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Abstract	<p>Formal work on the electoral model often suggests that parties or candidates should locate themselves at <i>the electoral center (or origin)</i>. Recent research has found no evidence of such convergence. In order to explain non-convergence, the stochastic electoral model is extended by including various kind of <i>valences</i>, some of which are based on individual and electoral <i>perceptions</i>. These electoral perceptions can be influenced by the contributions made by activist groups to the various parties. We present this formal activist model and then discuss the US presidential election in 2008 and the midterm US election in 2010 in order to evaluate the influence of activist groups, such as the so-called "Tea Party." As an application of the model, we discuss the continuing realignment of US politics that has that has occurred since the end of the nineteenth century as a result of conflict between activist coalitions.</p>	
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Gridlock or Leadership in U.S. Electoral Politics

Evan Schnidman and Norman Schofield

AQ1

1 Activist Politics

This chapter attempts to model elections by incorporating voter judgments about candidate and leader competence. In a sense the proposed model can be linked to Madison's understanding of the nature of the choice of Chief Magistrate (Madison 1999 [1787]) and Condorcet's work on the so-called "Jury Theorem" (Condorcet 1994 [1785]). This aspect of Condorcet's work has recently received renewed attention (McLennan 1998) and can be seen as a contribution to the development of a Madisonian conception of elections in representative democracies as methods of aggregation of both preferences and judgments.

The literature on electoral competition has focused on preferences rather than judgments. Models of two-party competition have typically been based on the assumption that parties or candidates adopt positions in order to win, and has inferred that parties will converge to the electoral *median*, under deterministic voting in one dimension (Downs 1957) or to the electoral mean in stochastic models.¹ This median model has been applied recently by Acemoglu and Robinson (2000, 2006a) in a wide ranging account of political economy, including the transformation of the British polity to a more democratic model in the nineteenth century.

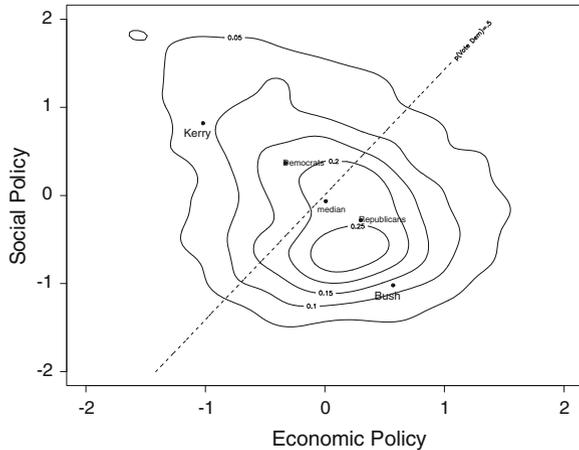
This chapter is an extension of Schofield and Schnidman (2011)

¹ See the earlier work by Enelow and Hinich (1989), Erikson and Romero (1990) and more recent work by Duggan (2006); Patty et al. (2009).

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Fig. 1 Electoral distribution and candidate positions in the United States in 2004



23 In this chapter we develop a theory of political choice in which the political
 24 space is of higher dimension. This space is one which is derived essentially from
 25 the underlying factor structure of the political economy. That is to say, the axes are
 26 based on the preferences of those who control the factors of land, capital and labor.
 27 For example, Fig. 1 presents an estimate of the distribution of preferences (or
 28 preferred positions) in the U.S. presidential election of 2004.² The first-left right
 29 dimension represents preferences (or attitudes) towards government expenditure
 30 and taxes and can be interpreted as a *capital* axis. The second north-south or social
 31 dimension reflects attitudes on social policy, particularly civil rights, and can be
 32 interpreted as a *labor* axis.

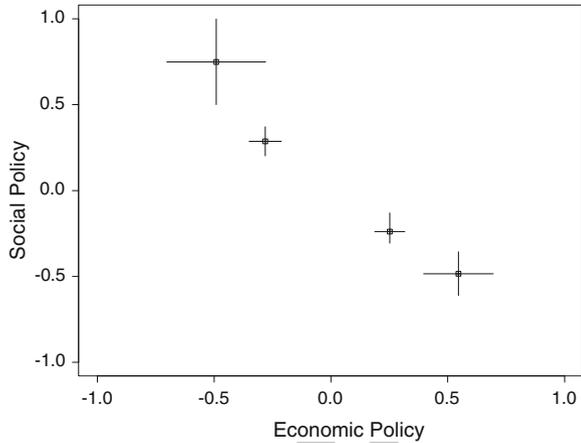
33 Because the political space is two-dimensional, parties in the United States
 34 must be coalitions of opposed interests. Figure 1 also shows a *partisan cleavage*
 35 *line* obtained from a simple logit model of the election. This cleavage line joins the
 36 preferred points of voters who, according to the stochastic vote model, would
 37 choose the candidates with equal probability of one half.

38 In Fig. 2 we present the results of a factor analysis of the 2004 ANES, showing
 39 estimated mean partisan and activist positions for Democrat and Republican voters
 40 in 2004 (error bars are larger for the mean activist positions. This Figure, together
 41 with Fig. 1 suggests that candidate positions are very much effected by activists
 42 who are estimated to be located at more extreme positions in the policy space. This
 43 inference is compatible with the model presented here.

44 The figure suggests that though the Republican party contains both socially
 45 conservative and socially liberal groups, they both tend to be *pro-capital*. Similarly
 46 the Democrat party tends to be *pro-labor*. The increasing dominance of “Tea
 47 Party” social conservatives in the Republic Party, and indeed the fact that the
 48 Republican position in the recent mid term election of 2010 appeared to be fairly

² This figure is based on factor analysis of the American National Election Study (ANES) for 2004 by Schofield et al. (2011a).

Fig. 2 Comparison of mean partisan and activist positions for Democrat and Republican voters in 2004 (error bars are larger for the mean activist positions)



49 “radical” in the lower right quadrant of the political space, caused some prominent
 50 Republicans to consider a change of party allegiance to the Democrats. Shifts in
 51 the activist coalitions for the two parties thus cause a transformation of the *par-*
 52 *tisan cleavage line*.

53 Miller and Schofield (2003, 2008) argue that this is a fundamental aspect of
 54 U.S. politics: as activists on the “trailing edge”³ of the cleavage line change party
 55 allegiance, then the positions of the two parties shift. This can be interpreted as a
 56 clockwise rotation in the political space. They suggest that in the 150 years since
 57 the Civil War, the partisan cleavage line has rotated nearly 180°, with the
 58 Republicans now occupying the position once occupied by the Democrats in the
 59 late nineteenth century. Miller and Schofield conjecture that in time, the Repub-
 60 lican Party will adopt policies that are analogous to those proposed by William
 61 Jennings Bryan in 1896: populist and anti-business. In parallel, the Democratic
 62 Party will increasingly appeal to pro-business, social liberal cosmopolitans.

63 We argue that the fundamental changes in voter choice result not only from
 64 changes in the distribution of electoral preferences, but from the shifts in electoral
 65 *perceptions about the competence of the political candidates*.⁴ These perceptions
 66 are influenced by the resources that the candidates command. In turn, these
 67 changes in perceptions are the consequence of the shifting pattern of activist
 68 support for the candidates.⁵ The essence of the model presented here is that it
 69 attempts to endogenize the resources available to candidates by modeling the

³ These would on the one hand be cosmopolitan, socially liberal but economically conservative Republicans or on the other hand, populist, socially conservative but economically liberal Democrats.

⁴ In the empirical models that we have developed, perceptions are linked to candidate character traits such as moral, caring, knowledgeable, honest, moral, strong, optimistic, intelligent.

⁵ In recent elections, candidate resources are expended through the media. Even a hundred years ago, presidential candidates had to expend resources in campaigning throughout the country.

70 contracts they can make with their supporting activists. The activists must solve
71 their own optimization problem by estimating the benefit they receive from their
72 contributions and deciding what resources to make available to their chosen
73 candidate.

74 In recent years, the importance of activist contributions has increased, and this
75 has enhanced the influence of activist groups.⁶ The empirical and formal models
76 that we discuss here provide a reason why electoral politics has become so
77 polarized in the United States.⁷ Moreover, this polarization appears to have ben-
78 efitied the wealthy in society and may well account for the increase in inequality in
79 income and wealth distribution that has occurred over the last decade (Hacker and
80 Pierson 2006, 2010; Pierson and Skocpol 2007).

81 Essentially there is an arms race between candidates over these resources due to
82 a feedback mechanism between politics and economics. As the outcome of the
83 election becomes more important, activists become increasingly aware that the
84 resources they provide have become crucial to election victories, and they become
85 more demanding of their chosen candidates. Because of the offer of resources,
86 candidates are forced to move to more radical positions, and polarization in
87 candidate positions increases, even though there may be little change in the degree
88 of polarization of the electorate.

89 Over the long run we see two forces at work: the continuing “circumferential”
90 realignment and a “radial” polarization that occurs at times of political quandaries,
91 caused by economic downturn or shocks to the global political economy.

92 In the next section we present an outline of the model that we use. In Sect. 3 we
93 present the formal details of the model, and then in Sects. 4 and 5 we apply it to
94 the consideration of the 2008 and 2010 elections in the United States. Section 6
95 applies the model to episodes in United States history, commenting on the balance
96 between land, labor and capital. Section 7 concludes.

97 2 An Outline of the Model

98 In the standard spatial model, only candidate *positions* matter to voters. However,
99 as Stokes (1963, 1992) has emphasized, the non-policy evaluations, or *valences*, of
100 candidates by the electorate are equally important. In empirical models, a party’s
101 *valence* is usually assumed to be independent of the party’s position, and adds to
102 the statistical significance of the model. In general, valence reflects the overall
103 degree to which the party is perceived to have shown itself able to govern

⁶ Indeed, Herrera et al. (2008) observe that spending by parties in federal campaigns went from 58 million dollars in 1976 to over 1 billion in 2004 in nominal terms.

⁷ See the works by Fiorina et al. (2005), Fiorina and Abrams (2009) and McCarty et al. (2006) on polarization in the electorate and Layman et al. (2010) on polarization among activists. Schofield et al. (2011a, b) gives similar results for the 2000, 2004 and 2008 elections.

104 effectively in the past, or is likely to be able to govern well in the future (Penn
105 2009).

106 Over the last decade a new literature has developed that considers deterministic
107 or probabilistic voting models including valence or bias towards one or other of the
108 candidates.⁸

109 Recent work⁹ has developed an empirical and form¹⁰ stochastic electoral model
110 based on multinomial conditional logit methods (MNL). In this model, each *agent*, j ,
111 was characterized by an *intrinsic or exogenous valence*, λ_j . This model can be
112 considered to be Downsian, since it was based on a pure spatial model, where the
113 estimates of valence were obtained from the intercepts of the model. It was possible
114 to obtain the conditions for existence of “a local Nash equilibrium” (LNE) under
115 vote maximization for a parallel formal model using the same stochastic assump-
116 tions as the MNL empirical model. A LNE is simply a vector of agent positions with
117 the property that no agent may make a small unilateral move and yet increase utility
118 (or vote share).

119 The *mean voter theorem* asserts that all candidates should converge to the
120 electoral origin.¹⁰ Empirical analyses of the 2000, 2004 and 2008 U.S. presidential
121 elections (Schofield et al. 2011a, b) has corroborated the earlier work by Enelow
122 and Hinich (1989) and shown, by simulation on the basis of the MNL models, that
123 presidential candidates should converge to the electoral origin.¹¹ However, the
124 empirical work also suggests that presidential candidates do not in fact adopt
125 positions close to the electoral center. Figure 1, mentioned above, shows the
126 estimated positions of the presidential candidates in the 2004 election in the U.S.

127 This figure is compatible with previous work empirical work by Poole and
128 Rosenthal (1984) who also noted that there was no evidence of candidate con-
129 vergence in U.S. presidential elections.

130 This chapter offers a more general model of elections that, we suggest, accounts
131 for the difference between the estimates of equilibrium positions and actual candi-
132 date positions. The model is based on the assumption that there is a second kind
133 of valence is known as *activist valence*. When party, or candidate j adopts a policy
134 position z_j , in the policy space, X , then the activist valence of the party is denoted
135 $\mu_j(z_j)$. Implicitly we adopt a model originally due to Aldrich (1983). In this model,
136 activists provide crucial resources of time and money to their chosen party, and
137 these resources are dependent on the party position.¹² The party then uses these
138 resources to enhance its image before the electorate, thus affecting its overall

⁸ Adams and Merrill (2005), Ansolabehere and Snyder (2000), Aragones and Palfrey (2002),
~~Ashworth and Bueno de Mesquita (2009)~~, Banks and Duggan (2005), ~~Groseclose (2001)~~ and
McKelvey and Patty (2006).

⁹ Schofield and Sened (2006), Schofield (2007).

¹⁰ The electoral origin is the mean of the distribution of voter preferred points.

¹¹ Schofield et al. (2011c) obtains a similar result for the elections in Britain in 2005 and 2010.

¹² For convenience, it is assumed that $\mu_j(z_j)$ is only dependent on z_j , and not on $z_k, k \neq j$, but this is not a crucial assumption.

