The Impact of the Electoral System on Government Formation: The Case of Post-Communist Hungary

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Abstract

Conventional theories of government formation have assumed that the coalition formation process starts after legislative elections are over and the distribution of parliamentary seats becomes common knowledge. This perspective, however, ignores the important constraints that the formation of electoral coalitions may exert on the formation of the government. This article argues that the electoral system of Hungary provides very strong incentives for political parties to build electoral coalitions, which are also identified as alternative governments before the electorate.

Conventional theories of government formation have assumed that the coalition formation process starts after legislative elections are over and the distribution of parliamentary seats becomes common knowledge. It has been understood that following the declaration of the electoral results political parties engage in negotiations to form a government based on the policy positions they had announced before the elections and the number of seats they have won, unless a single party can do so on its own by virtue of having won a parliamentary majority. This conventional view has treated government formation as an essentially elite-driven process with very little opportunity given to the voting citizenry to affect the composition of the government that will be formed after the election.

This theoretical perspective, however, provides an accurate modeling of the government formation process only in those liberal democracies where political parties participate in the electoral competition strictly on their own. In other liberal democracies, political parties present voters with a more or less clearly identifiable government alternative, by committing themselves to cooperating with a particular set of other parties.[1] Electoral alliances and coalitions are rarely broken after the election

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[1]   John D. Huber and G. Bingham Powell Jr, 'Congruence Between Citizens and Policymakers in Two Visions of Liberal Democracy', *World Politics*, 46 (1994): 291–326; G. Bingham Powell Jr, *Elections as Instruments of Democracy* (New Haven: Yale University Press, 2000); Matthew S. Shugart and Martin P. Wattenberg (eds), *Mixed-Member Electoral Systems* (Oxford: Oxford University Press, 2001).

is over because of the high audience costs involved.[2] Therefore, such commitments constitute binding protocoalitions among the cooperating parties and exert an endogenous constraint on the government formation process.[3] In the second group of liberal democracies, predictions of government formation must take into account the electoral coalitions that parties have formed. Failure to do so may result in making unrealistic predictions about the outcome of the government formation game.

Electoral systems provide an important set of incentives according to which political parties form pre-electoral or electoral coalitions.[4] For example, the transferability of the vote between candidates of different parties, run-off elections, or the possibility of joining and connecting parties' candidate lists are mechanisms through which the electoral rules provide such incentives. This article illustrates the relationship between the electoral system and government formation through the case study of post-communist Hungary. It shows that by failing to take electoral commitments and coalitions into account conventional theories predict unrealistic outcomes about government formation in the country. Therefore, the article argues that the electoral system acts as a very important constraint on government formation in Hungary through its impact on strategic electoral coordination among parties.

The article will start with a brief overview of the relevant theoretical literature on the formation of coalition government. This will be followed with a brief description of the development of the Hungarian party system. The section will also show the various predictions of institution-free theories of government formation for each case. Next, the structure and the expected consequences of the Hungarian electoral system on party strategies will be described. Finally, the formation of the four post-communist Hungarian governments will be analyzed by explicitly showing that the outcomes were the result of the seat and policy maximizing choices that parties made under the constraints of the electoral system.

1 Theoretical perspectives

Theories of coalition formation have evolved through three generations, each characterized by a different set of assumptions. The first generation of theories assumed that parties were mainly interested in seeking and maximizing their share of office, defined in terms of government portfolios. Modeling the government formation process as a zero-, or constant-, sum game, William Riker predicted that office-seeking parties would form minimum winning coalitions (MWC) in the legislature.[5] By definition, a minimum-winning coalition contains no unnecessary or superfluous members. In

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[2] Masaru Kohno, *Japan's Post-War Party Politics* (Princeton, NJ: Princeton University Press, 1997); Michael Laver and Norman Schofield, *Multiparty Government: The Politics of Coalition in Europe* (Oxford: Oxford University Press, 1990).

[3] Kaare Strom, Ian Budge, and Michael Laver, 'Constraints on Cabinet Formation in Parliamentary Democracies', *American Journal of Political Science*, 38 (1994): 303–335.

[4] Gary W. Cox, *Making Votes Count* (Cambridge: Cambridge University Press, 1997); Strom, Budge, and Laver, 'Constraints on Cabinet Formation'; Marek Kaminski, 'Coalitional Stability of Multi-Party Systems: Evidence from Poland', *American Journal of Political Science*, 45 (2001): 294–312.

[5] William Riker, *The Theory of Political Coalitions* (New Haven: Yale University Press, 1962).

other words, a MWC coalition is such that the removal of any of its members will turn the coalition from winning to losing. Since for any distribution of seats there may be multiple MWC equilibrium, the theory predicts that their office-seeking compulsion would lead political parties to form the MWC, which commanded the smallest amount of resource, that is legislative seats sufficient to have a majority in parliament. This more restrictive prediction was based on the assumption that the spoils of office would be shared by members of the winning coalition in direct proportion to their contribution to the size of the winning status of the team. Office-maximizing parties, therefore, seek to form the smallest possible such coalition.

The second generation of coalition theories complemented the assumption of office seeking with that of policy seeking. Robert Axelrod predicted that these two motivations induce parties to form minimum connected winning coalitions (MCWC) rather than simply MWCs.[6] Connectedness refers to parties' location in an n-dimensional ideological space. A connected coalition is such that if parties i and j are members of the coalition and party k is located between i and j on the relevant dimension, then k is also included in the coalition. A MCWC consists of a minimum set of connected parties that can win the game, the removal of any member from a MCWC will turn the coalition into either losing or non-connected. An important result of policy-seeking theories of coalition formation has been the identification of the significance of the party controlling the median legislator. In a unidimensional space, the median or the central party is very powerful, because it must be included in each and every connected winning coalition.[7] Similarly, in a multi-dimensional space the player that controls the dimension-by-dimension median is very strong, because it must be included in every conceivable coalition.[8]

The third generation of coalition theory has incorporated the role of rules and institutions in the government formation process. Among the important findings of this line of research is the identification of the importance of the sequence in which coalitions are formed.[9] Depending on both which player is selected to be the formateur, that is

[6]   Robert Axelrod, *Conflict of Interest* (Chicago: Markham, 1970).

