CARTELIZATION AS EQUILIBRIUM?
EVIDENCE FROM ROMANIA

SILVIU-DAN MATEESCU[*]

Abstract

This paper discusses the development of the Romanian party system in view of the cartel party thesis proposed by Richard Katz and Peter Mair. The paper is divided into three sections. In the first section I offer a brief review of the cartel party thesis and present a few theoretical arguments regarding the study of cartelization. I argue that Katz and Mair may have overemphasized the importance of cooperation between established parties as necessary for the passing and enactment of cartel related legislation. I hold that the existence of cooperation between established political parties, with or without overt collusion, may be difficult to pinpoint due to the strategic voting that goes on in most legislative bodies. Thus I think it is appropriate to view the passing of the cartel associated legislation as a collective action problem: given high electoral volatility the rules and regulations needed for reducing political uncertainty will be adopted and enacted but not necessarily through cooperation. I suggest that such a perspective can explain every instance when the passing of cartel legislation is dependent on cooperation as well as those instances where no evidence of cooperation can be found. The second section presents some methodological aspects. In the third section I analyze the development of the Romanian party system with emphasis on those electoral rules and regulations that limit open political competition as well as on the system of party finance. I show that electoral rules have gotten progressively harsher and that the system of party finance clearly handicaps new competitors. Moreover the cartel has been extremely successful in keeping new competitors out of Parliament: since the transition from communism to democracy only one genuinely new party has won legislative representation.

Keywords: cartelization, equilibrium, electoral volatility, electoral legislation, party finance

Introduction

This paper offers a theoretical and empirical analysis of the process of cartelization using evidence from Romania. The aim of the study is to discuss the theoretical assumptions of the cartel party thesis and to propose a solution for some of the inconsistencies contained in the original model. The study of cartelization is an important topic in political science as it relates to party system consolidation and the relationship between political parties and voters. Party systems in Central and Eastern Europe have been characterized by very high levels of electoral volatility which suggests party system instability yet the party incumbency rate (the number of parties which remain in Parliament after each election) has been high and the success of genuinely new parties has been extremely limited. Thus the development of the Romanian party system can best be explained by using the cartel party thesis which argues that the established political parties use their control over the legislative body in order to prevent new competitors from gaining paliamentray representation and in order to gain acces to state resources, specifically state funding. One of the main arguments of this paper is that such a strategy is an equilibrium outcome: if electoral volatility (which is the most common indicator of electoral uncertainty) is mainly influenced by government performance (poor government performance leads to an increase of electoral volatility) and by permissive electoral

rules[1], the major political parties will always decide to pass and enact progressively harsher electoral legislation in order to reduce uncertainty. This is because such a strategy implies a very low cost and its effects are immediate while trying to reduce electoral uncertainty by ensuring a good performance in government is costly and its effects are difficult to predict. In order to support this claim I shall analyze the relevant electoral legislation as well as the system of party finance, the incumbency rate of Romanian parties and the success of genuinely new parties. The second aim of this paper is to strengthen the cartel party model by offering a solution to some of the theoretical problems of the original thesis.

A Discussion of the Cartel Party Thesis

This paper discusses the development of the Romanian party system in view of the cartel party thesis proposed by Richard Katz and Peter Mair[2]. They argue that, by the 1970s, political parties in Western democracies were faced with a series of challenges: a decline in formal party membership and in party psychological identification, due to the weakening of traditional social boundaries associated with the emergence of welfare politics and mass society (the process of partisan dealignment); the growing costs of professional electoral campaigns brought about by the increasing reliance on mass media (particularly television) and the fiscal limits of catch-all politics. Katz and Mair also point out that politics has become a profession and in many cases the politician's primary source of income which means that politicians have a common interest in lowering the costs of electoral defeat. Since all the major or established parties face these challenges they have an incentive to set up a cartel which ensures the collective survival of its members. The process of cartelization has two primary aspects: the restriction of policy competition and the use of the state's resources in the interest of the cartel parties. Established political parties use their function as lawmakers to introduce state subventions in order to compensate for the decline of internally generated funds and to devise the system of public finance and the electoral laws in ways that disadvantage new competitors[3].

Katz and Mair base the cartel party model on the movement of political parties toward the state, in the sense that parties are heavily influenced by laws and regulations laid down by the government. Building upon this uncontested finding Katz and Mair propose a set of hypotheses, two of which I would like to discuss. The first such hypothesis states that if parties are drawing closer to the state then they are also likely to be drawing further away form the electorate[4]. Herbert Kitschelt has already pointed out that, as far as party leaders are concerned, the best strategy would be to allocate resources to their own parties and to enact the preferences of their electorate in order to improve their chances of winning a larger share of the vote[5]. There are however a few other issues regarding this hypothesis. Katz and Mair insist on the declining levels of party identification suggesting that a fair share of the voters act as consumers would, rationally assessing political parties on the basis of past performance and experience. If this is the case, rather than distancing themselves from their voters, parties would have a very strong incentive to closely enact the preferences of their constituencies since they can no longer rely on subjective votes. Even if we accept the contentious assumption of high policy convergence in a multiparty system, party leaders still need to convince

[1] Mainwaring, Scott; Espana Annabella; Gervasoni, Carlos. 2009. „Extra System Electoral Volatility and the Vote Share of Young Parties", www.cpsa-acsp.ca/papers-2009/Mainwaring.pdf*: 3-4.*

