especially true in countries like the United States where the institutional environment has arguably been hostile to strong parties from the very beginning. In European proportional representation systems, geographic differences are largely irrelevant; but there is a different problem, that smaller parties can win seats without offering encompassing policies (Bawn and Rosenbluth 2006; Persson, Roland, and Tabellini 2007). It is not enough for parties to be disciplined around programmatic policy platforms; they must also be large enough, or part of a large and stable coalition, to want to aim at the median voter (Calmfors and Driffill 1988 make a similar argument about labor unions).

In short, we hypothesize that governments are better able to make more socially optimal investments when party competition pushes them to appeal to broad coalitions and enables them

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[3] In this respect, contrary to some other political economy literature, we do not view the better provision of local public goods per se as indicative of effective national governance.

to deliver policies that appeal to these coalitions. These policies, by definition, will be aimed at encompassing economic interests: policies that make most people better off, in the long run. To the extent that these incentives break down, politicians will offer clientelist policies that favor narrow groups or jurisdictions at the expense of the public as a whole; or symbolic policies that have no economic benefits at all.

III.   DATA AND METHODS

In this paper, we take a similar approach to Bizarro *et al.* (2018), arguing that intra-party organizations influence economic development. We postulate that disciplined parties provide politicians with incentives to implement programmatic policies. If disciplined parties are large enough, they avoid clientelism and the influence of small but powerful interest groups. Unlike Besley *et al.* (2010) who focus on inter-party competition,[4] we look at the prior question: what kinds of party organization enable politicians to focus on the median voter' preferences in the first place.

Figure 1 illustrates Bizarro *et al.*'s step-wise mechanism which could affect outcomes by way of unobserved characteristics at any one of the steps.

Figure 1: Bizarro et. Al (2018)'s framework

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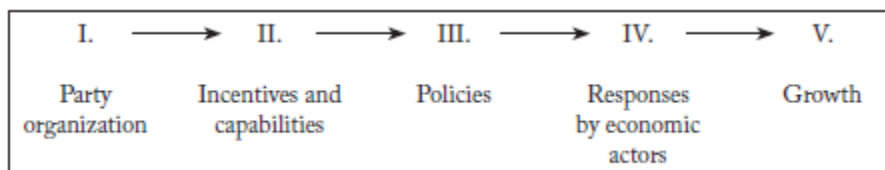
[4] Their underlying mechanism is that swing voters (whose who vote depending on parties' social and economic) have a role in the electoral influence when the inter-party competition excess a critical threshold.

To avoid potential omitted variable bias, we narrow this framework in two ways. First, we focus only on the three first mechanisms, postulating that more disciplined parties select better policies. Second, we include only OECD countries in our analysis to minimize the many unobserved time-varying and country-specific characteristics that affect policy formation and implementation. Our empirical strategy exploits variation in parties' discipline and economic policies across OECD countries and time to explore the relationship between parties' long-term orientation on the one hand and good governance on the other.

III.1 The dependent variable: policies that reflect good governance

Our next goal is to define policies that can be compared across countries and are associated with either higher or lower economic growth in the long run. Instead of focusing on specific policies passed by national legislatures, we look at public spending. Even when governments spend in different ways, spending is a more homogeneous cross-country variable than the implementation of policies that, in general, are different in many relevant dimensions.

Early childhood education and care, ECEC, is a powerful set of programmatic policies. Many recent empirical studies have shown that ECEC is crucial for childhood development and for reducing public spending in the long run. Hendren and Sprung-Keyser (2020) conduct a comparative welfare analysis of 133 historical tax and expenditure policies implemented in the US over the past half-century. Using the marginal value of public funds (benefits to net government costs ratio) as key metric to evaluate public investment, the authors compare the performance of different types of policies. Hendren and Sprung-Keyser conclude that direct investment in low-income children's health and education returns the highest social value. Heckman has a similar opinion: the best way to reduce deficits and create better education, health, social and economic

outcomes is to invest in quality early childhood development. This investment reduces social costs (through a reduction of costs to taxpayers by reducing poor health, dropout rates, poverty, and crime) and promotes economic growth (through upward mobility and a highly educated, skilled workforce).[5]

Taking into consideration the relevance that ECEC possesses as a vehicle boosting long-term economic growth, family benefits has also been studied recently (Hendren and Sprung-Keyser 2020). It has been shown that family benefits protect families and children from poverty. However, empirical findings highlight that different forms of family spending perform different aims when the target is child-poverty reduction. Cash benefits (the transfer-based spending) aim to achieve a better horizontal (between families with children and those without) and vertical (between different families with children) income distribution. In-kind family benefits (the service-based spending) target parental employment. The relevant question is which policy is more efficient for making households wealthier and with children out of poverty. Bäckman and Ferrarini (2010) and Ferrarini (2006) find that service-based policies are more effective. Using a panel dataset of 22 European countries covering the period 2006-2015, Nygard et al. (2019) conclude the same. The authors also find that a) public spending on in-kind benefits are more strongly and negatively correlated with child poverty than spending on cash benefits; and b) even when both cash and in-kind benefits increased during the first phase of the 2008's crisis, they diverged after 2011 due to the increasing political emphasis on service-based spending.

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[5] As the authors pointed out, policies like ECEC have paid for themselves since governments recover the amount of the initial expenditure in the future through additional taxes collected and the reduction of transfers. This argument is in line with our opinion about spending on public pensions. Since we interpret high pension spending as a public bad, ECEC could also have an indirect long-term effect on this type of public expenditure. Empirical research also shows that reductions in the costs of childcare and its availability increase female work participation. Recent impact evaluations of childcare policy interventions in Latin America have shown a positive effect on the access to childcare and a higher engagement of women in the labor force.

Economists have also offered additional reasons to support in-kind over in-cash benefits. In-kind transfers might hypothetically enable governments to target the poorest households, but it is hard to identify them accurately. Not-needy individuals have strong incentives to claim that they belong to the poorest segment, making cash subsidies an inefficient targeted type of transfer. In-kind transfers work as a separation device self-targeting property public provision. In the same direction, Buchanan (1975) supports in-kind programs because of the presence of the Samaritan dilemma.[6] Paternalism is another traditional justification supporting in-kind transfers. Here, the argument is that when we worry about the consumption patterns of the poorest rather than their utility, the unconstrained choices that in-cash transfer allow may create negative externalities that impede the initial goal. Politics reasons supporting in-kind transfers are also discussed in the policy literature.[7] The potential creation of political constituencies, in addition to those who receive the transfers, is one of these reasons since in-kind programs focus on particular goods. While benefits in-cash are undoubtedly important for child poverty reduction, in-kind family benefits may be preferred for childhood development and the adjacent goal of increasing female participation in the labor market. The latter two affect economic growth in the long term.

We next consider spending on labor markets, especially related to training and workers' education during and after economic crises. The empirical literature has shown that public spending on labor markets boosts economic growth not only in the short run but also longer term.

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[6] The main idea behind the dilemma is that personal incentives to invest in raising-income options are lower than cash transfer recipients receive the benefits if they are poor. Since the government cannot credibly commit to ending benefits for poor who do not invest, the equilibrium is one in which the poor do not invest, and the government continues to support them. Conditional cash transfers can solve the dilemma as well as invest directly in the education of the poor, ECEC, to improve their human capital.

[7] Also related to the political literature, Alesina, Glaeser, and Sacerdote (2001) argue that one of the reasons explaining the lack of political support for cash spending in the US is the racism since almost all spending goes to black families. To the authors, the racism is central to the way that the US transfer system has evolved, suggests an interesting twist on paternalistic arguments about the role of transfers—perhaps the US system's reliance on in-kind transfers reflects a sense that the poor cannot be trusted with cash.

During economic crises, governments can counteract unemployment with counter-cyclical spending. Hur (2017) compares OECD countries during the 2008 financial crisis, finding significant heterogeneity in unemployment rates and trends. Some countries experimented their way to a faster recovery than others. We explain this heterogeneity with differences in party structure.

III.2 The independent variable: strong party systems provide politicians better incentives to pursue economic growth

A strong party system is one in which there is a small number of disciplined parties. Parties are disciplined when back benchers delegate authority to the front bench to formulate and implement policies and select candidates. Party members are able by this means to commit to policies that benefit the party reputation in the long run.

Sieberer (2006) and other scholars show that party leaders who control candidate selection are better able to control the party platform on which they compete electorally (Bowler, Farrell and Katz 1999; Hazan 2000; Carey and Shugart 1995). At the other extreme, intra-party competition motivates representatives to pursue personal votes with which to distinguish themselves from their competitors in the party. As Hazan (1999) highlights, inclusive selectorates for both the leader and candidates undermine party cohesion.

We next argue that lower fragmentation—measured as a lower effective number of parties—and higher relevance of public campaign financing are indicators of a stronger party system. Smaller parties (higher fragmentation) will be more susceptible to be captured by small groups of interest, constraining the party's ability to appeal to the median voter. More disciplined

parties are likely to favor publicly financed electoral campaigns because they are able to compete on platforms rather on money.

Salas et al. (2018) build a theoretical model in which an increase in fragmentation (especially on the left) pull policies away from the median voter. Using a panel dataset with 35 OECD countries and covering the period 1945-2017, the authors find that spending on public goods—such as community services, defense, and government research—decreases with left fragmentation. Even using a different definition of public goods here, our analysis comports with their conclusions. Uppal et al. (2014), using U.S. state-level data, similarly find that political fragmentation distorts fiscal policy and impedes economic growth.

The literature on how public campaign financing affects economic performance is scarce, but it is in line with our argument. Coate (2004) shows that limiting contributions and matching public financing policies can be Pareto improving. In a similar study, Gilens and Page (2014) show that economic elites and organized groups representing business interests hijack U.S. government policy. Disciplined parties prefer publicly funded elections to reduce the pull of narrow interests on policy. Therefore, the relevance of public funding can be interpreted as a consequence -instead of a defining feature- of party discipline. Here, we treat public campaign financing as an independent variable. We then assume that the role of public funds impacts, distinctly from the inclusiveness of the selectorate, the implementation of programmatic policies.[8]

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[8] Nevertheless, we believe that this variable correlates with the Vdem candidate selection variable to some extent. In fact, the coefficient associated to the public campaign financing becomes less significant when both variables are included in our regression

III.3 Methodology: OECD countries and source of variables

We use two different measures to capture the inclusiveness of the selectorate. First, V-Dem variables measure the centralization of candidate selection within the parties. We also use Cross and Pilet (2015) data on leadership selection mechanisms. These data only include 11 countries (in contrast to the 31 countries included in the OECD sample). Therefore, we do not use this variable in our regressions, but we use it in our case studies.

The V-Dem database offers other variables that take measure of party discipline at the country level. As Table 2 shows, many of these variables were included in the Bizarro et al.'s index. We also add these variables in the analysis. However, we analyze them in isolation to identify which of these potential dimensions can replicate the heterogeneity on the provision of public goods observed among the OECD countries.

Table 2: Potential Party Discipline Variables to Use

▪ Party organizations[9]	▪ Public campaign finance[14]
▪ Party branches[10]	▪ Distinct party platforms[15]

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[9] V-Dem variable: v2psorgs. Question: How many political parties for national-level office have permanent organizations? Clarification: A permanent organization connotes a substantial number of personnel who are responsible for carrying out party activities outside of the election season. Responses: 0: No parties. 1: Fewer than half of the parties. 2: About half of the parties. 3: More than half of the parties. 4: All parties. Scale: Ordinal, converted to interval by the measurement model.

[10] V-Dem variable: v2psprbrch. Question: How many parties have permanent local party branches? Responses: 0: None. 1: Fewer than half. 2: About half. 3: More than half. 4: All. Scale: Ordinal, converted to interval by the measurement model.

[14] V-Dem variable: v2elpubfin. Question: Is significant public financing available for parties' and/or candidates' campaigns for national office? 1: Little. There is public financing, but it is so small or so restricted that it plays a minor role in most parties' campaigns. 2: Ambiguous. There is some public financing available, but it is unclear whether it plays a significant role for parties. 3: Partly. Public financing plays a significant role in the campaigns of many parties. 4: Yes. Public financing funds a significant share of expenditures by all, or nearly all parties.

[15] V-Dem variable: v2psplats. Question: How many political parties with representation in the national legislature or presidency have publicly available party platforms (manifestos) that are publicized and relatively distinct from one another? Clarification: In order to be counted in the affirmative, parties must have platforms that are both distinct (either in terms of content or generalized ideology) and publicly disseminated. This question is not intended to measure how much the public actually knows about these platforms or whether they are important in structuring policymaking. Responses: 0: None, or nearly none. 1: Fewer than half. 2: About half. 3: More than half. 4: All, or nearly all. Scale: Ordinal, converted to interval by the measurement model.

▪ Party linkages[11] ▪ Candidate selection[12] ▪ Legislative party cohesion[13] ▪ Party switching measures	▪ Leadership selection[16]

We focus on OECD countries, in contrast to Acemoglu et al. (2019) and Bizarro et al. (2018), for three reasons. First, we are interested in institutions of democratic accountability. Second, comparable data are only available for developed countries. Third, relevant economic and social agendas differ by levels of economic development.

To test our hypotheses, we combine different data sources. For our dependent variables (ECEC, proportion in-kind over in cash family benefits, social pensions, and spending in labor markets), we use the OECD database. For party discipline, we rely mostly on V-Dem data. However, we also use Pilet and Cross (2015) and Carey and Shugart (1995) as updated by Johnson and Wallack (2012) data to complement our party analysis. Appendix A.2 describes in detail our econometric approach and regression specifications.

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[11] V-Dem variable: v2psprlnks. Question: Among the major parties, what is the main or most common form of linkage to their constituents? Clarification: A party-constituent linkage refers to the sort of "good" that the party offers in exchange for political support and participation in party activities. Responses: 0: Clientelistic. Constituents are rewarded with goods, cash, and/or jobs. 1: Mixed clientelistic and local collective. 2: Local collective. Constituents are rewarded with local collective goods, e.g., wells, toilets, markets, roads, bridges, and local development. 3: Mixed local collective and policy/programmatic. 4: Policy/programmatic. Constituents respond to a party's positions on national policies, general party programs, and visions for society.

[12] V-Dem variable: v2pscnslnl. Question: How centralized is legislative candidate selection within the parties? 0: National legislative candidates are selected exclusively by national party leaders. 1: National legislative candidate selection is dominated by national party leaders but with some limited influence from local or state level organizations. 2: National legislative candidates are chosen through bargaining across different levels of party organization. 3: National legislative candidates are chosen by regional or state-level organizations, perhaps with some input from local party organizations or constituency groups. 4: National legislative candidates are chosen by a small cadre of local or municipal level actors. 5: National legislative candidates are chosen by constituency groups or direct primaries.

