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The Role of Electoral Competitiveness and Party Size in Explaining Parties’
Policy Shifts

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Abstract

This paper investigates how the degree of electoral competition affects parties’ policy positions. It follows a growing body of research on party positioning in multi-party competition that regards elections as signals for parties that have to choose their positions and issue strategies. In this article we argue that previous elections provide information about the competitiveness of the upcoming election. The expected degree of electoral competition affects parties’ future policy positions since with increasing competitiveness of an election, parties have higher incentives to move towards a vote-maximizing position. However, what constitutes a vote-maximizing strategy varies between parties. While large mainstream parties have an incentive to moderate their positions, small and niche parties choose more extreme positions to distinguish themselves from their mainstream competitors. Applying a novel measure of electoral competitiveness, we find that the degree of electoral competition, indeed, determines parties’ policy shifts, but that this effect is moderated by party size.

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In the past two decades a growing number of scholars has investigated the dynamic behavior of parties and has analyzed the causes of their policy position shifts. This literature has established that parties, indeed, follow a pattern of “dynamic representation” (Stimson, Mackuen, and Erikson, 1995) and adapt their position to shifts in public opinion (Adams et al., 2004), economic conditions (Adams, Haupt, and Stoll, 2008), and the behavior and success of other parties (Abou-Chadi, 2014; Adams and Somer-Topcu, 2009b). Moreover, the degree and direction of these shifts depends on the type of party as well as their internal organization (Adams et al., 2006; Schumacher, Vries, and Vis, 2013). Elections should play a crucial role in this process since they signal the preferences of the electorate to parties, and, thus, influence parties’ future policy positions (Budge, 1994). Yet, several scholars who have empirically investigated if parties adapt their position according to previous election results have presented evidence supporting and refuting this hypothesis (Adams, 2012; Ezrow, Vries, et al., 2011; Somer-Topcu, 2009).

In this paper we argue that previous elections do not only provide information about voters’ ideological preferences, but also signal the competitiveness of upcoming elections and the prospects for parties to gain or lose power in these elections. The degree of competitiveness will affect parties’ policy positions. Robertson’s (1976) classic argument on party competition states that, since party leaders have to take into account the interests of more extreme party activists, parties will only move towards a more centrist, vote-maximizing position when it is “necessary,” that is, when political competition is high. In contrast, if parties are highly protected from the impact of vote shifts, they will position themselves more towards the extreme of the ideological spectrum. While Robertson’s argument constitutes an elegant and highly influential refinement of the spatial model of party competition, it includes a crucial assumption about policy positions and vote maximization: that moderation increases vote shares. Following recent advances in the literature on party competition, we argue that, in the context of multi-party competition, this assumption is too general. In contrast to their mainstream competitors, small and niche parties have an interest in “product differentiation”
(Kitschelt, 1994) and, thus, take more extreme positions in order to maximize their potential vote share (Adams et al., 2006; Ezrow, 2008). Taking these varying incentives into account, the effect of electoral competitiveness on parties’ policy positions should be moderated by party type. In line with Robertson’s (1976) argument, large mainstream parties anticipating a high degree of electoral competitiveness will moderate their policy position. In contrast, small and niche parties, who are disadvantaged in terms of mobilization capacity and media attention, and have to satisfy more extreme and niche clienteles, will take more extreme positions when facing higher degrees of electoral competition.

The main contribution of this article lies in empirically testing this argument in the context of multi-party competition. Building on recent work on the measurement of electoral competition, we present a novel concept and measure of electoral competitiveness at the party level which varies across political systems and over time. We conceptualize the degree of electoral competition that parties are facing in multi-party systems as consisting of two components. One is the insulation of parties’ bargaining positions in the legislature from changes in their vote shares; the other is the likelihood of such changes occurring. We build on previous work by Orlowski (2014) and Kayser and Lindstädt (2015) who have developed novel techniques to measure the degree of electoral competitiveness. In this article we adopt Orlowski’s measure of insulation and refine the latter component of competitiveness by estimating its microfoundation based on voters’ utility functions. In particular, we estimate the likelihood of vote shifts occurring that will change a given party’s bargaining position based on the distribution of party identifiers in the electorate and on the magnitude with which party identification affects vote choice. We argue that the party identification part of voters’ utility functions can be regarded as relatively stable over time and as largely independent of short-term changes in parties’ policy positions. Based on this model, we estimate a distribution of parties’ vote shares using individual level data from national election studies on respondents’ party identification and vote decisions in eleven countries between 1970 and 2014.
Applying our new measure of electoral competitiveness at the party level in a time-series cross-section analysis of parties in eleven parliamentary democracies, and making use of data on policy positions provided by the Comparative Manifesto/MARPOR project, we empirically establish that the effect of electoral competitiveness on parties’ policy positions depends on party size. While large parties facing higher levels of competition moderate their position, the opposite is true for small parties. We also demonstrate that these results are robust against a number of alternative specifications, and that a negative effect exists for small as well as for niche parties, independent of the structure of party organization. These findings have important implications for the spatial theory of party competition, mass-elite policy linkages, and the study of democratic representation more generally.