[2] Katz, Richard S., Peter Mair. 1995. "Changing Models of Party Organization and Party Democracy: The Emergence of the Cartel Party", *Party Politics*, Vol. 1 (1), 5-28; Katz, Richard S., Peter Mair. 1996. "Cadre, Catch-all or Cartel?: A Rejoinder" *Party Politics*, Vol. 2 (4), 525-534; Katz, Richard S., Peter Mair. 2009. "The Cartel Party Thesis: A Restatement", *Perspectives on Politics*, Vol. 7 (4), 753-766

[3] Katz, Richard S., Peter Mair. 2009. "The Cartel Party Thesis: A Restatement": 757-759

[4] Katz, Richard S., Peter Mair. 2009. "The Cartel Party Thesis: A Restatement": 755-756

[5] Kitschelt, Herbert. 2000. "Citizens, politicians, and party cartelization: Political representation and state failure in post-industrial democracies" , *European Journal of Political Research*, Vol. 37 (2), 149-179: 156

the electorate of their managerial expertise. A significant part of the electorate may lack the information or analytical tools[6] necessary in order to assess the managerial performance of an incumbent party with any degree of objectivity (baring extremely poor performances). The same goes for the competing claims of the opposition and we may reasonably assume that political parties are well aware of this fact and that the risk adverse politicians described by Katz and Mair would not stake their electoral fortunes on such a strategy. In fact we can assume that the extreme difficulties involved in explaining complex social and economic issues to the voters may have been one of the reasons why the established chose to devise laws that disadvantage new competitors, regardless of their own performance.

Another reason why parties can't distance themselves from their voters refers to the fact that while it may be true that "the pecuniary difference between being in office and out of office"[7] may be reduced in a cartel arrangement, constantly being out of office entails significant risks. Parties which fail to become part of a national governing coalition for more than two turns are more exposed to the threat of new entrants regardless of the institutional barriers devised by the cartel parties. Secondly, some of their members in the legislature may choose to defect to other parties. There is also the possibility that other established parties may appropriate their particular issues in order to win a larger share of the vote (if we accept some degree of policy divergence) or they may lose some part of their electorate due to strategic voting. Particularly in countries with a high degree of electoral volatility the threat of being excluded from Parliament provides a strong incentive for parties to maintain close relations with their electorate. The Romanian party system provides good examples of this sort of threat.

The second hypothesis I would like to discuss refers to Katz and Mair's argument that while parties are more influenced by the state, it is in fact the parties who devise and vote the laws and rules they are influenced by and that it is "necessary for parties to cooperate with one another if general party regulations are to be accepted and if a system of public financing is to be introduced"[8]. Katz and Mair emphasize the importance of cooperation although it is not at all clear why parties must cooperate in order to create the institutions that define the process of cartelization. Consider for instance the situation in which a governing coalition decides to introduce state subventions for political parties or to raise the electoral threshold. Let us assume that the main opposition party votes against such measures but that they are implemented nonetheless. Such an example illustrates that it is not in fact necessary for the established parties to cooperate in order for the laws and regulations associated with the process of cartelization to be adopted. Let us now assume that the government does not have a majority in Parliament and that cooperation is needed if the cartel legislation is to be adopted. How exactly does the process of signaling, which can produce the effects of collusion without any illicit communication or covert coordination, work? In their attempt to negate the fact that the process of cartelization relies on an actual conspiracy Katz and Mair may have gone too far by explaining concerted action on the basis of signaling. Legislative parties routinely negotiate with one another and in this respect it is quite unclear what illicit communication refers to. There are no rules stating that political parties are forbidden to negotiate with each other or that they may not cooperate as a result of said negotiations. Bargaining and log-rolling are the trademarks of representative assemblies and there is no strong argument why they should not apply to the process of cartelization. Katz and Mair do not contest this fact but state that parties might "be disinclined to

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[6] Bartels, Larry M. 1996. „Uniformed Votes: Information Effects in Presidential Elections", *American Journal of Political Science*, Vol. 40 (1), 194-230; Gentzkow, Matthew. 2005. „Television and Voter Turnout" *The Quarterly Journal of Economics*, Vol. 121 (3), 931-972; Toka, Gabor. 2007. „Information Effects on Vote Choices in European Elections" in Michael Marsh, Slava Mikhaylov, Hermann Schmitt (eds.), *European Elections after Eastern Enlargement*, Mannheim: MZES

[7] Katz, Richard S., Peter Mair. 2009. "The Cartel Party Thesis: A Restatement": 758

[8] Katz, Richard S., Peter Mair. 2009. "The Cartel Party Thesis: A Restatement": 756

rely heavily on overt deals with another"[9], although the legislative process offers multiple opportunities for direct and relatively private negotiations. In some European countries the introduction of state subvention for political parties was preceded by a public debate on the advantages of such an arrangement in which case parties would have had the opportunity to send out signals concerning their stance on the matter. In some countries however, such as Romania, there was no debate before the introduction of the system of public finance. Regardless, there are may be opportunities for signaling but Katz and Mair make the contentious assumption that such signals are necessarily followed by the corresponding action. The main problem with the signaling argument is that parliaments don't approximate an oligopolistic market very well (except in the case of a minority government) due to the dominant position of the governing coalition. Also, in an oligopolistic market a signal might equal commitment but in the case of representative assemblies it does not, mainly due to strategic voting and therein lies one of the problems associated with the cartel party thesis: although one might assume that the major or established parties share a common interest in devising and enacting laws that ensure their own survival and disadvantage new competitors said common interest may prove difficult to pinpoint empirically due to strategic voting. If the governing coalition wishes to implement cartel legislation the opposition doesn't have to vote alongside it in order to enjoy the benefits, nor does it have any incentive to pay any of the costs. More importantly, cooperation is unnecessary for the implementation of most cartel associated laws.