[13] V-Dem variable: v2pscohesv. Question: Is it normal for members of the legislature to vote with other members of their party on important bills? 0: Not really. Many members are elected as independents and party discipline is very weak. 1: More often than not. Members are more likely to vote with their parties than against them, but defections are common. 2: Mostly. Members vote with their parties most of the time. 3: Yes, absolutely. Members vote with their parties almost all the time.

[16] This is the only variable outside V-Dem database. We obtain this data from Cross and Pilet (2015). The classification capturing the inclusiveness of the leadership selection mechanisms is the following: 1. all voters; 2. eligible party members; 3. delegates to party convention; 4. a party council or other organ that is smaller than a party convention; 5. the parliamentary caucus; 6. self-appointed leader; 7. appointed by the incumbent leader.

IV. ANALYSIS

IV.1 Party discipline in action: recent evidence

The subsequent subsections document the positive effects of party discipline on economic policy making. Kustov et *al.* (2020) argue that weak party discipline in the U.S. has contributed to poor legislative performance. While previous scholars have cited party convergence on roll call votes as evidence of growing internal party discipline, we argue the opposite. When American parties control government, they struggle to pass legislative programs that reflect party platforms, often because legislators fear primary challenges from ideologically motivated fringe candidates and cannot defend party positions in elections, even when they are appealing to the median voter. In the Republican primaries in 2010, for example, well-funded Tea Party candidates defeated many candidates supported by Congressional party leaders, and the threat of far-right challengers has pulled Republican candidates further right ever since (Williamson et al. 2011). The introduction of primaries as a mechanism to select candidates has weakened parties over the years. Even when parties sometimes have not radically changed their party platforms ahead of presidential races, the Republican 2020's case is new: the party will not release a new agenda and will use the 2016 platform's version.[17]

In the UK, the Labour Party's declining party discipline demonstrates the costs of losing effective leadership in dealing with social and economic problems. As Tim Buthe argues, "Proponents of Brexit have made strong claims, including that it will ultimately make Britain

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[17] In a recent interview, Time Alberta mentioned: "Honestly, I can't remember a time in my life, and Frank (Luntz) said the same thing, that you just struggled so manifestly to come up with any sort of a coherent definition or description for a party. And so we laughed about it. And obviously, I don't have skin in this game. Frank does. He's a longtime Republican, and he sounded pretty worried about it".

richer and restore its liberty. But the ultimate reason for the strength of the exit camp is the near-complete failure of the British political leadership. Over the past half century, Britain's leaders have failed to embrace Europe openly and to make a case for EU membership based on something broader and deeper than a short-term utilitarian calculus."[18] Labour Party members corroborate Buthe's view. A survey conducted by the ESRC-funded Party Members Project[19] concludes that members blame the defeat in the last general election to a) the inability of the party to take a clear position about Brexit, b) the absence of a strong leader, c) the "overambitious manifesto and message that, broadly speaking, they believed lacked realism, focus, coherence, and clarity," and d) the inherently biased media.[20] All four factors suggest that the discipline of the two traditional parties in the UK have weakened over the years, with baleful effects.

Until recently, Britain was notable for the strong, disciplined parties of the Westminster system. Direct electoral competition in single-member districts created incentives for Labour and Conservative candidates to appeal to the median voter and provided public goods that benefited a broad swathe of the electorate (Rosenbluth & Shapiro 2018). Centralized candidate selection procedures inclined parties to present more diverse candidates and prevented unrepresentative primary voters from electing fringe candidates. Party platforms under the tight control of party leaders meant that popular, programmatic policies were not sacrificed for clientelist ones designed to benefit the constituencies of partisan MPs.

Britain would not have left the European Union in 2016 had the decision been left to the strong, disciplined parties. A majority of MPs in both major parties opposed Brexit, despite the Leave campaign's broader popularity among Conservative party members. The decision by David

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[18] https://polisci.duke.edu/news/brexit-referendum-failure-political-leadership-tim-buthe
[19] https://esrcpartymembersproject.org/
[20] To Labour members, "Tory funded MSM lies and misleading articles and campaigns along with daily lies and propaganda on Tory owned main TV channels starting with the BBC!"

Cameron to hold the Brexit referendum reflected a growing shift toward greater grassroots participation in both parties. The Conservatives in 2010 began selecting candidates for many constituencies in open primary meetings; under Jeremy Corbyn's leadership in 2015, Labour eased ballot access restrictions for insurgent Labour candidates and abolished waiting periods for new party members to vote in elections. Participatory benefits aside, more direct democracy meant less cohesive parties, and less leverage for party leaders. Immediately following the referendum, many pro-Remain MPs switched their support for the withdrawal agreement, and the aftermath of Brexit introduced new intra-party competition into the House of Commons. Theresa May's proposed withdrawal agreement in 2019 failed to pass Parliament three times, despite the Tory majority, due in large part to backbench defectors.

IV.3 Measuring party discipline

V-Dem provides other variables that can be used as a proxy for party discipline. Most of these variables were also included in Bizarro et *al*. Here, we include in the analysis party platforms, party linkages, party cohesion, and party organizations. Even when Bizarro *et al*. include these dimensions in their index, here we conclude that these variables are not relevant explaining programmatic policies when we include only OECD countries in the analysis. Note that we are not concluding that these variables do not affect the provision of public goods and, hence, the economic growth in the long run. Bizarro *et al*. (2018) found that these variables, combined in an index, explain economic growth taking into consideration both developed and developing countries. We, then, argue that these variables are similar across OECD countries and thus are not useful variables to explain the observed differences in ECEC investment.

Table 3: Main Regressions and Robustness Tests using the relevance of public campaign financing to explain public long-term investments (p-values in parenthesis)

Model / Dependent Variable	ECEC	Family in-kind Spending
Main Regressions		
Two-ways FE	.11 (0.05**)	.10 (0.07*)
One-way FE	.11 (0.04**)	.12 (0.04**)
Lagged DV	.02 (0.12)	.04 (0.08*)
IV	.24 (0.00***)	.22 (0.04**)
Robustness Tests		
Gen. covariates time varying	.10 (0.08*)	.12 (0.06*)
Gen. covariates fixed	.07 (0.31)	.10 (0.12)
Political variables	.10 (0.06*)	.08 (0.11)
Polity	.10 (0.06*)	.10 (0.06*)

***: $p<=0.01$; **: $0.01<p<=0.05$; *: $0.05<p<=0.1$

Figure 2 shows that, holding constant party discipline (captured in isolation by these other potential variables affecting party discipline), countries spend different amounts on ECEC. The figure compares the average between 2000 and 2010. However, the same conclusion holds when we look at other decades or the whole period at once.

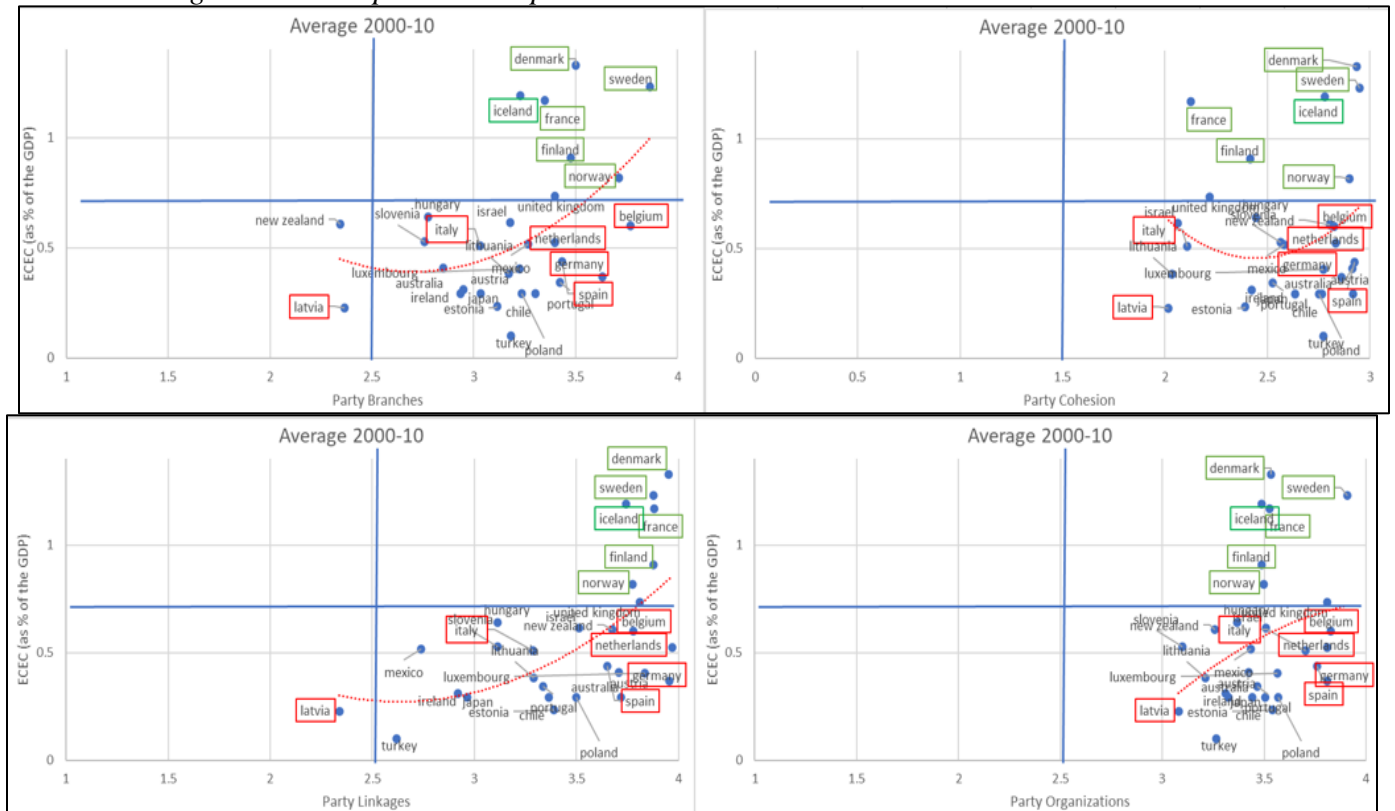*Figure 2: Other parties discipline variables across OECD countries*

Table 3 reinforces the previous conclusion. Table 4 shows the results of the main regressions using five V-Dem variables to capture party discipline. We ran regressions including and excluding public campaign financing. The coefficients associated with these party discipline proxies are not statistically significant. Finally, we note that the parameter associated with public campaign financing remains stable and significant through different model specifications.

Table 4: Main Regressions and Robustness Tests using other party discipline covariates to explain public long-term investments (p-values in parenthesis)

	ECEC		*Family in-kind Spending*	
		Party Cohesion		
Two-ways FE	-.02 (0.86)	.10 (0.53)	-.02 (0.88)	.11 (0.38)
public campaign financing		.11 (0.04**)		.10 (0.05**)
IV	-.13 (0.92)	.10 (0.48)	-.02 (0.83)	.10 (0.38)
-public campaign financing		.11 (0.02**)		.10 (0.02**)
Lagged DV	-.00 (0.92)	.02 (0.56)	.00 (0.99)	.02 (0.56)
-public campaign fin		.02 (0.05**)		.01 (0.17)
		Party Organization		
Two-ways FE	-.25 (0.18)	-.16 (0.25)	-.23 (0.13)	-.16 (0.19)
-public campaign financing		.10 (0.05**)		.09 (0.07*)
IV	-.25 (0.13)	-0.16 (0.21)	-.23 (0.12)	-.14 (0.21)
-public campaign financing		.10 (0.03**)		.10 (0.04**)
Lagged DV	-.01 (0.89)	.01 (0.86)	.05 (0.32)	.06 (0.20)
-public campaign fin		.02 (0.05*)		.01 (0.15)
		Party Linkages		
Two-ways FE	.07 (0.53)	.01 (0.92)	-.10 (0.38)	-.15 (0.20)
-public campaign financing		.11 (0.05*)		.10 (0.04**)
IV	.07 (0.55)	.01 (0.90)	-.10 (0.38)	-.14 (0.21)
-public campaign financing		.11 (0.03**)		.10 (0.02**)
Lagged DV	.03 (0.12)	.02 (0.30)	.11 (0.02**)	.09 (0.08*)
-public campaign fin		.02 (0.08*)		.03 (0.16)
		Party Platforms		
Two-ways FE	-.07 (0.65)	-.15 (0.34)	-.14 (0.46)	-.24 (0.22)
-public campaign financing		.11 (0.04**)		.10 (0.04**)
IV	-.08 (0.54)	-.15 (0.29)	-.13 (0.45)	.22 (0.21)
-public campaign financing		.11 (0.02**)		.10 (0.02**)
Lagged DV	.01 (0.63)	-.00 (0.97)	.00 (0.96)	-.01 (0.76)
-public campaign fin		.02 (0.06*)		.11 (0.17)

***: p<=0.01; **: 0.01<p<=0.05; *: 0.05<p<=0.1

IV.4 ECEC Regression Analysis

Early childhood education and care (ECEC) is one of the most powerful set of policies promoting economic growth in the long run. In this section we show that a strong party system increases spending on ECEC. Second, Scandinavian countries spend the highest proportion of their GDP on ECEC. To be sure, these countries have been historically characterized by the presence of strong workers unions and social organizations that demand high levels social spending. However, we also document that these countries have had stronger party system, at least, during the last four decades. Lastly, we show that the effect of party discipline in the provision of public goods is conditional on the level of fragmentation. Our results indicate that the positive impact of more disciplined parties is higher when fragmentation is low.

We first study covariates that are not captured in our party system definition but can potentially correlate with ECEC. Figure 3 shows the relationship between tax revenue and ECEC. As expected, we find a positive relationship between both variables. Therefore, one reason explaining the lower public investment in ECEC is that the government does not collect enough taxes. Figure 4 instead studies the relationship between ECEC and female participation in the labor market. The relationship is again positive. The intuition is simple: good governance must increase spending on ECEC as a response to a higher number of women workers. Lastly, Figure 5 finds that the percentage of young population is not strongly correlated with ECEC. We would expect a positive relation, but the lack of the relation may be due to the data limitation (young population includes all people aged less than 15).

Note also that Scandinavian countries (highlighted in green) spend the highest proportion on ECEC among OECD countries. Scandinavian countries have had long-term social democratic governments giving unions bargaining power to demand higher levels of social provision.