139 valence. Although activist valence is affected by party position, it does not operate
 140 in the usual way by influencing voter choice through the distance between a voter's
 141 preferred policy position, say x_i , and the party position. In this first model, as party
 142 j 's activist support, $\mu_j(z_j)$, increases due to increased contributions to the party in
 143 contrast to the support $\mu_k(z_k)$ received by party k , then (in the model) all voters
 144 become more likely to support party j over party k .

145 The problem for each party is that activists are likely to be more extreme than
 146 the typical voter. By choosing a policy position to maximize activist support, the
 147 party will lose centrist voters. The party must therefore determine the "optimal
 148 marginal condition" to maximize vote share. The Theorem, presented in Sect. 3,
 149 gives this as a (first order) *balance condition*. Moreover, because activist support is
 150 denominated in terms of time and money, it is reasonable to suppose that the
 151 activist function will exhibit decreasing returns. The Theorem points out that when
 152 these activist functions are sufficiently concave, then the vote maximizing model
 153 will exhibit a Nash equilibrium.

154 It is intrinsic to the model that voters evaluate candidates not only in terms of
 155 the voters' preferences over intended policies, but also in terms of electoral
 156 judgements about the quality of the candidates. These judgements are in turn
 157 influenced by the resources that the candidates can raise from their activist
 158 supporters.

159 Grossman and Helpman (1996), in their game theoretic model of activists,
 160 consider two distinct motives for interest groups:

161 Contributors with an *electoral motive* intend to promote the electoral prospects of pre-
 162 ferred candidates, [while] those with an *influence motive* aim to influence the politicians'
 163 policy pronouncements.

164 In our first activist model the term $\mu_j(z_j)$ influences every voter and thus con-
 165 tributes to the electoral motive for candidate j . In addition, the candidate must
 166 choose a position to balance the electoral and activist support, and thus change the
 167 position adopted. This change provides the logic of activist influence.

168 We argue that the influence of activists on the two candidates can be charac-
 169 terized in terms of activist gradients.

170 Because each candidate is supported by multiple activists, we extend the
 171 activist model by considering a family of potential activists, $\{A_j\}$ for each candi-
 172 date, j , where each $k \in A_j$ is endowed with a utility function, U_k , which depends
 173 on candidate j 's position z_j , and the preferred position of the activist. The resources
 174 allocated to j by k are denoted $R_{jk}(U_k(z_j))$. Let $\mu_{jk}(R_{jk}(U_k(z_j)))$ denote the effect
 175 that activist k has on voters' utility. Note that the activist valence function for j is
 176 the same for all voters. With multiple activists, the *total activist valence function*
 177 for agent j is the linear combination $\mu_j(z_j) = \sum_{k \in A_j} \mu_{jk}(R_{jk}(U_k(z_j)))$. We also
 178 obtained information from the American National Election Surveys on activists-
 179 those who contributed resources to one or other of the two parties. Figure 1, above,
 180 showed the estimated positions of activists for the two parties. The figure does
 181 suggest that activists influence the candidate positions. The balance condition
 182
 183

184 suggests that the aggregate activist gradients for each of the two candidates point
 185 into opposite quadrants of the policy space.

186 Bargains between the activists supporting candidate j then gives a *contract set*
 187 of activist support for candidate j , and this contract set can be used formally to
 188 determine the balance locus, or set of optimal positions for each candidate. This
 189 balance locus can then be used to analyze the pre-election contracts between each
 190 candidate and the family of activist support groups.

191 Consider now the situation where these contracts have been agreed, and each
 192 candidate is committed to a set of feasible contracts as outlined in Grossman and
 193 Helpman (1994, 1996, 2001). Suppose further that the activists have provided their
 194 resources. Then at the time of the election the effect of this support is incorporated
 195 into the empirical estimates of the various exogenous, sociodemographic and trait
 196 valences. Consequently, when we estimate these valences we also estimate the
 197 aggregate activist influence. The estimated positions of the candidates can then be
 198 regarded as incorporating policy preferences of the activists.

199 Electoral models where candidates have policy positions¹³ implicitly assume
 200 that candidates would be willing to accept defeat because of an adherence to
 201 particular policy positions. We argue that it is more plausible that the estimated
 202 positions of the candidates are the result of maximizing candidate utility functions
 203 that balance the electoral consequences of position-taking with the necessity of
 204 obtaining activist resources to contest the election. This calculation requires an
 205 estimate of the degree to which these resources will influence the perceptions that
 206 the electorate has of the various valences associated with the model.

207 In the final version of the model we allow the activist valence function to be
 208 individual specific. The total resources available to candidate j are now denoted
 209 $\mu_j(z_j)$, and these may be allocated to individuals, with resource m_{ij} targeted on
 210 voter, or “voter class”, i by candidate j . Since m_{ij} will depend on z_j , we write this
 211 allocation as $m_{ij}(z_j)$, so the budget constraint is
 212

$$\begin{aligned} \mathbf{R}_j(z_j) &= \sum_{k \in A_j} R_{jk}(U_k(z_j)) \\ &= \sum_{i \in N} m_{ij}(z_j). \end{aligned}$$

214 The optimization problem is now a more complex one, subject to this constraint. In
 215 actual fact, candidates will generally not allocate resources to individuals per se,
 216 but to voter classes via media outlets in different regions, or “zip codes.” The
 217 general balance condition specifies how these resources should be allocated
 218 throughout the polity.
 219

¹³ As proposed by Wittman (1977), Calvert (1985), Duggan and Fey (2005), Duggan (2006) and Peress (2010).

220 A recent literature on elections has focussed on the effects of campaign
 221 expenditure on US election results (Coate 2004).¹⁴ Herrera et al. (2008) suggest
 222 that electoral volatility forces candidates to spend more, while Ashworth and
 223 Bueno de Mesquita (2007) suppose that candidates buy valence so as to increase
 224 their election chances. Meirowitz (2008) notes that “candidates and parties
 225 spending this money thought that it would influence the election outcome.
 226 Downsian models of competition cannot explain how candidates choose spending
 227 campaign levels or what factors influence these decision.” Meirowitz proxies the
 228 choice of expenditure in terms of candidate choice of effort, but his model does not
 229 explicitly deal with an endogenous budget constraint.

230 3 The Formal Stochastic Model

231 3.1 The First Activist Model

232 We develop an electoral model that is an extension of the multiparty stochastic
 233 model of McKelvey and Patty (2006), modified by inducing asymmetries in terms
 234 of valence. The justification for developing the model in this way is the empirical
 235 evidence that valence is a natural way to model the judgements made by voters of
 236 party leaders and candidates. There are a number of possible choices for the
 237 appropriate model for multiparty competition. The simplest one, which is used
 238 here, is that the utility function for the candidate of party j is proportional to the
 239 vote share, V_j , of the party in the election.¹⁵ With this assumption, we can examine
 240 the conditions on the parameters of the stochastic model which are necessary for
 241 the existence of a pure strategy Nash equilibrium (PNE). Because the vote share
 242 functions are differentiable, we use calculus techniques to obtain conditions for
 243 positions to be locally optimal. Thus we examine what we call *local pure strategy*
 244 *Nash equilibria* (LNE). From the definitions of these equilibria it follows that a
 245 PNE must be a LNE, but not conversely.

246 The key idea underlying the formal model is that party leaders attempt to
 247 estimate the electoral effects of policy choices, and choose their own positions as
 248 best responses to other party declarations, in order to maximize their own vote
 249 share. The stochastic model essentially assumes that candidates cannot predict
 250 vote response precisely, but that they can estimate the effect of policy proposals on
 251 the expected vote share. In the model with valence, the stochastic element is

¹⁴ An earlier chapter by Groseclose and Snyder (1996) looked at vote buying, but in the legislature.

¹⁵ For refining the model, and for empirical analysis, it would be more appropriate to use the share of the electoral college votes, or a combination of this and the party vote shares in the elections to Congress. We adopt this simplifying assumption in order to present the essential structure of the formal model.

252 associated with the weight given by each voter, i , to the average perceived quality
 253 or valence of the candidate.

254 **Definition 1** The Stochastic Vote Model $\mathbb{M}(\lambda, \alpha, \mu, \beta; \Psi)$ with Activist Valence.

255 The data of the spatial model is a distribution, $\{x_i \in X\}_{i \in N}$, of voter ideal points
 256 for the members of the electorate, N , of size n . We assume that X is a compact
 257 convex subset of Euclidean space, \mathbb{R}^w , with w finite. Without loss of generality, we
 258 adopt coordinate axes so that $\frac{1}{n} \sum x_i = 0$. By assumption $0 \in X$, and this point is
 259 termed the *electoral mean*, or alternatively, the *electoral origin*. Each of the parties
 260 in the set $P = \{1, \dots, j, \dots, p\}$ chooses a policy, $z_j \in X$, to declare prior to the
 261 specific election to be modeled.

262 Let $\mathbf{z} = (z_1, \dots, z_p) \in X^p$ be a typical vector of candidate policy positions.

263 We define a stochastic electoral model, which utilizes socio-demographic
 264 variables and voter perceptions of character traits. For this model we assume that
 265 voter i utility is given by the expression

266 $\mathbf{u}_i(x_i, \mathbf{z}) = (u_{i1}(x_i, z_1), \dots, u_{ip}(x_i, z_p))$ where

$$267 \quad u_{ij}(x_i, z_j) = \lambda_j + \mu_j(z_j) + (\theta_j \cdot \eta_i) + (\alpha_j \cdot \tau_i) - \beta \|x_i - z_j\|^2 + \epsilon_j \quad (1)$$

$$270 \quad = u_{ij}^*(x_i, z_j) + \epsilon_j. \quad (2)$$

273 Here $u_{ij}^*(x_i, z_j)$ is the observable component of utility. The constant term, λ_j , is
 274 the *intrinsic or exogenous valence* of party j . The function $\mu_j(z_j)$ is the component
 275 of valence generated by activist contributions to agent j . The term β is a positive
 276 constant, called the *spatial parameter*, giving the importance of policy difference
 277 defined in terms of a metric induced from the Euclidean norm, $\|\cdot\|$, on X . The
 278 vector $\epsilon = (\epsilon_1, \dots, \epsilon_j, \dots, \epsilon_p)$ is the stochastic error, whose multivariate cumulative
 279 distribution is the Type 1 extreme value distribution, denoted by Ψ .

281 Sociodemographic aspects of voting are modeled by θ , a set of k -vectors $\{\theta_j : j \in P\}$
 282 representing the effect of the k different sociodemographic parameters (class, domicile,
 283 education, income, religious orientation, etc.) on voting for party j while η_i is a k -vector
 284 denoting the i th individual's relevant "sociodemographic" characteristics. The compositions
 285 $\{(\theta_j \cdot \eta_i)\}$ are scalar products, called the *sociodemographic valences* for j .

287 The terms $(\alpha_j \cdot \tau_i)$ are scalars giving voter i 's perception of the *traits* of the
 288 leader (or candidate) of party j . The coefficients, α_j , correspond to different candi-
 289 dates. We let $\alpha = (\alpha_p, \dots, \alpha_1)$.¹⁶ The trait score can be obtained by factor analysis
 290 from a set of survey questions asking respondents about the traits of the candidate,
 291 including moral, caring, knowledgeable, strong, dishonest, intelligent, out of touch.
 292 Schofield et al. (2011a, b) show that the electoral perceptions of candidate traits
 293 are statistically relevant for modeling US presidential elections.

¹⁶ For US elections we talk of the traits of candidate j , rather than party leader j .

294 It is assumed that the intrinsic valence vector
 295

$$\lambda = (\lambda_1, \lambda_2, \dots, \lambda_p) \text{ satisfies } \lambda_p \geq \lambda_{p-1} \geq \dots \geq \lambda_2 \geq \lambda_1.$$

298 Voter behavior is modeled by a probability vector. The probability that a voter i
 299 chooses party j at the vector \mathbf{z} is
 300

$$\rho_{ij}(\mathbf{z}) = \Pr[[u_{ij}(x_i, z_j) > u_{il}(x_i, z_l)], \text{ for all } l \neq j]. \quad (3)$$

302
 304

$$= \Pr[\epsilon_l - \epsilon_j < u_{ij}^*(x_i, z_j) - u_{il}^*(x_i, z_l), \text{ for all } l \neq j]. \quad (4)$$

306 Here \Pr stands for the probability operator generated by the distribution
 308 assumption on ϵ . The *expected vote share* of agent j is
 309

$$V_j(\mathbf{z}) = \frac{1}{n} \sum_{i \in N} \rho_{ij}(\mathbf{z}). \quad (5)$$

311 The differentiable function $V : X^p \rightarrow \mathbb{R}^p$ is called the *party profile function*.

312 The most common assumption in empirical analyses is that Ψ is the *Type I*
 313 *extreme value distribution* (also called the Gumbel (maximum) distribution). The
 314 theorem in this chapter is based on this assumption. This distribution assumption is
 315 the basis for much empirical work based on multinomial logit estimation.
 316

317 **Definition 2** The Type I Extreme Value Distribution, Ψ .

318 (i) The cumulative distribution, Ψ , has the closed form
 319

$$\Psi(h) = \exp[-\exp[-h]],$$

321 with probability density function
 322

$$\psi(h) = \exp[-h] \exp[-\exp[-h]]$$

325 and variance $\frac{1}{6} \pi^2$.