In my view, Katz and Mair impose two unnecessary constraints on the emergence of the cartel of parties or, more accurately, on the implementation of cartel legislation: the need for cooperation and the lack of direct negotiations. If we eliminate these two constraints and reject the assumption that parties distance themselves from their constituencies we can look at cartelization from a fresh perspective. I propose a model based on Mancur Olson's collective action theory. The major political parties in a legislature can be viewed as a privileged group and voting for the enactment of cartel related laws and regulations closely resembles the production of collective goods. There are two important factors which influence the production cartel related legislation: electoral uncertainty and the political cost of enacting said legislation. According to Katz and Mair[10], in order to reduce electoral uncertainty political parties have used to types of laws: a) laws which disadvantage new competitors, such as the rising of the electoral threshold and harsher ballot access requirements and b) laws which help maintain the dominant position of the established parties such as an advantageous system of public finance and privileged access to public and private mass media. The cost (in lost votes) of producing these public goods is generally not very high. Let us, for example, analyze the cost of raising the electoral threshold from 3% to 5% as shown in figure 1. For the major parties the political cost of such a measure is nonexistent. The political leaders of the major parties would reason that party supporters have no motive to oppose such a move while the supporters of other parties could hardly be convinced to defect by a different stance on the issue. It is worth mentioning that the raising of the electoral threshold cannot be used against parties that are ideologically opposed.

Figure 1.

L	Z (4%)	X (53%)	0	Y (39%)	W (4%)	R

In this example, raising the electoral threshold to 5% would result in party X getting a share of party Z's votes and in party Y getting a share of party W's votes, regardless of whether we use the

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[9] Katz, Richard S., Peter Mair. 2009. "The Cartel Party Thesis: A Restatement": 757
[10] Katz, Richard S., Peter Mair. 2009. "The Cartel Party Thesis: A Restatement".

proximity model or the directional model. Of course, whether parties Z and W would in fact manage to pass the electoral threshold at the next election depends on many other factors but they might lose votes due to strategic voting. Even if the immediate gain for the major parties might be uncertain the cost is clearly nonexistent. If this is the case then why wouldn't party X simply enact the measure? In my view there is no strong argument as to why the two major parties would have to cooperate in order for the law in question to pass. Similarly there is no reason why the supporters of major parties would oppose privileged media access or harsher ballot access requirements. There is the problem of the undecided voters but it can be alleviated by enacting the entire set of cartel related laws during one legislature. Of the laws that define the party cartel only the introduction of state subventions carries a significant cost of potentially lost votes. There is the possibility that the electorate might penalize the parties which vote for such a measure if it is seen as rent-seeking. There are certain alternatives for the process through which this particular law could receive the necessary votes. One of them is that Olson's model is correct and that the privileged member will pay the entire cost of producing the good[11], that is the governing party or coalition might decide that gaining a significant source of revenue is worth losing a certain number of votes. However Olson's model has been criticized for not taking into account the possibility of strategic interactions taking place between the members of a privileged group. According to McLean[12] the smaller a group is the higher the probability that strategic interaction will take place between its members. Thus, Olson's model must be modified in order to recognize the fact that the privileged members of a group could engage in a repeated game of Chicken[13]. When the game of Chicken is played repeatedly it becomes a game of bluff and precommitment. In the particular case of privileged groups this refers to the fact that, when there is more than one member who would be better of if the good was produced even if he had to pay the entire cost himself, each of them has an incentive to make a precommitment, announcing that he will not pay for the production of the good, in order to force the other(s) member to pay the entire cost. Even if there is a single privileged member he still has an incentive to precommit to not paying in order to force the non-privileged members to contribuite[14]. McLean's argument does not refer to the fact that privileged groups will fail to produce the good but rather to the fact that it is not necessary for one of the privileged members to pay the entire cost by himself. In order to reach a cooperative solution in a repeated game of Chicken one must resort to irrevocable precommitments. Brams and Kilgour[15] offer a solution for cooperativley solving a repeated (with an undefined number of rounds) Game of Chicken. The situation of parties in a legislative body is different however. Each of the parties would like for state subventions to be introduced but would prefer it if the other parties payed the electoral cost. Let us assume that there is only one privileged member, the governing party or coalition, and that he doesn't want to pay the entire cost by himself. The privileged member could make a irrevocable precommitment anouncing that he will not vote for the introduction a state subventions unless the opposition also votes for the law. There is the possibility that this strategy will work and that the major parties will all support the bill. The opposition could however also make a irrevocable precommitment not to support the bill in order to force the governing coalition to pay the entire electoral cost in which case the bill wouldn't pass. Each of the players is aware of this and also knows that the game has a defined number of rounds, given that the legislative turn lasts four years and that the vote can only be repeated a few times each year. Thus, before the last game, both the governing coalition and the opposition know that if they maintain their position the law will not pass and the opportunity of gaining the extra funds will be lost for that legislative turn. It follows that, in

