This paper argues that parties regulate competition among like-minded factions so as to enhance reputation building by, and voter trust in, the politicians standing for a given cause. While intra- and interparty competition contributes to keeping politicians on their toes, unbridled competition may encourage politicians to challenge good platforms and to wage competition along socially suboptimal dimensions (for example, by privileging form over content). The paper builds a simple model of intraparty competition and studies whether various hierarchical or democratic party institutions constitute an efficient form of party governance. The paper shows that intraparty disagreements, when they occur, hurt the party’s position in the general election, but that their possibility enhances party image; and that parties must be able to avoid behind-the-scene allocations of portfolios and spoils in order to be credible. Last, it analyzes the impact of political polarization and interparty competition on the choice of party governance.

I. INTRODUCTION

This paper studies how a party’s internal organization impacts its electoral effectiveness. Its starting point is that most voters free ride in the collection of information and are too ill informed to compare alternative policy choices. As a matter of fact, voters free ride much more along this dimension than with respect to electoral participation, which is the form of free riding most emphasized in the literature. While many are willing to incur the cost of going to the voting booth, few are willing to allocate the days or months that are required for a good comprehension of the impact of the Maastricht treaty, energy choices, exchange rate policies, or the deregulation of telecommunications.

A democratic political system must therefore rely on the emergence of intermediaries, such as parties, that make up the voters’ informational deficit. We therefore view parties as “dele-
gated monitors.” Public opinion and voting outcomes are shaped by those parties whom the voters trust. Many voters are willing to go along with the policies that are endorsed by politicians who, they feel, stand for their interests.²

The trust voters put in politicians cannot be taken for granted, though. Politicians may devote more time enjoying perks from holding official positions in the party, engaging in activities such as network building, cultivating their personal image, or attacking their rival, than to thinking thoroughly through the economics of the Maastricht treaty or about what the voters aspire to; or else they may be captured or select platforms on the basis of their prejudices.³ Politicians’ incentives are provided through competition for office. “Competition is the essence of democracy” [Schumpeter 1962], and is waged both between and within parties. Indeed, many students of democracy have been concerned with the internal democracy of parties. For them, competition among parties is not sufficient for true democracy. Using an industrial organization terminology, “intrabrand competition” usefully complements “interbrand competition.”

The fact that politicians make up the voters’ informational deficit by designing platforms and recommending voting behaviors does not per se provide a rationale for the existence of parties. The politicians could be the bearer of their own reputations and might have no incentives to join forces in the electoral competition. For example, two candidates with similar ideologies could compete in a runoff majority presidential election, and voters could choose between them to represent their political stance in the second round of the election. This paper departs from the Downsian [1957] view of parties as unitary actors and argues that parties regulate competition. They organize intrabrand competition between like-minded factions so as to enhance reputation-

2. Our approach thus captures the old idea in political science that voters have no clear ideas about most issues and are “brand name” loyalists [Aldrich 1995, p. 21]. Schumpeter [1962, pp. 260–265] distinguished, in the realm of public affairs, between issues that are somewhat within the reach of the citizen’s mind and more technical ones, for which only those who have a large stake may be well informed, but are then “bad judges.” He added that the first set of issues may often coincide with local affairs (street cleaning, town hall), which would suggest, in the context of our theory, that parties play a bigger role as political intermediaries for national issues than for local ones (they then principally would play a screening and disciplining role at the local level).

3. Our paper emphasizes moral hazard. Adverse selection (the most talented politicians and those who are the least subject to capture may not be selected by the electoral process) is relevant as well and can be modeled in a similar way.
building by, and voters’ trust in, the politicians standing for a given cause.

Two polar cases help illustrate our rationale for parties. First, Michels’ [1962] classic study of the German Socialist party in the early twentieth century demonstrates the perverse impact of an oligarchic organization. A clique of politicians captured decision making and offices, controlled platform design, summoning electoral congresses only after elections, and inhibited speech. This lack of internal democracy proved to be a major impediment and ultimately caused the collapse of the party.

