Institutional Design

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INTRODUCTION

Institutional design is the choice of rules for collective decision-making. At the moment of designing institutions, two main questions have to be addressed: who is entitled to participate? and how will decisions be made? The first question points to the design of the community. Collective decisions can be enforceable if people within some boundaries think or accept they share enough with the others to abide by the outcomes, even if they find themselves to be losers or in a minority on some issues, or if the costs of not complying are too high. The Western European model of nation-state building has been too often taken as the only reference and interesting path for building a political community. Political science is still very state-centered. However, recent and current developments, in both Europe and the rest of the world, demand for a more diversified menu, as we will discuss in the following pages. The second question – how decisions are made – implies at least to major issues: what can be decided on each occasion, which refers to how decision powers are divided among different bodies or branches of government, and how people’s preferences are transformed into collective outcomes, which basically involves choices on voting and electoral rules. Many years ago, David Hume advised institutional designers with these words:

In contriving any system of government, and fixing the several checks and controls of the constitution, every man ought to be supposed a knave, and to have no other end, in all his actions, but private interest. By this interest we must govern him and, by means of it, make him cooperate to public good, notwithstanding his insatiable avarice and ambition. (Hume, 1741 [1994]).

In this chapter we will prove that the assumption that people seek their own interest not only in making private or public policy decisions, but also when choosing the institutional rules for making those decisions, is broadly shared and analytically fruitful. Institutional designers, while tending to deploy their ‘ambition’, often aim at putting levers of rule at their easy disposal in order to concentrate, rather than check power. However, an efficient institutional design – that is, one making rulers ‘cooperate to public good’, in Hume’s terms – can result from circumstances in which no actor has sufficient influence to impose its own project and diverse ambitions counterweight each other. Not surprisingly, this is a relatively
frequent situation in a complex world, which may explain why major institutional choices are increasingly made in favour of formulas able to produce power-sharing and to satisfy broad groups of people, which is just another way to refer to ‘public good’.

The following review shows that, in the current world, the number of small, sufficiently homogeneous communities to make consensual and enforceable collective decisions is increasing; the number of democracies is also increasing; institutional choices tend to favour division of powers rather than concentration in a single body or party; and electoral rules are increasingly chosen to permit multiple parties to participate and share government. As actors’ self-interested behaviour leads to broadly efficient and satisfactory institutional choices, it seems that a kind of ‘invisible hand’ in the field can be identified – actually in a not very dissimilar way as a pattern of unintended consequences for private decisions was also identified by Adam Smith, in truth David Hume’s favourite disciple.

The chapter is divided in two parts. In the first, the problems of building a community are addressed with the help of the categories of ‘state’, ‘nation’ and ‘empire’. In the second part, we review the state of the art regarding the choice of institutional rules for division of powers and elections. A few remarks conclude.

COMMUNITY-BUILDING

The design of institutions may involve the building of a large nation-state under the modern West European model. But it may entail the building of other types of community, such as ‘empires’ or ‘cities’, as very large and small communities, respectively, were called in classical studies in the field. After having lost the ‘state’ and brought it back in, a more diversified categorization of polities or structures of governments is opening its way in recent political studies.

Decline and failure of the sovereign state

About a generation ago, a claim was made to ‘bring the state back in’ the social sciences, as in Peter Evans, Dietrich Rueschmeyer and Theda Skocpol (1985) and, especially, Skocpol (1985). This claim was initially addressed to correct ‘too society-centered’ ways of explaining politics and governmental processes that had prevailed during a previous period starting in the 1950s and 1960s. Bringing the ‘state’ back in brought about much more attention to formal rules and institutions, governmental activities, and the impact of authorities on societal processes, including economic interests and social movements. New knowledge and science have indeed developed from that impulse and the subsequent turn in methodological approaches.

However, in a number of further scholarly studies, the ‘state’ was conceived not only as an institutional and organizational structure for different actor’s strategies and decisions, but as a unitary actor, especially in the field of international or transnational relations. The ‘explanatory centrality’ given to the state as a potent and autonomous actor somehow neglected the role of both larger and smaller political units, especially as the scale of politics has been changing during the most recent period.

The promoters of the newly ‘state-centered’ approach remarked that it derived in part from analytical developments and problems in previous ‘society-centered’ approaches, since the explanation of many societal processes required to ascertain the impact of the political system and the state itself. Analogously, the development of studies directly or indirectly inspired on the assumption of state centrality has contributed to pay attention to alternative political units with an impact on states. In recent times scholars of the state have realized that the state cannot be taken for granted; its very existence is problematic; processes of state-building and nation-building show that
there are different degrees of ‘statehood’ or ‘stateness’; there are strong and weak states, as well as numerous failed ‘states’; and the future of the national state in the current world is questioned by new issues of scale, space and territoriality.

