Democratic reforms and legitimacy in established Western democracies

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Chapter 4

Under what Circumstances do Reforms Occur ?

4.1 Introduction

Changes to the political system are considered exceptional. Nonetheless, there are enough empirical examples (as was discussed in the previous chapter) to demonstrate that reforms do take place and that an explanation is necessary. In most cases when authors try to explain the occurrence of democratic reforms they turn to neo-institutional theory and more specifically to either rational-choice or sociological institutional analysis.

The rational-choice approach emphasizes the fact that politicians change institutions because of strategic motivations. In the field of electoral system reform there are those who argue that elites support reforms that benefit them. For instance, a political party or a group of political parties may expect an alternative system to increase their seat share. One specific moment when established elites might think that a particular change would benefit them is when new political parties enter the political arena (Colomer, 2004, Renwick, 2011, Reed and Theis, 2001). Another moment when a political party or group of parties will favor implementation of a given reform is when they are convinced they have the majority to bring about such a change (Nohlen, 1984, Benoit, 2004). Related to this is idea is the notion of barriers (Rahat and Hazan, 2011) and veto players (Tsebelis, 2002). The preferences of the veto players are assumed to be fixed and any reform that threatens their preferences is expected to be vetoed. The expectation here is that in a country with fewer veto players (or fewer political

barriers) it will be easier to achieve majorities for reform than in countries with more veto players. However, Rahat (2008) finds some evidence that a higher number of veto players could bring about more reforms. The existence of more parties in parliament makes it more likely to find a coalition willing to reform and revoke the powers of a party who opposes a reform. Jacobs (2011) finds that the high number of veto players in Belgium was connected to more democratic reform. Veto players were the drivers behind reform. In this case frustration with veto-players led others to actually seek reform.

Other scholars choose to distinguish between what they call *outcome contingent motivations* (e.g. seat share) of politicians (core of rational choice approach to reform) and their *principled motivations* (Renwick, 2011, Farrell, 2011). Using survey analysis several scholars have shown that left-right ideology, post materialist values, satisfaction with democracy, trust in institutions and voter preferences have a significant impact on whether elites support various types of reforms (Bowler et al., 2006, Ziemann, 2009). Following this sociological approach, political institutions should fit the society in which they are embedded. When a misfit arises between the two (such as was the case with post-materialist value change) it is the task of the elites to change institutions so that they will be in equilibrium with society (Rahat, 2008). The idea here is that elites use public opinion as an indicator of what the public wants. Linking this back to the legitimacy model presented in Figure 2.1 in chapter two, empirical legitimacy at the mass individual level affects normative legitimacy at the institutional level.

The sociological institutional approach often uses the occurrence of an external crisis to describe how some outside force brings about change. One way to explain when reforms occur is through the concept of punctuated equilibrium (March and Olson, 2005, Peters, 1999). Following the punctuated equilibrium model of institutional change, periods of institutional stability are interrupted by a critical juncture or a crisis (March and Olson, 1989). At this point, new ideas penetrate the institution and political agents adjust the institution to the new conditions, and reforms take place. Renwick (2010) establishes a model to describe how crisis and disaffection lead to reform: 1) once a crisis occurs a minority group supports reform. 2) Given that this minority group has little chance of getting its reform through a parliamentary process they appeal to the public directly, mobilizing them around their initiative. 3) The public pressures other politicians to support their reform proposal. 4) Politicians, fearing electoral consequences, will eventually bend to the public's demands.

This chapter aims to identify internal and external factors that bring about reforms in established democracies. In the following sections findings from the electoral system change literature guide me in formulating more general explanations for the occurrence of different types of reforms. Using illustrations of electoral reforms in Israel and New

Zealand several hypotheses are developed and then tested in the second section. I test these hypotheses on the occurrence of reforms in a larger group of countries.

4.2 Illustrations from Israel and New -Zealand

In order to derive hypotheses about the occurence of reform from the general approaches to institutional change, I first look at two prominent cases of reform.

After a bargaining process of almost four years, the parliament of Israel passed a new *Basic Law for the Government* in 1992. This new law took force in 1996, making Israel the first country in the world to directly elect a prime minister at the same time as the parliament. After the first direct elections the country changed from a perfect parliamentary system to an unparalleled mixed system. One of the reasons for introducing the directly elected prime minister was to establish a more durable and effective government. In the 1980s none of the two major parties had been able to build a stable coalition. The blame was put on the proportional electoral system that allows small radical parties to win seats and occupy crucial positions in parliament and in the coalition. The logic was that by changing the system and giving the prime minister more powers, he or she would no longer be forced to give in to the demands of such parliamentary party groups. This reform was turned back in March 2001 when it became clear that the reform had only aggravated the situation.

In 1992 a non-binding referendum was held in New Zealand. New Zealanders had to decide whether their electoral system, the First Past the Post (FPTP) system, should be changed and which of four alternative electoral systems would be appropriate for the country. At this stage voters preferred to change the system and chose the Mixed Member Proportional (MMP) system. The major reason for proposing the MMP system was the increasing electoral gains of third parties and the fact that the Labor Party had lost two elections to the National party in spite of the fact that it had obtained a majority of votes. Furthermore, according to a royal commission, the MMP system was also a more fair system that would allow minorities, such as the Maori, to receive better representation in parliament. In 1993 a second binding referendum was held to decide between keeping the status quo and changing the system to a MMP system (More on this in chapter 7). Eventually, 53.9 percent of the voters opted for the adoption of MMP. Just as in Israel, the new law came into force in the first following election in 1996. In 2008 the new National government led by John Key decided to hold a new non-binding referendum on electoral reform in 2011 to allow voters to "kick the tyres" on MMP. The majority of voters voted to keep the MMP system.