[7]   On the power of the median, see Duncan Black, *The Theory of Committees and Elections* (Cambridge: Cambridge University Press, 1958), Anthony Downs, *An Economic Theory of Democracy* (New York: Harper & Row, 1957) and Joseph Kadane, 'On the Division of the Question', *Public Choice*, 13 (1972): 47–54.

[8]   For other important solution concepts in multidimensional games, such as the core or the heart, see Norman Schofield *et al.*, 'The Core and the Stability of Group Choice in Spatial Voting Games', *American Political Science Review*, 82 (1988): 196–211; Norman Schofield, 'The Heart of Polity', in Norman Schofield (ed.), *Collective Decision-Making: Social Choice and Political Economy* (Boston: Kluwer Academic Publishers, 1996), pp. 183–220. On the concept of strong and very strong players, see Michael Laver and Kenneth Shepsle, *Making and Breaking Governments* (Cambridge: Cambridge University Press, 1996).

[9]   David Baron, 'A Spatial Bargaining Theory of Government Formation in Parliamentary Systems', *American Political Science Review*, 85 (1991): 137–164; Bernard Grofman, 'A Dynamic Model of Protocoalition Formation in Ideological N-Space', *Behavioral Science*, 27 (1982): 77–99; Bernard Grofman, 'Extending a Dynamic Model of Protocoalition Formation', in Schofield (ed.), *Collective Decision-Making*, pp. 265–280; Bernard Grofman, Philip Straffin, and Nicholas Noviello, 'The

the player that can lead the first attempt to form a coalition, as well as the sequence in which the formateur makes proposals to the other players, the equilibrium of the game changes. A formal sequential game-theoretic model of coalition formation proposed by Baron shows that the formateur should always be able to exploit its first-mover advantage, which allows it anticipate the likely choices of the other players involved.[10] By using its foresight the formateur can offer concessions to the prospective partners in order to form a government. In short, Baron provides strong theoretical foundations to expect that the formateur will always succeed in forming the government. Similarly, it has been argued that the dominant player, if one is present, will always form the winning coalition by virtue of being selected to go first in the government formation process, as well as the strategic advantage that it size affords.[11]

The third generation of coalition theory can also be credited for the recognition of the role of elections in the government formation process.[12] In particular, Strom, Budge, and Laver devote particular attention to the role of electoral system.[13] They suggest that plurality and single transferable vote systems, double ballots, and apparentement of party lists favor the formation of pre-electoral alliances. When such alliances are formed, they become very difficult to ignore or revoke in the post-electoral stage of coalition formation because of the audience costs involved.[14] Therefore, such alliances are best seen as binding protocoalitions, which may not be dissolved during the formal post-election coalition formation process. Kaminksi models the formation of electoral coalitions as a partition function game.[15] While he notes that different electoral laws are likely to lead to different partition functions, he limits the analysis to a general case of proportional representation systems. An explicit link between the incentive structure of an electoral system and the emergence of inter-party electoral coordination is made by Cox.[16] Although he does not analyze the impact of electoral coordination on government formation, he considers the wide diversity of institutional variations that may lead political parties, as well as their voters, to engage in cooperative behavior.

Depending on their input in the government formation process, two types of elections have been distinguished. On the one hand, elections in some states allow

Sequential Dynamics of Cabinet Formation, Stochastic Error, and a Test of Competing Models', in Schofield (ed.), *Collective Decision-Making*, pp. 281–293.

[10] Baron, 'A Spatial Bargaining Theory'.

[11] A player i is dominant if there is at least one minimum winning coalition denoted S, including i such that i can form another winning coalition outside S but $S - \{i\}$ cannot do the same. On the development of the concept of the dominant player, see Bezalel Peleg, 'Coalition Formation in Simple Games with Dominant Players', *International Journal of Game Theory*, 1 (1981): 11–33; Ezra Einy, 'On Connected Coalitions in Dominated Simple Games', *International Journal of Game Theory*, 2 (1985): 103–125. For the application of the concept, see, Peter van Roozendaal, *Cabinets in Multi-Party Democracies* (Amsterdam: Thesis Publishers, 1992).

[12] David Austen-Smith and Jeffrey Banks, 'Elections, Coalitions, and Legislative Outcomes', *American Political Science Review*, 82 (1988): 405–422.

[13] Strom, Budge, and Laver, 'Constraints on Cabinet Formation'.

[14] Kohno, *Japans's Postwar Party Politics*.

[15] Kaminski, 'Coalitional Stability of Multi-Party Systems'.

[16] Cox, *Making Votes Count*.

LEFT <--> RIGHT

	MSZP	SZDSZ	FIDESZ	MDF	KDNP	FKGP	MIEP
1990	8.8	23.8	5.4	**42.5**	**4.9**	**11.4**	N/A
1994	**54.1**	**17.9**	5.2	9.8	5.7	6.7	N/A
1998	34.7	6.2	**38.3**	**4.4**	**N/A**	**12.4**	3.6
2002	**46.1**	**4.9**	42.0	6.7	N/A	N/A	N/A

Figure 1 The left–right location of Hungarian political parties and their share of parliamentary seats, in percentages, 1990–98

voters to choose between parties that will negotiate and form a government after the polls are concluded. On the other hand, elections in other states allow voters to choose between actual government alternatives or coalitions of parties.[17] Powell reports that in 72% of the elections that have taken place in the advanced industrialized democracies over the last quarter century, political parties have contested the election by presenting actual government alternatives to the voters.[18]

2   Party system and government formation in Hungary

General elections have been held at regular four-year intervals in post-communist Hungary since 1990. With the exception of 1994 when the Hungarian Socialist Party (MSZP) won an absolute majority of the seats on its own, each election resulted in a hung parliament. Figure 1 shows the left-right ideological location of the various political parties as well as their share of parliamentary seat after each election.[19] The bolded entries indicate parties that were part of the coalition government that was formed after the given election.