‘State’ is in fact a category that has become decreasingly able to account for many politics in the current world. Apparently, the current world is organized in almost 200 ‘states’. But only a relatively limited number of these political units can be considered to be successful ‘states’ in a strict sense of the word. Sovereign states succeeded in Europe within a historical period that began about 300 years ago and is today essentially finished. In fact the Western European model of state has either not been applied or has mostly failed elsewhere in the world. Now, as a consequence of the creation, successive enlargements and strengthening of the European Union, the validity of the traditional Western European model of sovereign nation-state has weakened further because it is in decline even in the original experience.

Elsewhere, the Western European model of the sovereign state has been much less successful. The US was created from the beginning, rather than as a nation-state, as a ‘compound republic’ formed by previously existing units retaining their constituent powers, as elaborated, among others, by Vincent Ostrom (1987). In Asia, a few very large, overpopulated empires have also escaped from the project of statization: China, the compound India-Pakistan-Bangladesh, as well as Indonesia and Japan, have maintained certain traditional imperial characteristics of internal complexity, not adopting the homogenizing features typical of modern European states.

Unlike in either North America or Asia, attempts to replicate the typical European ‘state’ form of government were made in Hispanic America, Africa and the Middle East as a consequence of the colonial expansion of European states and the further independence of their colonies. The experience has been much less successful than it was in the metropolis – in many cases, a failure indeed. Often the very idea of ‘state’ was frustrated since the new political units achieved neither internal monopoly nor external sovereignty.

There are several accounts of failed states in the current world. The World Bank holds a permanently revised list of ‘fragile states’, called LICUS (for ‘low income countries under stress’), to be given priority, but in most cases impotent foreign aid. There are between 30 and 40 of these countries, including ‘collapsed or failing states’, others in permanent internal conflict, encompassing all together between five and ten percent of the world’s population. In another comparable report, Britain’s Department for International Development has named 46 ‘fragile states’ of concern (Cabinet Office, 2005). Other periodical reports on fragile or failed states are produced by the OECD (n. d.), the CIA (2000), and Fund for Peace and Foreign Policy (2005). The failure of statehood as an explanation for social disorder and economic stagnation is not, however, very frequent and, when used, it is typically within a teleological framework by which state-building is presented as the only possible model for non-European countries (as in Fukuyama, 2004).

Small is democratic

In recent worldwide developments, classical state-building under the Western European model has been largely replaced with a proliferation of small countries, most of which do not brandish some essential elements of ‘sovereignty’. While there were only about 50 independent countries in the world at the beginning of the twentieth century, there are about 200 members of the United Nations in the early twenty-first century. They include about 70 mini-states with a population between one and ten million inhabitants and 40 micro-states with less than one million inhabitants (among them most members of the European Union). In addition, there are more than
500 non-state political units with governments and legislative powers located within a couple of dozen vast federations or decentralized ‘empires’. There are also about 20 ‘territories’ formally linked but physically non-contiguous to some large empire or state and in fact quite independent, and about 15 other territories de facto seceded from recognized states. Helpful data are provided by Kristian S. Gleditsch and Michael D. Ward (2007) and by the Correlates of War (n. d.) project at the University of Michigan. A good collection of cases of states in process of separation can be found in Bahcheli et al. (2004).

The increase in the number of independent countries and the corresponding decrease in their size, as well as the concurrent decentralization of large states and empires, have accompanied the recent spread of democracy in the world. Contrary to some conventional knowledge, democracy does not require sovereign statehood. It can be argued that some lively forms of ‘democracy’ in the sense of open elections and control of rulers by broad layers of citizens existed in old small communities, cities, nations and republics not invested with the attribute of sovereignty, long before the notion of state was even invented. Likewise, there are also nowadays several hundred democratic, but non-sovereign local and regional governments within large states or empires.

As discussed in the seminal work by Robert A. Dahl and Edward R. Tufte (1973), small communities can be more appropriate than large and populous territories for democratic forms of self-government. Their advantages can be found in each of the three stages of the decision process: deliberation, aggregation and enforcement. In a small community, people have more opportunities to gain knowledge for collective decisions by direct observation and experience; thanks to territorial proximity, people can also deal more directly with political leaders; the latter can easily gain information about people’s demands and expectations by direct communication. Since a small community tends, in general, to be relatively homogeneous in terms of both economic and ethnic variables, people may also have relatively harmonious interests, shared values and a common culture, which may make it easier to identify priority public goods and make collective decisions that are generally acceptable. Finally, small communities are more likely to generate loyalty; people will tend to comply with collective rules and decisions, while leaders may be more responsive regarding their own decisions and activity.

Looking at the question from the other side, the disadvantages large unitary states have in establishing a democracy able to satisfy the preferences of a large majority of its citizens are not difficult to identify. Within a large political unit, different interests, values and opinions are likely to exist among the citizens. A collective decision made on a set of different policy issues in bloc is likely to produce a high number of losers. Local majorities may become state-wide minorities and see their preferences rejected from binding collective decisions. In large and heterogeneous communities, there is likely to be a group of absolute winners, whose endurance may induce the losers either to resist the enforceability of collective decisions, not comply with them, rebel, secede or emigrate. In the extreme, dictatorships are more likely to emerge and triumph in very large political units or in highly heterogeneous ones.