Using these two cases in the following sections I identify a couple of factors that

brought about reform. Table 4.1 at the end of section 4.3 eventually summarizes the hypotheses derived from these illustrations.

4.2.1 Shifting Power Relations: Dealignment and Realignment

One long-term trend observed in both Israel and New-Zealand before reforms occurred is a change in the behavior of voters, also called dealignment and realignment. Dealignment is a development in which a large part of the electorate loses its previous party identification and realignment is the process whereby these voters develop new partisan affiliations. When realignment takes place new parties tend to enter the political space threatening the position of established parties. Authors have already identified how alterations in the behavior of voters can cause considerable modification of the party system (Dalton et al., 2002). Such a development in the allocation of power between parties could also bring about demands for reform in the arrangements of the governing institutions. The aim of these reforms is often to redistribute power.

In Israel, for instance, the shift of the party system from a system of two large parties to a fragmented bipolar system had amplified the power of small, extreme parties. Reformers concur that *"the age of the big parties was over. Both Likud and Labor used to have so many members of parliament, something they can only dream about now. There was a lot of fragmentation which started before we proposed our reform bill"*[1]. This brought about the desire to introduce reforms that would change the bargaining position of the small parties and thus free larger parties from their influence (Rahat, 2003). The 1984 and 1988 elections in Israel were extraordinary in that they both returned a hung parliament. Only a few seats separated the left wing Labor party from the right wing Likud party, turning the small parties into the tail that wags the dog. This was the context in which calls for reform were being heard. The electoral system with its extreme form of proportionality failed to bring about a majority government in two elections.

In New Zealand changes in voter behavior also brought about pressures for political reform. Here the aim of the reformers was to break up the party duopoly brought about by the majoritarian system and to allow better representation. Since the 1950s the number of people voting for the two main parties had decreased as did turnout at elections and party membership. At the same time almost 30 percent of the voters (in 1993) supported small parties (such as the Social Credit Party and the Values Party) despite the fact that these votes were wasted in the majoritarian system. The fact that many votes went to third parties meant that election results became even

[1] Uriel Lynn, former member of the Israeli parliament (Likud) and chairman of the Constitution Law and Justice Committee. Author's interview 16th November 2008.

less proportional. In 1993, for instance, National and Labour won 69 percent of the votes but received 95 percent of the seats. Some say this eventually resulted in lower participation levels (Vowels, 1995).

Just like Israel, New Zealand had experienced two exceptional elections which increased the pressure for reforming the electoral system. In 1978 and 1981 the Labor party had won the majority of votes while the National Party was declared as a winner because it had the majority of the seats. These two elections changed the opinion of many members of the leftist camp who now claimed that the electoral system was unfair. A royal commission was appointed because people were concerned about what had happened during these elections.

One can thus assume that parties will change to adapt to shifting external environments (Panebianco, 1988). Authors concur that the process of dealignment and realignment has put many parties in western democracies under stress (Flanagan and Dalton, 1984). It is to be expected that this process also forces parties to re-evaluate their positions on reform– and thus opens a window of opportunity for reforms.

4.2.2 Veto Players

Advocates of reform are expected to seek recognition for certain problems and emphasize these problems when a scandal occurs. Eventually these reform entrepreneurs will propose their reforms as cures for societal problems. Reform agents attempt to change the opinions of other actors and so create a large coalition to support the reform proposal. At the same time, there are also those who feel threatened by change and try to maintain the status quo by disturbing the reform process, such as veto players[2].

According to Tsebelis (2002, p. 17) veto players are *"actors whose agreement is required for a change of the status quo".* There are different types of veto players: Institutional veto players are for instance parliaments and presidents, while partisan veto players are the various parties (i.e. parties can be veto players when their support is needed). The logic is that the higher the number of veto players in a country the more difficult it is to bring about change. Essentially, countries with few veto players, such as Westminster democracies, are presumed to have fewer difficulties to implement reforms because parliaments are considered weak and government has the power to implement virtually any reform they want once in power. For countries with several veto players, such as consensus systems, implementation gets more complicated[3]. Following this reasoning one could explain the long process of negotiations between the different parliamentary

[2]A veto player can veto, but it may or may not want to use its veto powers.

[3]However as mentioned in the introduction Jacobs (2011) and Rahat (2008) would disagree - more on this in the conclusion

parties in the Israeli case.

Parliament

In Israel, the Knesset was one of the main actors in the process of reform. The Israeli example shows how difficult it is to get a reform through parliament because parliament is not a unitary actor but consists of different parliamentary party groups, committees and pleneries. Members of parliament had different understandings and concerns with regard to the reforms. They were the ones who eventually decided the fate of the reform in three readings of the bill. Building coalitions to support the reform proposal was a continuous process that took years. Most reformers were frustrated by the process:

"To change the process is like asking the buffalo to drain the swamp" and "My proposal was mutilated during the negotiation process. You compromise more and more without realizing that the whole thing is totally distorted. It took four years: pre-reading, first reading, then into the committee and again lobbying here and there. By the time you gain a majority you lose control over the reform and you cannot withdraw it from the process. The proposal is no longer your own. It would have been better to let people decide instead of all these sectoral interests getting involved" [4].