It has been an interesting feature of the post-communist Hungarian party system that each election has resulted in alternation in office, that is in the replacement of the incumbent governing coalition. Thus, the conservative coalition government, consisting of the Hungarian Democratic Forum (MDF), the Christian Democratic Peoples' Party (KDNP), and the Independent Smallholders' Party (FKGP), that had been formed after the first post-communist general elections of 1990, was replaced in office by the left–liberal coalition of the MSZP and the Alliance of Free Democrats

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[17] John D. Huber and G. Bingham Powell Jr, 'Congruence Between Citizens and Policymakers', in Bingham Powell Jr, *Elections as Instruments of Democracy*; Shugart and Wattenberg (eds), *Mixed-Member Electoral Systems*.

[18] Bingham Powell Jr, *Elections as Instruments of Democracy*, p. 78.

[19] For the left–right location of Hungarian political parties, see Herbert Kitschelt, Zdenka Mansfeldova, Radoslaw Markowski, and Gabor Toka, *Post-Communist Party Systems: Competition, Representation, and Inter-Party Cooperation* (Cambridge: Cambridge University Press, 1999); and Andras Korosenyi, Bal es jobb: Az europai es a magyar politikai paletta [Left and Right: The European and the Hungarian political spectrum], *Politikatudomanyi Szemle*, 3 (1993), 94–114.

(SZDSZ) four years later in 1994. Similarly, the 1998 election witnessed the defeat of the incumbents and the return to power of the center-right, this time including the Alliance of Young Democrats–Hungarian Civic Party (FIDESZ–MPP), the MDF, and the FKGP. Finally, the left–liberal MSZP–SZDSZ coalition defeated the FIDESZ-led government and formed a new coalition cabinet after the 2002 national elections.

Behind this apparently predictable pattern of alternating coalitions coming to power, a profound realignment has been also taking place in the Hungarian party system. The two parties, the MDF and the SZDSZ, that had led the opposition forces in the National Roundtable talks with the Communist establishment in 1989 and dominated the electoral scene in 1990, have steadily lost their ground to other parties. Although not entering into a formal agreement on power sharing, the two parties concluded a pact after the 1990 elections, which guaranteed the stability of the basic institutions of parliamentary democracy during the difficult first years of Hungary's post-transition politics. The amicable relationship between the two parties, however, could not last long. In an attempt to become the dominant party of the conservative Right and the liberal Left respectively, both the MDF and the SZDSZ adopted increasingly more radical and intolerant approaches towards each other. In February 1991, Janos Kis, president of the SZDSZ, announced at his party's annual congress that the conclusion of the pact with the MDF had been a mistake and that the party should now be getting ready to terminate the current coalition government and replace the MDF in power.[20] In an effort to mobilize against the government, the SZDSZ even reached out to the MSZP, which was at the time considered a virtual untouchable by all other parties for being the Communist successor party.

The strategy of radicalization cost both the MDF and SZDSZ considerable electoral support in the next elections held in 1994. Although the MDF still remained the largest party to the right of the SZDSZ, its electoral strength was reduced by more than half compared with what it had been four years before. This also meant that the party's parliamentary strength was reduced to less than a fourth of the number of seats it had commanded in 1990. As for the SZDSZ, the party won more seats than the MDF and became the second largest party in the new parliament. However, in the newly elected legislature, the SZDSZ ceded the leadership of the Left to the MSZP, which scored a resounding victory at the polls and secured a majority of parliamentary seats.

The only party that had failed to participate in government after either of the first two general elections was FIDESZ. Although the party had close ties to the SZDSZ, their relationship was severed when the latter joined the MSZP in the coalition government after the 1994 polls. During the ensuing four years, FIDESZ repositioned itself and moved to the Right, of which it actually became the leading party as the other conservative parties went through a traumatic series of splits. As a result of internal

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[20] Andras Bozoki, 'A magyar partok 1991-ben' [Hungarian parties in 1991], in Sandor Kurtan, Peter Sandor, and Laszlo Vass (eds), *Magyarorszag Politiaki Evkonyve 1992 [Hungary's Political Almanach 1992]* (Budapest: Demokracia Kutatako Kozpontja, 1992), pp. 123–131.

tension, the parliamentary group of the MDF split in March of 1996, with the splinter group forming a separate parliamentary group as the Hungarian Democratic Peoples' Party (MDNP), while that of the KDNP completely disintegrated in 1997.

The 1998 elections saw yet another alternation in government power as the electoral alliance of the FIDESZ, MDF, and the FKGP defeated the incumbent partners of the left–liberal coalition. Two of the three partners in the new coalition, the MDF and the FKGP, had already shared power with one another in the first conservative government. However, the leadership, and the Prime Ministerial berth in this government went to FIDESZ, which had commanded the largest number of seats among them. Based on the Left–Right location of parties, the replacement of both MDF and FKGP by FIDESZ as the largest party of Right suggested that the conservative bloc was increasingly de-radicalized and that the center of gravity of the bloc was moving closer to the center of the Hungarian ideological spectrum. At the same time, the Left remained dominated by the MSZP, as the 1998 election saw the SZDSZ suffer further losses of electoral support and, as a result, parliamentary representation.

The 2002 election once again resulted in alternation in government. In what were the most competitive parliamentary elections since the transition to democracy, the MSZP–SZDSZ alliance narrowly defeated the electoral coalition of the FIDESZ and MDF. By the time of the polls, the third member of the conservative coalition government, the FKGP, had completely disintegrated due to internal problems. As a result, the newly elected parliament had only four political parties represented as opposed to the six-party parliaments that had been elected on the previous three occasions.