327 (ii) For each voter i , and party j , the probability that a voter i chooses party j at the
 328 vector \mathbf{z} is
 329

$$\rho_{ij}(\mathbf{z}) = \frac{\exp[u_{ij}^*(x_i, z_j)]}{\sum_{k=1}^p \exp u_{ik}^*(x_i, z_k)}. \quad (6)$$

331 See Train (2003 :79). In this stochastic electoral model it is assumed that each
 332 party j chooses z_j to maximize V_j , conditional on $\mathbf{z}_{-j} = (z_1, \dots, z_{j-1},$
 333 $z_{j+1}, \dots, z_p)$.
 334

336 **Definition 3** Equilibrium Concepts.

337 (i) A vector $\mathbf{z}^* = (z_1^*, \dots, z_{j-1}^*, z_j^*, z_{j+1}^*, \dots, z_p^*)$ is a *local Nash equilibrium* (LNE)
 338 if, for each agent j , there exists a neighborhood X_j of z_j^* in X such that
 339

$$V_j(z_1^*, \dots, z_{j-1}^*, z_j^*, z_{j+1}^*, \dots, z_p^*) \geq V_j(z_1^*, \dots, z_j, \dots, z_p^*) \text{ for all } z_j \in X_j.$$

341 (ii) A vector $\mathbf{z}^* = (z_1^*, \dots, z_{j-1}^*, z_j^*, z_{j+1}^*, \dots, z_p^*)$ is a *pure strategy Nash equilibrium*
 343 (PNE) iff X_j can be replaced by X in (i)..

344 (iii) The strategy z_j^* is termed a *local strict best response*, a *local weak best*
 345 *response*, or a *global best response*, respectively to $\mathbf{z}_{-j}^* =$
 346 $(z_1^*, \dots, z_{j-1}^*, z_{j+1}^*, \dots, z_p^*)$ depending on which of the above conditions is
 347 satisfied.

348 (iv) Strict local Nash equilibria (SLNE) and strict Nash equilibria (SPNE) are
 349 defined analogously by requiring strict inequalities in the definition.

350 From the definitions, it follows that if \mathbf{z}^* is a PNE it must be an LNE.

351 Notice that in this model, each agent is uncertain about the precise electoral
 352 outcome, because of the stochastic component of voter choice. None the less, we
 353 presume that each agent uses opinion poll data, etc. to estimate expected vote
 354 share, and then responds to this information by searching for a “local equilibrium”
 355 policy position in order to gain as many votes as possible.

356 It follows from (6) that for voter i , with ideal point, x_i , the probability, $\rho_{ij}(\mathbf{z})$,
 357 that i picks j at \mathbf{z} is given by
 358

$$\rho_{ij}(\mathbf{z}) = [1 + \sum_{k \neq j} [\exp(f_{jk})]]^{-1} \quad (7)$$

360
 362

$$\text{where } f_{jk} = u_{ik}^*(x_i, z_j) - u_{ij}^*(x_i, z_j).$$

364 We use (9) to show that the first order condition for \mathbf{z}^* to be a LNE is that it be a
 366 *balance solution*.

367 **Definition 4** The balance solution for the model $\mathbb{M}(\lambda, \alpha, \mu, \beta; \Psi)$.

368 Let $[\rho_{ij}(\mathbf{z})] = [\rho_{ij}]$ be the n by p matrix of voter probabilities at the vector \mathbf{z} , and
 369 let
 370

$$[\varpi_{ij}] = \left[\frac{\rho_{ij} - \rho_{ij}^2}{\sum_{k=1}^n (\rho_{kj} - \rho_{kj}^2)} \right] \quad (8)$$

372 be the n by p matrix of weighting coefficients.

374 The *balance equation* for z_j^* is given by expression
 375

$$z_j^* = \frac{1}{2\beta} \frac{d\mu_j}{dz_j} + \sum_{i=1}^n \varpi_{ij} x_i. \quad (9)$$

377

The vector $\sum_i \varpi_{ij} x_i$ is a convex combination of the set of voter ideal points. This vector is called the *weighted electoral mean* for party j . Define

$$z_j^{el} = \sum_i \varpi_{ij} x_i. \quad (10)$$

The balance equations for $j = 1, \dots, p$ can then be written as

$$\left[z_j^{el} - z_j^* \right] + \frac{1}{2\beta} \frac{d\mu_j}{dz_j} = 0. \quad (11)$$

The bracketed term on the left of this expression is termed the *marginal electoral pull of party j* and is a gradient vector pointing from z_j^* towards the *weighted electoral mean*, z_j^{el} , of the party. This weighted electoral mean is that point where the electoral pull is zero. Notice that the each entry in the vector $\mathbf{z}^{el} = (z_1^{el}, z_2^{el}, \dots, z_p^{el})$ depends on all other entries. The vector $\frac{d\mu_j}{dz_j}$ is called the *marginal activist pull for party j* .

If \mathbf{z}^* satisfies the system of balance equations, for all j , then call \mathbf{z}^* a *balance solution*.

For the following discussion note again that by suitable choice of coordinates, the equi-weighted electoral mean $\frac{1}{n} \sum x_i = 0$, and is termed the *electoral origin*.

The following theorem is proved in Schofield (2006a).

Activist Theorem 1

Consider the electoral model $\mathbb{M}(\lambda, \alpha, \mu, \beta; \Psi)$ based on the Type I extreme value distribution, and including both intrinsic and activist valences.

- (i) The first order condition for \mathbf{z}^* to be an LNE is that it is a balance solution.
- (ii) If all activist valence functions are highly concave, in the sense of having negative eigenvalues of sufficiently great magnitude, then a balance solution will be a LNE.

Notice that if X is open, then this first order condition at \mathbf{z}^* is necessary for \mathbf{z}^* to be a PNE.

3.2 Extension to the Case with Multiple Activist Groups

- (i) For each party leader, j , let $\{A_j\}$ be a family of potential activists, where each $k \in A_j$ is endowed with a utility function, U_k , which is a function of the position z_j . The resources allocated to j by k are denoted $R_{jk}(U_k(z_j))$. The total activist valence function for leader j is the linear combination

413
 414

$$\mu_j(z_j) = \sum_{k \in A_j} \mu_{jk}(R_{jk}(U_k(z_j))). \quad (12)$$

416 where $\{\mu_{jk}\}$ are functions of the contributions $\{R_{jk}(U_k(z_j))\}$, and each μ_{jk} is a
 418 concave function of R_{jk} .

419 (ii) Assume the gradients of the valence functions for j are given by
 420

$$\frac{d\mu_{jk}}{dz_j} = a_k^* \frac{dR_{jk}}{dz_j} = a_k^* a_k^{**} \frac{dU_k}{dz_j} \quad (13)$$

423 where the coefficients, $\{a_k^*, a_k^{**}\} > 0$, and are differentiable functions of z_j .

424 (iii) Under these assumptions, the first order equation $\frac{d\mu_j}{dz_j} = 0$ becomes
 425

$$\frac{d\mu_j}{dz_j} = \sum_{k \in A_j} \frac{d}{dz_j} [\mu_{jk}(R_{jk}(U_k(z_j)))] \quad (14)$$

 427
 429

$$= \sum_{k \in A_j} (a_k^{**} a_k^*) \frac{dU_k}{dz_j} = 0. \quad (15)$$

431 The *Contract Curve* generated by the family $\{A_j\}$ is the locus of points
 433 satisfying the gradient equation
 434

$$\sum_{k \in A_j} b_k \frac{dU_k}{dz_j} = 0, \text{ where } \sum_{k \in A_j} b_k = 1 \text{ and all } a_k > 0. \quad (16)$$

436

437 Here we let $b_k = (a_k^{**} a_k^*)$ and renormalize.

438 The *Balance Locus* for the leader j , defined by the family, $\{A_j\}$, is the solution
 439 to the first-order gradient equation
 440

$$\left[z_j^{el} - z_j^* \right] + \frac{1}{2\beta} \left[\sum_{k \in A_j} a_k \frac{dU_k}{dz_j} \right] = 0. \quad (17)$$

442 The simplest case, discussed in Miller and Schofield (2003) is in two dimensions,
 444 where each leader has two activist groups.¹⁷ In this case, the contract curve for
 445 each leader's supporters will, generically, be a one-dimensional arc. Miller and
 446 Schofield also supposed that the activist utility functions were ellipsoidal, mir-
 447 roring differing saliences on the two axes. In this case the contract curves would be
 448 *catenaries*, and the balance locus would be a one dimensional arc. The balance
 449 solution for each leader naturally depends on the positions of opposed leaders, and

¹⁷ See also Schofield and Cataife (2007) for example.

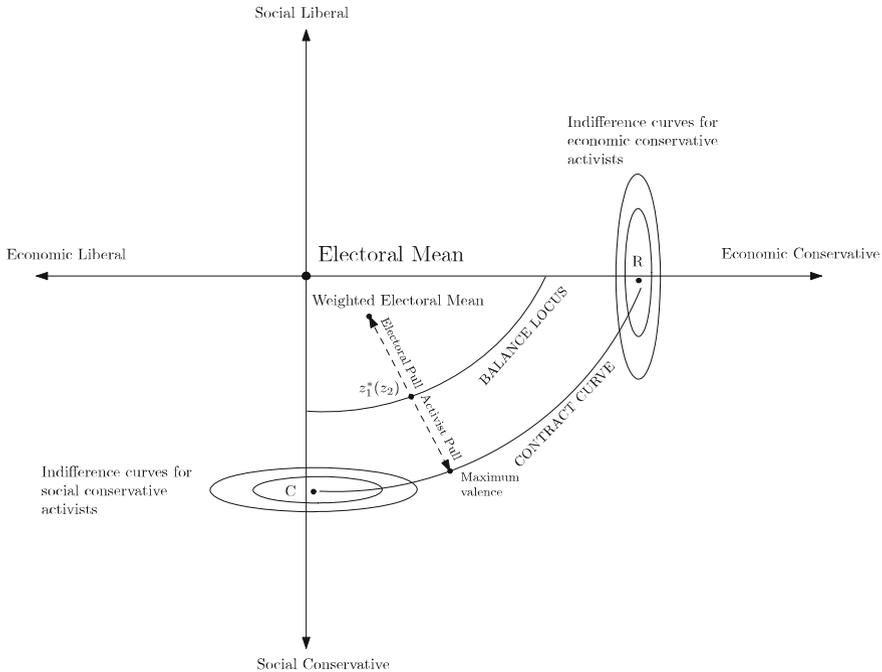


Fig. 3 Optimal Republican position

450 on the coefficients, as indicated above, of the various activists. The determination
 451 of the balance solution can be obtained by computing the vote share Hessian along
 452 the balance locus. Because the activist valence functions can be expected to be
 453 concave in the activist resources, the Hessian of the overall activist valence, μ_j , can
 454 be expected to have negative eigenvalues. For this reason, the Activist Theorem 1
 455 gives a formal reason to expect existence of a PNE. In Fig. 3, the point $z_1^*(z_2)$
 456 satisfies the balance equation for a Republican candidate. This point lies on the
 457 balance locus of the Republican party, and is also a function of the Democrat
 458 candidate location, z_2 . A similar balance locus can be constructed for the Democrat
 459 candidate. Note that Fig. 1 is compatible with Fig. 3.

460 If we associate the utilities $\{U_k\}$ with leaders of the activist groups for the
 461 parties, then the combination
 462

$$\sum_{k \in A_j} a_k \frac{dU_k}{dz_j}$$

464 may be interpreted as the marginal utility of the candidate for party j , induced by
 465 the activist support. Notice that the model presented here is formally identical to
 466 one where the party leader has policy preferences. This activist model can be given
 467 a game-theoretic foundation, as in Grossman and Helpman (2001), and can in
 468

469 principle be extended to the case where there are multiple activist groups which
470 have the option of choosing from among a set of possible party leaders, all with
471 varying intrinsic valences and preferences (Galiani et al. 2012).

472 3.3 Extension of the Activist Model: Targeting Voters

473 We now reinterpret

$$474 \mu_j(z_j) = \sum_{k \in A_j} R_{jk}(U_k(z_j)). \quad (18)$$

476 as the total resources obtained by agent j from the various activist groups. These
478 resources are denominated in terms of time (times skilled labor rate) or money, so
479 we can take the units as monetary.

480 These resources are used to target the individual voters and the voter utility
481 function is now

$$482 u_{ij}(x_i, z_j) = \lambda_j + \mu_i(m_{ij}) + (\theta_j \cdot \eta_i) + (\alpha_j \cdot \tau_i) - \beta \|x_i - z_j\|^2 + \varepsilon_j \\ 483 = u_{ij}^*(x_i, z_j) + \varepsilon_j.$$

484 Here $\mu_i(m_{ij})$ is the valence effect of the expenditure of resources, (m_{ij}) on the
486 targeting of voter i , by agent j . We assume that the greater the resources m_{ij} spent
487 on persuading voter i , the greater the implicit valence associated with candidate j ,
488 so $\frac{d\mu_i(m_{ij})}{dm_j} > 0$. We may also assume decreasing returns so that $\frac{d^2\mu_i(m_{ij})}{dm_j^2} < 0$. Obvi-
489 ously we can partition the voters into different categories, in terms of their soci-
490 odemographic valences. Note that different agents may target the same voter or
491 group of voters.