However, these countries are also characterized by strong political systems in the sense of large, disciplined parties (or electoral coalitions). Figure 6 shows that a) parties in the Scandinavian countries have less inclusive candidates' selection processes than the US and UK, b) candidates have weaker incentives to cultivate personal votes, and therefore c) parties prefer public campaign financing.
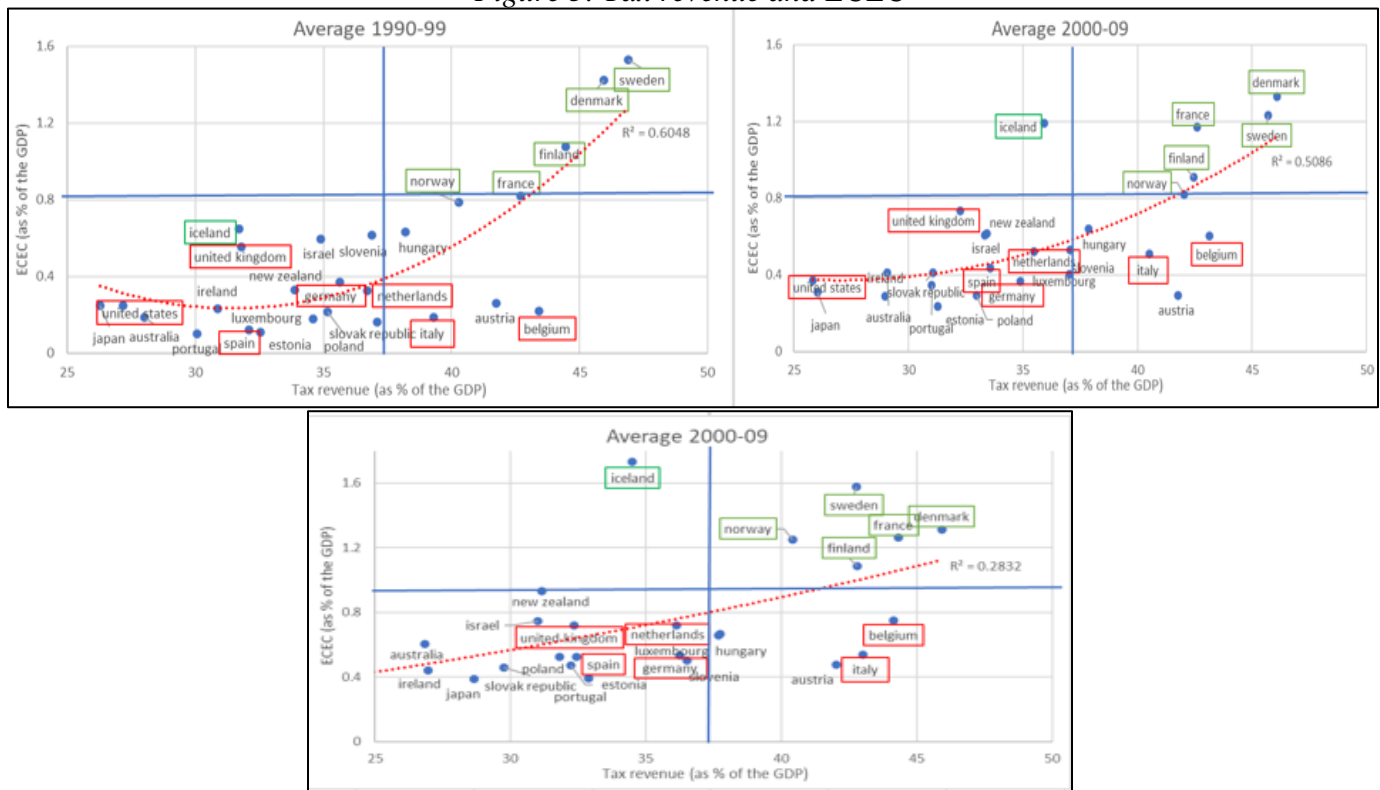
Figure 3: Tax revenue and ECEC
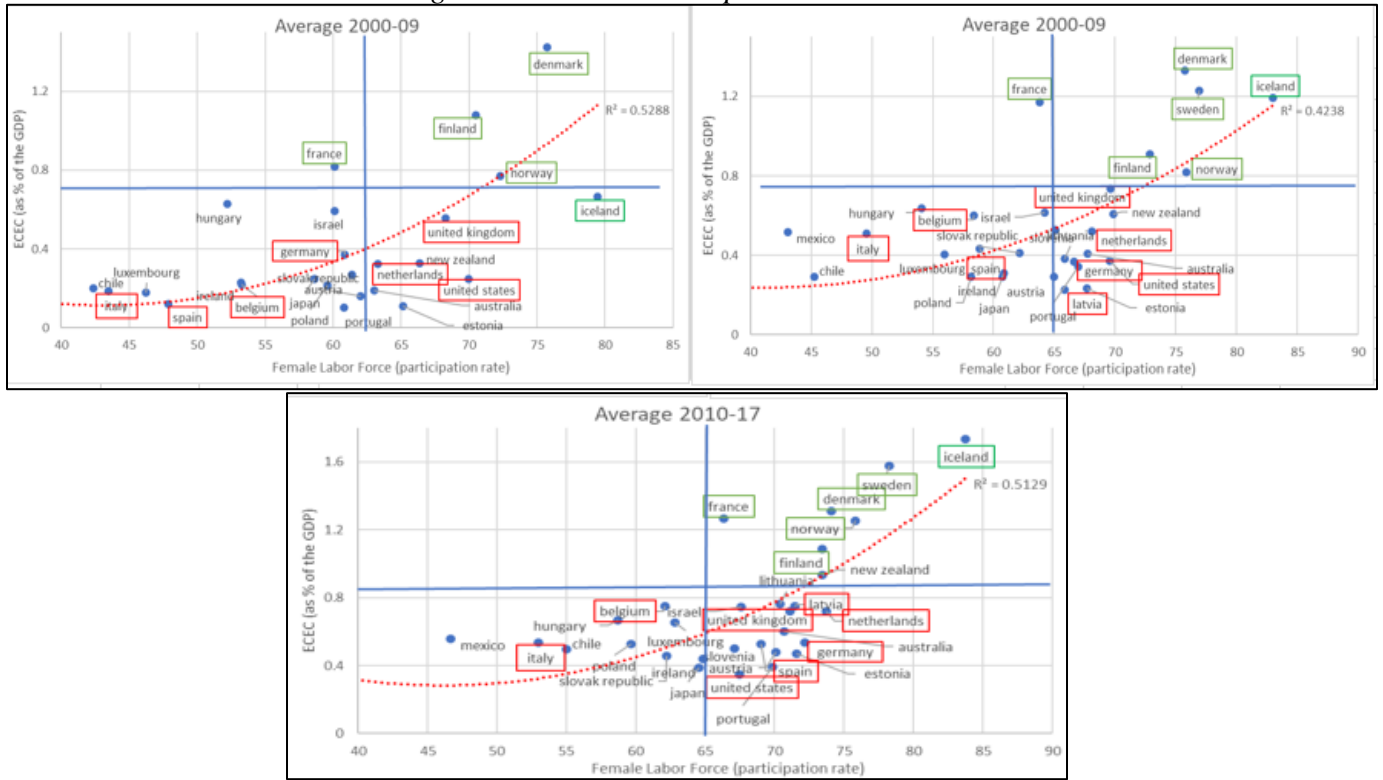
Figure 4: Female Participation and ECEC

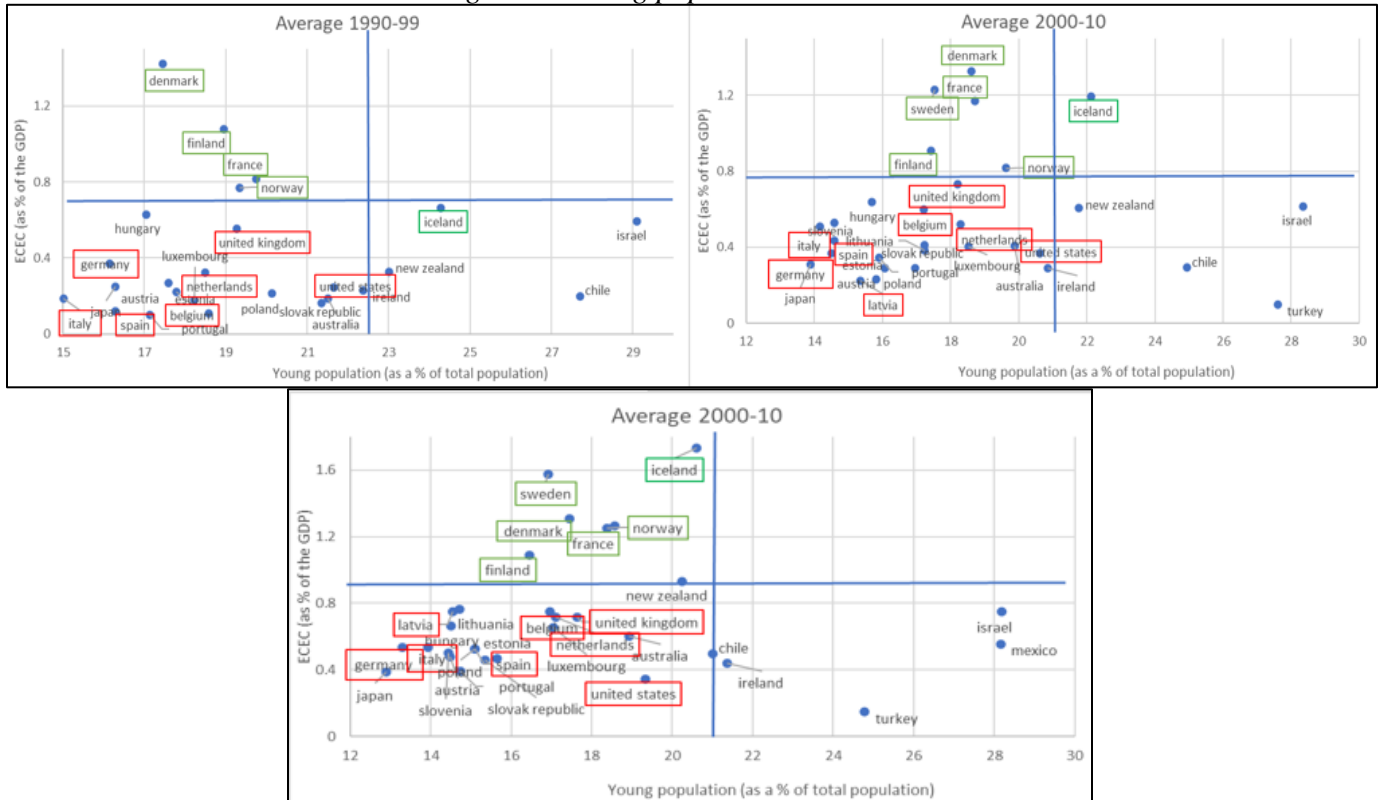*Figure 5: Young population and ECEC*

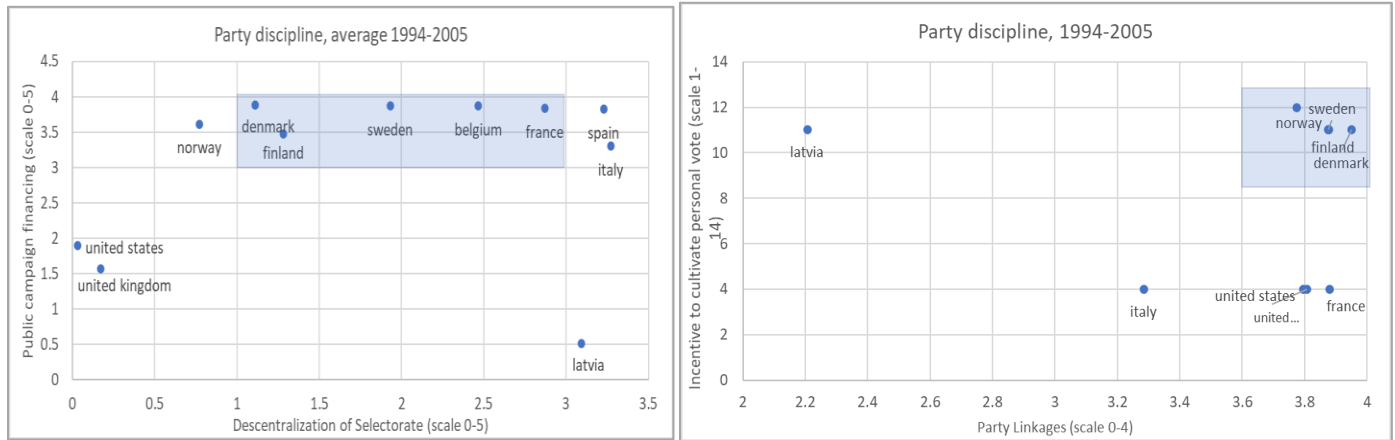*Figure 6: Strong Party System in Scandinavian countries*

Table 5 bears out our hypotheses even after controlling for other relevant factors. Note also that the magnitude of the coefficients associated with the effective number of parties and public campaign financing remain robust. The percentage of the young population does not explain ECEC to a significant degree.

Table 5: Main Regressions and Robustness Tests to explain ECEC (p-values in parenthesis)

Indep. Variables	**Main Regressions**					**Robustness Regressions**	
	Two-ways FE	One-way FE	IV	Gen. covariates time varying	Gen. covariates fixed	Political variables	Polity
Public Campaign Financing	.10 (0.08*)	.09 (0.13)	0.10 (0.06*)	.12 (0.06*)	.12 (0.05**)	.08 (0.15)	.09 (0.09*)
Eff Number Of parties	-.09 (0.02**)	-.10 (0.01**)	-.09 (0.02**)	-.06 (0.13)	-.02 (0.67)	-.10 (0.01***)	-.09 (0.02**)
Eff Number Of parties square	.01 (0.04**)	.01 (0.02**)	.01 (0.03**)	.00 (0.21)	.00 (0.87)	.01 (0.02**)	.01 (0.05**)
Female participation	.01 (0.04**)	.02 (0.00***)	.01 (0.03**)	.02 (0.04**)	.02 (0.00***)	.02 (0.01***)	.02 (0.02**)
Tax Revenue	.01 (0.20)	.01 (0.34)	.01 (0.07*)	.02 (0.02**)	.04 (0.00***)	.01 (0.10)	.01 (0.09*)
Young population	-.01 (0.50)	-.01 (0.53)	-.00 (0.79)	.00 (0.98)	-.02 (0.10)	.01 (0.58)	.00 (0.80)

***: $p \leq 0.01$; **: $0.01 < p \leq 0.05$; *: $0.05 < p \leq 0.1$

Finally, we test whether or not the effect of party discipline is conditional on the level of fragmentation. We postulate that party discipline impacts the spending on ECEC when fragmentation is low. The larger the number of political parties, the more extreme their positions are likely to be. To test our hypothesis, we create an indicator variable that defines whether or not

the country is highly fragmented. Table 6 shows the results of our regressions using different thresholds as cut-off points defining high and low fragmentation. Regardless of the cut-off point, party discipline (measured as a less inclusive selectorate) greatly impacts the spending on ECEC when the fragmentation is low (diff. row). The parameters are relatively stable although the effect of an inclusive selectorate becomes non-significant when the cut-off point is five parties or more.