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[11] Olson, Mancur. 1965. *The Logic of Collective Action: Public Goods and the Theory of Groups*, Cambridge: Harvard University Press: 34

[12] McLean, Iain. 1989. *Public Choice: An Introduction*, Basil Blackwell

[13] McLean, Iain. 1989. *Public Choice:* 67

[14] McLean, Iain. 1989. *Public Choice:* 67-68, 134

[15] Brams, Steven J., Kilgour, D. Marc. 1986. "Is Nuclear Deterrence Rational?", *PS*, Vol. 19 (3), 645-651

the last game, both the government and the opposition should cooperate. Moreover the value of the good decreases if its production is postponed (if state subventions are introduced in the first year parties recevie subventions for the next four or three years, depending on when the budget law gets voted, before the state subventions are introduced or after) so it is reasonable to assume that the players will cooperate from the first game in order to maximize the time span during which they can enjoy the benefits of the good. If my argument is correct then the introduction of state subventions should happen during the first year of a new legislature and the bill should pass with a supermajority. The only remaining problem concerns the manner in which parties can make irrevocable precommitments. This depends on the route a new bill must follow before it is voted upon. In Romania a new bill must first go to a specialized commision which is composed of members from every legislative party (in proportion to each party's number of seats). In order for the bill to go to the vote it must first recevie a majority of votes in the commision. In my view this is the arena where parties can make precommitments and negotiate with each other, away from the media.

What I have tried to show is that, from a theoretical standpoint cooperation between the major political parties isn't necessary for cartel legislation to be enacted and that, when it does occur, it has more to do with the desire to share the associated electoral cost of certain cartel laws than with an actual need for cooperation.

Research Questions, Hypothesis and Methods

Research Question 1: Can we speak about the cartelization of the Romanian party system?

Research Question 2: If the major Romanian parties form a cartel how effective did it prove in keeping new parties out of Parliament?

Hypothesis I: Due to the electoral uncertainty facing political parties during the 90's cartel related legislation has been implemented in order to reduce it. This hypothesis includes to elements:

a) progressively harsher electoral legislation: Since one of the main functions of the cartel is to keep new competitors out of Parliament and out of the electoral market in general, electoral legislation should become progressively harsher following the 1992 elections;

b) the system of public finance: The second important function of the cartel is to ensure that cartel members maintain their dominant position. In this respect, the rules for the allocation of state subventions should favor legislative parties.

Hypothesis II: If the major parties in Parliament form a cartel I expect that, following the 1992 elections, the number of new parties that gain parliamentary as well as the number of minor legislative parties which are excluded from Parliament should drop towards zero.

In this paper I shall analyze the cartelization of the Romanian party system only at the systemic level. As Allan Sikk[16] has already pointed out theoretical models regarding western democracies don't always translate well in the case of post-communist countries. There are however certain characteristics of post-communist politics which approximate the developments described by Katz and Mair quite well: the weak ties between parties and the electorate, especially during the first years of democratic politics, and the political party's inability to fund professional electoral campaigns through internally generated resources.

One of the first methodological issues when looking for cartelizing behavior in the case of a post-communist country regards the moment one can expect such behavior to start. Given the fact that we cannot talk about established parties in this context it is my opinion that the logical place to start is the moment when there are at least two major parties or coalitions. In the case of Romania I believe we can expect to see cartelizing behavior following the 1992 elections.

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[16] Sikk, Allan. 2003. „A Cartel Party System in a Post-Communist Country? The Case of Estonia", ECPR General Conference, Marburg, 18-21 september 2003,
http://www.essex.ac.uk/ecpr/events/generalconference/marburg/papers/16/3/Sikk.pdf

Methods

Party systems in Eastern Europe have generally been characterized by high electoral uncertainty which represents a important precondition of the emergence of the cartel. Given this fact the first step will involve determining the extent to which this precondition is met. I shall use *electoral volatility* and the *percentage of the voting population which were party members* (in order to assess party's capability to generate internal resources and party's ties with the electorate) as indicators.

In regard to the system of public finance the following indicators shall be used: *a) the existence of state subventions for political parties; b) the evolution of the amount available as state subventions; c) the rules for allocating state subventions, particularly if these rules favor legislative parties; d) the proportion of state subventions in party's budgets.*

I shall also analyze the rules for access to publicly owned television and radio stations during electoral campaigns as well as the regulations imposed on private media enterprises at election time. Another important aspect regards the electoral legislation, particularly the *evolution of the electoral threshold* and the *regulations regarding the establishment of new political parties*. Finally I shall analyze the success of what Sikk called "genuinely new parties" that is parties "that are not the successors of any previous parliamentary parties, have a novel name as well as structure, and do not have any important figures from past democratic politics among its major members" (Sikk 2003: 8). Additionally I shall also look at the number of legislative parties that are excluded from Parliament after each election.

I would like to mention that Romania's Parliament consists of two houses: The Chamber of Deputies (Camera Deputatilor) and the Senate. The following data only refers to the Chamber of Deputies. This paper stops at the 2004 elections as there have been no new developments regarding cartel related legislation.