Second, Alesina’s [2000] and Roland and Zapata’s [2000] analysis of Colombia’s political institutions points at the cost of unfettered intraparty competition. Colombia has a two-party system, but parties are weak, do not have control over their party labels, and lack processes, especially at the local level. The electoral law for legislative elections, with several seats per district allocated via a Hare system with the largest remainder, enables several factions of a given party to compete in the same district. The outcome is a poor representation of constituency, generalized clientelism, and a malfunction of democracy.

The point of our paper is that neither unfettered competition nor strict party discipline is likely to enhance party reputation. While intraparty competition is an effective way of keeping politicians on their toes, politicians must be incentivized to stand down in favor of party rivals with better platform proposals, not to break up opportunistically, and not to excessively engage in image-building and pursue vacuous or demagogic campaigns. These incentives, as we will see, are hard to set up, especially when elections are polarized and external validation processes are weak. We show that the moderation of competition through the sharing of spoils from office helps enhance the chances of victory for the candidate and thus the party, as long as the process is transparent to the electorate and devoid of secret deals. The paper therefore provides a theoretical analysis of how party governance impacts party credibility.\textsuperscript{4}

\textbf{I.A. Road Map}

Our model focuses on within-party competition between two like-minded “politicians” (groups, factions) who elaborate platforms. The party’s designated candidate then competes in the

\textsuperscript{4} For a closely related view see Aldrich [1995, pp. 22–24].
general election, and her chances of winning increase with the electorate’s perception of the quality of her platform. As discussed in more detail in Section II, the “quality” of, say, a left-wing platform, quite broadly stands for the platform features that are valued by the electorate, and may be interpreted in at least two ways: competency and valence. First, it can be given an absolute, “vertical differentiation” interpretation: there are “good” and “bad” left-wing platforms, and everyone in the electorate if informed would agree on the ranking. Second, quality may reflect the fit of the platform with the voters’ concerns.

A politician’s platform quality depends on her effort to find a competent or fitting platform, where “effort” is to be interpreted in a broad sense. For example, it may consist of choosing good political advisors rather than old political buddies (a similar point applies if “platform” is to be reinterpreted as the choice of political cabinet-to-be). Or it may refer to the allocation of time and attention between platform design and other political activities. For example, like-minded politicians may devote more time attacking each other than elaborating good platforms. Or, they may adopt “demagogic platforms;” that is, bad platforms that generate good short-term signals.

The incentive to exert effort in platform design is two-pronged in our model. First, with some probability, a good platform is publicly revealed to be good. We call this process “external validation.” Second, with the complementary probability, no such public signal accrues. Still, the party and the electorate have information about platform quality through the two politicians’ agreement or disagreement. We call this process “internal validation.”

We first study a pure primary system in which the candidates vie for party nomination. A candidate is selected by the party (perhaps on the basis of a preelectoral public signal), and runs for office in the general election. If elected in the general election, the party candidate receives the spoils from office and

5. Interparty competition, that is, competition from a party located at another location in the political spectrum, enters in two ways. First, interparty competition provides an incentive for parties to adopt an efficient governance structure. Second, a party’s efficient governance structure depends on who leads in the polls and on the elasticity of the probability of election to voters’ trust in the party (and thus on horizontal interparty differentiation).

6. There is some evidence that within-party conflicts cast doubt in the voters’ minds as to the credibility of the party’s candidate and her platform. For example, Aldrich [1995] argues that Republicans in 1912 and the Democrats in 1980 paid a heavy toll for their division.
prestige. As one would expect, primaries are more likely to promote good platform design, the higher the probability of a public signal about the quality of platforms. A strong initial electoral position of the party, as well as a low partisanship in the electorate, also contributes to more careful platform design in primaries.