Elections and Party Positions

Vote- and office-seeking politicians in democracies have to make their policy decisions facing fundamental uncertainty about the policy preferences of the electorate. Following Budge’s (1994) work on party competition, several scholars have argued that election results constitute an important signal of these preferences and should, thus, affect strategic decisions made by candidates and parties (Adams et al., 2004; Somer-Topcu, 2009). When making these decisions, parties only have information about their past policy shifts and how these shifts were rewarded or punished at the polls. Hence, in this environment, parties will adapt their positions accordingly. Empirical assessments of this relationship, however, present rather mixed findings. While some studies only find minor effects of electoral results on party positioning (Ezrow, Vries, et al., 2011) or no effects at all (Adams et al., 2004, 2006; Schumacher, Vries, and Vis, 2013), others show that the effect declines over time (Somer-Topcu, 2009). Thus, while most scholars agree that past elections matter for future party strategies, the precise nature of this relationship still remains to be uncovered.
In this article we focus on a different aspect of elections: their competitiveness. Past elections do not only signal voters’ preferences but also the degree of competitiveness that is to be expected in a subsequent election. This, in turn, will affect party strategies. Robertson (1976) argues that the effect of competitiveness on parties’ positioning results from the role that party activists play in the development of party programs. In order to be successful, parties need to motivate people to spend resources such as time and money for the cause of the party (see also Aldrich, 1983; Strøm, 1990). The number and motivation of these party activists depends on parties’ policy goals. If a party shifts its position in order to maximize votes it risks alienating its activists, which parties can only afford to a certain degree. A prime example for this can be seen in the fate of European social democratic parties embracing the policies of “New Labour,” thereby alienating a large share of their rank-and-file members which regarded these policies as a “warmed-up neo-Thatcherism” (Hinsliff, 2015). Positional mobility is, thus, not free of costs (Robertson, 1976, p. 40). Since the median party activist’s position is generally more extreme than the median voter’s position, this dynamic limits parties’ potential to move towards the center. Party leaders, who typically receive the highest pay-offs from parties’ office-seeking strategies, are, thus, limited in their capacity to steer parties towards a vote-maximizing position (see also Lehrer, 2012; Meyer, 2013). Using Strøm’s (1990) terminology: electoral competitiveness determines whether parties’ strategies correspond to their vote-, office-, or policy-seeking incentives. Robertson (1976) regards policy moderation as the strategy that follows from parties’ vote- and office-seeking motives, while policy-seeking leads to more extreme positions. The anticipated competitiveness of elections then determines which of these preferences (represented by the rivalry between party leaders and activists) becomes dominant (see also Budge, Ezrow, and McDonald, 2010). In the run-up to the British 2005 election, for example, Tony Blair referred to the “toughness” of the upcoming election in order to woo disaffected party activists, who felt that Labour had moved too far to the right in its stance on immigration and crime. Labour, he argued, “could only win by being ‘strong on defense and law and order’ and allowing ‘no
political correctness, no outdated thinking’ to stand between it and the public.” (Hinsliff, 2015) The generalization of this pattern leads us to the *policy moderation hypothesis*:

Increasing levels of electoral competitiveness will lead parties to moderate their policy position.

We follow Robertson (1976) in arguing that the decisive factor in the trade-off between parties’ vote-, office-, or policy-seeking positions is the degree of competitiveness of an upcoming election. Robertson’s argument, however, makes the central assumption that policy moderation generally constitutes a vote-maximizing strategy. Recent advances in the literature on party competition suggest that this assumption might be too general. Several studies find that not all types of parties follow the same incentives and that small and niche parties apply different strategies from their mainstream competitors (Adams et al., 2006; Bolleyer, 2007; Meguid, 2008; Spoon, 2011).

While there is some overlap in how small and niche parties are treated in the literature, these types of parties are of course not simply identical. Small parties are usually defined by their size (Wagner, 2012; Williams and Spoon, 2015) while the defining characteristic of niche parties is their extreme or niche ideology (Adams et al., 2006; Meguid, 2008). While, depending on the precise operationalization, most or even all niche parties are also small parties, non-niche parties can be either small or large. Niche parties, thus, constitute a subset of small parties (see also Spoon, 2011). Both, small and niche parties have an incentive to emphasize more extreme positions because, competing with large or “catch-all” parties, they benefit from “product differentiation” (Kitschelt, 1994, p. 123). By emphasizing more extreme positions, small parties have the possibility to gain additional attention and to distinguish themselves from their mainstream competitors. Since they are generally disadvantaged in terms of their mobilization capacity and media attention, creating this distinctive profile is a necessary condition for small parties to activate their base and to be recognized as political competitors by the electorate (Wagner, 2012). More extreme positions also constitute less ambiguous messages (Hinich and Munger, 1996), which helps
these parties to carve out their profile and create stable support in the electorate. These more extreme and less ambiguous messages are especially important for new parties that need to transmit their policy positions to a usually uninformed electorate (Ezrow, Homola, and Tavits, 2014).

While this mechanism applies to all small parties, additional incentives lead niche parties to take more extreme policy positions when facing high levels of electoral competition. Since they represent a more ideologically extreme and niche clientele and are more dependent on party activist support (Adams et al., 2006; Meguid, 2008), niche parties have an incentive to choose more extreme policy positions. In the long run, this strategy allows some niche parties to become issue owners and thereby benefit disproportionately from the salience of some issues (Abou-Chadi, 2014; van der Brug, 2004). Empirical studies also demonstrate that while mainstream parties on average benefit from more centrist policy positions, the opposite is true for niche parties (Adams et al., 2006; Adams and Somer-Topcu, 2009a; Ezrow, 2005, 2008).