The formation of these various post-communist governments in Hungary cannot be consistently predicted by conventional institution-free theories. First, all coalitions but the one formed by the MSZP and SZDSZ in 2002 defy the MWC prediction of the classic office-seeking tradition. This is particularly striking in the case of the 1994 government which was formed by a coalition of two parties, despite the fact that MSZP could have formed a majority government on its own. Second, whereas all but the 1994 MSZP–SZDSZ coalition was a MCWC, it is not clear why in 1990, 1998, and 2002 respectively it was not some other set of ideologically connected parties that formed a winning coalition. According to Figure 1, two other MCWCs could have been formed in 1990 besides the one that was actually formed: MDF–FIDESZ–SZDSZ, or MDF–FIDESZ–KDNP. In terms of office seeking, the former would have been a suboptimal outcome because of its extremely large size. However, the latter combination of parties would have been superior to the coalition that was eventually formed, because the combined size of the MDF–FIDESZ–KDNP coalition would have been less than that of the eventual MDF–KDNP–FKGP. In 1998, the only other alternative MCWC coalition was FIDESZ–SZDSZ–MSZP, which, on office-seeking grounds, did not make more sense than the eventual coalition. However, this explanation is inconsistent with the formation of the 1990 coalition as suggested above. Finally, after the 2002 elections there were two alternative MCWCs, but the one that was eventually formed was superior on

office-seeking grounds to the other: the MSZP–SZDSZ coalition was smaller than the alternative MCWC, consisting of the FIDESZ–MDF–SZDSZ, would have been.

Institution-free theories cannot provide a consistent explanation for the formation of the four governments. Overall, political parties appear to vacillate between office- and policy-seeking motivations. The next section examines in detail the incentives that the Hungarian electoral system provides political parties, with regard to the formation electoral alliances and coalitions, which may function as protocoalitions in the government formation process.

3   The electoral system and its impact on party strategy[21]

The Act on the Election of Members of Parliament provides for a mixed-member system allocating the 386 parliamentary seats of three tiers. The first tier consists of 176 seats, which are filled by the winners of run-off elections in single-member districts. For the election in a single-member district to be considered valid, at least half of the eligible voters there must turn out and vote. In order for a single-member district race to be also conclusive, a candidate must receive a majority of the votes cast. In case the election is either invalid or inconclusive, a second round is held 14 days after the first round. If the first round is invalid, then all candidates who had participated therein can enter the second round where the candidate winning the plurality of the votes is declared the winner so long as at least a quarter of the voters turn out. However, if the second round has to be held because the first round was inconclusive, but valid, then only those candidates can advance to the second round who had secured at least 15% of the valid votes cast in the first round. If there are no three such candidates then the top three candidates with the largest number of votes received in the first round can advance to the run-off. In either case, the winner of the run-off is the candidate who wins a plurality of the votes cast so long as at least a quarter of the voters turn out. Candidates who qualify to enter the second round may choose to withdraw, however they cannot be replaced by any other candidate in case they choose to do so.

In addition to the single-member districts, the country is also divided into 20 multimember districts. The seats in these multimember districts are awarded to closed party lists in proportion to the votes they receive. Similarly to the single-member races, a second round of elections has to take place in the multimember districts if the first round is invalid, that is if less than half of the eligible voters turn out. For the second round, where each list that participated in the first round is eligible to re-enter, to be valid at least a quarter of the voters must turn out. Regional list seats are awarded only to those parties that cross a 5% nation-wide threshold.[22] In other words, a regional party

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[21] For excellent studies on the Hungarian electoral system and its political consequences, see Kenneth Benoit, 'Evaluating Hungary's Mixed-Member Electoral System', in Shugart and Wattenberg (eds), *Mixed-Member Electoral Systems*, pp. 477–493; John Ishiyama, 'Electoral Systems Experimentation in the New Eastern Europe: The Single Transferable Vote and the Additional Member Systems in Estonia and Hungary', *East European Quarterly*, 29 (1995): 487; Matthew J. Gabel, 'The Political Consequences of Electoral Laws in the 1990 Hungarian Elections', *Comparative Politics* (1995), 205–214.

[22] In the 1990 election, this threshold was 4%.

list cannot win seats in any region unless it has secured at least 5% of the regional list votes summed across the entire country. The threshold is greater for political parties that run joint or connected lists. The allocation of the regional list seats is carried out by a modified version of the Droop largest remainder rule. Votes that are not translated into seats in either the single-member or the regional multimember districts are summed and converted into seats by the d'Hondt rule among the national lists of those parties that have crossed the threshold. This third, or national, tier consists of at least 58 seats plus those that were left unawarded at the regional level are allocated among national lists submitted by political parties.

The electoral system allows Hungarian political parties to engage in six principal forms of cooperation depending on the type of the district. In the single-member districts, political parties may either run joint candidates or they may run separate candidates in the first round, but engage in strategic withdrawal in each other's favor in the second. When running joint candidates, parties indicate their support of the given candidate by putting their label next to his or her name on the ballot, to allow voters to understand that the candidate is endorsed by this party. The order in which the endorsing parties are listed is important, for it indicates to the voter which of the cooperating parties the particular candidate is genuinely affiliated with. Moreover, the order of parties also suggests which parliamentary group the given candidate will join, in case the cooperating parties decide not form a joint caucus after the election (called *frakcio* in the language of Hungarian legislative politics).

By running joint candidates, parties can eliminate the problem of adverse vote splitting. Given the run-off component of the electoral system, an inefficient splitting of the vote in the first round could have a number of effects on the electoral race in the second round. First, vote splitting could cause the elimination of a contender from the second round who would stand the best chance of defeating the common opponent of these parties. For instance, too many Right candidates entering the first round could cause the elimination of a strong Right candidate, who could otherwise stand a realistic chance of defeating the strongest candidate of the Left in the second round.[23] Second, even if vote splitting does not lead to the elimination of an otherwise viable candidate, it could affect voters' perception of candidates' viability. Voters who take cues from the first round about the viability of the competing candidates in the second round may think poorly of the second-round chances of a candidate who had lost too many votes in the first round, due to vote splitting. Third, switching from a strategy of competition to cooperation between the two electoral rounds may be too costly.[24] Whereas the party elite may be able to do so at relative ease, voters may not follow along as easily. The absence of a consistent strategy of cooperation among like-minded parties throughout the electoral race may damage the perception that voters have of these parties' potential

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[23] Cox, *Making Votes Count*, pp. 123–138.
[24] George Tsebelis, *Nested Games: Rational Choice in Comparative Politics* (Berkeley: University of California Press, 1990).

and ability to work and govern in a coalition with one another. By running joining candidates, parties can economize on such costs.