492 We assume that for each j the budget constraint is satisfied:

$$493 \mathbf{R}_j(z_j) = \sum_{k \in A_j} R_{jk}(U_k(z_j)) = \sum_{i \in N} m_{ij} \quad (19)$$

495 We now assume that j solves the optimization problem that we now construct.
497 Since $\mu_j(z_j)$ determines the budget constraint for j , we can write $m_{ij} \equiv m_{ij}(z_j)$, so

$$498 \mu_i(m_{ij}) \equiv \mu_i(m_{ij}(z_j)) \equiv \mu_{ij}(z_j).$$

500 We shall also assume that the solution to the optimization problem is smooth, in
502 the sense that $\mu_{ij}(\cdot)$ is a differentiable function of z_j .

503 Then just as above, the first order condition gives a more general balance
504 condition as follows:

Editor Proof

 505
 506

$$\begin{aligned}
 0 &= \frac{dV_j(\mathbf{z})}{dz_j} = \frac{1}{n} \sum_{i \in N} \frac{d\rho_{ij}}{dz_j} \\
 &= \frac{1}{n} \sum_{i \in N} [\rho_{ij} - \rho_{ij}^2] \left\{ 2\beta(x_i - z_j) + \frac{d\mu_{ij}}{dz_j}(z_j) \right\}.
 \end{aligned}$$

 509
 510

$$\text{So } z_j \sum_{i \in N} [\rho_{ij} - \rho_{ij}^2] = \sum_{i \in N} [\rho_{ij} - \rho_{ij}^2] \left\{ x_i + \frac{1}{2\beta} \frac{d\mu_{ij}}{dz_j}(z_j) \right\}.$$

 512
 514

$$\begin{aligned}
 \text{Hence } z_j^* &= \frac{\sum_i \left[[\rho_{ij} - \rho_{ij}^2] \left[x_i + \frac{1}{2\beta} \frac{d\mu_{ij}}{dz_j}(z_j) \right] \right]}{\sum_{k \in N} [\rho_{kj} - \rho_{kj}^2]} \\
 \text{or } z_j^* &= \sum_{i=1}^n \varpi_{ij} (x_i + \gamma_i) \text{ where } \gamma_i = \frac{1}{2\beta} \frac{d\mu_{ij}}{dz_j}(z_j)
 \end{aligned}$$

 516
 518

$$\text{and } \varpi_{ij} = \frac{[\rho_{ij} - \rho_{ij}^2]}{\sum_{k \in N} [\rho_{kj} - \rho_{kj}^2]}$$

 520
 521
 522

This can be written $[z_j^* - z_j^{el}] = \sum_{i=1}^n \varpi_{ij} \gamma_i$ where $z_j^{el} = \sum_{i=1}^n \varpi_{ij} x_i$.

$$\text{When } \frac{d\mu_{ij}}{dz_j}(z_j) = \frac{d\mu_j}{dz_j}(z_j)$$

524 this reduces to the previous result (11).

526 The difference now is that instead of there being a single *centrifugal marginal*
 527 *activist pull* $\frac{1}{2\beta} \frac{d\mu_j}{dz_j}(z_j)$ *there is an aggregate activist pull*
 528

$$\sum_{i=1}^n \varpi_{ij} \gamma_i = \frac{1}{2\beta} \sum_{i=1}^n \frac{[\rho_{ij} - \rho_{ij}^2]}{\sum_{k \in N} [\rho_{kj} - \rho_{kj}^2]} \frac{d\mu_{ij}}{dz_j}(z_j)$$

530 determined by the budget constraint given in Eq. (13).

AQ3

532 Notice that the first order condition depends on the marginal terms, $\frac{d\mu_{ij}}{dz_j}(z_j)$,
 533 associated with policy positions, and these will depend on the marginal valence
 534 effects $\frac{d\mu_j(m_{ij})}{dm_j}$. Although these valence effects can be assumed to exhibit decreasing
 535 returns, these will vary across different classes of voters. The plausibility of
 536 existence of Nash equilibria turns on whether the induced second order terms

537 $\frac{d^2 \mu_{ij}}{dz_j^2}(z_j)$ have negative eigenvalues. The assumption of negative eigenvalues would
 538 give a version of the activist theorem.

539 Note also that if ρ_{ij} is close to 0 or 1, then ϖ_{ij} will be close to 0, so the optimal
 540 calculation will be complex, though in principle solvable. It is plausible the candi-
 541 date should expend resources on pivotal voters for whom ρ_{ij} is close to 1/2.¹⁸

542 To sketch an outline of a general model to endogenize activist support, we first let
 543

$$\rho : [X \times \mathbb{B}^n]^p \rightarrow [0, 1]^{n \times p}$$

544 specify the voter probabilities in terms of candidate positions in X^p and the dis-
 547 tribution, in $\mathbb{B}^{n \times p}$, of resources $\{m_{ij}\}$ to all voters.¹⁹

548 We then let
 549

$$\mathbf{V} = V_1 \times \dots \times V_p : [X \times \mathbb{B}^n]^p \rightarrow [0, 1]^p$$

551 be the *party profile function*, mapping party positions and voter distributions to
 553 vote shares, as given by the above models. Indeed, for a more general model we
 554 could consider multiparty systems where agents form beliefs about coalitions
 555 behavior, as suggested in Schofield and Sened (2006). In this case the mapping
 556 would be
 557

$$\mathbf{V} = V_1 \times \dots \times V_p : [X \times \mathbb{B}^n]^p \rightarrow \mathbb{R}^p.$$

558 We assume that each of the \mathbf{k} activists offers a distribution of resources to the p
 561 party leaders, which we take to be a vector in \mathbb{B}^k . We seek is an equilibrium to a
 562 game form which may be written
 563

$$\mathbf{U} \otimes \mathbf{V} : \mathbf{W} = \mathbb{B}^k \times [X \times \mathbb{B}^n]^p \rightarrow \mathbb{R}^k \times \mathbb{R}^p.$$

565 This is an extremely complex dynamical game, and we do not attempt to explore
 567 the full ramifications of this model here.²⁰ One way to deal with it is to consider a
 568 dynamical version by considering a preference field for each party, or activist. This
 569 will be a cone in the tangent space of the agent's strategy space which specifies
 570 those changes in the agent's behavior which increase the agents utility. We denote
 571 the joint preference field by

¹⁸ Stokes (2005) make a somewhat similar inference, discussing clientist models of politics, where m_{ij} is simply a monetary bribe to i . Obviously the marginal benefit to a poor voter is greater than to a wealthy voter, under the usual assumption of decreasing marginal utility for money.

¹⁹ It is reasonable to assume that the resource distributions lie in a compact ball, namely $\mathbb{B}^{n \times p}$.

²⁰ See Coram (2010) for a dynamical version of a similar model. Acemoglu and Robinson (2008) also develop a model based on Markov Perfect Equilibrium where the elite, activists, have different preferences for the public good, in X and contribute to the *de facto* power of the political leader. However, they do not assume competing political leaders. The "matching" model proposed by Jackson and Watts (2010) embeds the Nash equilibrium within a coalition game, and would allow the principals to switch from one agent coalition to another.

$$H_{U \otimes V} : \mathbf{W} \rightarrow \mathbb{T}\mathbf{W}$$

575 where $\mathbb{T}\mathbf{W}$ stands for the tangent bundle above \mathbf{W} . A result in Schofield (2011)
 577 shows that if the tangent field $H_{U \otimes V}$ satisfies a “half open property” then there will
 578 exist a critical Nash equilibrium satisfying the first order condition for equilibrium.

579 Earlier results of Schofield (1978), McKelvey (1979) had suggested chaos
 580 could be generic in electoral models.²¹ The application of this model (in Sect. 6)
 581 to the historical development of the U.S. political economy suggests that the
 582 equilibria of the model are subject to both circumferential and radial transfor-
 583 mations over time.

584 4 Activist Support for Parties in the United States

585 To apply the above model, suppose there are two dimensions of policy, one
 586 economic, and one social. These can be found by factor analysis of survey data.

587 As in Fig. 2 indicates, we represent the conflicting interests or bargains between
 588 the two activist groups of supporters for the Republican Party, located at R and C , by
 589 a “contract curve.” This represents the set of policies that these two groups would
 590 prefer their candidate to adopt. It can be shown that this contract curve is a *catenary*
 591 whose curvature is determined by the eccentricity of the utility functions of the
 592 activist groups (Miller and Schofield 2003). We call this the *Republican contract*
 593 *curve*. The Democrat activist groups may be described by a similar contract curve
 594 (This is the simplest case with just two activist groups for each candidate. As the
 595 previous section shows, this idea can be generalized to many activist groups.)

596 The theorem presented above gives the first order condition for the candidate
 597 positions (z_{dem}^*, z_{rep}^*) to be a Nash equilibrium in the vote share maximizing game.
 598 This condition is that the party positions satisfy a *balance equation*. This means
 599 that, for each party, $j = dem$ or rep , there is a weighted electoral mean for party j ,
 600 given by the expression
 601

$$z_j^{el} = \sum_i \varpi_{ij} x_i. \quad (20)$$

604 This is determined by the set of voter preferred points $\{x_i\}$. Notice that the
 605 coefficients $\{\varpi_{ij}\}$ for candidate j will depend on the position of the other candidate,
 606 k . As presented in the formal model, the *balance equation* for each j is given by:
 607

$$\left[z_j^{el} - z_j^* \right] + \frac{1}{2\beta} \left[\frac{d\mu_j}{dz_j} \Big|_z \right] = 0. \quad (21)$$

²¹ See also Riker (1980, 1982, 1986).

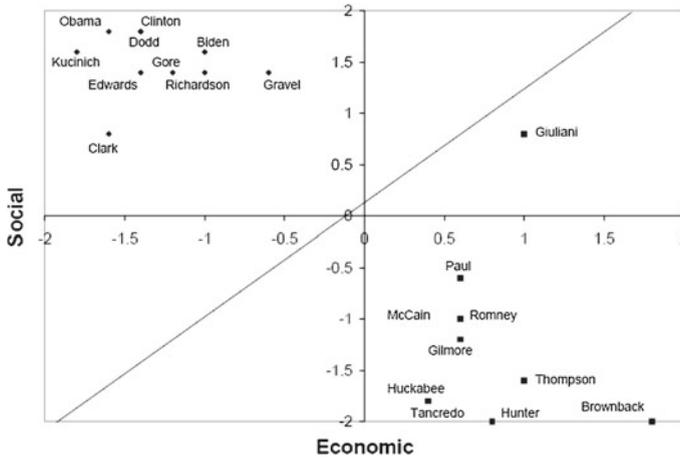


Fig. 4 Positions of Republican and Democrat candidates in 2008

611 **4.1 The 2008 Election**

612 The previous sections have suggested that a candidate’s valence at election time is
 613 due to the ability of activist groups to raise resources for the candidate. At the same
 614 time, the candidate positions are the result of a balancing act between choosing an
 615 electorally optimal position and being able to persuade activist groups to provide
 616 these resources. We briefly provide some information about this balancing act:
 617 Fig. 4 shows the estimated positions of Republican and Democrat Presidential
 618 primary candidate positions prior to the 2008 election. The figure clearly suggests
 619 that Obama adopted a fairly extreme policy position, very liberal on both economic
 620 and social axes. Figures 5 and 6 show the relationship between electoral popularity
 621 of the candidates and their campaign expenditures as of January 2008.

622 Figure 5 suggests that Obama and Hilary Clinton were both very successful in
 623 raising campaign resources, and that these were highly correlated with the electoral
 624 support. Other candidates fell far behind and dropped out of the race. Figure 6
 625 suggests that McCain was also extremely popular, even though his campaign, in
 626 January 2008, had not been very successful in raising contributions. This inference
 627 is compatible with McCain’s estimated fairly moderate position in Fig. 4. Obvi-
 628 ously, the relationship between campaign resources and popular vote in primaries
 629 and in the general election is extremely complex. Further research will attempt to
 630 utilize the model presented here to clarify this relationship.

631 Obama’s victory on November 4, 2008 suggests that it was the result of an
 632 overall shift in the relative valences of the Democrat and Republican candidates
 633 from the election of 2004. Indeed, Schofield et al. (2011b) analyse a spatial model
 634 of the 2008 election and obtain a figure of 0.84 for the estimate of Obama’s
 635 valence advantage over McCain.

Fig. 5 Democrat candidate spending and popularity, January 2008

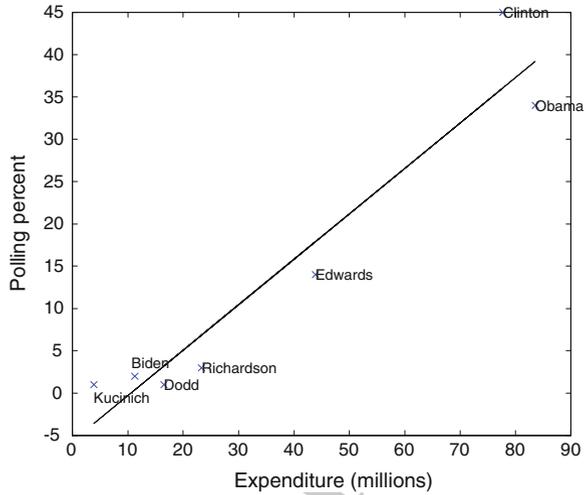
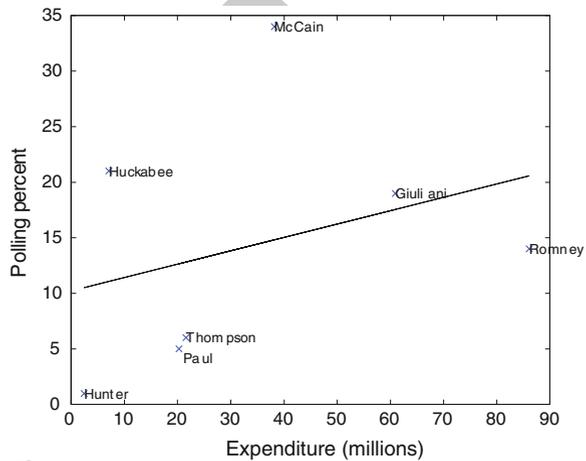


Fig. 6 Republican candidate spending and popularity, January 2008



636 In fact there were differential shifts in different regions of the country. In a
 637 region of the country from West Virginia through Tennessee, Arkansas and
 638 Oklahoma, there was an increase of 20 % in the Republican vote over the share
 639 for 2004, suggesting a regional change of about 0.6 in McCain's valence
 640 advantage.