Parties

Party size has an impact on the party's position on electoral reform (Ziemann, 2009). Large parties are expected to support reforms that decrease proportionality, thus giving larger parties more power. Small parties would prefer reforms that increase proportionality and thus their influence. However, both in Israel and in New Zealand parties were not acting as unitary actors. The party in government, the party in parliament and the party members all had diverging opinions. In Israel, for instance, the initiative for reform came after the "dirty trick"[5] incident in the form of private member bills from four different parties: Uriel Lynn from the Likud party, Amnon Rubinstein from Shinui Party, Yoash Tsidon from Tzomet and David Libai from the Labor party. While members of different parties worked as a group, members of the same party were fighting each other in the committees which led to many concessions:

[4] Yoash Tsiddon, former member of the Israeli parliament (Tzomet Party). He introduced a private member bill for governmental reform and was later member of the Constitution, Law and Justice Committee during the reform process. Author's interview 13th November 2008.

[5] Refers to a scandal in the 1990s when Shimon Peres (Labour) tried to topple the Likud-Labour coalition government. He secretly attempted to form a left-wing ultra-orthodox coalition (with Shas). This attempt failed when the ultra-orthodox parties eventually decided not to cooperate.

"We knew we could not change the electoral system as a whole so the directly elected prime minister was the only way to stabilize the system[6]*"* and some go as far as saying: *"We made some compromises to get support and this is one of the elements of [the reform's] destruction*[7]*"*. Although reducing proportional representation was the only logical answer to the perceived problems in the Israeli political process, there were too many veto-players blocking any change to the electoral system. Reformers had to find a detour to reach their goals, and that was the directly elected prime minister reform.

As mentioned previously, in New Zealand the results of the 1978 and 1981 elections were a hard hit for many members of the Labor party. Although Labor had a majority of votes in both elections, because of the electoral system, the National party won the elections . Even though the Labor party was formally against reform, many party members realized that the current system was unfair and started supporting electoral reforms: *"There were deep divisions within the left. Labor was deeply divided. Although people hated each other, it seemed that this [reform] was something most of us could agree on*[8]*"*. The royal commission on electoral reform was established by Labor's minister of Justice Geoffrey Palmer, and it recommended the adoption of the MMP system. There are those who argue that the only reason Labor allowed Palmer to go through with his reform commission was because it was perceived as a harmless exercise (Denemark, 2003). Labor was against coalition government and was very disappointed when the commission recommended MMP. The electoral system change report would have been forgotten if the Labor prime minister in 1987 David Lang would not have made a mistake during a campaign debate when he promised to allow a binding referendum on electoral reform before 1990. The opposition used this unfulfilled promise to remove the government in the next elections.

For many years the National Party was also against reforming the electoral system. A change came right before the 1990 elections when the caucus decided to demand a referendum.

"Most important was the caucus discussion of the National party. It decided we should have a referendum. We could have followed the Labor party and said nothing and used the commission report as a door stop. Every caucus is refreshed by different members. It is dynamic with changing personalities and we decided that one of the things we will have in our manifesto is the referendum"[9].

[6]Lynn, author's interview 16th November 2008

[7]Amnon Rubinstein, former founder and member of the Israeli parliament for the Shinui party which advocated electoral reform and written constitution. Author's interview 17th November 2008.

[8]Angela Foulkes, former secretary of the NZ Council of Trade Unions and one of the Patrons of the Electoral Reform Coalition. Author's interview 10th of March 2010.

[9]Jim Bolger, former Prime minister of New Zealand (National Party). His term of office saw the introduction of MMP in 1996. Author's interview 22nd March 2010.

Government

The government in Israel often disciplines the behavior of coalition partners if they have diverging opinions. In the case of the direct elections of the prime minister, however, it did not get involved because the coalition members had very different thoughts about the reform. As described in the previous sections, both the Labour and Likud parties had members supporting reform and members opposing reform both in and outside the government. In New Zealand the situation was different. New Zealand was described as a Westminster model up until 1996. This meant that a single party cabinet dominated both the executive and legislative organs. Government was stronger than in any other country and it could decide to do pretty much what it wanted:*"One of the factors enabling reform in New Zealand is the fact that parliament was weak at the time and the executive was strong. The executive in a first past the post system could pretty much bring about a reform on its own because of its constitutional control of parliament*[10]*"*.

Some observers insist: *"If there was not a slip of the tongue we would probably never had a reform. It was not a party policy*[11]*"*. Once Labor was re-elected it established a committee to think about reform but never fulfilled its promise to hold a referendum. *"The referendum was a result of a series of accidents and loss of control. Electoral reform was not an important issue in the public mind but the opposition used the government's failure to deliver on its 1987 promise as a tactical means of embarrassing it* [12]*"*.

Referendums

The electorate (voting in referendums) brings in its preference into the decision-making process and is therefore also considered a veto-player. New Zealand did not follow the parliamentary track of reform like Israel. Instead, it chose to use referendums. Once the parliament passed the electoral referendum act the decision was placed in the hands of the citizens and both government and parliament lost control over the process. The referendum process followed two stages: First, an indicative referendum was held in 1992. Here voters were asked two questions: (1) whether they wanted to keep the current system and if yes: (2) which of the four alternative options they preferred. Almost 85 percent wanted to change the current system and 71 percent wanted MMP. This result was a disaster for both the National and Labor party and

[10]Dr. David McGee, former clerk of the house of representatives1985-2000. In that capacity he was the principal adviser to the speaker and members of parliament and parliamentary law and practice. Author's interview 30th March 2010.