The Romanian Party System

During 1990-2004 Romania has used a system of proportional representation (d'Hondt electoral formula) with closed lists. There was no electoral threshold at the 1990 elections (the first democratic elections after the fall of the communist system), a 3% threshold for the 1992 and 1996 elections and a 5% threshold for parties and 8-10% for alliances (depending on the number of parties) for the 2000 and 2004 elections.

The evolution of the Romanian party system has been rather complicated and requires a brief introduction. There have been four major party families in the Romanian party System.

The Social Democratic family included: The Party of Social Democracy (PSD, former PDSR, the Party of Social Democracy in Romania, 1992-2000) appeared when the National Salvation Front (FSN) split in 1992; The Democratic Party (PD) was the second party which resulted from the split of the National Salvation Front; the Romanian Social Democratic Party (PSDR, merged with PDSR in 2000 to form PSD).

The Christian Democratic family: the National Christian Democratic Peasants Party (PNTCD) was the main party of two large coalitions, the Romanian Democratic Convention (CDR) and Romanian Democratic Convention 2000.

The Liberal family: the National Liberal Party (PNL) split into four parties in 1992-1993. These parties were: the National Liberal Party (PNL), the Liberal Party '93 (PL '93), the National Liberal Party-Democratic Convention (PNL-CD) and the National Liberal Party the Young Wing. These four parties merged again under the label of the National Liberal Party after the 1996 elections.

The Nationalists: the Romanian National Unity Party (PUNR) and the Greater Romania Party (PRM).

In addition the party of the Hungarian ethnic minority, the Democratic Union of Hungarians in Romania has been in Parliament since 1990.

At the 1992 elections the Romanian Democratic Convention (CDR) consisted of: PNTCD, PNL-CD, PNL the Young Wing, PSDR, the Romanian Ecologist Party (PER) and the Civic Alliance Party (PAC).

At the 1996 elections the Romanian Democratic Convention (CDR) consisted of: PNTCD, PNL, PNL-CD, Romania's Alternative Party (PAR), PER and the Romanian Ecologist Federation (FER).

Table 1. Electoral Results, Chamber of Deputies, 1990-2004										
Party	1990		1992		1996		2000		2004	
	% votes	seats	% votes	seats	% votes	seats	% votes	seats	% votes	seats
F.S.N	66,31	263	-	-	-	-	-	-	-	-
UDMR	7,23	29	7,46	27	6,64	25	6,8	27	6,26	22
PNL	6,41	29	-	-	7,2	25[1]	6,89	30	19,3	64[4]
MER	2,62	12	-	-	-	-	-	-	-	-
PNȚCD	2,56	12	12	41[1]	23,9	82[1]	-	-	1,85	-
PER	1,69	8	1,1	4[1]	1,4	5[1]	-	-	-	-
PSDR	0,53	2	2,9	10[1]	2,9	10[2]	3,1	11[3]	-	-
PDSR/ PSD	-	-	27,72	117	21,52	91	40	138[3]	34	113
PUNR	2,2	9	7,72	30	4,36	18	-	-	-	-
PRM	-	-	3,89	16	4,46	19	19,48	84	13,63	30
PSM	-	-	3,04	13	-	-	-	-	-	-
PD	-	-	12,6	43	12,5	43[2]	7,03	31	14,46	48[4]
FER	-	-	-	-	0,3	1	-	-	-	-
PUR/PC	-	-	-	-	-	-	1,7	6[3]	5,7	19
Other Parties	3,16	12	-	-	-	-	-	-	-	-

Source: http://www.essex.ac.uk/elections/, Preda (2003), Stefan, Grecu (2004)

[1] As a member of the Romanian Democratic Convention

[2] Social Democratic Union, electoral alliance: the Democratic Party (PD) and Romanian Social Democratic Party (PSDR)

[3] Social Democratic Pole of Romania, electoral alliance: PDSR, PSDR and PUR/PC

[4] Justice and Truth, alliance: the National Liberal Party and the Democratic Party

Electoral Uncertainty in Romania

The Romanian party system has been characterized by very high electoral volatility, mainly due to the weak ties between the political parties and the electorate as well as to the high number of inconsistent, minor parties. The effects of electoral volatility on the electoral fortunes of different types of parties can be illustrated with a few examples. Let us first look at the evolution of the National Christian Democratic Peasants Party. The party contested the 1990 elections with a program that emphasized radical change: the privatization of state owned enterprises, the return of the proprieties confiscated by the communist regime to their rightful owners, the exclusion from public office of all significant members of the Communist Party and clear pro-European and pro-NATO stance.

Table 2. Electoral Volatility in Romania, 1992-2008

Year	Volatility
1992	30,2
1996	14,3

2000	29,1
2004	14,94
2008	17,48

Source: Sikk (2005) for the years 1992, 1996, 2000 and own calculations for the years 2004, 2008

The party fared poorly at the 1990 elections and as a result it gradually adopted a catch-all approach to politics, contesting the following three elections in broad coalitions. It went on to obtain 41 seats at the 1992 election and 82 seats at the 1996 elections following which it formed the coalition government together with PD, PSDR and UDMR. Although there is a rather serious debate among Romanian political scientists about the performance of the Romanian Democratic Convention government in my view it had a number of very important achievements: it managed to stop the violent strikes of the miners (by offering generous unemployment packages), who were protesting against the reform of the mining sector, which had been responsible for the fall of several governments since 1990, it managed to avoid the bankruptcy of the Romanian state and it started the negotiations regarding Romania's integration in the EU. However it failed to implement significant economic reforms and its administration was characterized by the failure to limit corruption and the interpenetration of politics and business. Moreover it utterly failed to explain its policies to the electorate and went on to be excluded from Parliament.