641 Obama's victory in 2008 suggests that policy outcomes during his adminis-
 642 tration ought to lie in the upper left hand quadrant of the policy space. Figure 7
 643 provides an estimate (taken from Schofield et al. 2011a) of the location of McCain
 644 and Obama at the November 2008 election. The Figure also shows the location of
 645 Democrat and Republican activists. Again, there is some evidence that extreme
 646 activists influence the policy choices of the candidates.

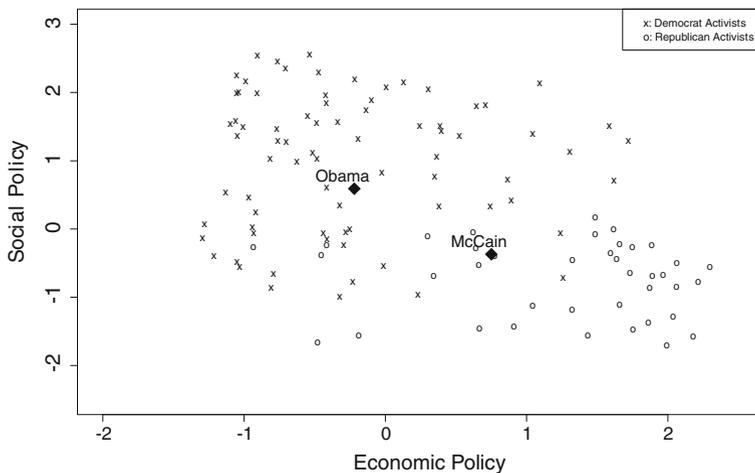


Fig. 7 Estimated US Presidential candidate positions in 2008 and activist positions

647 5 Post 2008 Election

648 The precise policy outcome from Obama's administration have thus far depended
 649 largely on the degree to which Republicans in the Senate have blocked Democratic
 650 policies through the use of the filibuster. Early in his administration some of
 651 Obama's policy initiatives successfully passed through Congress but only after
 652 navigating Republican opposition in the Senate. For example, on January 15, 2009,
 653 the Senate voted 52 against and 42 in support of Obama's economic recovery
 654 program. On February 6, 2009 an agreement was reached in the Senate to reduce
 655 the size of the stimulus bill to \$780 billion, in return for the support of three
 656 Republican senators. On February 9 the Senate did indeed vote by the required
 657 majority of 61 to halt discussion of the stimulus bill, thus blocking a filibuster. A
 658 compromise bill of \$787 billion, including some tax cuts, was agreed upon by both
 659 the House and Senate within a few days; the bill passed the House with 245
 660 Democrats voting in favor and 183 Republicans voting against while the Senate
 661 passed it with just 60 votes. The bill was immediately signed by President Obama.

662 As Obama commented afterwards:

663 Now I have to say that given that [the Republicans] were running the show for a pretty
 664 long time prior to me getting there, and that their theory was tested pretty thoroughly and
 665 its landed us in the situation where we've got over a trillion dollars' worth of debt and the
 666 biggest economic crisis since the Great Depression, I think I have a better argument in
 667 terms of economic thinking.
 668
 669

670 On February 26, 2009 Obama proposed a 10 year budget that revised the
 671 priorities of the past, with an estimated budget deficit for 2009 at \$1.75 trillion
 672 (over 12 % of GDP). It included promises to address global warming and to
 673 reverse the trend of growing inequality. The \$3.6 trillion Federal budget proposal

674 passed the House on April 2, 2009 by 233–196, with even “blue dog” conservative
675 Democrats supporting it, but, again, no Republicans.

676 Obama’s social policies even received a modicum of success; on January 22,
677 2009 a bill against pay discrimination passed the Senate 61–36. The House also
678 gave final approval on February 4, by a vote of 290–135, to a bill extending health
679 insurance to millions of low-income children. Forty Republicans voted for the bill,
680 and 2 Democrats voted against it. When the bill was signed by President Obama, it
681 was seen as the first of many steps to guarantee health coverage for all Americans
682 but it was not clear that the battle over broader healthcare legislation would take
683 most of 2009.

684 Obama gained another important victory when the Senate confirmed Sonia
685 Sotomayor as Supreme Court Justice on August 6, 2009, by a vote of 68–31. She is
686 the first Hispanic and the third woman to serve on the Court. Similarly, Obama
687 nominated another woman, Elena Kagan, to the high court and she was confirmed
688 almost exactly one year after Sotomayor on August 7, 2010 by a vote of 63–37.
689 Though adding two left-leaning female justices to the court has increased the
690 number of women on the Supreme Court to an all time high of 3, it has not
691 fundamentally changed the ideological make-up of the current court which still
692 regularly splits 5–4 in favor of more right-leaning rulings.

693 Events in 2009 and 2010 are consistent with the model presented in Schofield
694 and Miller (2007). Obama is attempting to attract and retain pro-business social
695 liberals with his response to the economic crisis while his massive budget proposal
696 addresses the economic down-turn but has angered most Republicans. It is possible
697 that the Republican Party will gain votes from the blue-collar voters who are
698 suffering the most from the economic collapse. However, if there is any economic
699 recovery by the 2012 election, it is possible that many of the pro-business groups
700 in the country will respond to Obama’s attempt to get the economy moving by
701 supporting him. That could leave the Republican Party with nothing but the old-
702 style populism of William Jennings Bryan: anti-Wall Street, anti-banking, anti-
703 Detroit, anti-immigration, and pro-evangelical religion. This will result in a party
704 realignment to a situation where the socially liberal and economically conservative
705 “cosmopolitan” Democrats are opposed to populist Republicans.²²

706 In October, 2009, one group identifying as populist Republicans, the “Tea
707 Party” activists opposed Obama’s policies on health care so much that they began
708 lining up against the centrist Governor Charlie Crist in the GOP Senate primary.
709 Ultimately, Crist was forced to become an Independent and a Tea Party darling.
710 Marco Rubio, was nominated as the GOP candidate for the Florida Senate seat
711 (and ultimately won the seat, beating Crist handily). Similarly, on November 1,
712 2009 the centrist Republican candidate, Dede Scozzafava, decided to drop out of
713 the special election in New York’s 23rd congressional district and endorse the

²² That is, unlike the situation in the previous figures, the Republican Party will move to the lower left quadrant of the policy space, while business interests in the upper right quadrant will switch to the Democrats. It is indicative of this trend that on April 28 Arlen Specter, the senator from Pennsylvania, shifted his allegiance from the Republican Party to the Democrats.



714 Democrat candidate, Bill Owens. Owens won the election in a district that had
715 been Republican since 1872.

716 As the Healthcare debate heated up over summer and fall of 2009 it became
717 clear that Republicans were intending to continue utilize their blocking coalition as
718 long as possible to stymie Obama and the Democrats. Interestingly, some Democ-
719 rats contributed to this opposition as well; in the health bill vote in the House in
720 early November 2009, 219 Democrats with 1 Republican voted for the bill, while
721 176 Republicans and 39 “Blue Dog” Democrats voted against.²³ By December 19,
722 Senator Bernie Sanders of Vermont, an independent who caucuses with the
723 Democrats, as well as Democrat Senators Ben Nelson and Sherrod Brown, had
724 agreed to a compromise bill. This brought the size of the coalition to the critical
725 size of 60 votes, sufficient to force a decision in the Senate.²⁴ Finally on Christmas
726 Eve, 2009, the health bill passed in the Senate, again by 60 votes with 39
727 Republicans opposed. However, the victory by Republican Scott Brown in the
728 special Senate election in Massachusetts on January 19 deprived the Democrats of
729 the 60 seat majority required to push through the legislation. On February 25,
730 2010, an attempt to reach a bipartisan compromise failed, and there was talk of
731 using a manoeuvre known as “reconciliation” to force though a health bill using
732 simple majority rule.²⁵ Finally, on March 25, after strenuous efforts by President
733 Obama and House speaker, Nancy Pelosi, the House voted 220–207 to send a
734 health care bill to the President. Republicans voted unanimously against the leg-
735 islation, joined by 33 dissident Democrats. The Senate passed the bill by simple
736 majority of 56–43, as required under reconciliation and the President signed a draft
737 of the bill, the “Patient Protection and Affordable Care Act,” on March 23, 2010
738 and an updated version of the bill on March 30, 2010.

739 While it seemed that “gridlock” ensued over the health care legislation, several
740 other major pieces of legislation passed with far less opposition. On February 22,
741 2010 and again on March 17, 2010 the Senate voted 62–30 and 68–29 respectively
742 to implement two multi-billion “jobs creation” programs. Even though the vote to
743 end debate on the Financial Regulation bill failed to obtain the required supra-
744 majority on May 19, 2010, it eventually passed the Senate. On July 15, 2010 the
745 Senate voted 60–39 for the Dodd-Frank Wall Street Reform and Consumer Pro-
746 tection Act, and this was signed into law by President Obama on July 21.²⁶

²³ On Saturday, November 21, the Senate voted 60–40, along partisan lines, to move to the final discussion on the health care bill.

²⁴ Cloture is a motion aimed at bringing debate to an end. It originally required a two-thirds majority, but since 1975 has required a super-majority of 60.

²⁵ Reconciliation is a measure whereby a bill can pass the Senate with a simple majority; the legislation must be shown to be budget neutral over a ten-year span in accordance with the Byrd rule.

²⁶ This complex bill was 2300 pages long. Russ Feingold, a Democrat, voted against the bill, because it was not strong enough. Three moderate New England Republicans, Snowe and Collins of Maine, and Scott Brown of Massachusetts, voted for the bill. The death of Senator Robert Byrd of West Virginia made it more difficult to summon the required 60 votes for cloture.

747 President Obama also signed into law a bill to restore unemployment benefits for
748 millions of Americans who have been out of work for six months or more.

749 Further complicating issues of partisan discontent in Congress has been the
750 introduction of ever increasing quantities of money in the American political
751 system. For example, in 2009, health care, pharmaceutical and insurance lobby-
752 ists²⁷ spent approximately \$650 million on lobbying itself, and about \$210 million
753 on media advertising, while the oil and gas industry spent about \$560 million.²⁸ It
754 would seem inevitable that the importance of lobbying can only increase in the
755 future.²⁹ The Supreme Court decision, *Citizens United versus Federal Election*
756 *Commission*, on January 21, 2010, removed limits on campaign contributions and
757 will further increase the importance of activist contributions. An earlier Court
758 decision, *Federal Election Commission versus Wisconsin Right to Life Inc.* had
759 allowed corporations to buy advertisements supporting candidates as long as they
760 did not appeal explicitly for the election or defeat of a particular candidate. *Cit-*
761 *izens United* removed this limitation.

762 In his State of the Union address in late January, 2010 President Obama said the
763 court had “reversed a century of law that I believe will open the floodgates for
764 special interests—including foreign corporations—to spend without limit in our
765 elections.”³⁰ Dworkin (2010) later called the Supreme Court decision “an
766 unprincipled political act with terrible consequences for the nation.”

767 In July, 2010, the Federal Election Commission approved the creation of two
768 “independent” campaign committees, one each from the left and right, expressly
769 designed to take advantage of the lack of spending limits. One committee is being
770 set up by the Club for Growth, the conservative advocate for low taxes and less
771 government. The other, called Commonsense Ten, with close ties to the Demo-
772 crats, will raise money from individuals, corporations and unions. Both groups will
773 be able to spend unlimited amounts, thanks to the *Citizens United* decision.
774 A Democrat effort to impose new campaign finance regulations before the
775 November congressional election was defeated on July 27 when all 41 Senate
776 Republicans blocked a vote on a bill that would force special interest groups to
777 disclose their donors when purchasing political advertisements. A second attempt
778 at cloture on the bill failed by 59–39 in the Senate on September 23.³¹

779 As the 111th Congress drew to a close in November, 2010 there remained four
780 major pieces of legislation on the agenda: A Deficit Reduction Act, an Expanded

²⁷ The pharmaceutical industry was a strong supporter of reform of health care, because of an agreement with Obama to protect the industry’s profits.

²⁸ Tomasky (2010) gives a figure of \$3.47 billion for spending by lobbyists in the non election year of 2009, citing data from the Center for Responsive Politics.

²⁹ Indeed, Herrera et al. (2008) observe that spending by parties in federal campaigns went from 58 million dollars in 1976 to over 1 billion in 2004 in nominal terms.