[11]Professor Nigel Roberts, former adviser to the Electoral Referendum Panels established by the New Zealand Minister of Justice. Author's interview 11th march 2010

[12]McGee, author's interview 30th March 2010

it left them with no other option but to allow a second referendum in 1993, this time asking voters to choose between the status quo and MMP.

"We appealed to the sense of fairness of New Zealand voters, arguing that all votes should be counted equally towards representation. Some commentators have argued that blind anger against politicians and the political system was the over-riding influence[13]*".*

"It was an escape valve for anger that people felt for politics in general. Voting for change was in a sense criticizing the government. There was a feeling of – you restructured us- now we will restructure you. You have had it easy too long[14]*".*

4.2.3 Crisis

Economic crises or corruption scandals should not be interpreted as just that, but are often seen as a crisis of the system. They are indicators to suggest that the state is unable to govern. What is necessary then is not less state action but rather a more effective state and this can be achieved by reforming the state and redeeming its capacity (Pereira, 1996). Recent economic crises in many European societies have opened a window of opportunity for reformers (for instance in Ireland (Bedock, 2013), and Iceland (Bergmann, 2013) and more generally (Jacobs, 2013)). A decrease in output legitimacy (as described in Figure 2.1 of chapter two) is problematic for ruling parties as this reduces citizens' specific support. As a result , incumbent governments often get punished and voted out of office. Politicians might want to introduce democratic reforms for two reasons: in order to retain their powers or because they think that more democracy is the cure for the crisis. Numerous scandals in the Israeli case and economic problems in New Zealand had made it easier for reform proposals to gain a window of opportunity and thus become more salient.

Quality of Government

The 1988 elections had substantially increased the position of the extreme religious parties in Israel. In this environment the ultra-orthodox parties controlled the king-maker position in the Knesset: *"Post electoral coalition formation is the biggest source of corruption. You have to sell some issues and compromise and make promises. It was a patch work*[15]*".* Aware of their powers, these religious parties made far-reaching demands in the coalition negotiations. Some of their requests included: More financing for religious schools and religious families, important ministerial posts and far reaching religious

[13]Phil Saxby, secretary of the Electoral Reform Coalition in New Zealand. Author's interview 24th March 2010.

[14]Foulkes, author's interview 10th March 2010

[15]Tsiddon, author's interview 13th November 2008

laws. *"Party leaders are interested in ministerial jobs. Because of the coalition process they are able to blackmail the Prime Minister and take advantages that are just not fair. In any given moment a party can come and say – if you do not share my view I will break the coalition. You can not really govern* [16]*".*

The major secular section of the public pressured the two large parties not to give in to this blackmail. The first wave of protest in 1988 eventually led to the creation of a unity government (Rahat, 2003). This pressure movement was called the *Constitution for Israel* (CFI) group, which lobbied for the adoption of a constitution for Israel through a referendum. Later, the focus of this movement shifted towards reforming the electoral system, as the electoral system was blamed for the influence of the extreme orthodox bloc. This movement lobbied with politicians and organized public campaigns through advertisement, phone, mail and demonstrations.

In 1990 the Labor Party was able to dismiss the government with the help of the religious parties bringing about a coalition crisis. Once again the ultra-orthodox parties possessed a unique bargaining position given that the two major parties needed them to build a government. Meanwhile, some members of parliament abandoned their parties and joined other parties in return for money and appointments. At about the same time various financial and corruption reports were published by for instance the State Comptroller and by journalists, which only contributed to the public's anger.

"The situation after toppling the government was terrible. Everybody was fighting about who would take control. Each side tried to lure individual members of Knesset with personal promises. Shimon Perez (the then leader of the Labor party) managed to convince figures in the Likud to join his camp by assuring them two terms in the Knesset. A fight started about who will draw individual members from the other camp. This was the hardest time for Israeli democracy[17]*"* .

This incident, also known as the dirty trick episode in Israeli political history, brought about a second more fundamental and extensive protest wave involving hundreds of thousands of people: "*We went out into the streets not for reform but because of the corruption. After the unity government fell the government could not form a coalition, people tried to bribe the Knesset. The dirty trick was the main issue* [18]*"*.

A new group called *The Movement for Governance Reform in Israel* was established around this time. They worked together closely with the groups from the 1988 protest calling themselves the "Coalition for Change". The protesters wanted to cure the

[16]Professor Uriel Reichman, chairman of the Constitution for Israel group and one of the founders of the Shinui Party. Author's interview 23rd December 2008.

[17]Lynn, author's interview 16th November 2008

[18]Eliad Shraga, founder and chairman of the Movement of Quality of Government. Authors interview 28th December 2008.

corrupt and defective political system. They believed that by introducing direct elections for the prime minister the bargaining position of the orthodox parties would be reduced.

"What usually happens is that you need to introduce an idea in the public domain. You have to look at the public interest as waves. Whenever there is a crisis there was a wave demanding reforms. We had a solution to the problem and we rode the wave to the shore. You cannot create an atmosphere of support but you can take advantage of the disgust of people. If you have the right idea you can lead the criticism and anger of the people to push forward the reform [19]*".*

The Economy

One of the biggest advantages of the plurality system (which was in place in New Zealand up until the nineties) was that it allowed direct accountability of politicians to citizens. As a result of this, New Zealand parties had the tradition of building their campaigns around their proposed policy plans or previous performance. Most political scientists argue that this was inherent to the political culture in New Zealand: "*a populist accountability premised largely on judging the party in government on the basis of its formal election promises*" (Nagel in Denemark, 2003, p. 72).