On the other hand the two parties that have sought to form close relations with their constituencies, the Democratic Union of Hungarians in Romania and the Party of Social Democracy, the only Romanian party that is organized as a mass party, have mostly been spared the effects of the high electoral volatility.

In regard to the percentage of the voting population which were party members this was 3,3% in 1993[17]. Unfortunately, since political parties were under no obligation to declare the number of their members there isn't any official data for the 1990-2000 years. However based on the fact that the nr. 8 Decree of 1989 required parties to have 251 members and taking into account the electoral volatility for the years 1992 and 1996 it is very likely that most parties didn't have large memberships and that they were unable to fund electoral campaigns and political activity on the basis of membership fees. As a result 10 of the 17 parties which had gained legislative seats at the 1990 elections were excluded from Parliament following the 1992 elections. As a result of the 1992 elections 12 parties gained electoral representation (although as I have shown 6 of these contested the elections as the Romanian Democratic Convention) with two more parties being excluded from Parliament following the 1996 elections. We may conclude that electoral uncertainty was very high between 1990 and 1996 and that the preconditions for the emergence of cartelizing behavior had been met.

Party Financing in Romania

The system of state subventions was introduced in 1996 through Law no. 27/1996[18], the Law of Political Parties. Unfortunately I have been unable to find hard data on the positions adopted by the political parties regarding law 27.

Law no. 27/1996 states that political parties can finance their political activity through the following sources: party members' dues; donations and legacies; funds obtained through specific activities (the sales of party literature, bank interests, letting out of their own space for conferences and cultural actions, etc.) and state subventions.

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[17] Letki, Natalia. 2004. „Socialization, for Participation? Trust, Membership and Democratization in East-Central Europe", *Political Research Quarterly*, Vol. 57 (4), 665-679

[18] http://www2.essex.ac.uk/elect/database/legislationAll.asp?country=romania&legislation=rolpp#chapter6

Regarding members' dues the law stipulated that the sum of the dues paid over the period of one year by a single person cannot exceed fifty minimum basic wages countrywide. The countrywide minimum basic wage taken as reference shall be the one existing on January o1 f the respective year.

Regarding donations the law forbids donations from public institutions, from self-managed public companies, from trading companies, and from banking companies where the state is the majoritary shareholder as well as donations from foreign states, organizations, firms and private individuals.

Donations received by a political party over a period of one year may not exceed 0.005 per cent of the state budget income in the respective year. In the financial year in which parliamentary, presidential or local elections take place, this ceiling doubles. A donation received from an individual over a period of one year may not exceed one hundred minimum basic wages country-wide in the respective year. The donation received from a legal entity over a period of one year may not exceed five hundred minimum basic wages country-wide.

Political parties receive yearly state subventions which are transferred monthly to the account of each political party. The sum allocated yearly to political parties may not be greater than 0.04 per cent of the state budget income. Political parties which are represented at the beginning of the legislature by a parliamentary group in at least one Chamber shall receive a basic subsidy. The total of basic subsidies shall represent one third of the budgetary subsidies allocated to political parties. Political parties represented in Parliament shall also receive a subsidy in proportion to the number of seats obtained. The sum due for one mandate shall be established by dividing the remaining two thirds of the subsidies from the state budget for political parties by the total number of parliamentarians. The total subsidy granted from the State budget to a political party after these operations may not exceed five times the basic subsidy. Political parties which have not obtained parliamentary seats but have won at least *two per cent* of the votes cast shall receive equal subsidies, which shall be established by dividing the sum which remains after the procedures concerning parliamentary parties have taken place by the number of the respective political parties. The total sum granted to non-parliamentary parties may not be greater than a basic subsidy. The sums unconsumed by redistribution shall be distributed to the parliamentary political parties in proportion to the number of mandates.

The Court of Audit was the institution charged with checking that parties respect the provisions on the law. Until 2000 there was no audit report regarding the state subventions received by political parties and a significant number of them had not presented the lists of donors. Moreover party finances could not, in fact, be checked as the methodological guidelines, which had to be adopted by Parliament, had never been devised.

The 1996 Law of Political Parties was replaced with Law no. 43[19] of 2003 regarding the financing of political parties and electoral campaigns. The legislative proposal was initiated in 2001 by the National Liberal Party, then in opposition. The proposal finally passed in the Chamber of Deputies with 184 favorable votes versus 41 negative votes. The main aim of the new law regarded members' dues and donations. Thus the ceiling for donations became 0,025% of the state budget income in the respective year and 0,050% in years when parliamentary, presidential or local elections take place. The ceiling on donations from an individual became 200 basic wages countrywide per year.

Regarding members' dues the sum of the dues paid over the period of one year by a single person can not exceed 100 minimum basic wages countrywide. Another interesting development was that, in order to receive state subventions, political parties which had not obtained parliamentary representation had to obtain at 4% of the votes cast. The rest of the procedures for allocating state subventions remained the same.