Table 6: The conditional effect of party discipline (p-values in parenthesis)

Explanatory Variables/ cut-off		N=3	N=4	N=5	N=6
Inclusiveness of selectorate	High	.46 (0.11)	.38 (0.07*)	.44 (0.14)	.46 (0.11)
	Low	.53 (0.07*)	.50 (0.08*)	.49 (0.09*)	.45 (0.13)
	Diff.	**0.07**	**0.12**	**0.05**	**-0.01**
Inclusiveness of selectorate Sq	High	-.09 0.06*)	-.06 (0.06*)	-.08 (0.12)	-.09 (0.06*)
	Low	-.11 (0.03**)	-.11 (0.04**)	-.10 (0.03**)	-.09 (0.07*)
Eff Number of parties		-.09 (0.12)	-.16 (-0.10*)	-.15 (0.00***)	-.12 (0.01***)
Eff Number of parties Sq.		.01 (0.17)	.01 (0.08*)	.01 (0.00***)	.01 (0.02**)

***: p<=0.01; **: 0.01<p<=0.05; *: 0.05<p<=0.1

IV.5 Family in-kind vs family in cash regression analysis

In this section, we feature as a dependent variable the proportion of public family benefits spent on in-kind programs. We expect that the presence of more disciplined parties will increase government spending on in-kind benefits as Table 7 shows. A higher number of local branches, which could reflect party indiscipline, reduces the relative spending in in-kind family benefits. Parties tied to local interests give more cash to voters, presumably because money is more targetable than programmatic policies.

Table 7: Main Regressions and Robustness Tests to explain the proportion of in-kind spending as dependent variable, (p-values in parenthesis)

Model/Explanatory Variables	Selectorate	Selectorate Square	Effect number Of parties	Effect number Of parties square	Party branches
Main Regressions					
Two-ways FE	.26 (0.04**)	-.04 (0.06*)	-.07 (0.07*)	.00 (0.12)	-.16 (0.00***)
One-way FE	.20 (0.09*)	-.03 (0.14)	-.05 (0.17)	.00 (0.19)	-.17 (0.01***)
LD	.02 (0.40)	-.00 (0.25)	-.01 (0.20)	.00 (0.20)	-.02 (0.20)
Robustness Tests					
Gen. covariates time varying	.31 (0.06*)	-.05 (0.07*)	-.06 (0.26)	.00 (0.27)	-.19 (0.02**)
Gen. covariates fixed	.02 (0.77)	-.01 (0.54)	-.05 (0.26)	.00 (0.64)	-.10 (0.19)
Political variables	.35 (0.00***)	-.07 (0.00***)	-.06 (0.08*)	.00 (0.10)	-.14 (0.00***)
Polity	.31 (0.04**)	-.05 (0.03**)	-.07 (0.10*)	.00 (0.11)	-.18 (0.00***)

***: $p<=0.01$; **: $0.01<p<=0.05$; *: $0.05<p<=0.1$

IV.6 Public Labor Market Spending: Preliminary findings

This section touches briefly and preliminarily on public spending on labor markets. Countries with strong political systems are likely to invest in long-term labor market policies (*e.g.*, training) rather than spending on short term goals such as mopping up an economic crisis after the fact. Our initial findings tend in this direction. We find that countries with more disciplined parties spent more on labor markets between the 1990s European economic slump and the 2008 financial crisis. This higher long-term investment correlates with lower unemployment rates post-crisis.

Appendix A.2 describes our preliminary analysis. The cross-national comparison consists in a simple correlation analysis. We do not yet explore other potential factors such as the role of unions and social democratic governments in Scandinavian countries.

V.   DISCUSSION

E.E. Schattschneider (1942) famously identified the quality of a democracy with the condition of its political parties, arguing that responsible parties would govern in the public interest. In the language of political economy, strong party systems—characterized by few and

disciplined parties—are better able to solve their time inconsistency problems in order to serve the interests of most voters in the long run.

It is important to understand the political system as a whole because their parts interact. When parties are large and hew to the middle of the electorate, their discipline matters for policy outcomes. Small parties, by contrast, are motivated to serve the interests of narrower groups with intense preferences. Our results support this contention. Governments with fewer, disciplined parties invest more in policies that reap long term benefits such as early childhood education and care, labor market policies, and more efficient social family benefits.

Our approach offers an alternative to other ways of characterizing the link between political institutions and the economy, including Acemoglu *et al*. 2019, Bizarro *et al.* 2018, and Gerring *et al*. 2005. We have suggested a theoretical reason to analyze in isolation the relevant factors shaping policy choices, and an empirical strategy for doing so.

Of course, our analysis is not without limitations. Future research would do well to delve into time-series country-case studies to understand why parties give in to broader participation and less discipline. Case studies may also suggest identification strategies for estimating casual effects. Clear break points may help locate intra-party reforms that, if we are right, affect specific policies.

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APPENDICES

A.1 Literature revision and our contribution

A rich literature in political economy highlights the relevance of political institutions for economic growth. How scholars have tackled this question varies considerably. Besley *et al*. (2010) study the impact of interparty competition on the implementation of policies that improve economic performance. Using a panel data of US regions between 1980 and 2005, the authors find that stronger interparty competition is associated with pro-business and growth-promoting policies. The article concludes that these changes in economic policy are reflected in higher economic growth performance. Sorensen (2010), using Norwegian local government data, shows that the lack of party competition reduces government performance. The negative effect on performance gets stronger when parties are more polarized. According to Sorensen, political competition is critical to discipline the representatives since democracy can fail when a party or contender has a position closer to a monopoly. In his model, and since voters can control leaders through selection or incentives, greater electoral dominance, and party polarization lead to poorer performance[21]. Primo and Snyder (2010) show that *stronger*[22] political parties reduce public spending and can solve the inefficient universalism dilemma[23]. The authors note that, in a decentralized legislature, legislators have a natural tendency to engage in wasteful distributive politics, passing larger budgets containing oversized projects. Instead of analyzing the internal

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[21] The hypothesis on incentives is different and the effect of polarization on performance depends on how balanced elections are: polarization generates higher (lower) effort when the elections are balanced (unbalanced).

[22] The variable strength of *Party Organization* is based on the comprehensive study by Mayhew. Mayhew classified 13 states as having very strong party organizations during the 1950s and 1960s based on his reading of the historical literature, taking into account elements of party organizations such as their autonomy, internal structure, role in candidate nominations, and reliance on material rather than purposive incentives. While the scores are therefore somewhat subjective, they represent a massive amount of work and the synthesis of a vast literature.

[23] Norm under which all legislators seek large projects for their districts that are paid for out of a common pool.

organization of political parties, they analyze how parties behave in elections rather than inside the legislature. The study concludes that states with stronger parties receive less federal aid because legislators demand less distributive social spending since incentives to pursue personal vote are less effective.

The definition of a disciplined party organization is also not unanimous. Mayhew (1986) defines strong party organizations as autonomous, enduring, and hierarchical organizations having as main goal the nomination and election of candidates to occupy a wide range of public offices. What numerous researchers argue is that strong, responsible, or disciplined political parties are needed for the democracy and economy.

A.2 The Bizarro et al. index (ps) vs. public campaign financing

Before testing our hypothesis, we show that using an index to capture party discipline may not be the best approach when it comes to cross country regressions. Indexes in general hide relevant information by aggregating specific causal effects. Bizarro et *al*. undertake a macro global analysis. We instead study a more homogeneous subset of countries and narrow the analysis from the party discipline and public good provision perspectives.

The index used in Bizarro et *al*. does not correlate as expected with ECEC or family in-kind benefits. As a case study, Figure 2 compares the time-evolution of ECEC (solid blue line) and ps (red dashed lines) observed in France and the Netherlands from 1980 to 2014. The figure shows that while ECEC and family in-kind increases as the Bizarro et *al*. index decreases.
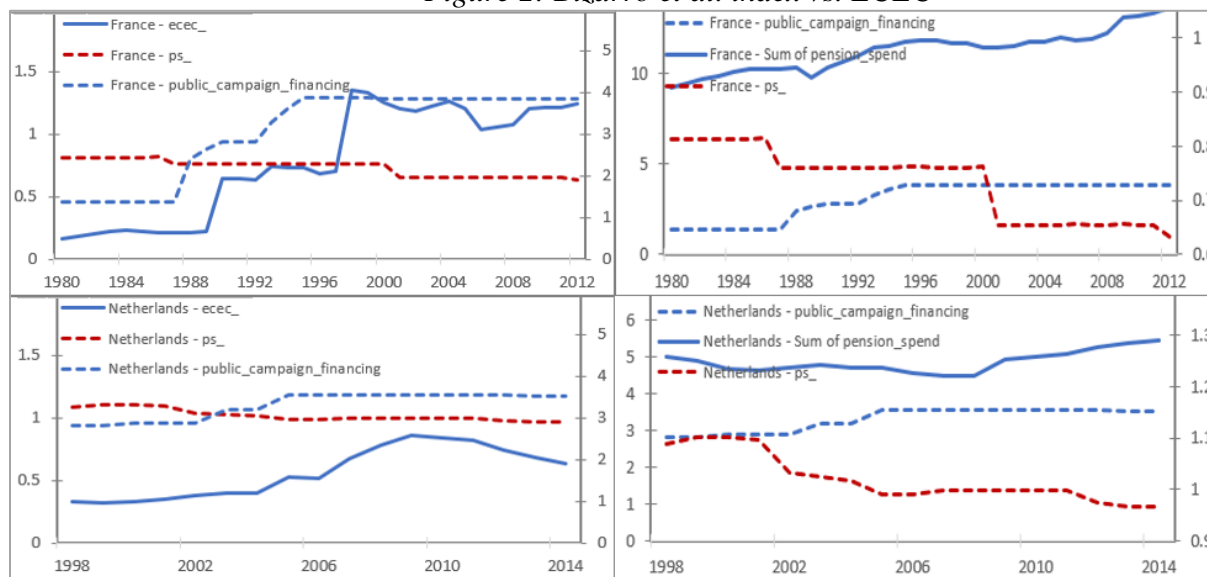
Figure 2: Bizarro et al. index vs. ECEC

Table A.1 below shows the same, including now all OECD countries. While Table 3 replicates the main regressions run in Bizarro et *al*.'s paper, we use as dependent variables ECEC, family in-kind, and total family public spending (ECEC plus in-kind and cash family transfers). The parameter of interest is in most of the cases negative, and statistically significant. Table 2 also replicates different robustness tests to study further whether the parameter of interest is sensitive to the regression specification or not. Once again, the parameter of interest is negative and statistically significant.

To sharpen our analysis, Figure 2 also includes the relevance of public campaign financing (dashed blue line). This variable was not included in the index constructed by Bizarro et *al*. However, this variable strongly correlates with ECEC: while the public financing variable increases (more disciplined party system), ECEC spending also increases. This type of information is hard to obtain with an aggregated index.

Table 4 supports our claim, including now all OECD countries in the analysis. Table 4 replicates the same regressions and robustness tests explicated in Table 3. However, we use the

relevance of public campaign financing as a proxy for a stronger party system. Once again, we estimate the regressions using different dependent variables to include additional robustness tests. The table shows that the parameter of interest is, in general, positive, and statistically significant regardless of the dependent variable we are fitting. Note also that the magnitude of the parameter remains highly stable among the different specifications and for a given dependent variable.

Table A.1: Main Regressions and Robustness Tests using Bizarro et al. index to explain public long-term investments (p-value in parenthesis)

Model / Dependent Variable	ECEC	Family in-kind spending
Main Regressions		
Two ways FE	-.80 (0.00***)	-.70 (0.00***)
One-way FE	-.86 (0.00***)	-.93 (0.00***)
Lagged DV	-.11 (0.03**)	-.10 (0.14)
IV	-.69 (0.00***)	-.63 (0.00***)
Robustness Tests		
Gen. covariates time varying	-.85 (0.00***)	-.81 (0.00***)
Gen. covariates fixed	.36 (0.02**)	-.25 (0.32)
Political variables	-.73 (0.00***)	-.64 (0.01***)
Polity	-.82 (0.00***)	-.71 (0.00***)

***: $p <= 0.01$; **: $0.01 < p <= 0.05$; *: $0.05 < p <= 0.1$

A.3 Econometric Analysis: details

Unobserved variables can affect our dependent variable. To reduce the risk of omitted variable bias, all our specifications include country fixed effects and year fixed to capture ongoing differences across countries such as persistent differences in ideological views, culture, or corruption, and to control for global shocks that affect countries similarly.

Regressions in Section IV follows Bizarro et. al (2018)'s empirical strategy. We modified the set of explanatory variables to be consistent with our methodology. All specifications employ country-clustered robust errors to correct for potential panel autocorrelations. The number of observations varies between 600 and 700 depending on data availability. Lastly, explanatory

variables are lagged one period to avoid potential endogeneity and capture the short-term impact of party systems on programmatic policies.

In the first set of specifications, *main regressions*, we regress our public good variable against party discipline and fragmentation variables. The *two-ways FE* model includes year and country fixed effects. The *one-way FE* equation instead includes country-fixed effects only. The *lagged DV* specification adds a lag of the dependent variable in the right-side. This dynamic model tries to capture the fact that spending on public goods can be defined within a horizon larger than one year. *System GMM* estimates a dynamic model where all regressors as treated as endogenous.[24] Lastly, *IV* employs the traditional instrumental variable technique. As the two specifications previously defined, we want to study whether our estimations are affected by model endogeneity or not. The IV model only instruments party discipline and uses as instruments the average level of party discipline in a specific region (Western Europe, Eastern Europe, and others), and the average level of party discipline worldwide. Both instruments exclude the specific country under analysis.