However, things started changing in this political culture. First, the plurality system allowed cabinets to inflict painful economic measures despite strong public opposition: "*The 1984 Labor government and 1990 National government broke almost every promise they made in their election campaign. This showed the untrustworthiness of political parties*[20]". Both the National and Labor governments pushed through similar unpopular economic reforms in the 1980s and 1990s, leaving citizens no possibility for bringing about change in policy direction: "*Voters were outraged by the broken promises of their national government in 1993. Many Labor and National voters could not forget the Rogernomics*[21] *blitzkrieg launched in 1984-1987*[22]".

Second, during election campaigns, the major parties tended to exaggerate the benefits they would deliver once they would be in office. For instance, during the economic crisis economic recovery was slow to come, leading to deep disappointment, among the public. These factors led to a significant decline in trust and confidence in parliament and politicians and a rise in the belief that electoral reform was the only way to repair the system:

"We were an unpopular government. We were making far-reaching reforms and the country

[19] Reichman, authors interview 23rd December 2008

[20] Foulkes,authors interview 10th March 2010

[21] This term was used to describe the right-wing economic policies of the Labour finance minister Roger Douglas between 1983-84.

[22] Saxby, authors interview 24th March 2010

was in economic crisis. We became very unpopular. The more unpopular we became the more support there was for electoral reform. Reform was not the main issue but the economy was. We decided to hold a referendum to let the public take out steam but we should have increased the threshold in hindsight". Furthermore: *"One of the most compelling arguments for MMP was that Germany under MMP was able to achieve a tremendous economy. Look how well Germany succeeded under MMP. MMP thus equals economic success* [23] *"*.

4.2.4 Nearness of Elections

Following Downs (1957) parties seek to maximize their electoral support so that they can control government. Parties thus try to maximize their vote share during elections. Strøm (1990) argues that certain conditions facilitate this behavior more than others: Vote-seeking is first of all a feature of two-party politics, where strategic party interaction disappears and voting power leads virtually directly to policy influence and office benefits. For the same reason, parties with large shares of the vote in multiparty systems resemble parties in two-party systems in their pursuit of votes. Despite their long resistance to reform, we see the behavior of parties changing right before the elections in both our case studies. In New-Zealand reform was used by the National party as an instrument for acquiring votes in the upcoming elections. In the Israeli case, reform was quickly passed right before the 1992 elections because many members of the Likud party feared their party's defeat if they did not vote for the change.

The call for reform had more often than not produced reports that many had hoped would end up in a library. Important events, such as elections, have often helped these reports to be taken more seriously. It is often argued that elections tend to change the behavior of politicians and parties because they are motivated by the will to get re-elected. Most legislators had conflicting interests. On the one hand they wanted to keep the status quo, but on the other hand, they were afraid of being punished by the voters. This shift in focus (towards short-term electoral gains) provides reformers the opportunity to press politicians to allow reform. National law decides when elections take place; sometimes they have to be held earlier than expected because of a political crisis, but in any case they are announced a couple of months beforehand to allow parties and candidates time to prepare their strategies and campaign.

In Israel, for instance, protest groups considered establishing their own reform-promoting party when the elections of 1992 drew near. Opinion polls showed that if this party was to be established it would steal a lot of votes from the major parties (Rahat, 2008). This gave many activists a strong bargaining instrument: *"We spent hours and*

[23] Jim Bolger, former Prime minister of New Zealand (National Party). His term in office saw the introduction of MMP in 1996. Author's interview 22nd March 2010.

hours in the Knesset lobbying, trying to convince them and arranging individual meetings [24]*"* and *"right before the elections we organized a campaign with billboards and named the Knesset members who were against reform*[25]*"*.

This is the first time in the whole reform process that public demand had a strong and effective impact on political parties: *"There was a tremendous support from the public and NGOs during the election campaign. It would not have passed otherwise. It was a bitter lemon for most parliamentarians who had to vote for it* [26]*"*. Elections also changed the strategies of reformers within parliament who decided to change the timing of their submissions. As the election day was coming closer, the right wing Likud party which had opposed reform all along started fearing electoral defeat. When it realized that it could not block the reform by keeping the reform proposal in the committee, it allowed its members of parliament to vote freely during the public sessions.

"At the beginning in the plenary there was no chance to pass the law. Likud was not interested in the legislation. In the main party organ 70 percent voted against the law. Since I had a lot of experience in moving laws in the Knesset I decided, as chairman, to use the parliamentary procedures where you can save a law by bringing it back to the committee and wait for better timing. When there was a decision to go to elections the party started considering public opinion. Public opinion carried more weight. Before that it was not that important [27]*"*.

In New Zealand, elections in 1987 and 1990 also had an impact on the reform process. As mentioned in previous sections, during the 1987 election campaign the then Labor Prime Minister David Lange went against his own party's position on reform by promising to allow a binding referendum on electoral reform. Lange later argued that he had misread his notes while others believe it was only a tactic to win the debate against the National Party. After their election victory, Labor was not enthusiastic about fulfilling its promise. In the 1990 election campaigns the leader of the National Party, Jim Bolger, used the topic of the unfulfilled promise to taunt the Labor Party. The National party promised that if it was to be elected it would allow a referendum on electoral reform by 1992. Whether parties had lost control over the reform situation or not, approaching elections were decisive for some change in their way of thinking and behaving.