The rather high-powered incentives provided by primaries, however, limit the internal validation process, for a politician can access the spoils from office only by winning the intraparty competition. This may induce politicians to run on dubious platforms. Encouraging them to stand down in their rival’s favor in such situations can only enhance party image and thereby the probability of winning the general election. We therefore investigate whether the institutionalized sharing of spoils can preserve the benefits of within-party competition while moderating it. Sharing occurs when a politician or faction withdraws to let the rival run in the general office and receives part of the spoils or portfolios if the latter is elected. We show that the moderation of competition helps select a better platform taking efforts as given; but the cross subsidization it involves may blunt the incentives at the prior platform-design stage.

Finally, and when proper incentives for platform design cannot be provided when moderating competition in primaries, it may be worth resorting to a hierarchical party structure in which a “party leader” is in charge of designing a platform for the party. To create scope for challenges, we allow the minority to rebel against the leadership. This hierarchical institution may generate “opportunistic challenges,” which are motivated by personal ambition rather than by a wrong choice of platform by the leader. But with an appropriate sharing of benefits from office, these challenges remain limited compared with challenges motivated by incompetent leadership: intuitively, the minority is in charge of monitoring the leader and should have low-powered incentives in order not to be tempted to unduly challenge the leader.

The paper is organized as follows. Section II sets up the model. Section III studies several simple party governance structures, introducing within-party competition and then analyzing why and how competition should be moderated. Section IV investigates more hierarchical party charters, where a dominant leadership can only be challenged by a minority through breakups or dissent. Section V presents a multitask extension of the model. Section VI briefly discusses the feasibility of transparent party
governance, and Section VII concludes with a list of testable implications and with suggestions for further research.

I.B. Related Literature

The view developed in this paper is not the only plausible one; nor is it inconsistent with alternative theories of parties. Most prominent among these is the view that parties act to discipline politicians. Focusing on preelectoral competition as a disciplining device, our contribution belongs to this strand of the literature. A complementary theory within the same strand is that parties screen and discipline their candidates at local and legislative elections. This alternative view is information-based like ours, in that voters are willing to vote for the party’s candidate partly because of the party’s collective reputation for screening and monitoring reliable candidates.

The most recent contributions on parties have emphasized the need for cohesiveness and discipline due to postelectoral opportunism. Individual politicians may free ride on the party’s reputation, and so the party must monitor compliance and discourage its members from putting the party’s reputation at risk. Individual members may not have sufficient incentives to help sustain the party’s reputation, as stressed by Cain, Ferejohn, and Fiorina [1987] in their book, The Personal Vote: they may shirk; they may try unduly to favor their district to the detriment of the rest of the nation, and blame the government and other Congressmen for high levels of spending; and they may try to purchase insurance for reelection by not following the party line and by painting themselves as independent-minded legislators in order to “survive the ebbs and flows of tides set in motion by reactions to national conditions and national party leaders.”

Much research effort has therefore been devoted to understanding how parties discipline their members through committee assignments (but see Krehbiel [1993] for a dissenting view), office space, staff and budgetary discretion, and above all the nomination/endorsement process. Shepsle and Nalebuff [1990]

7. Other theories of parties as preelectoral disciplining devices have been proposed. In the nineteenth century, parties were used to organize mass elections [Aldrich 1993]. Parties are also viewed as organizations promoting the professionalization of politicians through the training and advising of candidates by party professionals (although it is not clear why this training and advising could not be provided externally).

8. See Tirole [1996] for a model of the dynamics of collective reputation based on the interaction between individual and group reputations.
use Crémer [1986]'s framework of cooperation in organizations with overlapping generations of members to show how the seniority system may help the party enforce cooperation, with the junior representatives paying their dues while senior-most members fully enjoy the perks of office. Another paper emphasizing the fact that parties last well beyond the political life of individual politicians is Alesina and Spear [1988]. In that paper policy-makers, even in the last period of their political life, do not follow their individually most preferred policy, as they are disciplined by the threat of withdrawal of help or absence of good treatment after retirement by the younger party officials. Cain, Ferejohn, and Fiorina [1987] argue that compliance is more easily obtained when representatives have no local ties, as in the proportional representation systems, and are therefore more dependent on the party. Finally, Diermeier and Feddersen [1996] formalize the idea that the government can impose more discipline on its party's Congressmen if it can link the passage of a bill to the government's survival.