³⁰ Notably, George W. Bush appointed Supreme Court Justice Samuel Alito broke from traditional judicial decorum at State of the Union speeches to shake his head in disagreement with the President reportedly muttering the words “that’s not true.”

³¹ As usual it required 60 votes.



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781 Trade and Export Act, a Comprehensive Immigration Act, and an Energy Inde-
782 pendence and Climate Change Act. Despite passage by the House on June 26, 2009,
783 the Waxman-Markey climate change bill, formally called the American Clean
784 Energy and Security Act (ACES), never reached action in the Senate. On July 22,
785 2010, the effort to push forward with the Climate Change Act collapsed due to
786 Republican opposition to a carbon tax. If these bills continue to prove impossible to
787 enact because of partisan strife and opposition, the electorate is likely to oppose any
788 incumbent due to their lack of efficacy at passing key legislation.

789 Given these uncertainties surrounding policy choices in the legislature, it is
790 hardly surprising that voters in the United States doubt that government can be
791 effective. Part of the problem would appear to be the degree of political polariza-
792 tion that results from the power of interest groups located in the opposed
793 quadrants of the policy space.

794 *5.1 Implications of the 2010 Election*

795 In the November, 2010 mid-term election large amounts of money were funnelled
796 through non-profit advocacy groups that can accept unlimited donations and are
797 not required to disclose their donors. As of November 1, 2010, it was estimated
798 that these groups had spent \$280 million, 60 % from undisclosed donors. Three
799 activist groups, the US Chamber of Commerce, American Crossroads and the
800 American Action Committee had spent \$32.8, \$21.6 and \$17 million respectively.

801 Former Bush advisers, Karl Rove and Ed Gillespie, first formed American
802 Crossroads as a 527 independent-expenditure-only committee, but was required to
803 disclose donors. They then formed Crossroads Grassroots Policy Strategies (GPS)
804 as a 501(c)(4) social welfare nonprofit, which means it does not need to disclose
805 donors, but is not supposed to be used for political purposes. GPS spent \$17
806 million. The Chamber of Commerce is a 501(c)(6) nonprofit, but corporations that
807 donate to the Chamber must disclose these contributions in their tax filings. These
808 corporations include Dow Chemical, Goldman Sachs, Prudential Financial and the
809 most highly publicized was a singular donation in excess of \$1 million from
810 Rupert Murdoch's News Corporation.

811 In addition to the external activist groups, South Carolina Senator, Jim DeMint,
812 used the Senate Conservatives Fund as a PAC to funnel about a \$1 million to many
813 of the most right-wing Tea Party candidates. Indeed, a key element of the suc-
814 cessful Republican campaign was that these activist bodies were able to target
815 House and Senate races where incumbent Democrats were weak.

816 In the 2010 election cycle total campaign spending was about \$4 billion, with
817 Republican spending somewhat higher than total Democrat spending. The extre-
818 mely high level of expenditure (especially for a midterm election) is particularly of
819 interest because there is evidence that the policy positions of activists on the social
820 axis has become more polarized over the last forty years (Layman et al. 2010).
821 This polarization appears to have benefited the wealthy in society and may well

822 account for the increase the inequality in income and wealth distribution that has
823 occurred (Hacker and Pierson 2006, 2010; Pierson and Skocpol 2007).

824 Ultimately, the electorate seems to have blamed incumbents, particularly
825 Democrats, for economic woes. In the midterm election in November, 2010, the
826 Democrats lost 63 seats in the House, leading to a Republican majority of
827 242–192. In the Senate the Democrats lost 6 seats but retained a majority of 51–46
828 (with 3 Independents).³² Many of the newly elected members of Congress received
829 the backing of the Tea Party and vocally subscribed to extreme policy stances like
830 abolishing the Federal Reserve, unemployment benefits, and even income taxes.
831 Further, preliminary demographic studies of the Tea Party indicate that they are
832 predominantly older, middle class suburban and rural white Americans.³³ This
833 demographic make-up leads one to postulate that the Tea Party is a representation
834 of a populist movement supported primarily by elites in the South and West.
835 Although tea party supporters are opposed to deficit spending, they generally are
836 supportive of social security and medicare, and want to reduce the deficit by
837 cutting other programs. Perhaps most striking about the Tea Party is the immediate
838 impact they had on Congress itself; the Republican House leadership even created
839 a special leadership post for a Representative from the Tea Party wing.

840 Because of the plurality nature of the U.S. electoral system, parties have to
841 build a winning coalition of mobilized disaffected activists and current party
842 activists (Miller and Schofield 2003). Many of the tea party activists see them-
843 selves as conservative independents that are opposed to big business despite the
844 fact that large corporations and wealthy individuals heavily funded many of the tea
845 party candidates campaigns. Even before the 112th Congress entered session the
846 Republican Party stood up for the wealthy benefactors by insisting on blocking all
847 legislation during the lame duck session until the wealthiest two percent of
848 Americans received the same extension on their tax cuts that the other 98 % were
849 set to receive. This Republican measure included blocking discussion on repealing
850 the “Don’t Ask, Don’t Tell” legislation, immigration reform legislation, a nuclear
851 arms treaty and even legislation allocating funds to provide healthcare to Sep-
852 tember 11, 2001 first responders.

853 In an effort to close his career with parting advice about compromise retiring
854 Connecticut Senator Chris Dodd gave his valedictory speech on the Senate floor on
855 November 30, 2010 with remarks including the following:

856 From the moment of our founding, America has been engaged in an eternal and often
859 pitched partisan debate. That’s no weakness. In fact, it is at the core of our strength as a
860 democracy, and success as a nation. Political bipartisanship is a goal, not a process. You

³² This was the backlash predicted by Bunch (2010). However, the Democrat losses may be due to the spending pattern. The *New York Times* analysis suggested that in 21 House districts where groups supporting Republican candidates spent about \$2 million, they won 12.

³³ Skocpol and Williamson (2010) have been collecting survey and interview data on the Tea Party since its emergence and all indications are that Tea Party members are a very specific demographic sub-group with traditional populist concerns. See also Rasmussen and Schoen (2010).



861 don't begin the debate with bipartisanship—you arrive there. And you can do so only
862 when determined partisans create consensus—and thus bipartisanship. In the end, the
863 difference between a partisan brawl and a passionate, but ultimately productive, debate
864 rests on the personal relationships between Senators.

865 Another elder statesman in the Senate, Indiana's Richard Lugar, clearly felt the
866 same way as Senator Dodd after the 2010 election as he defied the Republican
867 Party over their various demands. Senator Lugar has said that the environment in
868 Washington was the most polarized he had seen since joining the Senate in 1977.
869 John C. Danforth, the former Republican senator from Missouri, remarked that

870 If Dick Lugar, having served five terms in the U.S. Senate and being the most respected
871 person in the Senate and the leading authority on foreign policy, is seriously challenged by
872 anybody in the Republican Party, we have gone so far overboard that we are beyond
873 redemption.

874 President Obama eventually struck a deal to allow the tax cuts to be extended
875 for all Americans (in exchange for an extension of unemployment benefits) despite
876 the fact that even the most positive economic forecasts do not predict these tax cuts
877 to the wealthy bringing unemployment down by more than 0.1% over the two year
878 lifespan of the tax cut extension. This compromise angered many in the liberal
879 wings of Democratic Party as they saw compromise as a betrayal of President
880 Obama's progressive values. In the wake of persistent attack by several prominent
881 liberal Democrats, Obama invited former President Bill Clinton to give a White
882 House press conference in support of the compromise. Involving the former
883 President in this way can be seen as either an act of desperation or an attempt by
884 the administration to harken back to the 1990s (or earlier) when compromise was
885 an acceptable political tactic.³⁴

886 On Monday December 13, 2010 the Republican bargaining ploy worked. The
887 Senate voted to halt debate on the tax cut bill. Other provisions of the \$858 billion
888 bill would extend unemployment insurance benefits and grant tax breaks for
889 schoolteachers, mass transit commuting expenses and landowners who invest in
890 conservation techniques. The compromise bill overwhelmingly passed the Senate
891 on December 15 by a vote of 81–19. Despite accusations by House Speaker,
892 Nancy Pelosi that Republicans were forcing Democrats “to pay a king's ransom in
893 order to help the middle class” at midnight on December 16 the measure passed
894 with 139 Democrats and 138 Republicans in favor and 112 Democrats and 36
895 Republicans opposed. President Obama signed the bill into law the next day.

896 After this initial compromise was struck, the logjam seemed to have broken as
897 Congress began debate on repealing “Don't Ask, Don't Tell,” on the passage of
898 the nuclear arms treaty, and on temporary measures to continue funding the federal
899 government into 2011. This step toward compromise and productivity irked
900 Senators Jon Kyl (Republican from Arizona) and Jim DeMint (Republican from
901 South Carolina) who criticized Majority Leader Harry Reid (Democrat from
902
903

³⁴ It is worth noting that the Founding Fathers repeatedly cited the need for compromise as one of the greatest strengths of the U.S. political system.



904 Nevada) for “disrespecting” the institution and the Christmas holiday by putting
905 so much work on the Congressional docket that Senators might need to return to
906 work during the week between Christmas and New Year. These statements by
907 Senators Kyl and DeMint provide a stark reminder of the roadblocks to compro-
908 mise in activist driven politics. House and Senate Republicans derailed a \$1.2
909 trillion spending measure put forward by Senate Democrats, and promised to use
910 their majority in the new House to shrink government. On December 21 Congress
911 did approve a temporary spending bill up until March 2011.

912 On December 18, the “Dream Act” to allow illegal immigrant students to
913 become citizens failed on a Senate vote of 55–41, but the Senate did vote 65–31
914 to repeal the “Don’t Ask, Don’t Tell” legislation, making it possible for gays to
915 serve openly in the military. The House had previously approved this repeal by
916 250–175.

917 On December 20, the Senate voted 59–37 to reject an amendment to the new
918 arms control treaty, New Start, with Russia. The amendment would have killed the
919 treaty because any change to the text would have required the United States and
920 Russia to renegotiate the treaty. Two days later the Senate voted 71–26 for the
921 treaty. This treaty was seen as the most tangible foreign policy achievement of
922 President Obama. Thirteen Republicans joined a unanimous Democratic caucus to
923 vote in favor, exceeding the two-thirds majority required by the Constitution.

924 As Obama said:

925 I think it’s fair to say that this has been the most productive post-election period we’ve had
926 in decades, and it comes on the heels of the most productive two years that we’ve had in
927 generations. If there’s any lesson to draw from these past few weeks, it’s that we are not
928 doomed to endless gridlock. We’ve shown in the wake of the November elections that we
929 have the capacity not only to make progress, but to make progress together.
930
931

932 Given the results of the 2010 elections and the fact that increasingly the
933 Democrats in Congress represent the richest and the poorest constituencies, while
934 the Republican Party is no longer the party of the wealthy but that of the disil-
935 lusioned middle class and the ultra-wealthy, the indications for the 112th Congress
936 are that, with a divided Congress and increasingly activist driven politics, conflict
937 between the two parties will not only continue but escalate in the run up to the
938 2012 election.

939 One of the first moves by the House in the new 112th Congress was to vote, on
940 January 19, 2011, to repeal the Health Care Bill by a margin of 245–189. However,
941 this repeal cannot pass the Democratic majority in the Senate.

942 A shutdown of government in early April, 2011, was only just averted by a
943 compromise that cut the budget by \$38 billion. After much wrangling, the House
944 passed legislation on April 14, to finance the federal government for the rest of the
945 fiscal year. The final House vote was 260–167, with 59 members of the House
946 Republican majority and more than half the Democratic minority voting against
947 the legislation. The bill also passed the Senate 81–19, again with many Republi-
948 cans opposed. On April 15, the House voted 235–193 to approve the fiscal blue-
949 print for 2012, drafted by Representative Paul D. Ryan, Republican of Wisconsin



950 and chairman of the Budget Committee. The blueprint proposed a cut in expend-
951 iture of \$5.8 trillion over the next decade.

952 By July, it seemed that the political system was again in gridlock with the
953 parties completely polarized over the question of the US public debt. The debt
954 ceiling was at \$14.3 trillion and the current US Treasury debt was \$14.29 trillion.³⁵
955 Republicans demanded a reduction in spending and the maintenance of tax cuts,
956 while Democrats basically wanted the opposite, continued spending on social
957 programs and tax increases on certain segments of the population.

958 The House on Friday July 29, finally approved a plan for a short-term increase in
959 the debt ceiling and cuts in spending. The vote was 218–210, with 22 Republicans
960 unwilling to support the efforts by House Speaker, John A. Boehner, to get a bill
961 approved. This ended a week of intense fighting among Republicans. The game
962 then shifted to the Senate which tabled the House proposal. On August 1 the House
963 of Representatives passed a compromise bill, 269–161, supported by Democrats,
964 increasing the debt ceiling by \$400 billion, with an additional \$500 billion through
965 February, with spending caps of over \$900 billion. A newly designed joint com-
966 mittee was vested with the responsibility of determining future cuts of over \$1
967 trillion. The Senate passed the bill 74–26 on August 2 with 19 Republicans, and 6
968 Democrats and one independent voting against. President Obama immediately
969 signed the bill into law. Despite the eventual compromise on the debt ceiling, on
970 August 5, 2011 Standard and Poor, the credit rating agency, downgraded US
971 Federal debt from AAA to AA+, and the Dow industrial index dropped about 20 %
972 in the following days. However, demand for U.S. Treasury Bonds increased.