The correlation between small size and democracy is empirically consistent, since the creation of increasingly numerous, smaller countries has accompanied the spread of democratic regimes. At the beginning of the twenty-first century, there is democracy in all recognized micro-countries with less than 300,000 inhabitants, in more than two thirds of those with less than one million inhabitants (including the former group), and in more than one half of all small countries with less than 10 million inhabitants (including the two former groups), while only one third of large countries with more than 10 million inhabitants (including the two former groups), while only one third of large countries with more than 10 million inhabitants (including the two former groups), while only one third of large countries with more than 10 million inhabitants (including the two former groups), while only one third of large countries with more than 10 million inhabitants.

In other words, the number of small democracies is twice the number of large democracies.
The rates of success in democratization are even higher for small communities within large federations. Nowadays, of all the large countries in the world with more than 10 million inhabitants, those with a federal structure are democratic in almost three-fourths of the cases, while in large centralized and unitary states, democracy only exists in one-fourth of the cases (specifically, there is democracy in 13 of 18 large federal countries, but in only 17 of 68 large centralized states).

**Bringing the empire back in**

The increase in the number of viable small democratic governments seems to rely upon membership to very large areas of ‘imperial’ size, which provide public goods such as defense, security, trade agreements, common currencies and communication networks. Precisely because they do not have to pay the heavy burdens of classical statehood and sovereignty, including a costly army and a single currency, small countries in an open international environment can benefit from their internal homogeneity and inclination to democracy. Within efficient, internally varied vast empires, small nations are now viable and, at the same time, better fit than large, heterogeneous states for democratic self-government.

A few vast empires do exist in the current world, including democratic and market-oriented empires, such as the USA, the European Union, India and Japan, as well as China and Russia, just to mention the most prominent ones. An ‘empire’ can be conceived as a very large size polity with a government formed by multiple institutional levels and overlapping jurisdictions. In this sense, ‘empire’ is an alternative formula to ‘state’, which can also be dictatorial or democratic or something in between, but is founded on fixed boundaries, external sovereignty and the aim of internal homogenization. Empires typically encompass a high number of small political units, including states, but also regions, cities and other communities, with different institutional formulas across the territory.

Empire-wide political and institutional processes indeed disappeared from the field of academic political studies after the Second World War. A search in the *American Political Science Review* (APSR) since its foundation gives the following results. In the first period, from 1903–1949, as many as seven articles and 74 books reviewed included the words ‘empire’ or ‘imperial’ in the title. Most of them dealt with the ‘problems and possibilities’ (as titled in one of the reviews) of the British empire, followed by the German empire, as well as the American, Chinese, Japanese and Ottoman empires. Articles and books approached such suggestive subjects as empire’s unity, nationalism, federalism, government and politics, political system, governance, constitution and laws, legislative jurisdiction, administrative system, civil service or civil code – that is, the same kind of subjects that can be studied under the alternative framework of ‘state’.

In contrast, not a single piece of work published in the APSR between 1950–1967 included the words ‘empire’ or ‘imperial’ in the title. This suggests that ‘society-centered’ approaches which were prevalent during that period, at the same time that they neglected the study of states also forgot the study of empires. Since 1968, the words ‘empire’ or ‘imperial’ reappear, although only in 40 book reviews, not in the titles of full-fledged articles. Most of the reviews in this period focus on history of past colonial empires, while only eight address imperial relations in the current world (mainly regarding American foreign affairs).

A new source of interest in the concept of empire can be derived, however, from state-centered studies in state-building and nation-building. Two generations of political scientists ago, some fundamental discussion was collected by S. N. Eisendstadt and Stein Rokkan (1973). As they were embedded in the ‘modernization’ paradigm, the editors acknowledged they had not been capable of ‘developing a general theoretical structure for comparisons across all regions of the world’, but remarked on ‘the uniqueness of the Western experience
of state formation and nation-building’ and its inappropriateness for the ‘Third World’. Specifically for Africa, for instance, ‘nation-building in the European style was a luxury when not a catastrophe’.

Somehow following or paralleling this intuition, a number of historians have identified spatial and temporal limits for the validity of the concept of ‘state’: basically Western Europe and a few of its colonies since mid-seventeenth century to late twentieth century. A masterful survey of the modern states in this perspective is given, for example, by Martin L. Van Creveld (1999). Other enlightening studies on the formation of early states include William Doyle (1978), Charles Tilly (1975), Hendrik Spruyt (1994) and Philip Bobbitt (2002). The importance of initial violence, force and coercion in building a state has been particularly highlighted by social historian Charles Tilly, who went so far as to present both war-making and state-making as forms of ‘organized crime’ (Tilly, 1985). In the academic headquarters of political science more strictly defined, the role of violence and coercion in the formation of states has also been stressed by Margaret Levi (1988; 1997) and Robert H. Bates (2001). Bertrand Badie and Pierre Birnbaum (1983) remarked that the state is but one possible institutional formula in complex societies in the modern world. The failure of the state model beyond Europe was subsequently analyzed also by Bertrand Badie (1992).