Hence, the vote-maximizing strategy for small and niche parties is to choose non-centrist positions. However, these parties still face a trade-off between vote- and office-seeking. Taking into account that some of these parties and especially their leaders are attracted by the perks of office, extreme positions that go along with a strategy of product differentiation do not come without costs. Centrist positions are always beneficial in the process of coalition formation (Bolleyer, 2007). Since extreme positions will potentially prevent other parties from forming a coalition with them, small parties will choose their vote-maximizing strategy only in times of high competition. Hence, facing increasing levels of electoral competition, small and niche parties will choose a more extreme policy strategy. However, if competition is low, they will moderate their policy statements in order to be in a better position for possible government participation.

Since niche parties constitute a subset of small parties, we formulate our hypothesis for the more general term of small parties. In our empirical analysis, we then additionally
investigate how party size as well as niche party type affect parties’ policy positions in interaction with electoral competitiveness. Our *small party hypothesis* thus states:

Increasing levels of electoral competitiveness will lead small parties to move towards more extreme policy positions.

To the best of our knowledge, Budge (1994) conducts the only direct comparative empirical test of the hypothesis that the degree of electoral competition matters for parties’ policy positions. Operationalizing the competitiveness of the upcoming election with the actual margin of victory at this election, Budge finds only little support for the proposed relationship. However, as the author himself acknowledges, using subsequent election outcomes to measure competitiveness is inadequate to predict party behavior and to test Robertson’s theory (Budge, 1994, p. 452). In order to empirically assess if expected competitiveness affects party positions, it is necessary to measure electoral competition as it is perceived by parties when they make decisions about their strategic positioning. In the next section we introduce a new measure of electoral competitiveness at the party level that follows exactly this reasoning and is applicable to multi-party competition in various institutional contexts. We conceptualize the degree of competition a given party faces as the likelihood that it will win or lose enough votes for it to shift to a different bargaining position in the legislature. This likelihood depends on the susceptibility of the party’s bargaining position to shifts in its vote share on the one hand, and the range of plausible future vote shares for that party on the other.

**Electoral Competition at the Party Level**

While arguments about electoral competition are prevalent in virtually all branches of political science research, only very rarely have scholars actually tried to measure the degree of electoral competitiveness in a way that is suitable for cross-national comparison. Building
on theoretical work by Strøm (1989) and Bartolini (1999) some recent studies tackle this issue by conceptualizing competitiveness as “political contestation” (Hobolt and Klemmensen, 2008), “electoral vulnerability” (Immergut and Abou-Chadi, 2014), or “electoral risk” (Kayser and Lindstädt, 2015) and investigate its effect on government responsiveness and public policy outcomes respectively. The core idea of these concepts of electoral competition lies in the combination of institutional and behavioral factors that affect the risk for politicians to be ousted from office.

Our measure of electoral competitiveness follows a similar line of reasoning, however, departs crucially from these studies in terms of measurement and aggregation level. Since we are interested in explaining single parties’ policy positions, we need a measure of electoral competitiveness that varies for parties. All other measures so far describe a common context for all parties in a given political system at one point in time. They thus cannot possibly account for diverging party shifts occurring at the same election.

We follow the existing measures of electoral competition and regard the link between parties’ votes and their prospects to execute political power as the core of electoral competition. However, we do not conceptualize political power as a simple government/opposition dichotomy. In representative democracies, the execution of power is directly tied to parties’ capabilities to build parliamentary majorities to support their ambitions. It is, thus, the distribution of parliamentary seats among political parties that forms the linkage between votes and the execution of political power (Orlowski, 2014). One component characterizing the degree of electoral competition that any party in a legislature faces is, therefore, the extent to which changes in its vote share affect its opportunities to contribute to the formation of legislative majorities – its bargaining position in the legislature.

We utilize Orlowski’s (2014) measure of parties’ insulation from electoral competition in order to capture this element of electoral competition. Building on an approach by Laver and Benoit (2014), Orlowski defines each party’s bargaining position in a given legislature based on the number and size of possible winning coalitions it is part of. Linking all parties’
seat shares to any particular party’s vote share, Orlowski derives the maximum gain and loss in a party’s vote share that will leave its bargaining position unchanged. The corresponding future vote shares are what he calls the upper and lower bound of insulation. If its future vote share exceeds the upper bound of insulation, a party will improve its bargaining position in an upcoming election. In order not to worsen its bargaining position, a party has to keep at least its lower bound of vote shares. The range of potential future vote shares between these bounds is what defines parties’ insulation from electoral competition. It allows us to capture the opportunities and risks for any party in a given legislature to worsen or improve its bargaining position through electoral losses or gains respectively. A party’s bargaining position is not only linked to its prospects to gain office, but more generally to its influence on any legislative outcome. Thus, while their bargaining position certainly is a crucial figure for parties intending to receive the benefits of office through, for example, government participation, it also affects less office-seeking parties’ opportunities. A strong bargaining position will allow any party in the legislature to foster its own policy proposals or to block those initiated by other parties. Independent of government participation, insulation thus links parties’ prospects to execute political power to changes in their vote shares.