973 Later in August the 2012 Republican Presidential primary season began. Early
974 frontrunners included Tea Party darlings Representative Michele Bachman, Rep-
975 resentative Ron Paul, and Governor Rick Perry. Former Governor Mitt Romney
976 openly admitted seeking a more centrist route to the nomination but he will have to
977 contend with activist money such as the PAC “Make Us Great Again” which plans
978 on supporting Rick Perry to the tune of \$55 million.

979 On September 13, President Obama acted on the economic turmoil set off by
980 the Debt Ceiling debate, Standard and Poor downgrade and continuing European
981 debt crisis by sending a \$447 billion jobs bill to Congress. Initial reaction from
982 Republicans indicated a willingness to accept some measures of the bill, coupled
983 with an insistence on keeping tax cuts for the wealthiest and resistance to closing
984 corporate loopholes. On November 21, however, the Committee to reduce the
985 deficit announced that it could not come to any agreement, followed by the remark
986 “We remain hopeful that Congress can build on this committee’s work and can
987 find a way to tackle this issue in a way that works for the American people and our
988 economy.” The Dow closed about 2 % down for the day.

³⁵ Of this \$6.2 trillion is held by the US government, \$2.7 trillion in the Social Security Trust Fund, \$1.9 trillion in other government agencies and \$1.6 trillion in the Federal Reserve. China and Hong Kong hold \$1.3 trillion, other countries hold \$3.2 trillion, the remaining \$3.6 trillion is held by pension funds etc.

989 The debate over the jobs bill highlights the fact that, despite media attention to
990 the contrary, Obama has attempted to attract and retain pro-business social liberals
991 with his response to the economic crisis. In addition to naming General Electric
992 CEO Jeffrey Immelt as Chairman of the President's Council on Jobs and Com-
993 petitiveness, the President's second Chief of staff is former Commerce secretary
994 and bank executive William Daley. These steps, along with his massive budget
995 proposals providing relief to banks and other businesses in order to address the
996 economic down-turn, has angered many in populist circles. Meanwhile, insistence
997 on closing corporate tax loopholes and the spectre of increased financial regula-
998 tion, has eroded business support for the President.

999 This lack of support in both the populist and cosmopolitan quadrants leaves the
1000 President and his party vulnerable to attacks by traditionally conservative Repub-
1001 licans as well as to the more populist demands of the Tea Party. As a result of
1002 persistently high unemployment rates, populist anger has spiked and even spawned
1003 a second, distinctly liberal-minded populist group, the "Occupy Wall Street"
1004 protesters. Given how amorphous this groups interests are, as of this writing they
1005 have been unable to garner much support from mainstream U.S. politicians but they
1006 have begun to receive a great deal of media attention causing several dozen protests
1007 to spring up around the U.S. as well as Europe. So, barring a great increase in
1008 political clout by the "occupy Wall Street" crowd it is possible that the Republican
1009 Party will continue to gain votes from the blue-collar voters who are suffering the
1010 most from the economic collapse. Should the Republican party cater to the tradi-
1011 tional populist demands expressed by those in the Tea Party, they will be hearkening
1012 back to an era of old-style populism as expressed by William Jennings Bryan: anti-
1013 Wall Street, anti-banking, anti-Detroit, anti-immigration, and pro-evangelical
1014 religion. This will result in a party realignment to a situation where the socially
1015 liberal and economically conservative "cosmopolitan" Democrats are opposed to
1016 populist Republicans. That is, the Republican Party may begin to move to the lower
1017 left quadrant of the policy space, while some business interests in the upper right
1018 quadrant will switch to the Democrats.³⁶ Unlike the situation in Fig. 1, over the long
1019 term, the partisan cleavage line may rotate further in a clockwise direction.

1020 6 Land, Capital and Labor in U.S. History

1021 The activist model presented in this chapter can be used to explain the conflict of
1022 land and capital that dominated US politics in the nineteenth and early twentieth
1023 centuries and to some extent, still persists today.

1024 Schofield (2006b) argues that Britain's ability to fight the long eighteenth
1025 century war with France depended on a compact between land and capital that was

³⁶ For example, on April 28, 2010 Arlen Specter, the Senator from Pennsylvania, shifted his allegiance from the Republican Party to the Democrats.



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1026 put in place by Robert Walpole, in the 1720s, and lasted until the repeal of the
1027 Corn Laws in 1846. The compact was based on the protection of the agrarian
1028 interest by customs and excise, and required the disenfranchisement of most of the
1029 population until the First and Second Reform Acts of 1832 and 1867.³⁷

1030 The Declaration of Independence by the thirteen colonies in 1776 was, in turn,
1031 triggered by conflict over land, specifically because of the attempt by the British to
1032 remove the Ohio Valley from settlement though the Quebec Act of July 1774. This
1033 Act led almost immediately to the First Continental Congress in October 1774, and
1034 was denounced in the Declaration itself.

1035 In the United States after independence, conflict between Federalists, repre-
1036 sented particularly by Alexander Hamilton, and the Republicans, James Madison
1037 and Thomas Jefferson, focused on capital versus land. Hamilton's Reports of
1038 1790–1791 on Public Credit, Manufactures and The National Bank were all aimed
1039 at creating an American analogue of the British system of tariffs and excise. Since
1040 the United States exported land-intensive goods, the only feasible path to creating
1041 a commercial economy was to sustain manufactures either by tariff or by direct
1042 government assistance. Hamilton rejected the Madison-Jefferson view that the
1043 future of the U.S. economy lay principally in the cultivation of the land. Indeed, in
1044 the Report on Manufactures, Hamilton argued that the U.S. could grow only
1045 through an increase of productivity as a result of manufacturing.

1046 Madison and Jefferson believed that Hamilton's commercial empire in the
1047 United States would generate precisely the same phenomenon of immoderation
1048 and disenfranchisement as had occurred in Britain. Hamilton's scheme would
1049 mean tariffs to raise revenue, increasing government debt, an extensive military
1050 establishment and corrupt "placemen." Jefferson's "Empire of Liberty" meant the
1051 exact opposite³⁸ and his election in 1800 saw the victory of the Democrat-
1052 Republican trade-oriented coalition of the slave-owning elite and free agrarian
1053 labor against the more urban north east.³⁹

1054 Until the election of Lincoln in 1860. the political coalition structure was
1055 "intersectional" between the eastern Whigs and the agrarian Democrats of the
1056 south and west. Lincoln's election was the result of the collapse of the agrarian
1057 coalition largely triggered by the Dred Scott opinion of the Supreme Court in
1058 1857. Lincoln argued that this decision could lead to the expansion of slavery to
1059 the Pacific, against the interests of northern free labor.

³⁷ The 1867 Act was the most extensive. See McLean (2001); Acemoglu and Robinson (2000) for discussion.

See also Acemoglu and Robinson (2006a, b) for a discussion why Great Britain's path to economic development was not blocked by agrarian elites in this period.

³⁸ See the discussion of this period in Wood (2009)

³⁹ In this election, the Democrat-Republicans won 146 electoral college votes, with Jefferson and Burr, of New York, each receiving 73. The Federalists won 129 in total. Eventually Jefferson won the House with ten states to four for Burr. The three fifths weight given to unfree labor in the south had proved crucial.

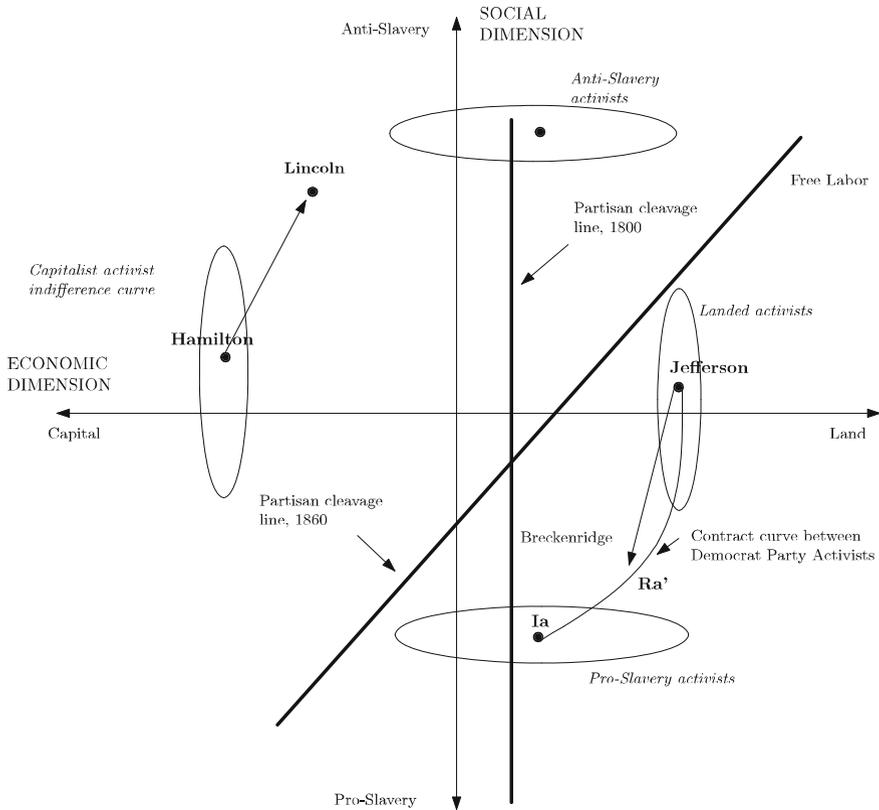


Fig. 8 Changes in political realignment 1800–1860

1060 Figure 8 gives a heuristic representation of the transformation in party positions
 1061 between the election of Jefferson in 1800 and the onset of the Civil War.

1062 During the Civil War, the Tariff Acts of 1862 and 1864 were proposed as means
 1063 to raise capital for the effort against the south, but as Taussig (1888) noted, in his
 1064 classic treatise on the tariff,

1065 Great fortunes were made by changes in legislation urged and brought by those who were
 1066 benefited by them.

1069 By the Tariff Act of 1883, the average duty on aggregate imports was of the
 1070 order of 30 %, mostly on manufactures.

1071 The second half of the nineteenth century had seen an enormous growth of
 1072 agrarian exports from the U.S to Great Britain. As Belich (2009) notes, grain
 1073 exports increased from a million tons in 1873 to 4 million by 1900, with similar
 1074 increases in dairy and meat products. However, by 1900, the “Dominions”
 1075 (Canada, New Zealand and Australia) began to replace the United States as the
 1076 agrarian suppliers for Britain. At the same time, the United States began its

1077 somewhat delayed process of industrial development, making use of the transport
1078 infrastructure, canals etc that had been put in place in the previous decades. Belich
1079 (2009) suggests that the decoupling of the United States from Britain took place
1080 about 1900, by which time the population of New York had reached 3.5 million.

1081 This decoupling sets the scene for the conflict between the manufacturing
1082 interests of the north-east, and their preference for the protective tariff, against the
1083 free trade preference of the south and west of the country at the election of 1896.
1084 In this election Republican William McKinley stood for the manufacturing
1085 interests and barely defeated the Democrat, William Jennings Bryan whose pop-
1086 ulist position for cheap money against the gold standard was strongly supported in
1087 the somewhat less populous agrarian south and west.⁴⁰ Figure 9 again gives a
1088 representation of the realignment between 1860 and 1896, while Fig. 10 continues
1089 with the realignment as Wilson shifted to a position in the upper left quadrant of
1090 the political space. F.D. Roosevelt in the 1930s continued with this realignment.⁴¹

1091 The Smoot-Hawley Tariff Act of 1930 raised average tariffs to about 20 % and
1092 is generally considered to have contributed to the dramatic fall in both imports and
1093 exports. By 1993, however, the massive economic growth of the post war years led
1094 to the North American Free Trade Agreement, in 1993, pushed forward by Wil-
1095 liam Clinton. Even though populists, like Patrick Buchanan (1998) have hated the
1096 resulting globalization, it contributed to the period of rapid growth that came to
1097 such an abrupt end recently.⁴²

1098 This continuing realignment has changed the *heartland* of each of the two
1099 parties. In the late nineteenth century, the north-east was industrial and strongly
1100 Republican. The rest of the country was agrarian and Democrat. By the early part
1101 of our new century, the north-east was socially liberal and Democrat, while the rest
1102 of the country was basically socially conservative and Republican.

1103 In recent years much discussion has focused on why North America was able to
1104 follow Britain in a path of economic development, but Latin America and the
1105 Caribbean islands, though generally far richer initially, fell behind in the nine-
1106 teenth century. In their discussion of Latin American economic development,
1107 Sokoloff and Engerman (2000) have emphasized the different factor endowments
1108 of North and South America. In contrast, Przeworski and Curvale (2006) argue
1109 that while economic inequality tended to persist and has been related to the degree
1110 of political inequality, many aspects of the developmental path appear highly
1111 contingent. Indeed whether Latin American economies grew, and the extent to
1112 which they have protected the factors of capital and labor, seems to be dependent
1113 on shifting balances of power between differing activist groups, as suggested by
1114 the formal model presented in this chapter.

⁴⁰ McKinley won 51 % of the popular vote but 60 % of the electoral college, taking the entire northeast along with California and Oregon.