II. Model

We model a political party with internal competition for nomination. We do not try to model party institutions on those of a specific country, in order not to be swamped by a mass of irrelevant details. We will focus on a party consisting of two "politicians" (groups, factions, parties within the party) facing competition from other parties. Each of the two politicians can design a political platform. The timing is summarized in Figure I.

9. To focus on party organization, we thus take party location on the political spectrum as exogenous (for theories generating differentiation between platforms, see Snyder [1994] on the role of incumbent representatives in a context of heterogeneous districts, and Aldrich and McGinnis [1989] on the role of activists and party-based resources). Recall, though, that "quality" in our model may be interpreted in terms of fit with the median voter's concerns.
Platform Quality. There is one unique good (high-quality) platform, as well as as infinitely many bad (low-quality) ones. The “quality” of a platform has two alternative interpretations: competency and valence. To illustrate the competency interpretation, suppose that a left-wing platform is one that redistributes income toward the poor. A good left-wing platform is then one that redistributes at the lowest social cost, while bad left-wing platforms generate high deadweight losses for the economy. The valence interpretation echoes Stokes [1963]’s remark that the purely “horizontal” Downsian [1957] view of platform positioning ignores the fact that an important aspect of platform design is to find out what the electorate really worries about. Indeed, a large number of issues are “vertical” in that most voters agree on what is desirable. For example, voters want more peace, less terrorism, less unemployment, more prosperity, less corruption, a better environment, or a higher country prestige. However, although they would want these goals to be achieved, they prioritize them. In a world in which politicians cannot seriously pursue all possible objectives during their term in office, they have to select which “valence issues” to emphasize. According to Stokes, politicians must identify the most relevant concerns and try to get across (although not necessarily succeed) to the electorate the message that they will effectively address these concerns.

Platform Design. All economic agents (politicians, party members, electorate) are initially uninformed as to what the good policy platform is. So the role of politicians is to recommend a specific platform. In the absence of effort, a politician designs the high-quality platform with probability $y$ and a low-quality platform with probability $1 - y$ (the politician is able to recognize a high-quality platform when she sees one). At private effort cost $K$, 10. For example, Stokes traces Eisenhower’s 1952 victory to a recognition of what was of primary concern to the electorate (the “three K’s”—Korea, corruption, communism) and not to a left-right differentiation or to a bad Democratic party domestic economic record. The Democratic party was hardly in favor of continuing war in Korea, for the “mess in Washington,” or for an expansion of communism. But it did not perceive these issues to be as important to the electorate as they actually were.

11. To see that the notion of valence is captured by our model, suppose that there are a large (here infinite) number of policies that are viewed as desirable by the population. The electorate (the median voter, say) cares about one in particular; that is, the electorate perceives a higher expected benefit from this policy to be implemented relative to the other policies. The identity of this “high-concern policy” is ex ante unknown to politicians. Suppose further that once in office, the politician will have the time and resources to devote herself to a single task/concern/policy. Platform design then refers to the choice of policy that will be the primary focus of the politician when elected. A “high-quality platform” is one that identifies the relevant concern, and a “low-quality platform” one that does not.
the politician can raise the probability of finding the high-quality platform to $x > y$. We will then say that the politician “invests in platform design” (devotes herself to platform design, exerts effort).