The run-off component of the electoral system also allows parties to engage in strategic withdrawals in one another's favor in the second round of the single-member races. What is particularly important about this form of cooperation is that, after the first round, political parties have perfect information about both the partisan composition as well as the approximate distribution of legislative strength among parties in the post-election parliament. The partisan composition of the legislature is known because the result of the territorial list votes determines which set of parties has passed the mandatory threshold of representation. Therefore, electoral coalition building, via strategic withdrawals, will take place only among those parties that will be in parliament. Essentially, this means that party strategy in the second round can directly affect the distribution of seats in the post-election legislature. Since parties have perfect information about both the distribution of territorial list seats as well as the provisional results of the single-member contests, they can gauge rather accurately each other's electoral support. This reduces the degree of uncertainty under which parties have to make their choices and, thus, makes their strategic calculations very well informed. In short, district-level vote management in the second round allows parties to have a very strong impact on the post-election distribution of seats in the legislature, and, in consequence, on the government formation process as well.

The outcome of strategic withdrawals in the single-member district races may either be a Duvergerian equilibrium, defined by the entry of two viable candidates in the second round, or a non-Duvergerian equilibrium, defined by the entry of more than two viable candidates.[25] If voters expect the second and third-placed candidates to be equally viable then they have no reason to desert either of them on strategic grounds. However, if the third-placed candidate is much less viable than the second-placed candidate, then voters who would otherwise support this candidate have an incentive to vote for which ever of the top two candidates they prefer. By casting such a strategic vote, voters can prevent their least-preferred candidates in the district from winning. The same rationale applies to candidates and their parties as well. Third- and lower-placed candidates, who may have advanced to the second round due to the 15% rule, who are far behind the second-placed candidates in terms of their vote share, will have an incentive to withdraw from the second round, if by so doing they can increase the probability that their more preferred opponent would win. Assuming that both parties and voters are motivated by policy, as well as office seeking, their strategic behavior should always be intended to benefit a competitor that is ideologically closer rather than one that is more distant. Therefore, in a Duvergerian equilibrium, there should be only two candidates standing in the second round. However, if the expected gap between the second- and third-placed candidates is very small, or if even the third-placed candidate has a reasonable chance to win the race, then strategic withdrawal

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25   Cox, *Making Votes Count*, pp. 75–76.

and voting may not be a rational choice. The result in such cases is a non-Duvergerian equilibrium, defined by the entry of more than two candidates in the second round.

The remaining four types of electoral cooperation have to do with the party lists at the regional and national levels. At either level, political parties may either run joints lists of candidates or may choose to connect their own lists and form an inter-party cartel. Of particular importance are the regional lists, since the threshold of parliamentary representation is determined as a percentage of parties' share of the regional party list vote nation-wide. Running a joint party list is a rational strategy for parties when they expect to form a government together, but some of them may have a low probability to meet the threshold.[26] Such a strategy is mutually beneficial for both the smaller and the larger parties. On the one hand, the larger party can ensure that its ideal coalition partner will enter the parliament, since the joining of lists essentially ties the fate of the smaller party to that of the larger one. On the other hand, the smaller party clearly benefits, because its chances of entering the legislature might not have been quite as strong in the absence of such cooperation.

Technically speaking when a number of parties submit joint lists of candidates a new electoral entity is formed. However, parties may not necessarily want to give up their individual identity by merging into a new organization. Although the representational threshold is lower if the list is submitted as that of a single party rather than a joint one, this benefit may not exceed the costs that the cooperating parties might incur by losing the support of those voters who care very strongly about maintaining the party's separate identity. For similar reasons, parties, especially when they expect to cross the threshold on their own, may choose to connect rather than join their regional and/or national lists. Similarly to the joint list, parties that connect their individual lists receive seats in proportion to the total vote that the all connecting parties have received. Finally, parties may also choose to combine these different forms of cooperation at different levels. For instance, two parties may run joint candidates in a number of single-member districts without submitting a joint regional or nation list.

In sum, the Hungarian electoral system clearly provides political parties strong incentives to start cooperating and forming a coalition before the elections are over. Therefore, the formation of governing coalitions cannot be predicted accurately and adequately without taking into consideration the protocoalitions that parties built before and during the electoral process. After the first round, political parties have perfect information about both the partisan composition as well as the approximate distribution of legislative strength among parties in the post-election parliament. The partisan composition of the legislature is known because the result of the territorial list votes determines which set of parties has passed the mandatory threshold of representation. Therefore, coalition building after the first round will take place only among those parties that will be in parliament. Essentially, this means that through building these electoral coalitions before the second round, parties seek to affect

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[26] Cox calls this the threshold insurance. See, Cox, *Making Votes Count,* pp. 197–198.

Table 1. *The results of the first round of the 1990 elections*[27]

Party	SMD votes	List votes	SMD seats	List seats	Total seats
MSZP	10.61%	10.89%	1	14	15
SZDSZ	21.73%	21.40%	0	34	34
FIDESZ	4.75%	8.95%	0	8	8
MDF	23.93%	24.72%	3	40	43
KDNP	5.77%	6.46%	0	6	6
FKGP	10.67%	11.74%	0	16	16

Note: SMD stands for single-member districts.

the distribution of seats in the post-election legislature. Since parties have perfect information about both the distribution of territorial list seats as well as the provisional results of the single-member contests, they can gauge rather accurately each other's electoral support. This reduces the degree of uncertainty under which parties have to make their choices and, thus, makes their strategic calculations very well informed. In sum, the structure of the electoral system clearly encourages political parties to begin their coalition-building efforts between the two electoral rounds.

By shaping the incentives for cooperation, the electoral system also has an important effect on the format of the party system. The large number of single-member districts clearly favors the emergence of two large parties in any given election. However, since the electoral system also has a strong proportional representation component with favorable impact on the electoral fortunes of smaller parties that cross the threshold, a pure two-party system cannot develop in Hungary. Instead, the small parties, as the subsequent analysis will show, have an interest in aligning themselves with the two large parties, which effectively pushes the party system toward bipolarity and moderate fragmentation. This makes the format of the Hungarian party system rather different from the more highly fragmented systems of other states in the region, such as Poland or Slovakia.