[Figure 1 about here]

Insulation itself, however, does not contain information about the likelihood of such changes occurring. A party faces strong competition only if it perceives a vote shift that crosses its boundaries of insulation to be likely. Each party’s expectation about future vote shares therefore constitutes the second component of our measure of electoral competition at the party level. Parties’ expectations can be modeled as probability distributions over future vote shares. The relationship between a party’s insulation and its expectations about future vote shares is presented schematically in Figure 1. The figure depicts a party with a vote share of 10 percent and two insulation bounds represented by the dashed vertical lines. Since the upper bound of insulation lies at 15 percent and the lower bound at 7.5 percent, the party’s bargaining position will remain unchanged as long as it receives a vote share
within these boundaries at the upcoming election. The expectation about the vote share at this election is represented by the density over future vote shares depicted by the solid line. Competitiveness, then, is the probability of a vote shift occurring that is big enough to surpass the insulation boundaries. It is portrayed as the shaded area under the density curve. In order to measure electoral competitiveness at the party level it is, thus, essential to model parties’ expectations about their future vote shares. In what follows, we propose a way to estimate these expectations as a probability distribution derived from voters’ utility functions. Based on this micro-mechanism we model potential future vote shares as they are perceived by parties.

Following the now standard models, voter utility functions can be divided into a policy and non-policy part, which is largely captured by party identification (Adams, Merrill, and Grofman, 2005). In order to measure parties’ vote share expectations (independent of their policy position choices) we focus on the latter component of the utility function. The intuition here is that although the results of a previous election provide some expectation about possible results in upcoming elections, they can either be the consequence of predictable voting behavior or rather exceptional circumstances. Parties are usually aware of whether election results were driven by unforeseen events such as scandals affecting themselves or their competitors, personal candidate appeal, or economic shocks. In contrast to these contingent events, the number of party identifiers and to what extent identifying with a party affects vote choice gives parties an estimate about what range of vote share to expect under normal circumstances. A large party with a dedicated and historically grown constituency (e.g. a Northern European social democratic party) will expect a relatively high vote share independent of potential policy shifts or candidate choice. We expect the vote share a party receives based on its identifiers to be rather stable, predictable, and independent of short term changes in party positions, candidate valence, and the general context of an election such as the state of the economy.
The literature on party identification (especially in the Western European context) brings forward two claims that may render party identification a problematic tool for explaining vote choice (for an overview see Berghund, Schmitt, and Thomassen, 2005). First, party identification has become far less relevant for vote choice, and, second, party identification is a deterministic predictor identical to vote choice. While there is little doubt about the fact that partisan attachment has generally declined during the last three decades (Dalton, 2004), there is considerable variation between countries and several studies show how party identification continues to affect vote choices and reduces the effects of contextual factors such as the economy (Johnston, 2006; Kayser and Wlezien, 2011). These effects are not only limited to the United States but also apply to the Western European democracies (Tverdova, 2011). We summarize our own analyses of the relationship between party identification and vote choice in Figure A1 in the online appendix. The figure confirms the findings reported in the literature. Party identification remains a significant and strong predictor of vote choice in all countries under investigation here. Speaking to the second criticism mentioned above, Figure A1 also demonstrates that while party identification has a strong effect on vote choice, it is far from being a perfect predictor. There is also considerable variation between countries and over time. The fact that other studies investigating the effect of issue distances on vote choice in a variety of countries and contexts find significant effects even when controlling for party identification (see for example Adams, Merrill, and Grofman, 2005; Mauerer, Thurner, and Debus, 2015) further speaks against the idea that party identification is a deterministic predictor of vote choice.

We therefore approximate parties’ expectations about a sufficiently large vote swing occurring under “normal” conditions (Converse, 1966) based on estimates about the share of party-identifiers in the electorate and their voting behavior. By capturing expectations about future election results through individuals’ voting decisions, we base our measure of electoral competition on a behavioral micro-foundation that follows the recently developed standard models of the spatial theory of voting and is largely exogenous to party strategies.
In particular, we use survey data on individuals’ voting behavior and their party identification in order to derive a probability distribution over parties’ vote shares. We predict election outcomes based on individuals’ vote choices, employing a conditional logit specification using only the non-policy part of voters’ utility function according to the unified model of voting (Adams, Merrill, and Grofman, 2005; Thurner, 2000). Specifically, we estimate a conditional logit model on individual-choice pairs where the only predictor is a binary variable indicating whether an individual identifies with the party at hand. This allows us to predict the expected vote share for each party in the absence of short term factors such as candidate appeal, state of the economy, and, most importantly, parties’ short term policy positioning. Including the uncertainty that is associated with these predictions results in a distribution over possible future vote shares.