In the second set of specifications, *robustness tests*, we add additional covariates. We include GDP as an explanatory variable in all of them. The *time-varying covariates* regression includes variables at the country level that vary over time. Urbanization, life expectancy, petroleum production, and the percentage of the young population are included here. The *fixed covariates* specification instead includes country-specific variables that do not change over time. Land area, legal origin (English, French, etc.), region dummies, ethnic fractionalization, and regime type are used as explanatory variables. The *political variables* model includes additional

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[24] For more details, see Blundell and Bond 1998. The model includes regressions in levels and differences. The model also accounts for endogenous regressors by using lags of levels to instrument for differences and lags of differences to instrument for levels.

variables that also impact the political system as a whole. Here, we use the following V-Dem variables in our equation: polyarchy (a composite measure of electoral democracy), individual liberties, property rights, public administration, judicial and legislative constraints on the executive, corruption, state ownership of the economy, and core civil society. Lastly, the *polity* specification includes a commonly used variable capturing the degree of democracy (Polity2 index from Polity IV data set).

A.3 Labor market spending analysis, and social pensions as bad programmatic policies

We first study labor market spending as a programmatic policy used to reduce the negative effects of economic crises. Figure A.1 shows that, not surprisingly, public spending on labor markets strongly increases when the GDP growth decreases. The grey areas represent the European economic slump in the early 1990s and the 2008 financial crisis respectively. Two other factors are relevant to note. First, economic slumps affected European GPDs in a similar way. Second, high increases in public spending on the labor market are recession-lagged, *i.e.*, the higher short-term spending is a response to avoid prolonged high unemployment and low GDP.

Figure A.1: GDP growth rates and Public spending Labor Markets OECD countries, 1980-2014
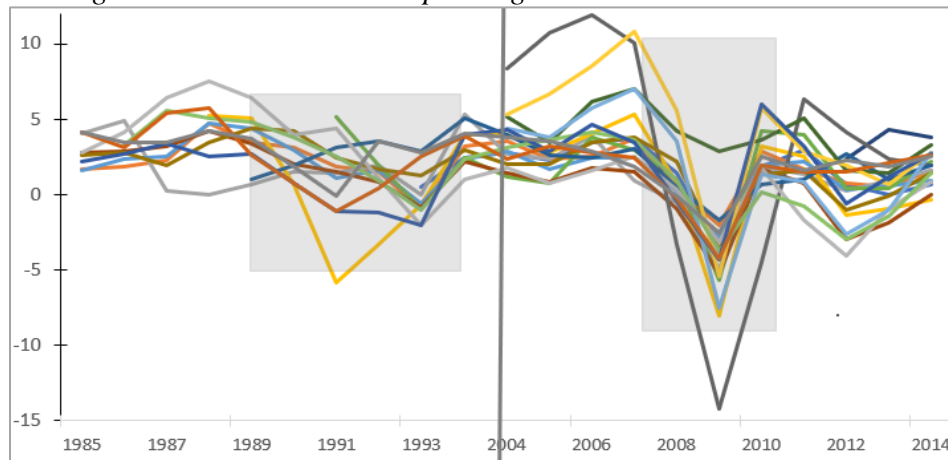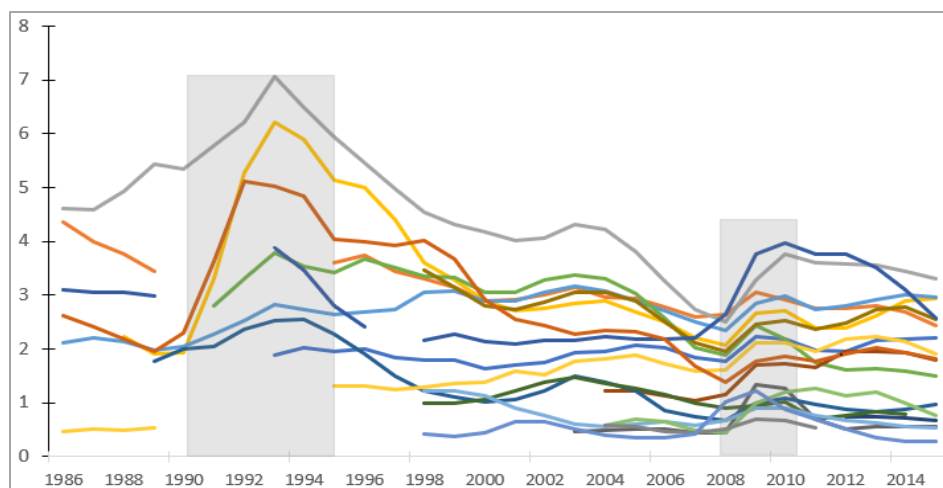
We then compare how OECD countries perform between economic dumps. The average drop in GDP growth was similar in high-response (green) and low response (red) groups to global crisis. However, the green group experimented with a lower increase in both public labor spending One potential explanation for this phenomenon is that the green group invested more in labor markets between economic slumps. Finally, Figure A.2 compares unemployment rates experienced by countries after recessions. The unemployment rate increased less dramatically in countries that invested more in labor markets after the European slumps of the 1990s.

Figure A.2: Unemployment rates OECD countries, 1980-2019
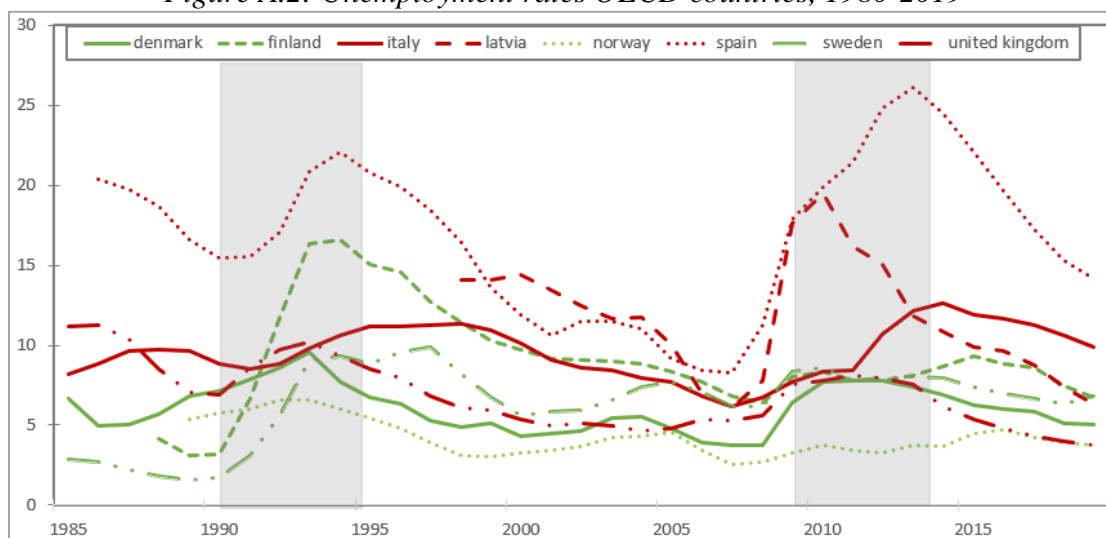
The last policy we include in our analysis is spending on social pensions. This type of expenditure is one of the main components of public spending in many countries. In the US, federal spending on the elderly is 7 times greater than federal spending on children (Isaacs, 2009). Isaacs questions this pattern thinking on the trade-off that the government faces spending more on the elderly population than the children. To Isaacs, this discussion is relevant since spending on the elderly has risen during the last years while, at the same time, poverty rates of children are higher than both other age groups and other countries' poverty rates. Preston argued that the rise in elderly well-being expenditure is a response to the higher political power that this age segment has acquired due to the growing share of the electorate. Preston also noted that, given the tax rates, spending on elderly well-being comes at the expense of children's long-term investment.

At the same time, the International Monetary Fund finds that policies or reforms that reduce the burden of public spending on the social pension system are associated with higher economic growth. The policies analyzed by them are a) the increase in retirement age;[25] b) the reduction in benefits;[26] and c) the increase in contribution rates.[27] The study concludes that these public pension reforms have a positive short-term effect on growth by rising consumption. These policies also

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[25] *Raising retirement age raises participation in the labor force beyond a certain age and slows down the increase in the pension system dependency ratio. This leads to a reduction in transfer payments to pensioners, an increase in contributions and an increase in tax revenues through increased income and consumption, therefore leading to higher public savings. In the long run, output rises as firms demand more capital inputs to work with higher labor. Before retirement, forward-looking consumers who will be providing more labor services and face a shorter retirement period reduce their saving and increase consumption in anticipation of increased future income. Earning income over a longer working period makes up for this initial drop in savings and has a positive impact on their stock of wealth in the long run.*

[26] *Reducing benefits has been the policy choice of several countries, with cuts of nearly 20 percent or more set to occur within the next 20 years. Benefits could be reduced by modifying the base used to calculate benefits, modifying indexation rules, or taxing pensions. Rules that link benefits to demographic and economic variables to maintain actuarial balance could also lead to benefit cuts. Based on theory, there are strong incentives for working households to increase their savings in the face of announced decline in replacement rates of the pension regime, in order to avoid a sharp reduction in their income and consumption after retirement. A higher saving rate leads to stronger capital accumulation and an improvement in the net asset position of the country, but the effect on short- and medium-run consumption levels can be negative.*

[27] *Increasing contribution rates needs to be assessed along with potential changes in the tax rate on labor income, since it is their combination that determines the effective marginal and average tax rates that are likely to affect decisions about labor participation and hours worked.*

generate a positive impact in the long-term due to lower government debt and higher investment. Botman and Kumar (2007) arrive at a similar conclusion. They instead look at aggregate countries' reforms analyzing the impact of broader structural reforms (such as increasing labor participation, product market liberalization, and higher R&D). Cournède and Gonand (2006) and Andersen (2008a, b) find that raising the retirement age is a good policy since it boosts economic growth and improved public debt dynamics. These authors also mention that economic growth gets higher when the pension regime is rebalanced increasing the retirement age and containing spending (rather than lowering replacement rates and raising taxes).

A.4 The relevance of leadership and candidate selection mechanisms: case studies

We first test our theory by studying in detail three countries. Using a subset of the potential party indicators that affect discipline, we compare the evolution of the leader and candidates' selection processes that Italy, UK, and Canada have faced from 1965 to 2012. We chose these countries for different reasons. First, Italy presents a relevant time-variation in fragmentation, and incentives to pursue personal vote at the beginning of the 1990s. In contrast, Canada has had a more stable party system. The effective number of parties and the rules to select candidates have stayed similar during the period analyzed. Lastly, United Kingdom is incorporated in the analysis since parties were historically characterized by being highly disciplined. Even when the two traditional parties still dominate in the electorate, the parties have incorporated relevant reforms that have widened the selectorate the last couple of decades.

We study here the leadership and candidate selection mechanisms since this dimension is one of the most relevant variables explaining party discipline. Selection processes reflect how the

party organizes and how the power is distributed internally. In contraposition, the fragmentation (measured as the effective number of parties in parliament) and the relevance of public campaign financing are systemic variables that capture the party system as a whole.

A.4.a Italy

During the last 40 years, the party system in Italy has been fragmented and unstable. The crisis in the early 1990s made parties collapse due to a series of nationwide corruption scandals. New parties and internal structures have influenced the way political parties organize internally after the crisis. The consolidation of parties is still evolving while the system as a whole is still fragmented and fragile.

From 1965 to 1993 (the First Republic), leadership roles were not clearly defined. The power was distributed among different persons. The party secretary -leader of the extra-parliamentary party- and the leader of the party in parliament were the two most prominent figures. All Italian parties adopted similar methods for selecting their leaders. The process was performed by the members of congress, a body that was composed of 1,000–2,000 delegates on average. The assembly was in charge of selecting the party secretary or it appointed a party council which then had the task of choosing the leader. During this period, no party ever adopted more inclusive procedures.

After 1993, the leadership selection broadens in two different ways. Left parties evolved from the traditional congress of delegates to close primaries first, and then, open primaries. The evolution of parties on the right was different: the selection of leaders was still decidedly informal, and the coronation of founding fathers was the common final decision. As a whole, there was not a clear dominant mechanism defining how the leader was selected before the 2000s.

Besides parties having different criteria to select leaders, the requisites for candidacy also vary greatly across time and parties. There is not a seniority rule as a condition of eligibility. Additionally, few parties require that their candidates possess some formal endorsement in order to participate in the leadership contest.

Regarding the inclusiveness of the selectorate, high heterogeneity was also present among parties. The PDL, LN, and UDC have adopted a representative system in which party delegates select the party leader. The PD used an open primary system and the IDV has adopted selection by a party council. The size of selectorate bodies can vary widely, ranging from around three million voters participating in the PD's primary elections to the few thousand members of the LN, UDC, and PDL, to the 150 members of the IDV party council. At the beginning of the 2000s, the PDS-DS began to evolve from a representative system (with a party secretary selected by delegates in the congress) to a direct election system, in which all eligible members were entitled to select the leader. When it was founded in 2007, the PD was one of the first parties in Western Europe adopting open direct primaries to select its leader.

Figure A.3 resumes the evolution of the inclusiveness of the selectorate observed in Italy between 1989 and 2012. The figure shows that the main parties have transitioned to a more inclusive selectorate over the years. However, most parties still do not include party members or general voters as participants of the process.

The election rules have not greatly evolved during the Second Republic. In general, there are no term limits for the leaders and the length of mandates ranges from two to four years. Lastly, no formal procedures are defining the rules to remove the leader. However, Italian experience shows that parties often change their organizational structure and leadership selection rules after

experimenting with a significant electoral defeat. Figure A.4 resumes the main rules governing

leadership selection mechanisms during 2012 determined by the main Italian parties.