4 Electoral coalitions and government formation in Hungary[28]

4.1 The First Conservative Coalition, 1990

Table 1 shows that only six political parties crossed the 4% threshold in the first round of the 1990 election. Of these six parties, the MDF and the SZDSZ were leading the race, with the former enjoying a slight advantage. The results of the first round provided the four smaller parties an incentive to engage in strategic sequencing to make sure that their favored large party would indeed receive the mandate to form

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[27] The data in these tables are compiled from Elections Database of the Hungarian Ministry of Interior, see www.valasztas.hu, and the Database on Electoral History of the Institute of Political History, see www.polhist.hu.

[28] The analysis in this section draws on the database of the Hungarian Ministry of Interior. See, www.valasztas.hu.

the government.[29] In particular, owing to their spatial location both the KDNP and the FKGP had an incentive to form an electoral coalition with the MDF, because, of the two large parties, the MDF was closer to both of them.[30] For similar reasons, the MSZP should also have had an incentive to support the efforts of the SZDSZ to become the largest party in the chamber. However, in the first post-communist election the divide between the communist successor party, the MSZP, and the rest of the genuinely democratic parties was sufficiently strong to prevent any sort of cooperation with the MSZP.

The position of FIDESZ was a little more complex because the party was sandwiched between, and, therefore, spatially connected with, both the SZDSZ and the MDF. Nonetheless, the expectation that the MDF would cooperate with the KDNP and the FKGP prompted FIDESZ to cooperate with the SZDSZ, because forming a two-party coalition with the SZDSZ was 'cheaper' for FIDESZ than forming a four-party coalition with the three conservative parties both in terms of ideological divergence and transactions costs. In other words, an SZDSZ–FIDESZ coalition would have been more compact than a MDF–FIDESZ–KDNP–FKGP coalition, therefore it made sense that FIDESZ would support the cause of the former.

Interestingly, the MDF may have wanted to woo the support of FIDESZ since an eventual MDF–FIDESZ–KDNP coalition would have been a more superior outcome from the perspective of the MDF than a coalition government with the two conservative parties. To see this, consider that in a three-party coalition with the FIDESZ and the KDNP, the MDF would be in the center and as such it would be able to control the policy agenda of the cabinet by exploiting the divisions between its partners. However, given that the first round showed the FKGP to be twice as strong as FIDESZ, in terms of seats secured, the MDF had an interest in seeking an alliance with the Smallholders' Party because FIDESZ may not have been able to provide the MDF with the sough-after parliamentary majority. In addition, a possible move by the MDF towards the FIDESZ in the second round would have been vetoed by both the KDNP and the FKGP. The former would have opposed such a move because it would deprive it of the central position that it would enjoy in the three-party coalition government with MDF and the FKGP. The latter would have objected to it because a move towards FIDESZ would have moved the expected policy position of the coalition cabinet farther away from the policy position of the FKGP.

Due to these considerations, strategic withdrawals took place on both sides of the ideological spectrum, the Left and the Right. The largest number of withdrawals was made by the SZDSZ and FIDESZ in favor of one another. The coordination among the three parties of the Right was more difficult and costly because they were more successful in the first round and had more candidates qualifying to enter the second.

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[29] For the concept of strategic sequencing, see Cox, *Making Votes Count*, pp. 194–195.
[30] John R. Hibbing and Samuel C. Patterson, 'A Democratic Legislature in the Making: The Historic Hungarian Elections of 1990', *Comparative Political Studies*, 24 (1992): 430–454.

Table 2. *Strategic entry and withdrawal in the second round of the 1990 election*

Party	No. of advancing candidates	No of withdrawals	No of entries
MSZP	61	2	59
SZDSZ	149	15	134
FIDESZ	19	9	10
MDF	162	8	154
KDNP	29	6	23
FKGP	78	8	70

Nonetheless, the three conservative parties managed to run an average of 1.4 candidates per district in the second round, which was only marginally greater than the average of 0.84 candidates run by the two left and center-left parties. These numbers also indicate that whereas the three conservative parties ran a little too many candidates, the SZDSZ–FIDESZ a little too few. As expected, the 'untouchable', MSZP did not withdraw its candidates, indeed all but two of the party's qualifying candidates entered the second round.

In sum, responding to the incentives of electoral calculus, political parties formed electoral coalitions which, in turn, presented the electorate with two clearly identifiable government alternatives: the conservative MDF–KDNP–FKGP coalition, on the one hand, and the liberal SZDSZ–FIDESZ coalition, on the other. The MSZP was the sixth party that cleared the threshold and entered parliament, however it was not part of either alternative. As such, the MSZP did not have a coalition potential at this time.[31] Considering the impact of the electoral system on parties' calculations allows to predict the formation of one of two coalitions, depending on which one will win a majority in the second round. This prediction is considerably more efficient than those based on MW and MCW coalitions.

4.2 The first left–liberal coalition government, 1994

The same six parties managed to clear the threshold, raised to 5%, in the first round of the 1994 election as in 1990. However, in contrast to 1990, the first round of the 1994 election was swept by the MSZP and the SZDSZ. The two parties together won almost a majority of the party list and the candidate vote as Table 3 shows. As a result, the MSZP and the SZDSZ had the largest number of candidates entering the second round: MSZP candidates qualified to advance to the run-off in 174 districts, while the SZDSZ candidates did so in 161. The party with the next highest number of surviving candidates was the MDF, however its candidates qualified for re-entry in only 99 districts.

Political parties had limited incentives to engage in electoral coalition building in this strategic context. Although the four smaller parties may have formed an electoral

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[31] For the concept of coalition potential, see Giovanni Sartori, *Political Parties and Party Systems* (Cambridge: Cambridge University Press, 1976).