**Politicians’ Objective Function.** Politicians are office-seekers; that is, they are motivated by the benefits of holding office. Let $B$ denote the total perks from office. These perks may be divisible, in which case, depending on the contract signed between the two politicians and the outcome of the preelectoral, intraparty process, $B$ may be split between the two politicians. So, we allow for side payments in the form of a fraction $\lambda \in [0,1]$ of government offices or parliamentary seats offered to a faction that does not run for election. Note that some private benefits (ego, prestige) cannot be shared. So, in general there is an upper bound $\bar{\lambda}$ on the parameter $\lambda$, and this upper bound depends on the nature of the election: spoils are harder to share in a presidential contest than in a Congressional election, although distinctions must be made among legislative processes. The nomination process is entirely in the hands of local party members in the Labour party in the United Kingdom (Cain, Ferejohn, and Fiorina 1987); parties in the United States similarly have a substantially decentralized nomination process for local elections. The scope for spoil-sharing among different (national) factions of the party is then difficult, and $\bar{\lambda}$ is probably small. In contrast, French political parties often select candidates, and the district they run in, at the national level: this practice allows for much sharing among factions within the party.

**External Validation.** Voters’ assessment of the platform is uncertain. With probability $\alpha$, a public signal accrues, and voters perfectly learn the nature of the high-quality policy for the party. With probability $1 - \alpha$, no such signal accrues. This public signal admits several interpretations. It may be that trusted experts or media approve or disapprove of proposed policies. Or reliable polls identifying the median voter’s preferences may become publicly observable before the party selects its candidate.

In particular, in the valence interpretation of quality (in which politicians aim at identifying the voters’ primary concern), the external validation may come from the choice of platform by the rival party’s politicians. Thus, emphasizing the same issues as politicians in the rival party may help party members identify which candidate addresses the voters’ main concern. The incentives created by the two parties are then self-reinforcing. Better
incentives provided by the left-wing party boost the external validation parameter $\alpha$ for the right-wing party, whose politicians’ incentives are therefore enhanced, and conversely. Relatedly, Coleman [1996] provides empirical evidence that the strengthening of a party’s organization boosts its image when such a change also takes place in the rival party. This “strategic complementarity” across parties implies that for given governance structures (e.g., primaries) there may be multiple equilibria, so that high effort in one enables high effort in the other.\textsuperscript{12}

These strategic interactions through the external validation process may have implications for governance design, but we have not investigated these in this paper. Instead, we focus on intraparty competition, for which we can take the external validation process as given.

**General Election.** The median voter, whose preferences determine the outcome of elections, cares, inter alia, about the expected quality of platforms. Voters correctly compute their beliefs about the quality of the competing platforms, based on the parties’ selection processes and outcomes.

Let us define the party’s candidate’s image at the date of the general election as the posterior probability $\beta$ that the candidate’s platform has high quality. The probability that the median voter votes for the party’s candidate is an increasing function $P(\beta)$. This function summarizes all aspects of competition among parties. It embodies the images of competing parties, other factors such as their ideology, that is their location within the political spectrum, and the median voter’s (uncertain) own location.

We will assume that the probability of election is linear in the voters’ posterior beliefs.\textsuperscript{13}

\textsuperscript{12} We thank a referee for pointing out this interesting effect.  
\textsuperscript{13} It is straightforward to generalize the analysis to nonlinear probabilities. Basically, a convex probability gives a party an incentive for gambling behaviors, and a concave probability generates conservative behaviors; on this see Carrillo and Mariotti [2001].

To show how this linear election probability can arise, suppose that $\ell$ and $r$ are located on a line at coordinates 0 and 1; and that voters have linear “transportation costs” of not being able to have their preferred candidate. The unit cost of “transportation” expressed in quality/credibility units is $t$. In this Hotelling model the median voter votes for $\ell$ if and only if he is located at $x < x^*$ such that $\beta_\ell - tx^* = \beta_r - t(1 - x^*)$. And so $x^* = 1/2 + (\beta_\ell - \beta_r)/2t$. A uniform distribution for the median voter’s location yields the linear form in the text ($\beta_r$ may be random, the important feature is that it is outside $\ell$’s control).
\[ P(\beta) = a + b\beta. \]

A high slope \( b \) means that quality concerns are prominent in the electorate and that ideologies play a lesser role, while a small slope \( b \) corresponds to more partisanship in the electorate and implies a weak responsiveness to quality issues. A high intercept \( a \) means that the party under scrutiny has a strongly established electoral position.