As we are interested in the effects of possible vote shifts on parties’ behavior, we can use the distribution of plausible future vote shares to generate an empirical cumulative distribution function in order to derive the probability of observing a shift in any party’s vote share that crosses its upper or lower bound of insulation. This probability of a party experiencing a vote shift that will substantially alter its bargaining position is our measure of electoral competitiveness at the party level. The online appendix includes a more detailed description of the whole estimation procedure. This measure allows us to test the effect of electoral competitiveness on parties’ policy positions without simply “post-dicting” (Budge, 1994) the degree of competition based on the results of elections. It measures the expected competitiveness of elections as it is perceived by parties when they are making their strategic policy decisions and incorporates an element of uncertainty which is crucial to Robertson’s, Budge’s, and other theories of party competition.
Data and Methodology

We test our hypotheses using a novel data set combining data on party positions with our new measure of electoral competitiveness derived from individual level data and subnational election results for 11 countries from 1970 to 2014.¹

Our dependent variable is derived from the left-right position of a party based on the most recent data from the CMP/MARPOR project (Budge, Klingemann, et al., 2001; Klingemann et al., 2006; Volkens et al., 2015). More precisely, we use changes in the absolute value of parties’ left-right position as a measure of policy moderation. The data from the CMP/MARPOR project is based on the coding of quasi-sentences following 56 issue categories which are then used to estimate how much emphasis is put on an issue in a manifesto. The data set contains party manifestos in 42 countries, many of them reaching back until 1945. The manifesto data include a composite measure of left-right placement (rile) that incorporates several issue categories and has been widely used to describe and analyze parties’ positions and their movements. It theoretically ranges from -100 for extreme left to 100 for extreme right positions. While the usage of manifesto data to measure policy positions has been criticized for several reasons,² it remains the only measure available for a time-series long enough to test our hypotheses. However, following suggestions that have been made to

¹The requirement of election results at the subnational level for the computation of parties’ insulation boundaries and that of post-election surveys for computing parties’ prospects for future vote shares limits our sample to parties from these countries: Austria, Canada, Denmark, Finland, Germany, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom. We exclude the United States as a presidential system. In order to check the sensitivity of our results to case selection of particular countries, we estimated the main model on the subset of parties leaving all observations from one country out at a time. The directionality and statistical significance of the estimated coefficients remain unchanged and their magnitude varies only marginally across these subsamples. The results reported below are thus not due to the institutional idiosyncrasies of any country included in our sample and are robust against excluding any particular observation from the sample. All our main findings also hold when we include country or party fixed effects.

²For a summary of these criticisms see Gemenis (2013).
improve the scaling of party positions derived from political texts, we measure policy *moderation* using a logit transformation of the rile index (Lowe et al., 2011). As a robustness check, we also run our models for two adapted versions of our dependent variable. First, since some party systems are tilted to the left or right, we calculate our measure of policy moderation based on parties’ deviations from the mean left-right placement of all parties in a given country between 1970 and 2014, instead of using deviations from the absolute zero of the logrile score. Second, it is possible that variations in the rile or logrile measure simply result from measurement error and thus might represent noise rather than actual party policy shifts (Benoit, Laver, and Mikhaylov, 2009; Meyer, 2013). Hence, we calculate 95% confidence intervals around parties’ policy positions following Benoit, Laver, and Mikhaylov (2009) and limit our analysis to significant shifts that go beyond these confidence bounds.

The new measure of electoral competition at the party level allows us to directly test the hypothesis that parties moderate their position when past elections signal high levels of electoral competition. We employ data on parties’ insulation from electoral competition provided by Orlowski (2014). As outlined earlier, in order to complete the calculation of the degree of competition at the party level for all parties who won seats in an election in these countries during the respective time period, we fit conditional logit models to survey data from different sources such as national election studies and the Eurobarometer using party identification as the only predictor for vote choice. In this data, at least all parties in the legislature at the time of the survey are coded as available choices to individuals and binary variables indicate whether a respondent did or did not vote and/or identify with the respective party. Thus, whereas non-identifiers are included in the analysis, non-voters are

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3 All our main findings hold when using the standard rile measure.
4 An overview with the data sources for each election is provided in Table A2 in the online appendix. For seven elections, respondents were not asked about their party identification in the respective post-election surveys. We used post-election surveys for the subsequent election and a retrospective question about vote choice here. All results reported below are robust against excluding these cases.
not. Based on the model estimates, we calculated our competitiveness measure outlined above and include changes in competition as our main independent variable of interest.

In order to test the small party hypothesis our models include a measure of party size representing a party’s mean vote share in the past three elections. Since we also want to investigate if party size or niche party type is the driving factor behind our findings, in an additional section we include a measure of niche party based on party family. Following Adams et al. (2006) and Meguid, 2008 we code radical right, green, ethno-territorial, and communist parties as niche parties.

Additionally our models control for other independent variables that might constitute confounders for the relationship under investigation. In order to evaluate whether electoral gains or losses affect policy moderation, we include a measure of vote change at the previous election. We also control for the government participation of a party before the election at time $t$ since Bawn and Somer-Topcu (2012) suggest that government parties have an incentive to choose more extreme positions in order to counterbalance positional discounting by voters. Our models also include a control variable for the electoral system type ($PR$) and for policy extremism at $t - 1$ in order to take into account parties’ zig-zag movements that have been confirmed in several analyses (Adams et al., 2004; Budge, 1994). Summary statistics for all variables can be found in the online appendix.

With these operationalizations, we first estimate a baseline model as specified in Equation (1). Subscript $i$ indicates parties whereas $t$ indicates time. Our time variable is a counter for legislative elections in each country. We model the effect of changes in competitiveness by including its lagged first difference as a regressor. That is, the difference in the degree of competition signaled by the last and the second-to-last election. Changes in parties’ vote shares are evaluated for these elections as well. Additional control variables that vary over

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5Using the average vote share over the entire period under investigation yields substantively similar results.