[24]Shraga, authors interview 28th December 2008
[25]Reichman, author's interview 23rd December 2008
[26]Tsiddon, authors interview 13th November 2008
[27]Lynn, author's interview 16th November 2008

4.3 Hypotheses, Data and Analysis

In the previous sections I described the electoral reform proceses in Israel and New-Zealand. The next step in this study is to discover to what extent factors found to influence the occurrence of electoral reforms can be generalized to other other types of reforms. In other words, it tries to explain under what circumstances reforms - in general- are more likely to occur.

4.3.1 Hypotheses

Illustrations from Israel and New Zealand show us the importance of a number of factors in explaining reform occurrences:

- Parties: The decrease in power of the traditional parties in both Israel and New Zealand and the entrance of new parties into the political arena can increase the possibility of a reform occurring (Colomer, 2004). Scarrow (1997) is able to link cartel dynamics to the occurrence of reform. The general argument is that reforms will occur either because (1) cartels, threatened by newcomers, will want to change the system in order to strengthen their position or because (2) a newcomer to the cartel scene wants to ensure the perpetuation of its success through institutional change. Another way of explaining this finding is by linking this to the previous discussion by Rahat (2003). The existence of more parties in parliament makes it more likely to find a coalition willing to reform and revoke the powers of a party who opposes a reform. Or because frustration with veto-players leads many elites to actually seek reform (Jacobs, 2011).
- The relationship between the executive and the parliament (Tsebelis, 1995): Following veto player theory reforms are easier in cases like New-Zealand where the party in government has a majority in parliament. And somewhat more difficult in countries where there is a coalition government like for instance, Israel.
- The use of referendums: often referendums can be a barrier (or a veto player) for political change. In the case of New-Zealand, however, it has been a facilitator of change due to the economic situation.
- Elections drawing near : Both cases illustrated how elites can change their minds about the introduction of reform if they fear electoral punishment.
- The quality of government: The case of Israel illustrated how corruption cases where channeled into political institutions. Reform was presented as a solution. One reason why reform tends to follow corruption scandals more often

nowadays is because *"changes in public literacy and sophistication, the media, the size of government and the returns of offices might have all acted together to give political entrepreneurs greater ability and desire to sell reform to the public"* (Glaeser and Goldin, 2006, p.18).Busse et al. (1996) for instance find that foreign investment rises and falls according to whether institutional reforms follow corruption cases. National actors might want to introduce a reform after a scandal in order to show that they are doing something to fix the system and restore the trust of the (international) community.

- The economy: The case of New-Zealand illustrates how economic problems where channeled into political reform. Reform was presented as a solution. Citizens often judge the performance of their political system by economic success (McAllister, 1999, Miller and Listhaug, 1999, Keele, 2007). One way economic performance and political reforms are linked in the literature is by considering political institutions as determinants of economic performance (North, 1990). In the case of New Zealand we see that the call for reform is a reaction of the public to *"a succession of governments which many believed had ignored public opinion in their efforts to reform the economy"* (Vowels, 1995, p.95). In this regard institutional reforms are funnels to channel public frustration with other contextual factors such as for instance the state of the economy and/or the economic policies of the government.

Naturally when increasing our number of cases to include more established democracies, depending on a country's political situation, what constitutes a veto player can vary. Other veto players are for instance:

- Bicameral system (Tsebelis, 1995): The absence of a bicameral system in New-Zealand and Israel eased the reform process. Reform is expected to be more difficult in a bicameral system than in a unicameral system.
- Federal System (Tsebelis, 1995): The absence of a federal structure in New-Zealand and Israel eased the reform process. Reform is expected to be more difficult in a federal system than in a unitary system.

Presidential versus parliamentary system is another distinction often made within the veto-player literature. Given that we only have one purely presidential system in our dataset this variable has not been included. Courts of justice sometimes play a role in reform processes. Although cross-sectional data is available on the power of the courts, at the moment of writing I was unable to find time-series data for all my cases.

Overall Tsebelis (1995, p.289) points out the fact that *"several studies exemplify the lack of agreement over what outcomes are produced by which institutions" and that "institutional*

debates are conducted in pairs". He stresses the fact that it *"may be misleading to examine these factors in isolation"*. This analysis follows his advice by combining various factors from various theories in one (regression) analysis, to eventually find out under which combination of structures and contexts democratic reforms occur.

4.3.2 Binary Time-Series Cross-Sectional Analysis

In this analysis it is expected that a combination and interaction of specific institutional characteristics and other situational characteristics of a country could facilitate reform more than other combinations. Therefore, the aim of this chapter is to explain the onset of reform. More concretely, binary time-series cross-sectional analyses will be employed to test the hypotheses listed in Table 4.1. This type of estimation is particularly useful considering the research question and hypotheses formulated with relation to both time and space. In this dataset, comparable information across units (countries) and waves (years) is combined.

The dependent variable, occurrence of reform, is based on the inventory of reforms presented in chapter 3. It has been coded in the following way: 1 representing that a reform had occurred in a given country in a given year and 0 indicating the absence of reform in a given country in a specific year (see appendix B). Given that our dependent variable is a binary variable the most appropriate model is a Binary Time-Series Cross-Sectional (BTSCS) regression (Beck et al., 1998). Just like a normal logistic regression a BTSCS allows the researcher to predict the discrete outcome, occurrence or absence of reform, from a set of variables that may be continuous, discrete, dichotomous or a mix of these. The unit of analysis is a combination of country and year.