States, nations and empires

A few works dealing more directly with political and governmental processes in empires can also be mentioned. Specifically, ‘the concept of empire’ and its potential in the analysis of long term historical periods was discussed in an excellent book co-authored by an outstanding selection of historians and political scientists at the initiative of Maurice Duverger (1980a).

More recently, Samuel E. Finer provided the only political science-oriented history of government in the world that goes beyond the last 200 years (Finer, 1997). Finer states at the very first page of his impressive, indispensable and irregular three volume study that his ‘concern is with states’. However, he immediately acknowledges that most ‘pre-modern’ polities did not fulfill the basic characteristics of ‘state’, namely the notion of territorial sovereignty (and far less that of ‘a self-consciousness of nationality’). Actually in his own ‘conceptual prologue’, Finer goes to provide a three-fold typology of structures of government based on the distinction between city, state and empire. In his extensive survey, the category of city-republics includes a number of cases in Mesopotamia, the poleis of Greece and medieval Europe. The ‘formation of the “modern European state”’, ‘starts effectively with, and is built around, the erection of known frontiers … States were the product either of aggregation from small territorial units or of the disaggregation of large territorial units’, according to Finer (1997: 9, 35). But it can also be argued that, in the current world, the states themselves are suffering processes of both disaggregation into small polities (along the revived tradition of city-republics) and aggregation into large territorial units of imperial size.

In fact, most of Finer’s work deals with empires, using regularly and explicitly the word. Specifically his analysis includes Assyria, ‘the first empire in our modern sense’; Persia, ‘the first secular-minded empire’; China, in fact a series of ‘multi-state empires’; Rome, which ruled through ‘imperial agents’ like the provincial governors; the Byzantine empire; the Arab empire of the Caliphate; the Ottoman empire; and the Indian empires. Finer’s work provides, thus, highly valuable material for political science analysis of polities or structures of government through history, although his initial emphasis on ‘states’ is dismissed by his own substantive analysis of really existing governments. Other interesting suggestion for further work from Finer’s materials can be found in George E. Von der Muhll (2003).

Regarding current configurations, the European Union has also been analyzed as an
‘empire’ or at least as an empire under construction. The European Union is indeed a very large political unit (the third in population in the current world), it has expanded continuously outward without previously established territorial limits, it is organized diversely across the territory and has multiple, overlapping institutional levels of governance. The point that the European Union may not be ‘unique’, ‘exceptional’ or ‘unprecedented’, as frequently asserted in certain journalistic literature and political speech, was addressed, for instance, by Caporaso et al. (1997). For a social scientist this only means that we are not using a sufficiently broad analytical concept capable of including this case among those with common relevant characteristics, such as that of ‘empire’. A comparison between the processes of constitutional building of the European Union and of the US was sketched by Richard Bellamy (2005). The war motives in building large empires like the European one were remarked by William H. Riker (1987; 1996). The vision of the European Union as a new kind of empire was suggested by Robert Cooper (2003). Europe ‘as an empire’ has been elaborated in parallel works by Jan Zielonka (2006) and Josep M. Colomer (2006; 2007a).

In the long-term there has been an ever-continuing historical trend toward larger empires. The size and evolution of empires have been studied in four illuminating articles by Rein Taagepera (1978a; 1978b; 1979; 1997), which are largely based on data in Colin McEvedy and Richard Jones (1978). According to these data, there is no evidence of empires larger than 10,000 km² much before 3000 BC. The largest ancient empires, in Egypt and Mesopotamia, with about one million km², were still tiny compared to the present ones. The largest ones at the beginning of our era, in China and Rome, were already much larger, with about five million km². But modern empires, including Russia and the colonial empires of Spain and Britain, have encompassed double-digit millions of km².

Another historical trend is towards an increasing number of simultaneous empires, so that the imperial form of government includes increasingly higher proportions of the world’s population. Virtually none of the territories of the currently existing states in the world has been alien or outside some large modern empire. Among the very few exceptions are Thailand (which emerged from the old kingdom of Siam without Western colonization) and Israel (which was created from scratch in 1948). But a world’s single-government is not foreseeable from historical developments. If the tendency toward increasingly larger sizes of empire, as measured by territory, is extrapolated, we find only a 50 per cent probability of a single world empire by a date placed between 2200 and 3800 (depending on the author making the calculation). If the extrapolation is based on the proportion of the world’s population within the largest empire, that expectation should be deferred to nothing less than the year 4300.

A relevant implication of all this discussion is that, contrary to a still common assumption inspiring the US and other great empires’ foreign policy, especially regarding the Arab region and the Middle East, democracy does not require nation-state building. In ethnically highly heterogeneous countries, federal-type structures and the establishment of large-size areas of free trade and military and security cooperation, can work rather well. Even more: if sovereign units were strengthened in isolation from each other, a higher degree of state-ness could, paradoxically, jeopardize the chances of freedom and democracy, since it might revive or foster inter-state rivalries and mutually hostile relations.