6This is a dummy variable indicating countries that do not use single member districts. All our findings are robust against using district magnitude as an alternative measure of the electoral system.
time are parties’ policy extremism at \( t - 1 \) and government status prior to the election at \( t \). For the countries under consideration here, the electoral system is constant over time and is thus not subscripted by \( t \).

\[
\text{moderation}_{i,t} = \beta_0 + \beta_1 \Delta \text{competition}_{i,t-1} + \beta_2 \text{party size}_{i,t} + \beta_3 \text{PR}_i \\
+ \beta_4 \text{vote change}_{i,t-1} + \beta_5 \text{government party}_{i,t} \\
+ \beta_6 \text{extremism}_{i,t-1} + \epsilon_{i,t}
\]  

(1)

We estimate this baseline model using OLS with two-way clustered standard errors, clustered by party and election (Cameron, Gelbach, and Miller, 2011). We then estimate an additional model adding an interaction of \( \Delta \text{competition}_{i,t-1} \) with party size.

**Results**

Table 1 presents the regression results for our models. Model 1 includes the direct effect of competition on policy moderation as well as our other independent variables not taking any interaction effects into account. The effect of changes in the degree of electoral competitiveness is negative and far from reaching statistical significance at a conventional level. Against the *policy moderation hypothesis*, we do not find a significant direct effect of electoral competition on parties’ policy strategies. Parties in systems of proportional representation as well as parties that have lost votes at the previous election moderate their policy positions less. These effects, however, are not statistically significant. Confirming earlier findings on parties’ zig-zag movements (Adams et al., 2004; Budge, 1994), we find that parties that held more extreme positions at the previous election, moderate their position at the following one. We also do not find a significant effect of government participation on policy moderation. This finding is interesting because it indicates a discrepancy between strategies that have been shown to be beneficial for parties versus strategies that they actually employ. While Bawn and Somer-Topcu (2012) convincingly demonstrate that government
parties can benefit from more extreme positions, these parties do not seem to pursue this strategy systematically. A plausible reason for this discrepancy is that, while government parties might like to change their position, they face several impediments to doing so. They have to react more strongly to agenda setting events such as economic and other types of crises than parties in opposition (see for example Green-Pedersen and Mortensen, 2010).

While we cannot confirm the policy moderation hypothesis, we have argued that the effect of electoral competitiveness on policy positions should vary with party size. Hence, in order to evaluate the small party hypothesis Model 2 in Table 1 includes an interaction term between electoral competitiveness and party size. The inclusion of this interaction term does not substantively affect the coefficient estimates for the control variables in the model. The constitutive term for electoral competitiveness, however, now shows a significant negative effect. Since we are dealing with an interaction of two continuous variables the most straightforward way of interpreting these results is the marginal effects plot presented in Figure 2. It shows the marginal effect of changes in competition on policy moderation depending on party size.\footnote{The standard errors for these and all subsequent marginal effects are calculated following Brambor, Clark, and Golder (2005).}

For small parties the figure indicates a statistically significant negative effect. The marginal effect for a party with an average vote share of 5 percent, for instance, is -0.39. A shift in competitiveness from 0 to 1 for such a party, thus, leads to a position shift that amounts to about two thirds of the standard deviation of our dependent variable. Hence, confirming our second hypothesis, with increasing electoral competition small parties seek to distinguish themselves from their mainstream competitors and emphasize more extreme positions.
positions. This effect is reversed for larger parties. Here, we find a significant positive effect. For a party with an average vote share of 35 percent the marginal effect of competitiveness is about 0.24. Taking up the New Labour example facilitates putting this effect into perspective. Between 1992 and 1997 the British Labour Party moderated its policy position by 1.1 on the logrile score. Hence, the competitiveness effect we find for parties of comparable size corresponds to about one fourth of Labour’s shift – a shift that has been large enough to coin the term New Labour after all. Our data confirms that shifts at this order of magnitude are extremely rare, with most moderation values ranging from -0.4 to 0.4. The competitiveness effect revealed in Model 2 is, thus, not only statistically but also substantively quite significant.

These findings support our intuition that the effect of electoral competitiveness varies with party size. We do find that electoral competition affects parties’ policy decisions, however, only partly confirming Robertson’s original argument. Large parties, indeed, moderate their policy positions when facing higher levels of competition. Small parties, however, more strongly engage in a strategy of product differentiation and choose more extreme positions when they anticipate more competitive elections. These results, thus, contribute to a growing body of literature which departs from assuming the same incentives for all parties and emphasizes the different mechanisms of competition for different types of parties.

Robustness

In order to demonstrate the robustness of these findings, Table 2 presents results for three alternative specifications. Model 3 shows the results for a moderation variable based on country demeaned left-right positions. The reasoning behind this transformation is that some countries have party systems that are (nearly) completely at the left or right side of the absolute zero of the left-right scale. It might, thus, make sense to conceptualize moderation relative to the mean left-right placement of all parties in a given country over
time. Using this different operationalization of the dependent variable does not affect our control variables in any substantive way. Again, we find a significant negative effect for the competitiveness mainterm and a significant positive interaction effect. The magnitude of the effects and the standard errors are very similar to Model 2. Hence, Model 3 confirms our small party hypothesis and demonstrates that the findings are robust against operationalizing moderation as a party’s movement relative to the mean left-right position in a country. The marginal effects plot illustrating this relationship in more detail is provided as Figure A2 in the online appendix.