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[19] http://legislatie resurse-pentru-democratie.org/43_2003.php

Table 3. The major sources of party financing, state subventions and donations, 2002-2005 (Lei)			
Party	Year	Income	
		Subventions	Donations
PSD	2002	2.121.120,6	186.477,5
	2003	2.266.310,2	969.500,6
	2004	2.266.310,2	7.503.086,6
	2005	1.984.529	710.769
PNL	2002	892.890,8	66.259,7
	2003	1.125.094,6	667.896,4
	2004	1.125.094,6	4.962.014,6
	2005	1.375.557	1.645.356
PD	2002	913.091,9	701.873,2
	2003	812.026,5	1.113.792,0
	2004	812.026,5	3.180.240,3
	2005	1.110.780	2.323.885
PUR/PC	2002	569.672,4	9.000[10]
	2003	443.231,1	159.681,9
	2004	443.231,2	1.198.492,0
	2005	708.298	960.392
PRM	2002	1.680.735,6	0[10]
	2003	1.636.392,6	84.295,7
	2004	1.636.392,6	2.380.868,8
	2005	1.121.363	194.627
UDMR	2002	852.488,5	222.050
	2003	746.945,0	633.402,8
	2004	746.945,0	3.019.315,6
	2005	729.481	662.844

Source: http://www.apd ro/map/venituri.php;
http://www rcc ro/documente/rap_part_pol2005.pdf**;**
http://www rcc.ro/documente/raport%20partide%20politice%202005.pdf

[10] The Greater Romania Party and the Romanian Humanist Party (PUR) didn't declare their donations for 2002; the Romanian Humanist Party changed its name in May 2001 to the Romanian Social Liberal Humanist Party (PUR-SL). PUR-SL declared that it had received 9.000 lei as donations in 2002.

The data presented in Table 3 shows that state subventions were the main source of revenue for political parties in the years of 2002 and 2003, with the exception of the Democratic Party. Funds received from donations have a greater share in every party's budget than state subventions in the year of 2004. This can be explained by the fact that 2004 was an election year and that the maxiumum ceiling allowed for donations was 0,050% of the state budget income. As I have shown the ceiling for a non-election year is 0,025% of the state budget income. Secondly it is a well known fact that political parties greatly increase their efforts to attract donations at election time.

The National Liberal Party, the Democratic Party and The Conservative Party (the curent name of the Romanian Conservative Party) have recevied more money from donations than from state subventions in the year 2005, while The Party of Social Democracy, The Greater Romania Party and the Democratic Union of Hungarians in Romania gained more funds from state subventions than from donations.

As there is no data regarding donations for the years 1996-2001 I cannot make any firm statements as to the degree to which parties are dependent on public funding. As Table 4 shows, the total sum of the state subventions to political parties has been rising since the system was first introduced in 1996 until 2003, after which the total sum remained the same until 2006. If we take into account the fact the 1996 Law of Political Parties stipulated that the maximum ceiling for donations was 0,005% of the state budget income for the respective year there is a good chance that state subeventions were the main legal source of party revenue until Law no. 43/2003 was adopted.

Table 4. Total State Subventions allocated to political parties, 1996-2003 (Lei)

1996	1997	1998	1999	2000	2001	2002	2003
450.000	1.575.506,1	2.780.000	3.390.000	3.900.000	5.800.000	7.020.000	7.030.000

Source: Monitorul Oficial (the Romanian Official Gazette)

Regardless of whether parties were in fact dependent on public funds the data from Table 3 proves that state subventions were a major source of revenue for the legislative parties. In my view it is clear that both laws regarding party financing offered a significant advantage to legislative parties given the fact that state subventions allocated to **all** parties without legislative representation cannot exceed one basic subsidy. Even theese sums are conditioned by the necessity that non-parliamentary parties gain at least 2% of the votes cast, according to the 1996 law, and 4% of the votes cast according to the 2003 law. It is worth mentioning that following the 1996, 2000 and 2004 elections no party (without legislative seats) has met these conditions. The fact that the laws regulating party finance favor legislative parties is also supported by the way in which state subventions are allocated. First of all the subventions for non-parliamentary parties are not fixed, but rather they are allocated whatever remains after the legislative parties have been allocated their subsidies according to the rules. Secondly, the laws (27/1996 and 43/2003) state that if there aren't any non-parliamentary parties which meet the required conditions the remaining sum is distributed to the legislative parties in proportion with their number of seats. However there is no rule stating that, at this point, a legislative party cannot receive more than the equivalent of 5 basic subventions.

The Romanian legislation regarding the establishment of new parties

The legislation regarding the establishment of new parties has progressed from a set of minimal requirements to a set of very restrictive conditions. The firts act which regulated the establishment of new parties was the Law Decree no. 8/1989. In order to be formally registered parties had to have 251 members. This law was replaced in 1996 by the Law of Political Parties according to which a new party had to have 10.000 founding members reziding in at least 15 counties, but no less than 300 per county. The requirements changed again in 2003 through Law no. 14/2003 which required 25.000 founding members reziding in at least 18 counties and Bucharest, but no less than 700 per county.