**THE CHOICE OF INSTITUTIONS**

Within established communities, the designers of institutions will aim at anticipating collective decisions on government and policy. Two types of decisions on institutions are reviewed in the following. First, those to regulate the division of powers among the
various branches of government, and second, those to define the relationships between these and the public, which in democracy are based on elections (Colomer, 2001b).

**Division of powers**

In the old legalistic approach to institutional design, democratic regimes were basically distinguished as ‘parliamentary’ or ‘presidential’ depending on the relations between the legislative and the executive, as shown, for example, in the compilation by Arend Lijphart (1992). In parliamentary regimes there is fusion of powers between the parliament’s political majority and the cabinet. But by the early twentieth century, the development of political parties was usually interpreted as a force eroding the central role of the parliament, up to the point to label the British model rather than ‘parliamentary’, a ‘cabinet’ regime. However, it has more recently been remarked that the growth of party was instrumental to reduce the influence of the monarch but not necessarily that of the parliament. With the reduction of the monarch to a figurehead, the prime minister has indeed become the new one-person relevant figure, but the position of the cabinet has weakened. In contrast, the role of parliament has survived, and even, in a modest way, thrived. At least regarding Britain, despite long-standing concerns regarding the balance of power, ‘parliament has always remained the primary institution of the polity’, according to Matthew Flinders (2002; see also Bogdanor, 2003).

In the so-called ‘presidential’ regime, originated with the 1787 constitution of the US, there are separate elections for the assembly and the presidency and a complex system of ‘checks and balances’ or mutual controls between institutions. They include term limits for the president, limited presidential veto of congressional legislation, senate rules permitting a qualified minority to block decisions, senatorial ratification of presidential appointments, congressional appointment of officers and control of administrative agencies, congressional impeachment of the president, and judicial revision of legislation.

Recent analyses have formally shown how these counter-weighting mechanisms play in favor of power sharing between institutions and as equivalent devices to super-majority rules for decision-making. The obstacles introduced by the numerous institutional checks may stabilize socially inefficient status-quo policies, but they also guarantee that the most important decisions are made by broad majorities able to prevent the imposition of a small or minority group’s will. With similar analytical insight but a different evaluation, other analyses have remarked that separate elections and divided governments create a ‘dual legitimacy’ prone to ‘deadlock’, that is, legislative paralysis and inter-institutional conflict. A seminal contribution, based on a formal model for the United States constitution, showed how the interaction of separate institutional bodies is likely to produce stable policy outcomes, as by Thomas Hammond and Gary Miller (1987). Further discussion includes contributions by Fred Riggs (1988), Juan J. Linz (1990a; b), William H. Riker (1992), Kenneth Krehbiel (1996; 1998), Robert A. Dahl (2002), José A. Cheibub and Fernando Limongi (2002), Josep M. Colomer (2005b).

A variant of political regime with separate elections for the presidency and the assembly, better called ‘presidentialism’, was established in almost all republics in Latin America since the mid- or late-nineteenth century. Some founding constitution-makers in these countries claimed to be imitating the US constitution, but, in contrast to the preventions against one-person’s expedient decisions introduced in the US, some of them looked farther back to the absolutist monarchies preceding division of powers and mixed regimes and aimed at having ‘elected kings with the name of presidents’ (in Simón Bolívar’s words). The distinction between US-style checks-and-balances, unified government in presidential regimes, and the more concentrated formula of ‘presidentialism’ can be
referred to Madison, Jefferson, and Hamilton, respectively, according to James Burns (1965).

Presidential dominance has been attempted in Latin American countries through the president’s veto power over legislation and his control of the army, which also exist in the US, supplemented with long presidential terms and re-elections, unconstrained powers to appoint and remove members of cabinet and other high officers, legislative initiative, capacity to dictate legislative decrees, fiscal and administrative authority, discretionary emergency powers, suspension of constitutional guarantees and, in formally federal countries, the right to intervene in state affairs. The other side of this same coin is weak congresses, which are not usually given control over the cabinet and are frequently constrained by short session periods and lack of resources. Recent discussion includes Matthew S. Shugart and John M. Carey (1992), Juan J. Linz and Arturo Valenzuela (1994), Scott Morgenstern and Benito Nacif (2002). Actually the Latin American model of presidential dominance has gained the lowest reputation among scholars and has been proposed to be replaced with all the other regime types, including semi-parliamentarism by Carlos S. Nino (1992), Westminster features by Scott Mainwaring and Matthew S. Shugart (1997), US-style checks and balances by Bruce Ackerman (2000), and multiparty parliamentarism by Josep M. Colomer and Gabriel L. Negretto (2005).

Another variant, usually called ‘semi-presidential’ regime, but also ‘semi-parliamentary’, ‘premier-presidential’ or ‘dual-executive’, was consistently shaped with the 1958 constitution of France. With this formula, the presidency and the assembly are elected separately, like in a checks-and-balances regime, but it is the assembly that appoints and can dismiss a prime minister, like in a parliamentary regime. The president and the prime minister share the executive powers in a ‘governmental diarchy’, as early stated by Maurice Duverger (1970; 1978; 1980b).