[Table 2 about here]

Since some variation in a party’s left-right position from one election to the next may be the result of measurement error, in Model 4 we limit our analysis to those shifts that are statistically significant. We define significant shifts as those where a party’s left-right position lies outside the 95% confidence bound around its score at the previous election. Dropping observations where parties’ policy shifts where insignificant reduces the number of observations to 224. The interaction between the degree of electoral competition and party size is now even more pronounced than it was before. Again, this can be seen most clearly from the marginal effects depicted in Figure 3a.

[Figure 3 about here]

As in the models including non-significant changes, we find a statistically significant negative effect for small parties. The magnitude of this effect, however, is substantially bigger now. For a party with an average vote share of 5 percent, we now find a marginal effect of -0.59. This is almost equal to the standard deviation of our dependent variable. Again we see that the direction of the effect changes with increases in party size. Large parties facing higher levels of electoral competition moderate their policy positions. As indicated by the increased coefficient for the interaction term, the difference between small
and large parties is now even more pronounced. In contrast to a small party, the marginal effect for a large party with 35 percent of the vote share is 0.31 while it was 0.24 for Model 2. In sum, eliminating potential noise from our data and focusing on significant shifts only, we find even stronger empirical evidence for the relationship proposed in the small party hypothesis.

A final problem for interpreting our findings in support of our hypothesis arises from the potential endogeneity of policy moderation and party size. Although we use lagged vote shares and averages over time to measure party size, our previous models cannot completely rule out the possibility that a party’s size is the result of its position shifts. In order to tackle this issue, in Model 5, we rerun our analysis using a different operationalization of party size. Specifically, we define a binary variable indicating small and large parties respectively. Small parties are parties that for the time under investigation have never received a vote share of more than 20 percent. Large parties, on the other hand, are parties that have always received more than 20 percent. Investigating the effect of electoral competitiveness for these two sets of parties makes an endogenous relationship between our party size measure and policy moderation very unlikely.

Model 5 in Table 2, thus, includes an interaction of electoral competitiveness with a dummy variable indicating large parties. The sample size is reduced significantly since all parties in our initial sample who crossed the 20 percent threshold at least once during the period of investigation are excluded from this analysis. Despite the reduced sample size, the effect of competitiveness on moderation remains negative and statistically significant. Parties that have never received more than 20 percent of the vote share (160 in our sample), take more extreme positions when facing higher levels of electoral competitiveness. Large parties, in contrast, moderate their position in light of increasing levels of competitiveness.

\footnote{The mean party size in our sample is 0.18. We chose 20 percent as the closest round number to this mean. The results reported here also hold when using 18 percent or several alternative cutoff points around 20 percent.}
The coefficient on the interaction term is positive, statistically significant, and about twice the size of the coefficient on changes in competitiveness. Hence, the directionality of the competitiveness effect changes for large parties. The corresponding marginal effects for both, small and large parties and their 95\% confidence intervals are depicted in Figure 3b. As the figure clearly shows, we again find support for the small party hypothesis, this time excluding the possibility of an endogenous relationship between moderation and party size.

**Small and Niche Parties**

As outlined in the theory section, we partly expect small parties to choose more extreme positions as a vote-maximizing strategy because they might also constitute niche parties. While the argument about lower levels of media attention and reduced resources for mobilization applies to all small parties, only niche parties necessarily need to satisfy extreme or “niche” clienteles. In this section we investigate these two mechanisms in more detail. In order to disentangle the two effects we interact electoral competitiveness with party size and a niche party dummy respectively while controlling for the other variable. This allows us to analyze the effect of party size independent of niche party type and vice versa.\(^9\)

Another characteristic that partly overlaps with party size is party organization. Parties that are highly activist dominated also tend to be small (especially green and communist) parties (Schumacher, Vries, and Vis, 2013). While we do not expect party organization to interact with electoral competitiveness in the same way as party type and party size, activist dominated parties should have less leeway to steer towards a vote-maximizing position (Kitschelt, 1994). Hence, the following models, which investigate the mechanism behind our findings for small parties, additionally control for party organization. We use a measure for leadership dominance from Schumacher, Vries, and Vis (2013) which is largely based on the

\(^9\)We also use a measure of party extremism (a party’s absolute left-right position averaged over the previous three elections) as an alternative measure for niche parties. The results for this alternative specification can be found in the online appendix.
expert survey conducted by Laver and Hunt (1992). The measure ranges from 0 to 30 with higher values indicating more leadership dominance.