Figure A.3: Inclusiveness of the selectorate in Italy, 1989-2012
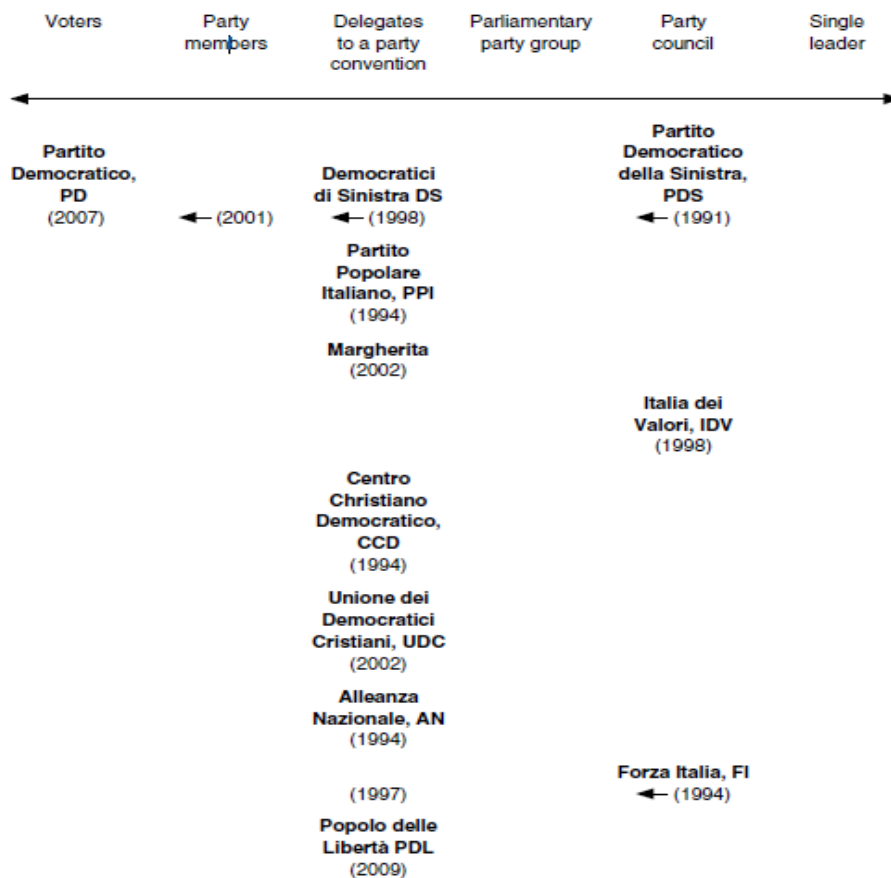
Source: The Selection of Political Party Leaders in Contemporary Parliamentary Democracies
(2014).

Figure A.4: *Party Leader Selection Rules in Italy, 2012*

Party name	Selectorate	Term (in years)	Voting rule	Deselection
PD	All voters	4	Run-off	Party congress
IDV	Party council	3	Plurality	No removal procedure
UDC	Delegates to party convention	2	Run-off	No removal procedure
LN	Delegates to party convention	3	Plurality	No removal procedure
PDL	Delegates to party convention	No term specified	Plurality	No removal procedure

Source: The Selection of Political Party Leaders in Contemporary Parliamentary Democracies (2014).

A.4.b United Kingdom

The United Kingdom has one of the world's most stable democracies with a party system structured by a clearly define left-right division and a first-past-the-post electoral system. The party system has long been dominated by just two parties (the Conservatives and Labour). The two parties are, to some extent, controlled by their parliamentary caucuses. The final decision concerning who becomes leader has converged to members and affiliated organizations over the years. However, the recent implementation of a more inclusive selectorate has not affected radically the contests. As Bale and Webb (2015) mention, there is little evidence supporting the hypothesis saying that reforms have been driven by changes in the way leaders are elected. There is also little evidence that contests have become more competitive.

Different than the Italian case, the role of the leader in the United Kingdom is clearly defined: whoever led the parliamentary sections is indisputably the true leader of his party. There are, however, other sections that have relevant political power.[28]

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[28] The Chairman of the Conservative Party is responsible for running the party organization, especially the interface between its parliamentary and extra-parliamentary wings. Appointed by the party leader, the chairman is an

The process of negotiation that coronated the leader was opaque before 1965. The implementation of a system of MPs exhaustive ballots changed the rules that year. This system prevailed until 1997 and imposed that the potential leader must win the support of an overall majority and obtain a margin of at least 15% over the second competitor. In principle, MPs were expected to incorporate local constituency associations. However, in practice, the selection process became more democratic in 1998. The 1998 reform established that the parliamentary party would only have decision power acting as the preliminary selectorate: the parliamentary party eliminated candidates through ballots and selected the two final candidates. Only after this stage, the members of the party selected the leader in an OMOV ballot.

Therefore, the leadership selection process is done in two stages. In the first stage, MPs decide the candidates. Then, MPs vote to narrow the list under two candidates. This process is done in multiple rounds. Then, party membership elects the leader in stage two. The rules by which the 1922 Committee arranges the first stage of a Conservative leadership contest and votes of no confidence are not published. They can change at any time. The second stage is guided by the Conservative Party. However, the exact rules for the conduct of the ballot are decided by the Conservative Party Board and the Executive Committee of the 1922 Committee.

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organizational leader. Labour also has a Chair elected by the National Executive Committee (NEC) for one-year terms, mainly in order to chair NEC meetings and annual conferences.

The Conservatives' candidate selection

Traditionally, autonomous local constituencies have selected constituencies candidates through the Approved List of Conservative Candidates. Local parties or associations were forced to choose from this list and could nominate their local candidates. This process aimed to achieve local democracy within the party. The formal process lasted for several decades to approve candidates for the approval lists.

However, criticism raised because the process had biases favoring candidates with high debating and rhetorical skills at the expense of other attributes like formal education. After the electoral defeats of 1997, 2001 and 2005, different efforts were made to generate higher diversity and higher women participation. The first reform took place in 2001 when the Approval List was renewed. The goal of this reform was to create a modern and more rigorous selection process making it more transparent and fairer for women an ethnic minority. Following this reform, all candidates were to require passing a PAB regardless whether the candidate wanted to be on the Approval List or be nominated for a specific constituency by a local organization.

Next, in 2005 new rules shaped the composition of local association selection committees. Committees must be formed by up to 15 local party members. However, the decision regarding the candidate application would be conducted by just three-party officers. These officers were considered closer to the party leader and they could also be required to conduct a secondary process with representatives from CCHQ's Candidates Office when the potential candidate find that the officers' decision was not fair.

The implementation of A-list was the next relevant reform. A-lists aim to increase candidate diversity. However, their initial impact was limited due to party local resistance. There

was still a generalized feeling that the selected candidate was not the most appropriate. To face the diversity's problem, shortlist quotas were implemented after. Under these quotas, local associations shortlists must have an equal number of male and female candidates. However, the evidence suggests that this approach had a limited impact on the number of women MPs elected. This was sometimes simply because too few women came forward in the first place, but there was also active resistance to the gender quota within the party.

Due the negligible effect that A-lists provided in the contests, new changes were incorporated after. A-List candidates then competed for selection alongside candidates on the Approved List. Also, the 50% quota was present, remaining as the only positive discrimination mechanism used across the different selection processes.

More importantly for this study, besides the implementation of these reforms, Conservatives introduced changes designed to broaden participation in the candidate selection process. The called Big Event was introduced in 2006. Here, non-party local community representatives had the opportunity to interview the shortlisted candidates. They reported their main conclusions and suggestions to the Selection Committee (organ that still decided alone the final candidate decision). Primary elections appeared next, giving all registered voters in a constituency the right to participate in the selection of the local candidate. The format of these primaries varies across constituencies and over time. The more widely used type of primary was the open format (known as caucuses in the US), where members of the community were able to participate and vote in the final selection meeting. The process was similar to the traditional selection process where the shortlisting process occurred first, but then, a primary meeting with local members replaced the general meeting of party members.

More than 100 open primaries were implemented between 2006 and 2010. However, the turnout was, in general, low. As solution to this problematic, the party decided to offer all registered voters in two constituencies the chance to vote by postal ballot. This recent reform has had a greater success in reaching higher public participation.
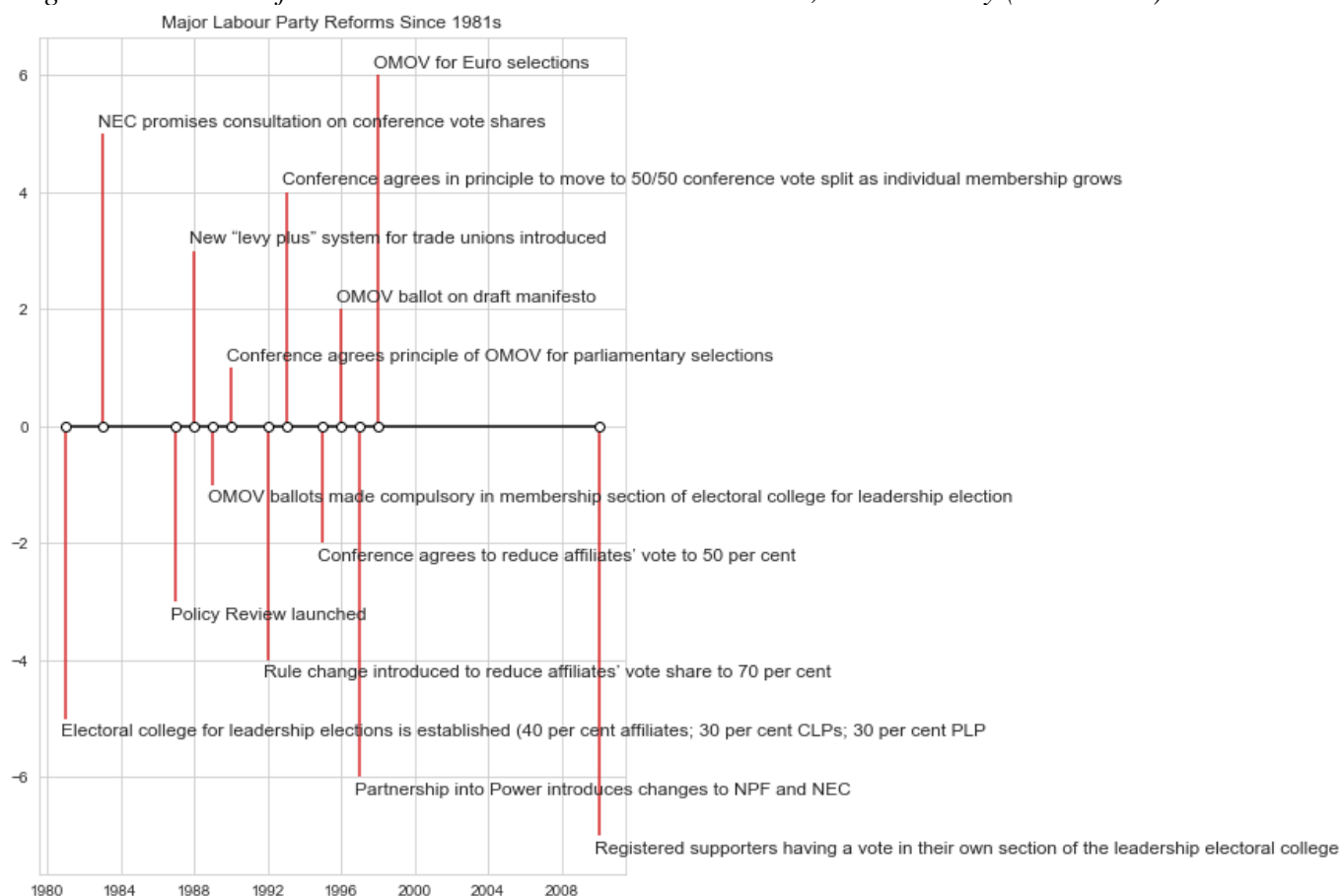
Leadership selection in the Labour Party

Both the party and deputy leaders were elected exclusively by MPs before the 1980s. However, at the end of the 1970s, a left-wing (CLPD) together with different influential trade unions wanted to implement an electoral college. The College was introduced in 1981 and it was divided into 3 sections a) 40 percent of the votes going to affiliated societies (trade unions or socialist groups); b) 30 percent to local Constituency Labour Party branches (CLPs); and c) 30% to MPs. The successful candidate must win the support of an absolute majority taking into consideration the weights explicit before. The exhaustive balloting as the selection method was present until 1994. From 1994 onwards, an alternative vote was implemented: challengers required the support of 12.5% of the PLP (if the leader position is vacant) or 20% of the PLP plus 2/3 majority of the annual conference when the challenger is challenging an incumbent prime minister. After the defection of the general election in 1992, a new revision of the system started. In 1993, it was agreed that each section of the College should have the same share of the voters. Also, the unit voting pattern of delegatory democracy (which operated with CLP sections) was replaced by an OMOV where now a direct postal ballot of each union's members would be present. Additionally, the power of CLP delegations to cast block votes on behalf of their local memberships was replaced by a direct postal ballot of the individual members themselves.

To trigger a leadership contest, a challenger must be nominated by at least 20% of the combined ranks of Labour MPs. Nominations must be submitted in written form to the general secretary of the party. Unlike the Conservative Party, there is no formal role for a vote of no confidence as part of the challenging process. The timing of a leadership election is decided by the Labour Party rule book, with exact timings decided by Labour's National Executive Committee (NEC). When in opposition, the election of a leader usually takes place at the annual party conference. While there is no official mechanism to call an emergency conference before an annual conference, the NEC has the power to do so. The NEC also decides what powers are available for an acting leader to use. When in government, an election can only take place when a majority of the party conference requests it through a card vote (also known as a block vote). This gives 50% of the voting power to affiliated organizations and 50% to constituency Labour parties.

Figure A.5 resumes the main reforms that have taken place from 1980 to 2010 in the leadership selection mechanism. As the figure describes, the leadership selection process has become gradually more inclusive over the years.

Figure A.5: Main Reforms on the Leader Selection Mechanism, Labour Party (1980-2010)

Major Labour Party Reforms Since 1981s

- OMOV for Euro selections
- NEC promises consultation on conference vote shares
- Conference agrees in principle to move to 50/50 conference vote split as individual membership grows
- New "levy plus" system for trade unions introduced
- OMOV ballot on draft manifesto
- Conference agrees principle of OMOV for parliamentary selections
- OMOV ballots made compulsory in membership section of electoral college for leadership election
- Conference agrees to reduce affiliates' vote to 50 per cent
- Policy Review launched
- Rule change introduced to reduce affiliates' vote share to 70 per cent
- Electoral college for leadership elections is established (40 per cent affiliates; 30 per cent CLPs; 30 per cent PLP
- Partnership into Power introduces changes to NPF and NEC
- Registered supporters having a vote in their own section of the leadership electoral college

Candidate selection in the Labour Party

Candidate selection in the Labour Party has been the source of controversy between unions, activists, and parliamentary leaders. Consequently, candidate selection has undergone many reforms during the past 30 years. Reforms have focused on expanding participation within the party and increasing the diversity of parliamentary candidates and MPs. The party has introduced national candidate panels. However, the party started moving back to a more regional mechanism after the 2010 national election.