**Party Objective and Constitution.** The party maximizes the probability that the party’s candidate in the general election offers the high-quality platform, i.e., the party candidate’s image. It thereby also maximizes the probability of election and the expected welfare of the voters who share the same ideology.

The party’s constitution specifies a mechanism to be played after the politicians acquire information and before the accrual of public information and the general election.\(^{14}\) See Figure I. This mechanism or party governance conditions the nomination process by allocating control rights over the decision of choosing a platform and over party resources. It may also specify preelectoral agreements such as the sharing of ministry portfolios, of Congressional seats, and committee assignments, embodied in the sharing variable \( \lambda \).

Since in the absence of external validation platforms cannot be directly assessed by party members, the nomination process must rely on internal validation, that is, on the possibility of agreement or conflict between politicians within the party. To model the idea that a party’s institutions contribute to its image, we assume that the party’s constitution and its entire selection process are *open*, that is, observed by the voters and party members.\(^{15}\) We will later observe that some of the image enhancement is lost if the politicians are able to strike secret deals.

### III. How Much Within-Party Competition?

This section studies two party constitutions creating fair within-party competition. We compare these constitutions with

14. The commitment to the process may come from party reputation (its violation would make the electorate suspicious). Note that we assume that the constitution is freely selected by the party. In some countries, though, electoral laws impose some restrictions on the nomination process (the German Wahlgesetz contains such restrictions. Similarly, at the turn-of-the-century, U. S. laws forced parties to organize primaries).

15. We follow Aldrich [1995] in his use of the concept of “openness” as characterizing a party’s internal processes that can be observed and controlled by the public.
respect to the power of incentives they provide for the politicians to get involved in platform design, and therefore with respect to how they contribute to party image and success in the general election.

III.A. Nondemocratic Party Benchmark

To illustrate the benefits and limits of within-party competition, consider first the case of a nondemocratic party, in which an entrenched leadership is shielded from internal contestability by control over resources and strong party discipline. The leadership’s platform choice matters only if a public signal accrues. The leadership invests in platform design if and only if the cost of platform design is smaller than the reduction, \( x - y \), in the probability of a good platform, times the probability \( \alpha \) of external validation, times the reduction \( (P(1) - P(0))B \) in the expected benefit of election in case of external validation: \(^{16}\)

\[
K \leq (x - y)\alpha[P(1) - P(0)]B, \tag{1}
\]

or

\[
K \leq K^E \equiv (x - y)\alpha bB,
\]

where \( E \) stands for entrenched.

As one would expect, a nondemocratic process is unlikely to provide proper incentives if there is a low probability of external validation (\( \alpha \) low) and if the general election is partisan (\( b \) low).

The probability of winning the election under a nondemocratic party constitution is equal to \( P(x) \), provided that the leadership has the right incentives to invest in platform design.

III.B. Primaries

Under a primary system, both politicians simultaneously design and announce platforms. The party then selects one of

\[16. \text{Let } p_E \text{ denotes the probability of winning the general election when no public signal accrues. In equilibrium this probability depends upon the leader’s image, which in turn depends upon the leadership’s effort in platform design (in equilibrium, if the leadership has incentives to pay attention to platform design, } p_E = P(x)). \text{ Then,}
\]

\[
xB[\alpha P(1) + (1 - \alpha)p_E] + (1 - x)B[\alpha P(0) + (1 - \alpha)p_E] - K
\]

\[
\geq yB[\alpha P(1) + (1 - \alpha)p_E] + (1 - y)B[\alpha P(0) + (1 - \alpha)p_E].
\]
them. In the absence of preelectoral information, we assume that both politicians are equally likely to be selected in the primary. We assume that the spoils of office are not shared (there is actually no reason to share them here, as shown below). We ask, when can the primary system encourage effort by both politicians?