Table 3. *The results of the first round of the 1994 elections*

Party	SMD votes	List votes	SMD seats	List seats	Total seats
MSZP	31.27%	32.99%	2	53	55
SZDSZ	18.62%	19.74%	0	28	28
FIDESZ	7.70%	7.02%	0	7	7
MDF	12.03%	11.74%	0	18	18
KDNP	7.37%	7.03%	0	5	5
FKGP	7.88%	8.82%	0	14	14

Table 4. *Strategic entry and withdrawal in the second round of the 1994 election*

Party	No. of advancing candidates	No of withdrawals	No of entries
MSZP	174	0	174
SZDSZ	161	2	159
FIDESZ	10	5	5
MDF	99	1	98
KDNP	18	0	18
FKGP	46	0	46

protocoalition with the SZDSZ, because this party was ideologically closer to each of them than the Socialist Party, the costs of this arrangement would have been very high both because of the relatively large number of parties involved (5) as well as the ideological diversity among them. Similarly, the SZDSZ would also find such an arrangement very costly and would, instead, opt to cooperate with the MSZP. An electoral coalition with the Socialists would make the SZDSZ better-off than a coalition with the conservatives essentially because the two parties were spatially connected, whereas the SZDSZ was not connected with any member of the outgoing conservative coalition government.

Likewise, the SZDSZ was the only political party having cleared the threshold that the MSZP was connected with, therefore the Socialist Party was also interested in cooperating with the Free Democrats. However, despite their interest in forming a coalition, the nature of the results of the first round did not encourage the two parties to withdraw their candidates in favor of each other. The poor performance of the conservative parties, as well as FIDESZ, in the first round guaranteed that the run-offs in almost all districts were safe, that is they were likely to be won by the candidates of the two largest parties. In other words, splitting the vote between the MSZP and the SZDSZ candidate in any given district did not risk losing the seat to the conservative parties, while at the same time it allowed the two parties to run a friendly race which would decide the distribution of power between them in the post-election cabinet that they would form. In short, whereas both parties were interested in strategic cooperation, their tactical choices made them appear as if they were competitors.

As a result of these calculations, far fewer strategic withdrawals were made in the second round than four yours before, see Table 4. The partisan distribution of these

Table 5. *The results of the first round of the 1998 election*

Party	SMD votes	List votes	SMD seats	List seats	Total seats
MSZP	29.82%	32.25%	0	0	0
SZDSZ	10.21%	7.88%	0	0	0
FIDESZ	12.86%	28.18%	0	0	0
FIDESZ-MDF	13.14%	0	1	0	1
FKGP	13.30%	13.78%	0	0	0
MIEP	5.58%	5.55%	0	0	0

withdrawals shows that with only two exceptions, all candidates of the two largest parties re-entered the second round. As expected, the three members of the previous coalition government did not withdraw their candidates, save for one exception by the MDF. The rest of the withdrawals were made by Independents, the Agrarian Alliance, a small party that did not clear the threshold, and FIDESZ.

The MSZP and SZDSZ candidates won in 94% of the districts where a run-off was held, with the former winning in 147 and latter in 16 of the 174 districts. This result has provided the Socialist Party with an absolute majority of seats in the new parliament. As such, the party was in a position to form a single-party majority government, which is precisely what institution-free-models of coalition formation would predict. However, the analysis of parties' electoral calculations and choices suggests that the actual government alternative that parties presented to the electorate was the MSZP–SZDSZ coalition rather than the MSZP or the SZDSZ alone. Therefore, the predicted outcome is the formation of a coalition government by the two parties, which is indeed what took place.

4.3 The second conservative coalition: 1998

In the 1998 election the MDF and FIDESZ ran common candidates in 78 of the 176 single-member districts. The majority of these candidates, 56, were listed under a FIDESZ–MDF label, the rest under MDF–FIDESZ. The distinction was important both to indicate the primary partisan affiliation of the common candidates to the voters, as well as to help in the allocation of seats between the two parties in the new parliament. In the remaining districts the two parties ran their own candidates.

In stark contrast to 1990 and 1994, electoral turnout in the 1998 election barely exceeded 50%, which resulted in invalid races in 31 single-member and 2 multimember districts.[32] Despite the low turnout, only five political parties (the MSZP, FIDESZ, SZDSZ, FKGP, and the MIEP) crossed the 5% threshold, as opposed to six in 1990 and 1994, see Table 5. The low turnout also limited further coordination among the parties in the second round because of the large number of districts where the first round was invalid. Since the allocation of seats among parties' national list seats is directly tied to the number of votes that parties receive in those districts where they are unsuccessful

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[32] The two counties where the list voting was invalid were Hajdu-Bihar and Szabolcs-Szatmar-Bereg.

Table 6. *Strategic entry and withdrawal in the 1998 election*

Party	No. of advancing candidates	No. of withdrawals	No. of entries
MSZP	175	6	169
SZDSZ	83	35	48
FIDESZ	94	12	82
FIDESZ-MDF	75	7	68
FKGP	116	71	45
MIEP	32	1	31

in terms of winning seats, smaller political parties had a strong incentive to re-enter their candidates in these districts. Of course, this logic applied simultaneously with the logic of strategic entry and withdrawal. In other words, notwithstanding the incentive to re-enter their candidates in the second round, where the first round was invalid, parties also had to consider the extent to which their doing so might result in adverse vote splitting.

The MSZP and FIDESZ were leading the race after the first round, with the Socialists enjoying a slight advantage in terms of both the candidate and the list votes. Given their spatial location, the MIEP and the FKGP had an incentive to form an electoral coalition with the FIDESZ–MDF protocoalition in the second round, in order to reduce the likelihood of a Socialist-led victory, while the SZDSZ had an incentive to cooperate with the MSZP. Incidentally, the SZDSZ was in precisely the same situation as FIDESZ had been in 1990: the party was sandwiched between the two large formations, and as such it could have chosen to cooperate with either of them. However, cooperation with the FIDESZ was not a credible option for the SZDSZ because entering an electoral protocoalition with that party would also have meant cooperation with parties located further to the right of FIDESZ. Therefore, forming an electoral coalition with the MSZP was 'cheaper' for the SZDSZ because it required coordination with a single spatially connected party.