At the beginning of the French experience, Duverger speculated that this constitutional model would produce an alternation between presidential and parliamentary phases, respectively favoring the president and the prime minister as dominant figure. The first phase of the alternation was indeed confirmed with presidents enjoying a compact party majority in the assembly. In these situations, ‘the president can become more powerful than in the classical presidential regimes’, as well as more powerful than the British-style prime minister because he accumulates the latter’s powers plus those of the monarch.

The second, parliamentary phase was, in contrast, not confirmed, since, even if the president faces a prime minister, a cabinet and an assembly majority with a different political orientation, he usually retains significant powers, including the dissolution of the assembly, as well as partial vetoes over legislation and executive appointments, among others, depending on specific rules in each country. This makes the president certainly more powerful than any monarch or republican president in a parliamentary regime, as acknowledged by Duverger himself (1986; 1996; 1998). The French call this ‘cohabitation’. There can, thus, be indeed two ‘phases’, depending on whether the president’s party has a majority in the assembly and can appoint the primer minister or not; however, the two phases are not properly presidential and parliamentary, but they rather produce an even higher concentration of power than in a presidential regime and a dual executive, respectively. See also discussion in Bahro et al. (1998), Giovanni Sartori (1994), Robert Elgie (1999).

**Political regime performances**

The introduction of a second dimension, the electoral system, makes the problems for institutional design of democratic regimes more complex. In particular, within parliamentary regimes one can choose either majoritarian electoral rules, which typically imply that a single party will be able to win
an assembly majority and appoint the prime minister, or proportional representation rules, which correspond to multi-party systems and coalition cabinets. Presidential regimes and their variants, in contrast, are less affected by the electoral system dimension since at least one of the systems, the one for the election of the president, must be majoritarian and produce a single absolute winner.

Different institutional choices have been linked to different rates of success in attempts of democratization and in the duration of democratic regimes. In order to understand some results, it may be convenient to think again about the stylized assumption that strategic choices of different institutional formulas tend to be driven by actors’ relative bargaining strength, electoral expectations, and attitudes to risk. It is logical to expect that citizens and political leaders will tend to support those formulas producing satisfactory results for themselves and reject those making them permanently excluded and defeated. As a consequence, institutional formulas producing widely distributed satisfactory outcomes can be more able to develop endogenous support and endure. Widely representative and effective political outcomes can feed social support for the corresponding institutions, while exclusionary, biased, arbitrary, or ineffective outcomes might foster citizens’ and leaders’ rejection of the institutions producing such results.

Generally, constitutional democracies favoring power-sharing and inclusiveness should, thus, be able to obtain higher endogenous support and have greater longevity than those favoring the concentration of power. Empirical accounts show that democratic regimes are the most peaceful ones, while semi-democratic or transitional regimes are most prone to conflict, even more than exclusionary dictatorships (basically because the latter increase the costs of rebellion). Among democracies, parliamentary regimes are more resilient to crises and more able to endure than presidential ones (Stepan and Skach, 1993). But parliamentary regimes with majoritarian electoral systems appear to be associated to higher frequency of ethnic and civil wars than presidential regimes, while parliamentary regimes with proportional representation are the most peaceful ones (Reynal-Querol, 2002). Updated calculations show that of all attempts to establish a democratic regime in countries with more than one million inhabitants since the nineteenth century, those having initially adopted the British model of parliamentarism with majoritarian electoral rule have survived only in 37 per cent of the cases, while the rate of success for presidential and semi-presidential regimes is 54 per cent (with high variance in duration), and for parliamentarism with proportional representation, of 72 per cent (Colomer, 2001a; 2007a).

**Electoral rules**

Electoral system design requires major choices between indirect elections, direct elections by majority rule, mixed systems, and proportional representation. Regarding the strategies of political parties to design electoral systems, in general the ‘Micro-mega rule’ applies: the large prefer the small and the small prefer the large (‘Micro-mega’ is the title of Voltaire’s tale in which dwarfs and giants dialogue). Specifically, dominant and large parties prefer single-member districts with majoritarian rules able to exclude others from competition, while multiple small parties prefer large districts with proportional representation rules able to include them. Thus, political configurations in which there is a single dominant party or two rather balanced parties tend to produce choices in favor of rather restrictive or exclusionary electoral systems, such as those based on the majority principle, while pluralistic settings with multiple parties tend to favor choices in favor of more inclusive electoral formulas, such as those using rules of proportional representation.

Maurice Duverger (1951) already noted that ‘the first effect of proportionality is to maintain an already existing multiplicity … On the
whole, proportional representation maintains virtually without change the party system existing at the time of its adoption’, although he did not elaborate. Precisely in a book review of Duverger, John G. Grumm remarked:

the generally-held conclusions regarding the causal relationships between electoral systems and party systems might well be revised, ... it may be more accurate to conclude that proportional representation is a result rather than a cause of the party system in a given country (Grumm, 1958: 375).