In the absence of a public signal, the two politicians may agree (A) or disagree (D). Let $p_A$ and $p_D$ denote the probabilities of winning the general election for the candidate selected by the party when the politicians agree (A) or disagree (D) in the primary. Bayes rule yields

$$p_A = P(1),$$

since politicians could not design the same bad policy in an open mechanism with infinitely many bad platforms. If politicians disagree, voters cannot tell who proposes the high-quality platform, if any. So, if in equilibrium both politicians invest in platform design, Bayes rule yields

$$p_D = P \left( \frac{x(1-x)}{1-x^2} \right) = P \left( \frac{x}{1+x} \right).$$

That $p_A > p_D$ captures the idea that within-party competition provides an (imperfect) internal validation process.

Both politicians exerting effort is an equilibrium if and only if

$$K \leq (x-y)B \left\{ (1-\alpha)x \left( \frac{p_A - p_D}{2} \right) \right. $$$$
\left. + \alpha \left[ x \frac{P(1)}{2} + (1-x) \left( P(1) - \frac{P(0)}{2} \right) \right] \right\}.$$

17. Here, it does not matter who (party members or a broader electorate) chooses between the two candidates because the latter has the same location on the political spectrum.

18. Another way of writing (5) is in terms of gross payoffs:

$$xB \left\{ x \left[ \frac{P(1)}{2} + (1-\alpha) \frac{p_A}{2} \right] + (1-x) \left[ \alpha P(1) + (1-\alpha) \frac{p_D}{2} \right] \right\} $$$$
+ (1-x)B \left\{ x \left[ (1-\alpha) \frac{p_D}{2} \right] + (1-x) \left[ \alpha \frac{P(0)}{2} + (1-\alpha) \frac{p_D}{2} \right] \right\} - K $$$$
\geq yB \left\{ x \left[ \frac{P(1)}{2} + (1-\alpha) \frac{p_A}{2} \right] + (1-x) \left[ \alpha P(1) + (1-\alpha) \frac{p_D}{2} \right] \right\} $$$$
+ (1-y)B \left\{ x \left[ (1-\alpha) \frac{p_D}{2} \right] + (1-x) \left[ \alpha \frac{P(0)}{2} + (1-\alpha) \frac{p_D}{2} \right] \right\}. $$
To understand condition (5), note that effort raises a politician’s probability of finding the high-quality platform from $y$ to $x$. With probability $(1 - \alpha)$, there is no external validation, and finding the right platform benefits the politician only if the other politician also does, i.e., with probability $x$. Each politician then has probability one-half of running in the general election and the probability of winning is raised from $p_D$ to $p_A$. With probability $\alpha$, there is external validation. The gain to the politician of being proved right then depends on whether the other politician also gets it right. Note that the internal validation process gives rise to a form of strategic complementarity (a politician’s effort is rewarded more if the other politician also exerts effort) while the external validation process exhibits a form of strategic substitutability.

Using the expressions of $p_A$ and $p_D$ and rewriting (5), primaries induce effort if

\[
K \leq K^p = (x - y) B \left[ \frac{x}{2} + \alpha (1 - x) \right] P(1 - \alpha (1 - x) \frac{P(0)}{2} - \frac{(1 - \alpha)}{2} xP \left( \frac{x}{1 + x} \right)] \\
= (x - y) \frac{B}{2} \left[ a\alpha + b \left( \frac{x + \alpha (2 - x^2)}{1 + x} \right) \right].
\]

If this inequality holds, the party’s probability of winning the general election is

\[
P(x + \alpha (1 - x)),
\]

since the probability that the candidate’s platform has high quality is on average $x$ in the absence of public signal, and $[1 - (1 - x)^2]$ in the presence of a public signal.