The CLP elects representatives to national party structures, including delegates to Labour Party Conference, and it nominates candidates for election to other party positions such as the

National Policy Forum and the National Executive Committee,[29] as well as party structures in Scotland, Wales or the appropriate English region. Where there is a sitting Labour MP, the CLP can organize a *trigger ballot* to decide whether it wishes to carry out the full selection procedure or simply endorse the sitting MP as their candidate at the next election. It is unusual for a sitting MP to 'lose' their trigger ballot, which requires the endorsement of one-third of party branches or one-third of affiliated branches to succeed.

The CLP nomination process happens in two phases. The CLP's General Committee (comprised of delegates elected from BLP's, affiliated trade unions, socialists' societies, the Co-operative Party, and others) appoints an executive committee. The executive committee makes the first pass through the BLP's nominations, then the entire CLP (which includes the executive committee, general committee, BLP's, Young Labor Groups, LGBT Groups, Ethnic Minorities Forums, etc.) selects a nominee to pass to the NEC through an electoral college system.

In 1990 the party conference introduced a far-reaching program of quotas throughout all the party organizations. The resolution also proposed the introduction of a quota system into candidate selections, with the target of securing 50% female representation in the Parliamentary Labour Party within ten years. The implementation of these quotes was associated with an expansion of child-care, a positive action policy for women at work, and the strengthening of Britain's sex equality legislation. Although shortlist quotas had been introduced in the late 1980s, the key reform was implemented in 1993 where all-women shortlists (AWS) in 50% of all vacant or winnable were introduced. The implementation of the AWS policy between 1993 and 1996

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[29] Candidates can choose whether or not to accept the CLP nomination. The NEC (of which the Labour leader is a member) prepares its own list of acceptable candidates and presents that list to the CLP. If the CLP chooses a candidate who is not on the NEC's list, the NEC can veto the pick. As of Annual Conference 2017, the NEC has 38 members elected from the following constituencies: 1: Leader of the Labour Party 1: Deputy Leader of the Labour Party 1: Treasurer 3: Opposition Front Bench (MPs nominated by the Shadow Cabinet) 1: Young Labour 13: Trade Unions 1: Socialist Societies 1: BAME Labour 9: CLPs 2: Labour Councillors 3: PLP (Backbench MPs elected by all Labour MPs) 2: Scottish Labour and Welsh Labour.

resulted in the selection of 38 women candidates, 35 of whom became MPs in 1997. In total, the number of women MPs in the Labour rose from 37 to 101 during the 1997 election[30]. The Labour Government passed the Sex Discrimination (Election Candidates) Act in 2002, granting political parties the freedom to use positive discrimination measures. The party promptly reintroduced AWS for the 2005 and 2010 elections. The reintroduction of AWS was again effective since the proportion of women MPs in the PLP raised to 27% in 2005 and 31% in 2010.

Reforms in 1997 introduced the National Policy Forums, which limit the NEC's autonomous policy-making role. These groups also determine the party platform. Over the past twenty years, the NEC has increasingly taken a hands-off approach concerning the nomination of candidates from Scotland and Wales.

One reason why the trend towards gender equality has been slower than the party leadership is that in seats where AWS were not imposed, male candidates were far more likely to be selected. Yet the general conclusion from the history of AWS is that by creating an artificial demand for women candidates in Labour's safe and marginal seats, the party significantly increased the number of women MPs from a far smaller pool of women candidates overall.

In 2001 the NEC introduced a professionalized training and assessment process for aspirant candidates, with successful applicants being added to the Labour's Approved List: The National Parliamentary Panel (NPP). CLPs retained the right to nominate candidates. However, these candidates remained subject to post-selection approval by the NEC. Several further changes to the selection

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[30] The policy, however, was unpopular with large sections of the party who were unhappy at the rights of local constituency parties being overridden by the leadership. In 1996 two male trade unionists, Peter Jepson and Robert Dyas-Elliot took the party to an employment tribunal claiming that the AWS policy was in breach of the Sex Discrimination Act and won their case. Labour was forced to drop AWS for the remaining selections ahead of the 1997 election. Women elected fell shortly. This experience led many in the party to conclude that AWSs were the only way to reach the goal of gender parity among MPs.

process have recently been introduced to improve the chances of candidates from under-represented groups being selected.

In 2004, the Labour Party carried out the *21st Century Party* review. As a result, some CLPs chose to change their arrangements. Some CLPs have merged the GC and EC into a single committee, whilst some CLPs have abolished the GC entirely and organize all-member meetings to take decisions. Other CLPs, particularly in urban areas -divided between several constituencies-, have chosen to combine their activities with neighboring CLPs.

At the end of the 2000s, OMOV entrenched within the party as the favored method for selecting candidates. However, after the 2010 election defeat, OMOV received greater attention again. Many prominent voices called for participation in candidate selection to be broadened further using open primaries in which a new category of registered *party supporters* (and perhaps even the general public) could participate.[31] Following a consultation exercise, a package of reforms was passed at the 2011 Labour Party Conference. Some of these reforms included the creation of a registered supporters network comprising members of the public sympathetic to the Labour Party.

Another important change is a new limit placed on the campaign activities of shortlisted candidates as they seek the support of local members. There was previously no cap on the amount candidates could spend on their campaigns. However, the new rules now limit the expenses. The intention of this reform was to level the playing field. Given that the costs of seeking candidacy are often cited as a barrier to people from under-represented groups, this reform could help some candidates to compete better against rivals with greater personal financial or union backing. Figure

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[31] They argue that primaries will enable the party to reconnect with lost voters and communities in areas where the party's shrinking, aging and unrepresentative membership increasingly lack the resources to sustain Labour's presence.

A.6 describes the main reforms that the candidate selection mechanism has experimented from 1970 to 2010. As the figure points out, Labour Party candidates were traditionally chosen at the constituency level. However, the final decision used to be taken not by individual members but by the General Committee (GC) during the selection meeting. In these meetings, officials elected to represent local branch parties, affiliated societies and trade unions voted on behalf of their members for their preferred candidate. A series of reforms in the early 1990s reduced the role of trade unions in candidate selection. In 1994, individual affiliate members could join the party and the OMOV was introduced (taking place over the voting by local branch officials). Finally, note that the Committee retained its initial responsibility for drawing up a shortlist of candidates.

Figure A.7 describes how parties have broadened the leadership selectorate over the years. While in 1965 the parties decided the leader through a parliamentary group, in 1998 the two main parties included members as participants. However, and as was described before, party members have different decision power.

Figure A.6: Main Reforms on the Candidates Selection Mechanism, Labour Party (1970-2010)
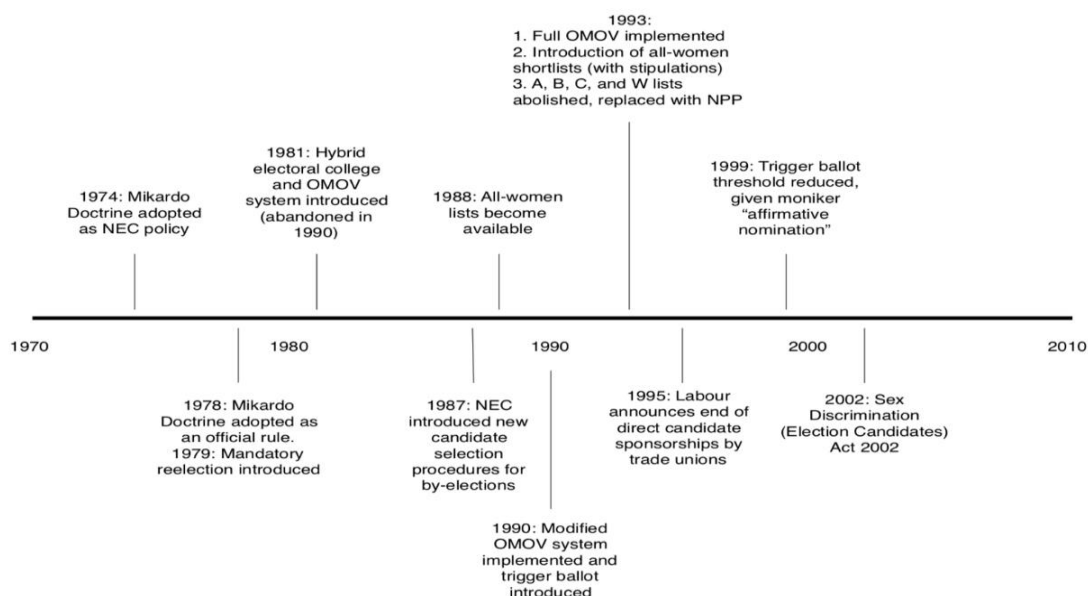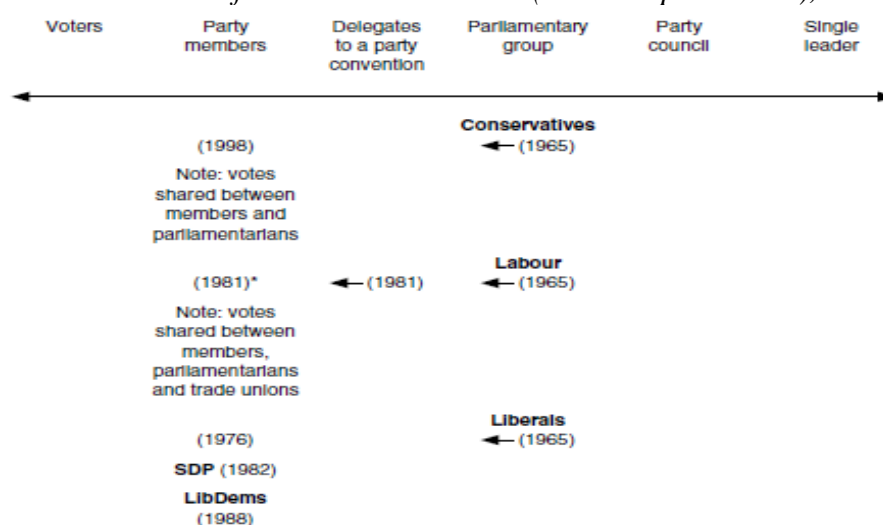
Figure A.7: Inclusiveness of the selectorate in UK (leadership selection), 1965-2012

Voters	Party members	Delegates to a party convention	Parliamentary group	Party council	Single leader

Conservatives
◄─ (1965)

(1998)
Note: votes shared between members and parliamentarians

Labour
(1981)* ◄─ (1981) ◄─ (1965)
Note: votes shared between members, parliamentarians and trade unions

Liberals
◄─ (1965)
(1976)

SDP (1982)

LibDems (1988)

Source: The Selection of Political Party Leaders in Contemporary Parliamentary Democracies (2014).

Lastly, Figure A.8 resumes the main selection rules that were present in 2012 defining leadership selection mechanisms. Different from the Italian case, both parties do not determine the leader's term limits. Also, note that there exist formal procedures defining the rules for the removal.

Figure A.8: Party Leader Selection Rules in UK, 2012

Party name	Selectorate	Term (in years)	Voting rule	Deselection
Conservative and Unionist Party	MPs (stage 1) and party members (stage 2)	No limit	Stage 1: elimination ballots; Stage 2: run-off between top two candidates from stage 1	Majority vote of MPs
Labour	Vote shared equally among parliamentary section (MPs and MEPs), constituency members, and members of affiliated societies (primarily trade unions)	No limit	One member one vote, weighted to one-third weight for each section, alternative vote used	Challengers require the support of 20% of the parliamentary party if they wish to challenge an incumbent Labour leader

Source: The Selection of Political Party Leaders in Contemporary Parliamentary Democracies (2014)

A.4.c Canada

Cross (2014) highlights that political parties in Canada have strong leaders. Two reasons explaining this strength are a) the relatively high degree of party discipline in parliament; and b) the veto that leaders have over candidate selection. The party discipline in the Canadian House of Common seems to be greater than the discipline found in legislatures of different western democracies such as the United Kingdom and the United States. Cross also mentions that this high party discipline allows leaders to exert greater control over the policies and agendas that the party will set in the future. The second relevant features arise since election laws force party leaders to approve the party's candidates in each of the single-member electoral districts. The degree to which this authority is implemented varies across time and districts. However, leaders have exercised it by refusing to endorse locally selected candidates on different occasions.

Party leaders have no tenure limits, and they lead the party during both parliamentary sessions and election campaigns. Even when the strong influence of the leader is common across parties, the decision regarding how parties select their leaders is governed independently by the party. Given this scenario, parties have experimented with a variety of selection methods over the years. The debate on the best way to select leaders has been strongly debated across parties' committees and the elite. This debate has ensured a transparent regulatory framework favorable to the candidates and their campaigns.

Like the British case, the figure of the leader in Canadian is clearly defined. Even when the party's membership elects a president and other executive members, the influence of these office-holders is limited and their power is subordinated to the party leader's authority. Similar to the Italian and British experiences, Canadian party leaders were initially selected by a small

parliamentary group. However, Canadian parties were the innovators in terms of broadening leadership selection mechanisms.

Extra-parliament bodies were already presented in the selection process in 1920. These delegated conventions were comprised of two groups of delegates. One group was formed by local party activists chosen from each of the country's electoral districts. The second group consisted of party elites, known as ex officio delegates, who came to their delegate status by holding a high party office. The proportion of ex officio delegates was relatively high, and the constituency-based delegates were themselves often local elites.

Delegated conventions were the norm until the 1960s. During this decade, the leadership selection mechanism experimented with relevant changes. The power shifted away from party elites and move towards rank-and-file constituency party members. This change affected the conventions' sizes. They became larger and the additional delegates primarily were in the group of those chosen to represent local party members.[32] In the conventions, Liberals, and Democrats an equal number of delegates was assigned to each electoral constituency across the country. This ensured that all regions were represented. This differs from the process used in some parties, including Canada's New Democrats, that allocated delegate numbers based on the size of a local party's membership.

Given these reforms, the focus of the candidates' campaign during the 1970s and 1980s shifted away from the convention to influence the convention. However, parties at the provincial level started to implement the every-member-vote type of contests in the middle of the 1980s. Parti Quebecois was the first major Canadian party to implement a direct vote of its entire membership

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[32] Conservative and Liberal leadership conventions of 1967 and 1968 respectively were near twice the size of prior ones and the number of candidates and competitiveness of the contests increased significantly.

in 1985. In 1990, many other parties following this strategy and selection through membership votes became the norm.