Experts of non-majoritarian Institutions have suggested that national regulatory institutions should be removed from the analysis. They argue that these institutions are seldom discussed in the public, the media or parliament and would therefore bias the model. This picture also emerges in the country expert reports. Except for the European Central Bank no other regulatory institutions or NPM reforms are mentioned as being "discussed" in the expert reports. Delegation of power to the European Central Bank is coded as EMU in the reforms dataset and not as a National Regulatory Institution.

Logistic regression can sharply underestimate the probability of rare event. Maximum likelihood estimation of the logistic model is well-known to suffer from small-sample bias. This means that the degree of bias is dependent on the number of cases in the less frequent of the two categories. One way this analysis can be improved in the future is by conducting a rare event analysis for the different types of reforms. In this analysis we have 162 occurences (see appendix B) out of 323 cases (17 years x 19 countries) meaning that we have an adequate balance of events and non events in the

dataset.

Table 4.1: *Hypotheses*

Hypothesis 1:	The higher the number of parties in parliament the higher the odds for reform
Hypothesis 2:	When the party controlling the executive branch is the majority party in parliament the odds for reform are higher
Hypothesis 3:	The odds for reform are higher in a unicameral system than in a bicameral system
Hypothesis 4:	The odds for reform are higher in a unitary system than in a federal system
Hypothesis 5:	The odds for reform are higher when no referendum is used than when a referendum is used
Hypothesis 6:	The lower the quality of government the higher the odds for reform[1]
Hypothesis 7:	The lower the economic performance the higher the odds for reform
Hypothesis 8:	The odds for reform are higher when elections are drawing near than when they are far away

[1] I choose to use quality of government indicators instead of satisfaction with government because the former is available for 19 countries in my data while the latter is available for 12 countries. There is a significant positive correlation between satisfaction and quality of government and trust in parliament and quality of government (approx. 0.6). When we add satisfaction and trust in parliament to the model (for N=12) it is significant

The independent variables were taken from existing datasets, such as, the quality of government dataset (for the quality of government and economic growth variables), the political constraint dataset (for the alignment between executive and legislature, effective second chamber and independent sub federal entities variables), the electoral systems website (for number of parties in parliament), C2D website (for the occurrence of referendums variable) and the European Journal Political Research Data yearbook (for election dates). Some of these variables are continuous others are dichotomous or discrete. Complete descriptions, values and sources can be found in Appendix B. Once the dataset was constructed, I tested whether these independent variables correlate with each other by looking at vif scores. None of them exceed a vif score of 10 (Kutner et al., 2004). I also check whether the model is properly specified using linktest (i.e. whether an independent variable has been omitted or an irrelevant variable may be included). This is not the case.

Initially the observations in this chapter are the same 21 first and second wave democracies with a high level of development for every year between 1990 and 2007 that I described in the introduction to this book. The N varies due to the introduction of lags and missing variables. For instance, model 1 has an N of 304. Due to the introduction of lag length 1 and missing variables I have 16 years and 19 countries which are complete (Norway and Ireland were removed due to missing variables). This amounts to 304 units of analysis (16 x 19). I checked whether any of these cases influences the results disproportionately by analysing the Pearson residual plots- which was not the case.

I consider the time aspect in my model by exploring different lag-structures. The hypothesized impact of various indicators on the occurrence of institutional reform does not necessarily have to be immediate (Havrylyshyn and Van Rooden, 2003). As described in the Israeli and New Zealand cases, for instance, it might take some time before politicians realize or are persuaded that the solution for economic crisis or corruption lies in a particular type of institutional reform. At the moment, there is no theory to help us determine the number of lags necessary. Another way of determining the lag structure is statistically, by letting the data determine what is appropriate (Lake and Baum, 2011). The lag with the highest R-square and lowest Root Mean Square Error (RMSE) is added to the model. I also check whether an unexpected variation or special event may affect the dependent variable by testing for time fixed effects. Another thing I test whether the data is non-stationary (e.g. trends, cycles, random walks) because results obtained from such data can be spurious. I also check whether the series correlates with its own future or past values (autocorrelation).

Furthermore, I consider the cross-sectional aspect of my data by testing for random and fixed effects. The assumption of the fixed effects model is that time-invariant characteristics are unique to specific country and should not be correlated with other countries. Each country is seen to be different. When a model is modeled as random we assume that we can draw conclusions about the population from which the units of observation were drawn. A Hausmann test can be used to determine whether one should use random or fixed effects. The model presented is a random effects model.

4.4 Results

In order to understand the results it is probably important to explain how the odds ratio scale is constructed. An odds ratio scale has values ranging from 0 to 1 and from 1 to infinity. A value of 1 in the odds ratio scale is equivalent to no change. A value of two is equivalent to a value of 0.5 on the opposite direction.

Before I turn to the full model, I run two separate models. The first model includes all the institutional veto players as independent variables while the second model only includes the situational variables into the model. In the veto players model (model 1) (table 4.2) the only variable which is significant is the effective number of parties variable. Yet the model is not significant. The situational model (model 2) (table 4.3), on the other hand, is significant. The variable economic development is the only significant variable (quality of democracy and nearness of elections are significant at the 10 percent level).