Seymour M. Lipset and Stein Rokkan also suggested that electoral systems should be treated as the result of institutional choices by political actors: ‘In most cases it makes little sense to treat electoral systems as independent variables. The party strategists will generally have decisive influence on electoral legislation and opt for the system of aggregation most likely to consolidate their position’ (Lipset and Rokkan, 1967). More recently, analytical models, surveys and discussion on electoral system design and choice have been provided by Arend Lijphart and Bernard Grofman (1988), Carles Boix (1999), Josep M. Colomer (2004), Pippa Norris (2004), Michael Gallagher and Paul Mitchell (2005), and Kenneth Benoit (2007).

It seems reasonable to assume that, under restrictive formulas such as majority rule, political actors facing the effects of their own failure at coordinating themselves into a small number of candidacies and the emergence of new issues and new contenders for seats and offices, may shift to prefer electoral institutions able to reduce the risks of competing by giving all participants higher opportunities to obtain or share power. When there are only a few parties, they can be satisfied with majoritarian electoral systems, but when the number and the size of new parties increase, the incumbent parties may begin to fear the risk of becoming absolute losers and try to shift to more inclusive electoral formulas. Electoral system changes indeed tend to move overwhelmingly in favor of increasingly inclusive, less risky formulas: from indirect to direct elections, from unanimity to majority rules, and from the latter to mixed systems and to proportional representation (Colomer, 2004; see also Blais and Massicotte, 1997; Lijphart, 1994).

Existing parties tend, thus, to choose electoral systems able to crystallize or consolidate the previously existing party configurations and systems. Only in large countries with large assemblies, limited voters’ participation, and successful coordination in two large parties, single-member districts and plurality rule remain stable as an equilibrium institutional formula. In the US, in particular, in spite of being a very large and heterogeneous country, each representative is elected by the rather homogeneous population of a small territory in a way that the two main nation-wide parties become large-tents or umbrellas of varied representation.

Since the nineteenth century, we can count 82 major changes of assembly electoral system in 41 countries with more than one million inhabitants. In consistency with the discussion above, we observe that more than 80 per cent of these changes have been in the direction toward more inclusive formulas. Specifically, indirect assembly elections decreased and virtually disappeared in the early twentieth century. Majority rule, which was the basic formula in the few democratic countries existing in the late nineteenth and early twentieth centuries, was replaced in its appeal by proportional representation, especially after the First World War. This trend has intensified in recent processes of democratization. Mixed systems have spread widely in the most recent period, mostly as a result of changes from non-democratic regimes or plurality rule. Nowadays, most democratic countries with more than one million inhabitants use electoral systems with proportional representation rules.

Likewise, we can count 28 major changes of presidential electoral rules in 14 countries, mostly moving from electoral college to simple plurality rule and to second-round formulas based on qualified-plurality or absolute majority rules, the latter permitting multiparty competition at the first round. This trend is stronger during present democratic periods.
More specifically, it has been proven that while dominant and large parties are likely to choose simple plurality rule, small parties are likely to choose variants of majority rule with second round runoff, a system which permits broader participation and coalition formation in support of the two leading candidates. This hypothesis has been supported by a statistical analysis of the determinants of electoral choice in 49 cases of major and minor constitutional changes in Latin American countries by Gabriel L. Negretto (2006).

**Large (small) assemblies, small (large) districts**

An example of how the analysis of inter-institutional relations and institutional choices can be operationalized for quantitatively measurable variables and further empirical test is the following. Rein Taagepera (2001; 2007), by deductive reasoning, has presented a formula between basic elements of the electoral system, the district magnitude, M, the number of seats or size of the assembly, S, and the number of parliamentary parties, P, by which: $P = (MS)^{1/4}$. His initial intention was to explain the number of parties as derived from the electoral system. But his own formula also permits to analyze the relation the other way round, that is, the electoral system as derived from the number of parties. More clearly, it is: $M = P^4/S$.

In a previous work, Rein Taagepera and Mathew S. Shugart had established that the size of the assembly, S, depends on the size of the country in terms of population, C, approaching $S = C^{1/3}$ (Taagepera and Shugart, 1989). Now we can see in the above formula that the larger the country, and hence the larger the assembly, S, the smaller the expected district magnitude, M. Very large countries, precisely because they have large assemblies, can stay associated to small single-member districts. With similar number of parties, the institutional designers in India, for example, are likely to choose single-member districts, while the institutional designers in Estonia are likely to choose multimember districts, typically associated to proportional representation rules.

In separate work, I myself hypothesized that electoral systems based on single-member districts and majority rule would be established and maintained when the effective number of parties lies between one and four, that is, when a single party may have or expect to have an absolute majority. Beyond four effective parties, the parties may want to change the electoral system to introduce multimember electoral districts with proportional representation rules. The hypothesis was supported with empirical data for 70 countries showing that only when the number of effective parties increases to four, the probability of an electoral system change in favor of proportional representation rises above half (Colomer, 2005a).