[Figure 4 about here]

The left panel in Figure 4 shows the marginal effect of changes in competitiveness conditional on party size based on Model 4, but this time controlling for niche party type and party organization. The right panel shows the marginal effect for the interaction of niche party type and competitiveness again controlling for the other two variables. The corresponding estimation results are reported in Table A3 in the online appendix. We find that there is a significant negative effect of competitiveness on policy moderation for small and niche parties respectively, independent of the structure of party organization. We also find that the effect magnitude is stronger for niche parties than for small parties and that there is no general effect for non-niche parties. These findings demonstrate that both niche party status and party size provide an incentive to move towards a more extreme position when electoral competition is high. Since niche parties are also small parties the effect is most pronounced for this group of parties. However, even non-niche small parties choose more extreme policy positions when they face higher levels of electoral competition. At a first glance this might seem counter-intuitive since many of these parties are often referred to as centrist parties. Looking at parties’ left-right positions over time, however, one can see that, in contrast to large mainstream parties, these parties “leapfrog” (Budge, 1994) and occasionally become more extreme than the mainstream left or right party in a system. This behavior is in line with the predictions from our hypotheses. When electoral competition is high, large mainstream parties move to the center, which provides small centrist parties with an incentive to move towards a more extreme position.

\[\text{Since this measure is not available for Canada and Switzerland these two countries drop out of our analysis. All findings hold for models which do not control for party organization and, thus, include these cases.}\]
To sum up, we show that, in line with Robertson’s (1976) original argument, electoral competitiveness affects parties’ policy positions. This effect, however, varies between different types of parties. Large mainstream parties, indeed, moderate their policy positions when electoral competition increases. In contrast, niche parties and other small parties choose more extreme positions when they expect elections to be highly competitive.

Conclusion

Applying a novel measure of electoral competitiveness, in this paper we investigate how the degree of electoral competition affects parties’ policy strategies. Departing from Robertson’s original argument, we show how the effect of competition on policy positions depends on party size and party type. While large mainstream parties moderate their policy positions when facing higher levels of competition, the opposite is true for small and niche parties. These findings do not only constitute the first systematic comparative test of the relationship between the degree of electoral competition and parties’ policy strategies, but also provide important insights into the dynamics of spatial and issue competition. First, they add to a literature that, ever since the introduction of the spatial model by Downs (1957), has tried to establish theoretically and empirically under which conditions we should observe party convergence towards the center. Our findings show the crucial role that the degree of competition plays for this dynamic – a factor that so far has been considered only theoretically (if at all) in models of spatial competition. With increasing levels of electoral competition, some parties indeed converge to the center. This does not hold for all parties, however. Second, our findings add to a growing literature that tries to explain parties’ policy shift in response to election results and other parties’ behavior. In line with this literature, we show that small and niche parties follow different incentives in their competitive behavior. Moreover, we demonstrate that the degree of competition varies within countries and over parties and that it is an important factor in predicting parties’ behavior. It should, thus,
not simply be derived from institutional components such as the electoral system, but be measured appropriately and integrated into models of party behavior. Our findings therewith also have important implications for understanding the role of parties in the process of democratic representation. We have demonstrated that electoral competition affects how parties oscillate between their hunt for the median voter and satisfying their activists. Both of them constitute important roles that parties have to fulfill in the democratic process. The fact that parties do not only follow one incentive or the other and that it is possible to identify a contextual factor that moderates between the two constitutes an important insight for the process of political representation in modern democracies. Next to these contributions to the literature, this paper also provides a new measure of electoral competitiveness that can be applied to several other areas of research in political science and political economy.
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Table 1: Models of parties’ policy shifts

<table>
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<tr>
<th></th>
<th>(1) Base Model</th>
<th>(2) Party Size</th>
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<td>∆ Competition</td>
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<td>(0.057)</td>
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<td>(0.060)</td>
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Two-way clustered standard errors in parenthesis.
Clusters by election and party.
* p < 0.05 ** p < 0.01
Table 2: Models of parties' policy shifts – Robustness

<table>
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<tr>
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<th>(4) Sig. Changes</th>
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<td><strong>Δ Competition</strong></td>
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<td>(0.345)</td>
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<td>3.001**</td>
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<td></td>
<td>(0.644)</td>
<td>(1.054)</td>
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Two-way clustered standard errors in parenthesis.
Clusters by election and party.
* p < 0.05 ** p < 0.01
Figure 1: Components of electoral competition at the party level

Note: $v_{i,t}$ is a party’s vote share at time $t$. The horizontal axis represents potential future vote shares at $t + 1$. 
Figure 2: Marginal effect of changes in competitiveness on moderation

Note: The solid line indicates the marginal effect of competitiveness on moderation conditional on party size. The shaded area indicates the corresponding 95% confidence bounds. The rug on the horizontal axis indicates the observed party sizes.
Figure 3: Marginal effect of changes in competitiveness on moderation – robustness

(a) Significant changes only

(b) Small and large parties

Note: The solid line in Figure 3a indicates the marginal effect of competitiveness on moderation conditional on party size. The shaded area indicates the corresponding 95% confidence bounds. The rug on the horizontal axis indicates the observed party size. The points in Figure 3b indicate the marginal effects of competitiveness for small and large parties. The horizontal bars indicate the corresponding 95% confidence bounds.
Figure 4: Marginal effect of changes in competitiveness on moderation by party size and niche party type

(a) Marginal effect by party size controlling for niche party type
(b) Marginal effect by niche party type controlling for party size

Note: The solid line in Figure 4a indicates the marginal effect of competitiveness on moderation conditional on party size. The shaded area indicates the corresponding 95% confidence bounds. The rug on the horizontal axis indicates the observed party size. The points in Figure 4b indicate the marginal effect of competitiveness by party type. The horizontal bars indicate the corresponding 95% confidence bounds.