Table 4.2: *Model 1: Veto Players and Dependent Variable Occurrence of Reforms*

Independent Variables	**Lag**	**Coefficients (std. errors)**	**odds ratio**
Effective Number of Parties	0	0.24 (0.10)**	1.27
Executive-Legislature Alignment	1	-0.21(0.45)	0.82
Effective Second Chamber	0	0.54 (0.37)	1.70
Federal System	0	-0.41 (0.43)	0.66
Referendum	0	0.03 (0.35)	1.03
Quality of Government			
Economic Development			
Nearness of Elections			
Constant		-1.78 (0.54)	
Lagged Dependent Variable	No		
Country Fixed Effects	No		
Time Fixed Effects	No		
N	304		
Years	16		
Number of Countries	19		
Wald	7.43		

Entries report coefficients and Odds Ratio. Standard errors within brackets. *** >0.01 ** >0.05 * >0.10

The results for the relationship between structural variables (both veto-players and situational variables) and the occurrence of reforms are presented in Table 4.4. The full model is significant.

As was the case in both Israel with the emergence of the orthodox parties and New-Zealand with the increase of votes for Alliance and New Zealand, the number of parties in parliament has a significant positive effect on the occurrence of reforms. The odds of a reform occurring increase by a factor of 1.30 with every one unit increase in the number of parties. This variable does not have a substantial impact.

Second, as the New Zealand case shows, here too the economy has a negative effect

Table 4.3: *Model 2: Situational Variables and Dependent Variable Occurrence of Reforms*

Independent Variables	Lag	Coefficients (std. errors)	odds ratio
Effective Number of Parties			
Executive-Legislature Alignment			
Effective Second Chamber			
Independent Federal System			
Referendum			
Quality of Government	2	-3.03 (1.76)*	0.04
Economic Development	0	-0.15 (0.07)**	0.85
Nearness of Elections	0	-0.21 (0.11)*	0.81
Constant		2.54 (1.67)	
Lagged Dependent Variable	No		
Country Fixed Effects	No		
Time Fixed Effects	No		
N	285		
Years	15		
Number of Countries	19		
Wald	10.33**		

Entries report coefficients and Odds Ratio. Standard errors within brackets. *** >0.01 ** >0.05 * >0.10

on reforms. With every one unit increase in the economic growth the odds of a reform occurring decreases by a factor of 0.87.

Furthermore, just as was the case in Israel after the *dirty trick affair,* the quality of government seems to have a negative effect on reforms. This means that every one unit increase in the quality of government the odds of a reform occurring decreases by a factor of 0.05. This variable is by far the most important variable in this analysis as an increase in the quality of government decreases the odds by twenty times.

And finally, although only significant at the 10 percent level, it is interesting to note that the nearness of elections too has an impact on the introduction of reforms. In other words, every one unit increase in the nearness of elections (i.e elections are further away) the odds of a reform occurring decreases by a factor of 0.82.

Other hypotheses, namely that the dominance of the same party in the executive and parliament would be favorable to reforms and that the use of referendums would have a negative effect on the occurrence of reform, did not hold in the analysis. Other veto-players such as a second chamber and decentralized layers of government did not have a significant effect on the occurrence of reforms in general. However, this might

be different for different types of reforms[28].

Table 4.4: *Full Model: Logistic Regression of Dependent Variable Occurrence of Reforms*

Independent Variables	**Lag**	**Coefficients (std. errors)**	**odds ratio**
Effective Number of Parties	0	0.26 (0.09)**	1.30
Executive-Legislature Alignment	1	-0.47 (0.40)	0.62
Effective Second Chamber	0	0.21 (0.29)	1.02
Independent Federal System	0	0.03 (0.38)	1.03
Referendum	0	0.09 (0.35)	0.91
Quality of Government	2	-3.20 (1.63)**	0.05
Economic Development	0	-0.134 (0.06)**	0.87
Nearness of Elections	0	- 0.19 (0.11)*	0.82
Constant		1.90 (1.60)	
Lagged Dependent Variable	No		
Country Fixed Effects	No		
Time Fixed Effects	No		
N	285		
Years	15		
Number of Countries	19		
Wald	18.81**		

Entries report coefficients and Odds Ratio. Standard errors within brackets. *** >0.01 ** >0.05 * >0.10

4.5 Conclusion

In this chapter I identified factors that bring about reforms in established democracies from the vast electoral reform literature. Illustrations from electoral reform in New-Zealand and Israel exemplified the effects of these factors. Later the formulated hypotheses were tested using the occurrence of other types of reform in a larger number of countries. Some of these variables have a significant effect on reforms in general.

Although veto-player theory often expects that the higher number of veto-players would cease the occurrence of reform, this expectation has not been verified in this analysis. Results suggest that the higher the number of parties the higher the chances

[28]Future research should check whether different variables hold for the occurrence of different types of reforms. The only barriers to such an analysis is that the N is substantially reduced. In such a case one should probably use more sophisticated rare events analyses (King and Zeng, 2001). This option is currently not available in STATA, R or SPSS

of a reform occurring. A similar arguments was made by Rahat (2008). Jacobs(2011, p.210) concludes: "The more partisan players there are, the more parties can work together with others to nullify the power of a particular party that threatens to veto a reform".

Sociological institutionalists often see crisis as a cause for reform. Illustrations from Israel and New-Zealand described how the crisis of government and economic downturn evolve into public dissatisfaction which is eventually funneled into calls for reform. The analysis in this chapter concludes that contextual factors such as an economic crisis and governance crisis, manifesting through low economic performance and low quality of government, have a significant impact on the occurrence of reform. Norris (1997) finds a similar pattern in the UK, the United States, Italy and Japan.

Recently, observers have pointed out how the economic crisis (starting in 2007) and a rise in urban protests have brought about an increase of discussions about democratic reforms. Constitutional conventions have been set up in hard hit economies such as Iceland (Bergmann, 2013) and Ireland (Bedock, 2013). These new cases attest to the continued impact of these situational variables.