There is, thus, a great coincidence between the results of both the deductive and the inductive analyses just reported. The stylized approach focusing just on a few clearly defined, well measurable variables makes us realize that the pressures from multiparty systems to adopt inclusive electoral rules work differently in countries of different sizes. In large countries, a large assembly, whose number of seats is positively correlated to the country’s population, can be elected in small, single-member districts. In small countries, by contrast, the size of the assembly is small and, as a consequence, the development of multiple parties favors more strongly the adoption of inclusive, large multimember districts with rules of proportional representation. Thus we tend to see large assemblies with small districts, and small assemblies with large districts.

This may seem counter-intuitive, since apparently small countries should have more ‘simple’ party configurations and less problems to identify a majority winner, so that they could work by simple electoral systems such as those with single-member districts and majority rule in acceptable ways (actually this tends to happen in very small and micro-countries with only a few hundred
thousand inhabitants in which no more than two parties emerge). If the relation between variables is clearly established and measured, we can have an answer to the intriguing question of why large countries, including the US and other former British colonies, in spite of the fact that large size is typically associated to high heterogeneity, keep single-member districts and have not adopted proportional representation.

A relevant implication for institutional design is that if the size of the assembly is rather stable and depends on the country’s size, for a small country with a small assembly, just a few parties are necessary to produce a change of electoral system in favor of proportional representation. In contrast, for a large country and a large assembly, many parties would be necessary to produce such a result, as discussed for the UK, after some failed attempts to reform the electoral rules, by Patrick Dunleavy (2005).

In the long-term, as we have seen in the first part of this chapter, both the number of countries and the number of democracies in the world are increasing, leading to an overall decrease in the size of the democratic countries. The size of democratic assemblies also decreases, since it is positively correlated to the country’s population. As the number of parties increases within each democracy, more and more countries tend, thus, to adopt electoral systems with proportional representation rules.

In large countries and empires, such as Australia, Canada, France, India, the UK and the US, a large assembly can be sufficiently inclusive, even if it is elected in small, single-member districts, due to territorial variety of the representatives. In small countries, by contrast, the size of the assembly is small and, as a consequence, the enlargement of voting rights, the broadening of the public agenda and development of multiple parties favors more strongly the adoption of more inclusive, large multi-member districts with proportional representation rules. Indeed, proportional representation began to be adopted for parliamentary elections in a few relatively small Western European countries in the early twentieth-century, as analyzed in several of the studies previously cited, and has widely spread among new democracies during the last decades.

CONCLUDING REMARKS

It is not unfounded to assume that the design of political institutions is usually driven by politicians’ and would-be rulers’ ambition, the pursuit of power, and calculations, estimates or expectations about the likely consequences of different institutional formulas to favor designers’ self-interest. However, as we have seen in the previous pages, the outcomes of such endeavors tend to be relatively favorable to formulas restricting the opportunities for high concentration of power and permitting broad satisfaction of people’s preferences and demands. Specifically, institutional choices during the last decades tend to produce small countries, more democracies, division of powers, and electoral rules favoring multiparty representation. In spite of, or precisely through actors’ self-interested behaviour, institutional choices seem to be guided by an ‘invisible hand’ favouring relatively acceptable solutions.

Of course, all of this is based on long-term tendencies and positively tested with only average values for large numbers of cases. For single-case analyses, several possible situations faced by self-interested political actors can be identified. If the distribution of power in a community is such that one single group is institutionally dominant and expects to be secure winner with the existing institutional rules, these will not likely be changed – institutional stability can be expected. In contrast, situations more prone to institutional change include those in which there is high uncertainty regarding the different groups’ relative strength and those in which new groups are emerging and gaining increasing support among voters. For anticipated losers or threatened winners, institutional change can be a rational strategy if the expected advantages of alternative formulas balance the risks of keeping playing by the existing rules.
We should take into account that many specific decisions and reforms are embedded in larger sets of institutional choices. Most prominently, the introduction of universal suffrage and processes of democratization have been, already since the late nineteenth century and in further waves through the twentieth century, paramount occasions for incumbent rulers and challenging opposition groups to decrease the global costs of changing political institutions and deal with innovative rules and formulas. In general, self-interested actors may try to enlarge the opportunities to compete for power positions by creating multiple institutional levels submitted to elections, such as the separation of the presidency from the assembly, the embodiment of regional governments or the creation of newly independent units.

But institutional decisions may entail some trade-offs between different levels and sets of rules. As we have seen, federalism or territorial representation in large countries and empires with diverse population may work as a substitute for proportional representation by giving different homogeneous, territorially-based groups opportunities to enter institutions and, thus, preventing a major electoral reform. As another example, the introduction of direct presidential election may open a new opportunity for electoral contest, but it may also constrain the degree of multipartism in the assembly because it is always submitted to majority rule and thus fosters polarization. Specific analyses of institutional design processes need, thus, to place the question in the context of the global relationship of forces among the relevant political actors and take into account the exchanges in which they can enter on parallel settings for multiple choices.

REFERENCES


INSTITUTIONAL DESIGN