Of the two large parties the MSZP had very limited maneuverability due to its extreme spatial location. Its cooperation with the SZDSZ was in equilibrium because, as explained above, neither party had anywhere else to turn for allies. This, in turn, encouraged the FIDESZ–MDF to seek a coalition with the FKGP instead of the SZDSZ, although both were spatially connected. Forming an electoral coalition with MIEP, however, was not equally necessary because given its extreme location the legislative support of MIEP could be taken for granted by the FIDESZ–MDF anyway. Since MIEP was on the extreme right of the spectrum, it would have no choice but to support a FIDESZ–led conservative coalition, no matter what.

Table 6 confirms these expectation. The two large formations, the MSZP and FIDESZ–MDF alliance, withdrew very few of their candidates, while the FKGP and the SZDSZ did so on a very significant scale. The latter two parties removed 62% and 42% of their candidates respectively from the second round. Not surprisingly, the

MDF also withdrew a significant number of its own individually run candidates in support of a conservative victory. Of the two electoral coalitions that were formed between the two rounds, the MSZP–SZDSZ on the Left and the FIDESZ–MDF–FKGP in the Right, the latter proved victorious. As expected on the basis of their electoral cooperation, the three conservative partners proceeded to form a coalition majority government.

4.4   The second left–liberal coalition, 2002

Having realized the gains of efficient pre-electoral cooperation, the FIDESZ and the MDF went further and submitted common national and regional lists in the 2002 election. The distribution of candidates on these lists clearly showed that FIDESZ had the upper hand in the alliance. On their 174-member national list only 16 were nominated by the MDF, and only three of them were among the top forty.[33] Similarly, on average, MDF candidates made up only 15.4% of the regional lists.

The formation of the FIDESZ–MDF alliance made the formation of a similar alliance between the left-liberal parties, the MSZP and the SZDSZ, unnecessary.[34] The joining of the FIDESZ and the MDF meant that, even though they were spatially proximate, the SZDSZ could not form a coalition with FIDESZ without also joining hands with the MDF. Therefore the possible coalition options before the SZDSZ were either the MSZP, or the FIDESZ and MDF together. Given this choice, the SZDSZ would opt for the MSZP because it would result in a more compact connected coalition. Knowing that it would have to form a coalition with the MSZP, provided, of course, that the distribution of seats made it possible, it made sense for the SZDSZ to run on its own and create a strong bargaining position for itself *vis-à-vis* its expected coalition partner.

In stark contrast to all previous elections, only three political formations crossed the required threshold in the first round: the MSZP, the FIDESZ–MDF alliance, and the SZDSZ. With just one exception, the candidates of the MSZP and the FIDESZ–MDF finished first or second in all districts where a run-off had to be held. The distribution of vote shares in the first round also showed an unprecedented degree of bipolar concentration: the MSZP and the FIDESZ–MDF alliance together received around 80% of both the candidate and party list votes, see Table 7. Finally, owing to a very high turnout rate, 70.53% in the first round, the candidates of the two parties secured a conclusive victory in the first round in 45 districts. Table 7 also shows that the Socialists enjoyed a slight edge over the conservative allies in terms of both vote shares and seats secured.

[33]   The highest ranking MDF nominee was Dr Ibolya David, Minister of Justice in the outgoing cabinet, who occupied the No. 2 position following Prime Minister Dr Viktor Orban. The next two MDF candidate occupied positions no. 15 and 40. Interestingly, the rest of the thirteen MDF candidates were listed at intervals of ten places. Thus, MDF candidates were Nos. 50, 60, 70 etc. until 170.

[34]   Nonetheless, in two districts the of Vas county, they ran joint candidates, while the Socialist Party also ran 4 joint candidates together with the Hungarian Socialist Democratic Party (MSZDP).

Table 7. *The results of the first round of the 2002 election*

Party	SMD votes	List votes	SMD seats	List seats	Total seats
MSZP	40.50%	42.05%	25	69	94
SZDSZ	6.77%	5.57%	0	4	4
FIDESZ-MDF	39.43%	41.07%	20	67	87

Table 8. *Strategic entry and withdrawal in the 2002 election*

Party	No of advancing candidates	No of withdrawls	No of entries
MSZP	131	7	124
SZDSZ	78	70	8
FIDESZ-MDF	131	0	131

The first round of the election created a strategic context similar to that in 1998. The only small party that crossed the threshold, the SZDSZ, had no incentive to run candidates in the run-off. Since the party had already cleared the threshold, it was secure in terms of having parliamentary representation. However, given the tightness of the race between the two large formations, the SZDSZ could play a pivotal role in shaping the final outcome by withdrawing in favor of the MSZP. In short, the results of the first round encouraged the formation of two electoral coalitions among parties that already had secure parliamentary representation: the FIDESZ–MDF and the MSZP–SZDSZ. Table 8 confirms these expectations showing that the SZDSZ indeed removed 70 of its 78 qualifying candidates in exchange for the MSZP removing seven of its own. Explicit coordination between the FIDESZ and the MDF was not necessary because the two parties had already been competing as a single entity.

Once again, political parties had a strong incentive to form two distinct electoral coalitions in the second round of the election, which also defined the two alternative governments that voters could choose between. Although the FIDESZ–MDF alliance won more of the single-member districts in the run-offs than the MSZP–SZDSZ coalition, it was not sufficient to win an overall majority of the seats. Benefiting from the national compensatory tier, the SZDSZ acquired just enough seats to tilt the balance in favor of the left–liberal bloc. Therefore, the electoral coalition of the MSZP and the SZDSZ proceeded to form a coalition majority government after the elections.

5 Conclusion

This article has argued that the formation of governing coalitions in Hungary's post-communist democracy cannot be adequately understood without reference to the impact that the electoral system has on the choices and calculations that political parties make. By virtue of ignoring the electoral interplay among parties, institution-free models of government formation both fail to predict the outcomes accurately and predict coalition possibilities which are unrealistic. Such shortcomings are overcome

when the impact of the electoral system on parties' choices and strategic calculations are taken into account. It is important to note that the electoral system allows Hungarian voters to have a very clear menu of options in terms of government alternatives. Since the coalition formation process takes place before the electorate rather than behind closed doors after the election is over, the electoral system contributes to enhancing the legitimacy and the effectiveness of the nascent democratic process in Hungary.

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