Legislation regarding access to publicly owned media at election time

The first law regarding the access of political parties to publicly owned media at election time was the Law Decree no. 92/1990 which stipulated that all political parties shall have equal access to radio and television services at election time and that access is free of charge. This law was replaced by Law no. 68/1992 which stated that the parliamentary political parties shall receive access to state owned radio and television servicies at the expense of the state budget. Non-parliamentary parties were required to pay for broadcast time. The law also stated that the broadcast schedule and broadcast time was to be determined by a parliamentary commission and that the broadcast time for parliamentary parties was to be double the time recevied by non-parliamentary parties. Each parliamentary party was to recevie broadcast time in proportion with its number of seats. Furthermore the law stated that political parties which didn't enter candidates in at least 10 districts wouldn't be granted broadcast time at the national level. There are two more rules which advantage parliamentary parties. First, commercial publicity with the intent of electoral propaganda in the media and printed press was forbidden. Secondly, interviews and news reports of general interest to the citizens were not to be taken into consideration by the parliamentary commission when allocating broadcast time. The provisions of Law no. 68/1992 disadvantaged parties without legislative representation by having them pay for broadcast time, which they could only buy a limited amount of as well as by excluding interviews and news buletins, through which members of the major parties

could gain the attention of the public, from the time granted to parliamentary parties. This law was in effect until 2004 when it was replaced by Law no. 373/2004. The new law still forbade publicity for electoral purposes but granted free access to state owned media to all political parties. A special parliamentary commission determines broadcast time for each party in proportion with the number of complete candidate lists for the Chamber of Deputies and the Senate. However parties which do not enter candidates in at least 50% of the electoral districts do not recevie broadcast time. The law does not specify how the broadcast time is to be divided between parliamentary and non-parliamentary parties so, assuming that every party entered candidates in every electoral district, it is up to the parliamentary commission to decide. Law no. 373/2004 contains provisions regarding private radio and televisions stations which must allocate 75% of the broadcast time in which they cover the election to parliamentary parties in proportion to the number of seats they have in Parliament. Non-parliamentary parties recevie 25% of the broadcast time if they have entered candidates in the electoral district in which the radio or television station is located.

It is worth mentioning that the provisions of Law no. 373/2004 contradict Ruud Koole's criticism of the cartel thesis which state that private media enterprises are a powerful counterweight to a possible cartel of parties[20]. How this can be if new competitors cannot in fact buy air time remains up to debate.

The success of genuinely new parties and the exclusion of minor legislative parties

The cartel has proven very effective in Romania: following 5 elections only one genuinely new party has managed to gain legislative representation: the Greater Romania Party. The Greater Romania Party was founded in 1991 and is a far right party.

The number of minor political parties in Parliament has been steadly decreasing since the 1990 elections. As I have already mentioned 10 of the 17 parties which had gained legislative seats at the 1990 elections were excluded from Parliament following the 1992 elections. As a result of the 1992 elections 12 parties gained electoral representation (although as I have shown 6 of these contested the elections as the Romanian Democratic Convention) with two more parties being excluded from Parliament following the 1996 elections. Six more parties lost legislative representation following the 2000 elections, one of them being the National Christian Democratic Peasants Party, a major party until then. No parties were excluded following the 2004 elections.

Conclusions

The Romanian party system displays all the major characteristics of a cartelized party system as identified by Richard Katz and Peter Mair: electoral legislation which has gotten progressivly harsher; party financing laws and laws regarding access to state owned media at election time which clearly favor the major legislative parties and the upward evolution of the electoral threshold. State subventions are definitely one of the major sources of revenue for political parties. It is my view that the high level of electoral uncertainty has been the determining factor for the emergence of the cartel which has been instrumental in reducing it. Since the 2000 elections there has been no change of the parties in Parliament (at the 2004 elections) despite the fact that electoral volatility remains high. New political parties have had very little succes while minor legislative parties which have gained representation during the early stages of the democratic system have been excluded from Parliament. My interpretation is that, in the case of the Romanian Party system, there is no evidence of a toning down of competition. Further proof of this issue regards the exclusion of the National Christian Democratic Peasants Party from Parliament at the 2000 elections and the exclusion of the Greater Romania Party at the 2008 elections. This goes to show that, although

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[20] Koole, Ruud. 1996. „Cadre, Catch-All or Cartel? A Comment on the Notion of the Cartel Party", *Party Politics*, Vol. 2, No. 4, 507-523: 519

institutional structures meant to ensure the organizational survival of the major parties are truly effective, there is still a significant need for parties to maintain strong bonds with their constituencies. The main implication of the existence of a parties cartel is that it is a major factor in the consolidation of party systems in new democracies. The emergence of the parties cartel also appears to be an equilibrium outcome. On the other hand, the existence of the cartel may have a detrimental effect in regard to the functioning of the democratic system if new political alternatives are unable to gain representation due to the institutional rules created by the established parties, especially if this gives rise to far right anti-system parties.

The Romanian case is unfortunately not ideally suited for the testing of my theoretical arguments regarding the way cartel related legislation is adopted as the Romanian Parliament archives only record votes in favor of a bill and negative votes and not what parties the parliamentarians in question belonged to. Law 43/2003 was adopted with a supermajority which would seem to confirm both my argument and Katz and Mair's argument. On the other hand the modification of the electoral threshold from 3% to 5% before the 2000 elections was done by a governmental emergency decree, no. 129/2000 which would support my claim that such electoral laws carry no associated electoral cost as far as the major parties are concerned (of course the National Christian Democratic Peasants Party must have bitterly regretted this decision). Whether parties cooperate with one another on a regular basis using signals or whether they only cooperate because the governing coalition refuses to pay the entire electoral cost requires further study. It is my hope that the argument I have presented might offer a different perspective on the emergence of the parties cartel.

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