Nowadays, all Canadian parties let their members vote in leadership contests. However, it is important to mention that the definition of members in Canada differs from the definition used in other countries for purposes of including them in the selection of their candidates and leaders.[33] The Canadian approach is to have a wide-open membership and essentially let any interested voters participate in the contest.
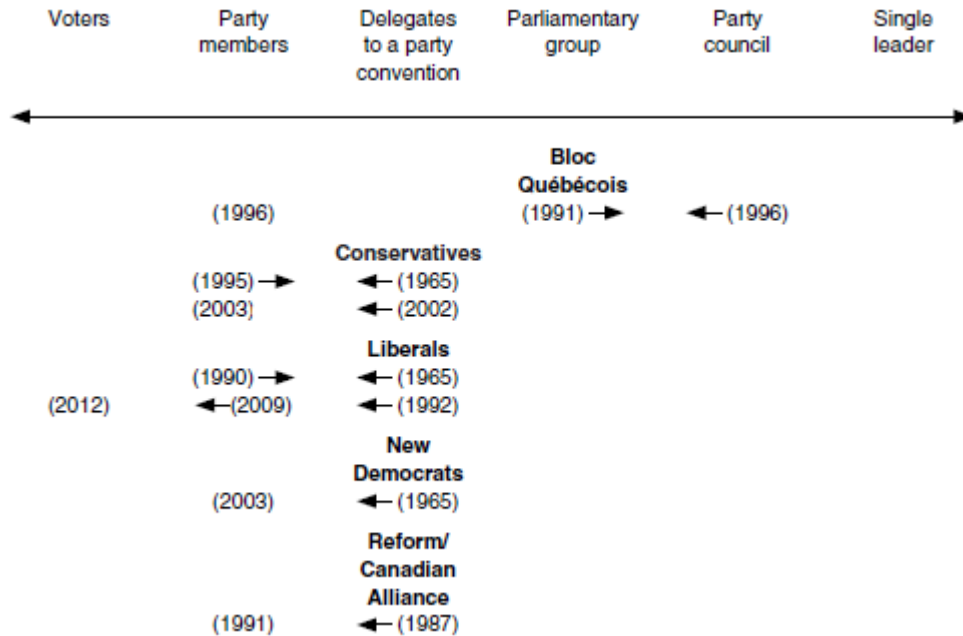
As Figure A.9 also shows, the introduction of membership voting was not universal. Some parties decided to maintain sequential balloting. This process is more inclusive than delegate conventions because the electorate is larger and more diffuse. When the sequential balloting was adopted for some parties, the rules said if no candidate receives majority support on the first ballot, the second round of voting should be held with either the top two or three candidates. Other parties used instead preferential voting in the first round to avoid the cost and administrative burden of organizing a second ballot.

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[33] For example, other parties require that members belong for a year or more before being granted a vote (the Irish Labour Party). Also, in other countries, parties require that members actively participate in party before being eligible to vote. This approach limits participation to those with an ongoing commitment to the party and reflects a desire to give meaning to long-term membership and activism by restricting this privilege to those who meet these requirements.

Figure A.9: Inclusiveness of the leader selectorate in Canada, 1965-2012

Voters	Party members	Delegates to a party convention	Parliamentary group	Party council	Single leader

◄──►

Bloc Québécois
(1996)   (1991) ➤   ◄ (1996)

Conservatives
(1995) ➤   ◄ (1965)
(2003)   ◄ (2002)

Liberals
(1990) ➤   ◄ (1965)
(2012)   ◄ (2009)   ◄ (1992)

New Democrats
(2003)   ◄ (1965)

Reform/ Canadian Alliance
(1991)   ◄ (1987)

Source: The Selection of Political Party Leaders in Contemporary Parliamentary Democracies (2014).

The Canadian parties are unique in providing no privileged role in leadership selection to their parliamentarians. This can be contrasted with the UK case in which Labour allocates one-third of the leadership vote to parliamentarians and the Conservatives MPs narrow the field to two finalists from whom the rank-and-file members choose a leader. Similarly, there is no threshold support of parliamentarians required for candidacy for leadership. In many other parties around the world where the selectorate has been expanded to include regular members, MPs maintain a key role during the nomination process.

Figure A.10 shows that parties select their leader using a majority rule. MPs are elected through a plurality electoral system. Parties have used majority and preferential voting during the process. In contrast, when leaders were chosen at delegated conventions, multiple sequential ballots were executed, where the least voted candidate was eliminated in each round until a majority result was achieved.

Figure A.10: Party Leader Selection Rules in Canada, 2012

	Selectorate	Term (years)	Voting rule	Deselection
Bloc Québécois	Party members	None	Majority/ preferential vote	Party conference
Conservatives	Party members	None	Majority/ preferential vote	Party conference (when in opposition only)
Liberals	Party members and supporters	None	Majority/ preferential vote	Party members (when in opposition only)
New Democrats	Party members	None	Majority/ preferential vote	Party conference

Source: The Selection of Political Party Leaders in Contemporary Parliamentary Democracies (2014).

Canadian experience indicates that the political parties' system has remained stable, and it has not gotten less disciplined to a large extend. The mechanisms to select leaders became more inclusive and earlier than the other two countries analyzed. Like the British experience, no relevant changes have been observed in both fragmentation and incentives to pursue personal vote. Canadian fragmentation is lower, and its candidate selection mechanism broader than the Italian experience.

A.4.d Performance's Comparison

Leadership selection processes have broadened over the years in all three case studies. The greater variation is observed in the United Kingdom, where the selection mechanisms are now decided by eligible party members. 30 years ago, leaders in the UK were selected exclusively by a small parliamentary caucus. The Canadian experience is different. Even when eligible members select leaders nowadays, the selectorate broadened earlier than the other two countries. The participation of members has been higher and has had higher importance relative to the Italian and British experiences. Regarding candidate selection mechanisms, Italian parties have the narrowest

selectorate. The British and Canadian cases are similar: candidates are selected by constituency groups or direct primaries.

Figure A.11: Comparison Leadership and Candidates Selection Mechanisms, 1965-2012
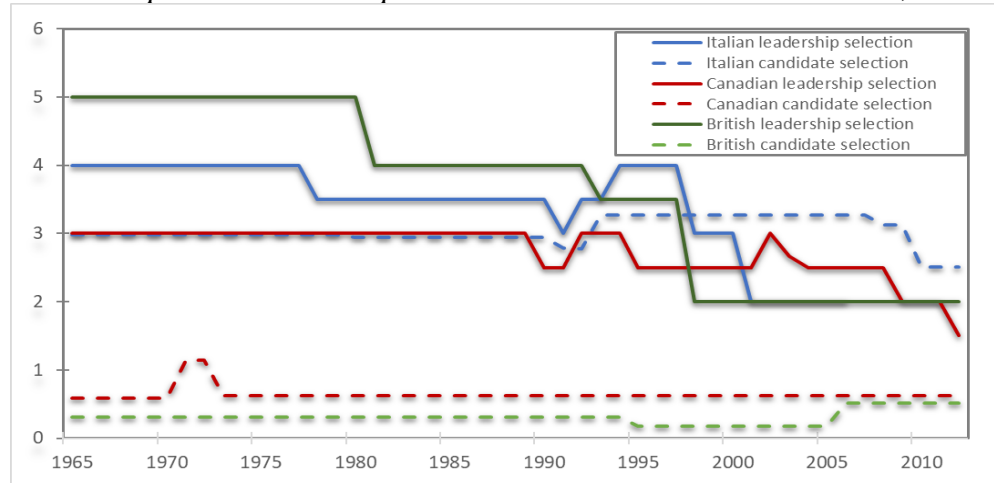
Regarding fragmentation, the British and Canadian political systems have remained stable over the years. Even when new parties have been founded recently, in both countries the traditional parties are well-structured and keep relevant power in parliament. The Italian case is different since party instability has been present over the years and the political crisis of the early 1990s led to a higher fragmentation. Lastly, we observe an increase in the relevance of public campaign finance over the years in the three countries. The main difference is that there has not been an increase in the relevance of public campaign financing in Italy in more than 40 years.

Figure A.12: Comparison Public Campaign Financing and Fragmentation, 1965-2012
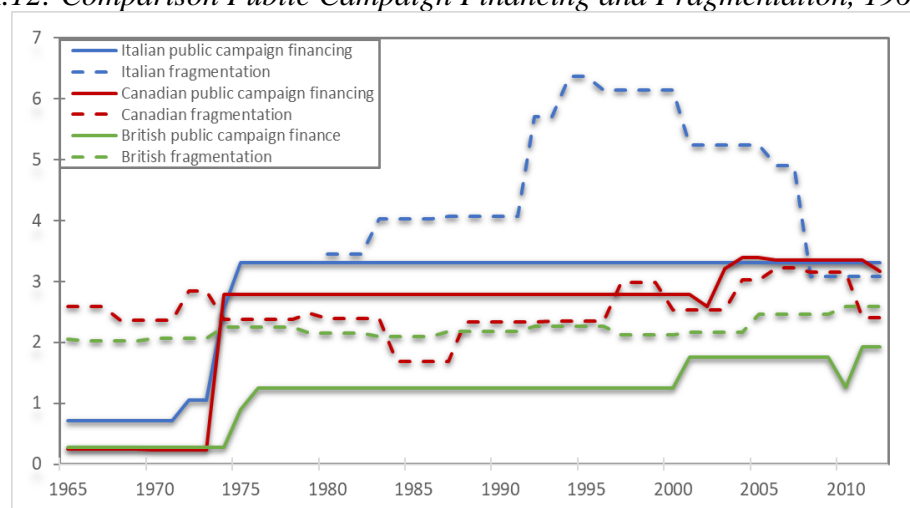
The following table resumes the main features of the leadership and candidate's selection processes that are relevant and generate an impact on how the party ultimately will define its social and economic long-term agendas.

Table A.2: Comparison Main Features of Leadership Selection Mechanisms

Feature	Italy	Canada	UK
Unique Leader and	No	Yes	Yes
Consolidation of the intra-party structure (traditional parties)	No	Yes	Yes
Homogeneity of selection procedures among parties	No	Yes	Yes
Real impact of broader selectorate	-		No
Multi-staged leadership selection mechanisms	Not clear	No	Yes
Leader's Veto for candidates		Yes	Yes

Next, we compare in detail some of our measures for public goods across these three countries. First, we compare the unemployment rates observed in both economic slumps (1988 and 2008) and their subsequent evolution. As we can see, the three countries reached a similar unemployment rate during the crises (1989-90 and 2008-09). However, the United Kingdom and Canada experimented with lower posterior unemployment rates and a faster recovery in comparison to Italy. Although many other unobserved variables can explain the unemployment

rate, we think that more disciplined parties can impact positively the unemployment through the implementation of short-term policies (higher public spending on labor markets).

Figure A.13: Comparison case studies unemployment rates in and after economic crisis (1990 and 2008)
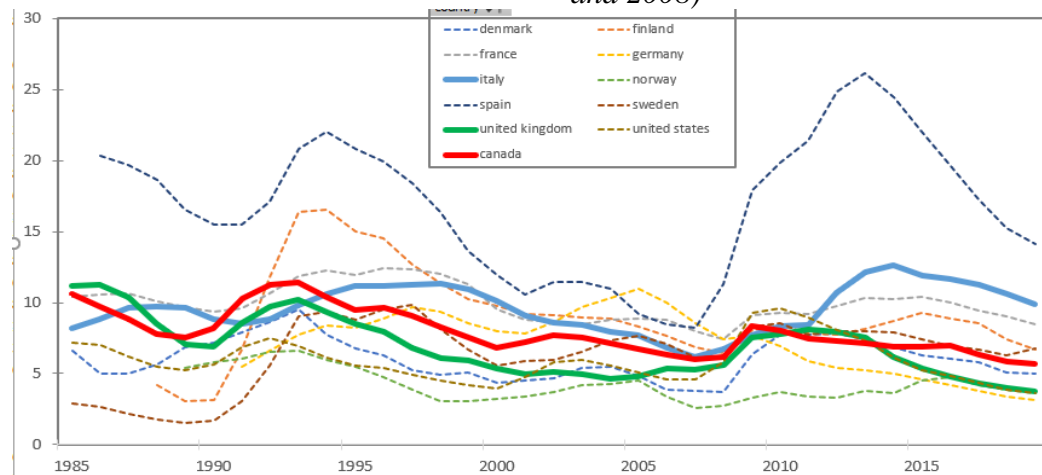
Next, we compare the public spend on social pensions as a percentage of the GDP. Figure A.14 shows the evolution of the public spending on social pensions as a proportion of the OECD average (i.e., a value larger than 1 indicates that the country has spent more than the average across OECD countries). As we can see, Italy spent a disproportioned high amount on social spending in comparison to the United Kingdom and Canada even after controlling by the percentage of the elderly population. Also, note that the time-evolution differs across countries. While Canada has decreased the amount spent on pension (as a percentage of the GDP) over the years, the United Kingdom has kept it almost flat. In contrast, Italian spending is still increasing.

Figure A.14: Case Studies Comparison public spending social pensions, 1980-2012
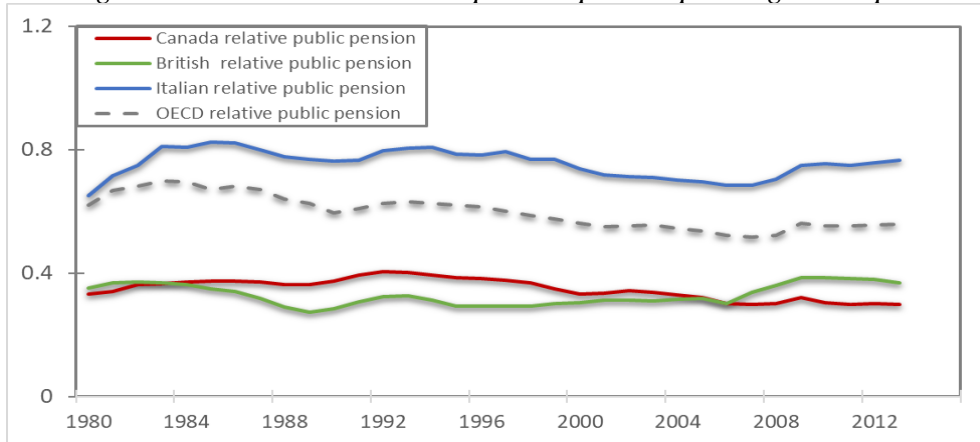
Finally, we compare social spending on family in-kind benefits. The first point to note here is

that the amount spent in Canada does not seems to be right. In fact, they do not report spending on

ECEC to the OECD. Therefore, the amount should be biased downwards. Lastly, it is important to

mention the different evolution of family in-kind social spending during the 2008 financial crisis.

While the United Kingdom increased this public spending, Italy decreased it.

Figure A.14: Comparison in-kind family benefits, cases studies