⁴¹ See also Schofield et al. (2003).

⁴² As at the end of the nineteenth century, the recent period in the U.S. has been characterized by increasing income inequality. According to the Economic Policy Unit, the top 1 % of Americans currently own 34 % of the net worth of the country.

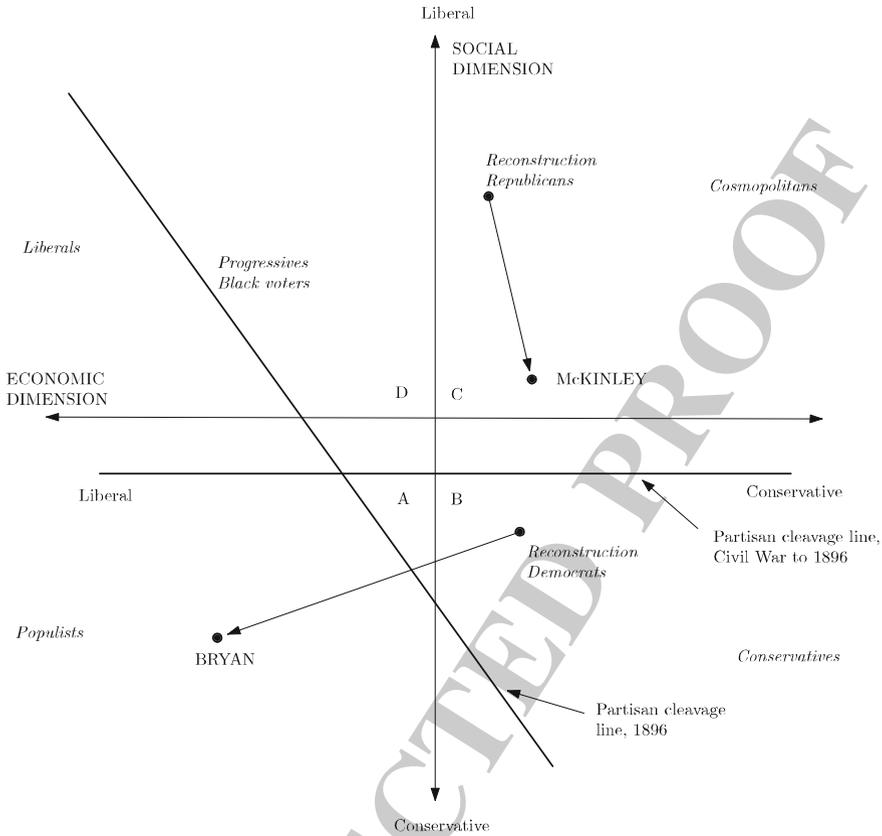


Fig. 9 US realignments 1860–1896

1115 Galiani et al. (2012) have applied a variant of the model presented here to
 1116 elucidate the conflicts that exist between activist groups which are characterized
 1117 by their control of different economic factors. They argue that Latin American
 1118 economies are *diversified natural resource-rich economies*, which tend to have an
 1119 important domestic industry that competes with the imports. In such a political
 1120 economy parties tend to diverge and trade policy is likely to be more protectionist
 1121 and unstable. They suggest that uncertainty in policy has been one cause of the
 1122 slower development path of these economies. In principle this extended model can
 1123 incorporate activist and citizen preferences over levels of trade protection⁴³ and
 1124 moves towards democratization.

1125 Acemoglu et al. (2008, 2009) discuss the hypothesis of “critical junctures” in
 1126 discussing moves to democracy. Such a notion parallels that of uncertainty over

⁴³ See Rogowski (1989).

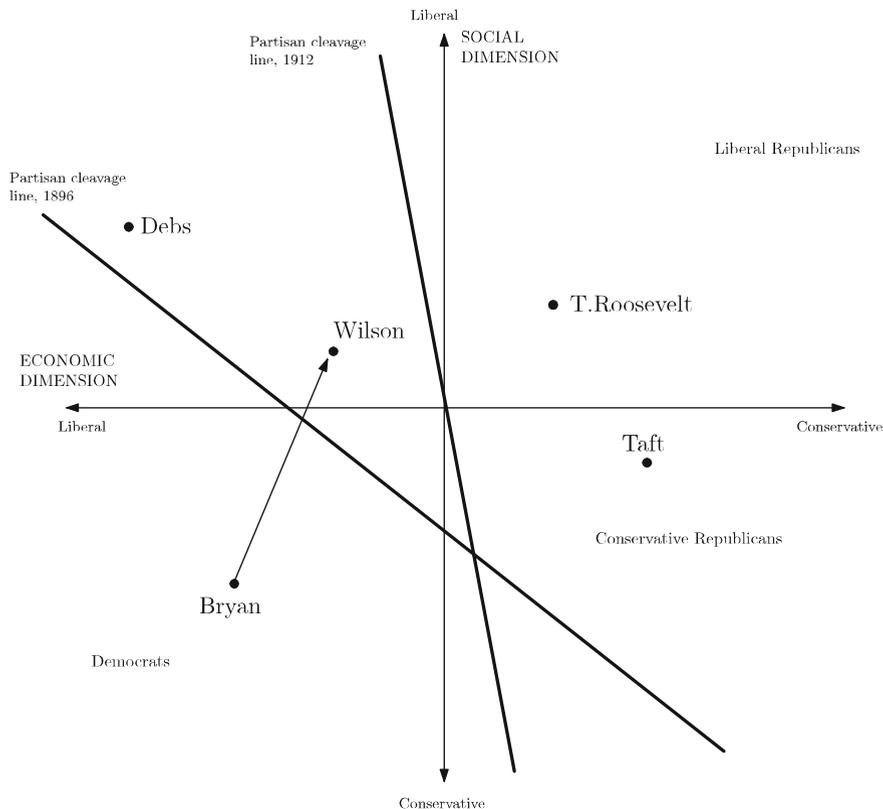


Fig. 10 The election of 1912

1127 the nature of the various elite activist coalition that must choose whether to support
 1128 the autocrat or reformers.⁴⁴

1129 This brief sketch of shifts in the dominant societal cleavages indicates how
 1130 social choice in both developed and less developed polities will tend to be
 1131 transformed as a result of essentially political changes in the balance of power
 1132 between landed and capital elites in coalition with different elements of enfran-
 1133 chised labor. As the Tea Party has shown in 2010, various elites, primarily in the
 1134 south and west, have successfully mobilized against entrenched capital elites
 1135 (largely cosmopolitans) in the wake of the economic crisis. These “landed” elites
 1136 have mobilized socially conservative labor, especially older middle class labor, to
 1137 vote for the GOP. Disillusioned young labor and discouraged capital elites failed
 1138 to turn out for Democrats, leading to large Republican gains.⁴⁵ Due to the

⁴⁴ Schofield and Levinson (2008) have applied an early version of the model here to discuss the collapse of autocracies in Argentina, Franco’s Spain and the Soviet Union.

⁴⁵ Youth voter turnout declined substantially from 2008 to 2010.



Editor Proof

1139 economic crisis and President Obama’s frequent populist tone, capital elites (i.e.
1140 bankers) did not fund Democrats in 2010 to the levels they did in 2008.

1141 The ultimate compromise between land and capital in the U.S. occurred in 1787
1142 when the Senate was created to appease states with small populations, like
1143 Delaware. This “Great Compromise” still deeply influences United States politics.
1144 In the 111th Congress the Democrats in the Senate represented more than 63% of
1145 the United States population but held only 57 of the 100 Senate seats.⁴⁶ The result
1146 was months spent stuck in gridlock over healthcare legislation and many other
1147 pieces of the legislative agenda left to die in committee. The Democrat’s super-
1148 majority was insufficient to overcome the filibuster precisely because each state
1149 receives two senators, regardless of the state’s population.⁴⁷ In a sense, the landed
1150 elite in the U.S. has currently won a skirmish with the capital elite because of a
1151 constitutional decision made more than two hundred years ago.⁴⁸

1152 7 Concluding Remarks

1153 The volatility of recent elections in the United States has provided a window into
1154 how democratic elections can lead to extremely non-convergence behavior.
1155 Activist valence has also played an increasingly large role in U.S. elections of late,
1156 especially since the *Citizen’s United* Supreme Court decision in January of 2010. It
1157 is increasingly apparent that the increased polarization that has led to turnover in
1158 Congress. Volatility in American politics is a natural result of a system developed
1159 more than two hundred years ago on a basic premise that political parties would
1160 not play a role in American politics. Given this background, this chapter has
1161 applied a theoretical stochastic model to present a discussion of recent elections in
1162 the United States. We have also applied the model to earlier realignments in the
1163 fundamental political configuration as the economy shifted to manufacturing in the
1164 late nineteenth century and early twentieth century. The model also allows us to
1165 contrast the situation in the 1960s with the present.

1166 After Kennedy was elected President in 1960 (by a very narrow margin of
1167 victory against Nixon), he delayed sending a Civil Rights Bill to Congress,

AQ4

⁴⁶ This is calculated by determining the population of the state and the party of the Senators that represent that state. In the 112th Congress the Democrats represent more than 60 % of the U.S. population but hold only 53 of the 100 seats in the Senate. These calculations do not include Washington D.C. which does not have representation in the Senate.

⁴⁷ As of 2010 Wyoming had a smaller population than Washington D.C. but Wyoming continues to have two Senators and a Representative while Washington D.C. has only a non-voting Representative.

⁴⁸ Acemoglu and Robinson (2006b) discuss the attempts by agrarian elites in countries such as Russia and Austria- Hungary in the nineteenth century to resist industrialization. There may be an element of similar resistance by certain elites in the U.S. to the transformation to an advanced idea dependent economy of the kind discussed in Jones (2002, 2009)



1168 precisely because of the possible effect on the South (Branch 1998). To push the
1169 Civil Rights Act through in 1964, Johnson effectively created, with Hubert
1170 Humphrey's support, an unstable coalition of liberal northern Democrats and
1171 moderate Republicans, with sufficient votes in the Senate to effect 'cloture', to
1172 block the southern Democratic filibusters.⁴⁹ This was the first time since Recon-
1173 struction that the Southern veto was overwhelmed. The danger for Johnson in the
1174 election of 1964 was that a Republican candidate could make use of the fact of
1175 Republican party support for civil rights to attract disaffected social liberals.
1176 Traditional Republican Party activists were thus in an electoral dilemma, but
1177 resolved it by choosing the southern social conservative, Goldwater. The present
1178 gridlock between the legislative and executive branches is more extreme than in
1179 1964 because there are now no moderate Republicans to join the social-liberal
1180 coalition. The electoral pivot line has rotated so that all Republicans are located in
1181 the socially conservative half of the policy space. In addition money has become
1182 more important and has made US politics "irrational". With money playing an
1183 increasingly large role in recent elections, this irrationality and non-convergence to
1184 the electoral center is likely to persist. Moreover, powerful activist groups in the
1185 cosmopolitan and populist sectors have the potential to draw in politicians and
1186 shift the partisan cleavage line between parties. Were it not for the resources the
1187 activist groups provide it would be irrational for politicians to move toward these
1188 activist bases . Simply put, the resources of economic activists further influence
1189 politicians so they adopt policies that cluster in the lower left quadrant of the
1190 policy space. Krugman (2012) argues that increasing inequality since the dereg-
1191 ulation of the Reagan administration has led to the current dominance of money in
1192 the US political system. Sandel (2012) asks if there are "certain moral and civic
1193 goods that markets do not honor and money cannot buy." it seems obvious that
1194 moral objections to the dominance of money in politics far outweighs the argu-
1195 ment for "free speech," used to justify *Citizen's United*. Indeed there is a second
1196 economic argument. The electoral mean is a natural and socially efficient outcome
1197 of the political process, which would come to pass in the absence of money.

AQ5

1198 Popper (2008) argued that plurality electoral systems, otherwise known as "first
1199 past the post" were to be preferred to proportional electoral systems because they
1200 gave voters a clear choice. As we have seen, the constitutional structure of the US
1201 polity, coupled with the influence of money has recently tended to gridlock. Although
1202 there is the appearance of choice for the voters, government has been unable to come
1203 to grips with the severe quandaries briefly mentioned in the introduction. The
1204 absence of effective choice by the US increases uncertainty in policy-making thus
1205 creating a difficult situation for business and international leaders attempting to make
1206 long-term investments and policy decisions. Indeed, Posner and Vermeule (2011)

⁴⁹ Caro (2012): 568) describes the drama of the cloture vote of Jun 10, 1964 after a filibuster of 57 days with 27 Republicans and 44 Democrats voting aye. The bill passed on June 19 by 73–27. The voting Rights Act of 1965 passed again after a long fight by Johnston against Congress.

1207 argue that the United States needs to reconsider its constitutional separation of
1208 powers in the presence of such gridlock and uncertainty.

1209 On the other hand, the recent European debt crisis has led to the fall of gov-
1210 ernments in the multiparty systems of Ireland (February, 2011) Finland (2011),
1211 Portugal (June 2011), Denmark (September, 2011), Slovakia (October 2011),
1212 Greece, Italy and Spain (November 2011). Thus fragmented or proportional,
1213 multiparty systems, coupled with a fragile fiscal system based on the euro also seem
1214 to create difficulties in dealing effectively with the fall-out from the recession of
1215 2008–2009.

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