Last, one may wonder whether incentives could be better provided if the winner of the primary were to share the spoils of office with the loser, possibly in a state-contingent fashion (as a function of the realization of the public signal or of the existence of agreement/disagreement). Following the steps above, one can show that this is not the case. Sharing the spoils in this (pure) primary only dilutes incentives and is therefore suboptimal.\footnote{The proof is simple by inspection of (4). Let $\lambda$ denote the share of spoils left to the loser in primaries. In the events where the candidate is chosen by randomization, a politician enjoys $(1 - \lambda) B$ when chosen (probability 1/2) and elected, and $\lambda B$ when the rival is chosen (probability 1/2) and wins the elections.}
will later show in contrast that the sharing of spoils may be beneficial if it is used to tame competition by inducing politicians to stand down in favor of a better fit candidate.

Our first proposition summarizes these results and compares primaries with the nondemocratic benchmark.\textsuperscript{20}

**Proposition 1 (Pure Primary).** Consider a pure primary system, in which politicians vie for party nomination through platform design.

a) The primary creates incentives for platform design if and only if $K \leq K^P$. The ex ante probability that the party wins the election is then $P(x + \alpha x(1 - x))$.

b) The sharing of spoils dilutes incentives and is suboptimal.

c) Relative to the nondemocratic institution, competition through a pure primary enhances party image (as long as it is consistent with the provision of incentives). This effect is larger, the stronger the external validation mechanism (the larger $\alpha$).

d) Relative to the nondemocratic institution, competition through primaries raises incentives ($K^E < K^P$) unless the external validation process is effective ($\alpha$ high) and in addition, the party’s position is weak ($a$ small) and inter-party competition is intense ($b$ large).

The comparison with the nondemocratic party is intuitive. The general election is an effective disciplining device if it is disputed and if voters tend to be well informed about platforms. Then within-party competition may well dilute incentives since it reduces the probability that the politician runs in the general election. When external monitoring is not very effective, within-party competition raises both incentives and party image, as argued in the political science literature.

**III.C. Moderation of Competition**

In practice, within-party competition does not always resemble the unbridled-competition stereotype of subsection III.B. Poli-
ticians or factions often stand down in favor of others and in exchange receive a fraction of the spoils. While such practices smack of collusive behavior, we argue that they may obey an efficiency rationale. The basic point is that a pure primary system is a “winner-take-all” institution and so induces politicians to run even when they know their platform to be mediocre. Letting politicians support each other’s campaign in exchange for spoils provides for a better selection of party candidate and enhances party image. Indeed, if the party’s internal organization succeeds in inducing politicians to stand down in favor of a better platform/candidate, while preserving incentives for platform design, the party’s chances of winning the general election reach their upper bound, corresponding to the probability that the party’s best platform has high quality:

\[ P(1 - (1 - x)^2) = P(x + x(1 - x)). \]

To support this outcome, we now allow politicians to choose between announcing a platform (their only possible strategy in a pure primary) and standing down in favor of the other candidate. It is easy to show that it is optimal to oust a liar, that is, not to select a politician who has not stood down and whose platform has been blown away by the public signal.

As to the sharing of spoils, we can assume either that it is rigid—the politician who does not run for election gets a predetermined fraction of the spoils in case of election—or conditional on the existence and realization of the public signal. The two alternative assumptions give very similar results, and we will present here only the case of unconditional sharing.

Let \( \lambda \) denote the share of spoils offered to a politician who withdraws, irrespective of whether the other platform is validated by a public signal.\(^{21}\) We now have two sets of incentive-compatibility constraints, one ex post, relative to the politicians’ decision to stand down, and one ex ante, corresponding to the politicians’ effort in platform design.

**Ex post.** A politician must prefer standing down in favor of the other candidate rather than running in the primary on a low-quality platform. Omitting the (proportional) private benefit \( B \), this ex post incentive constraint can be written as

\[ \lambda = \lambda(x + x(1 - x)). \]

\(^{21}\) If both are willing to withdraw, then one of the two is drawn at random to run for election. The sharing of spoils in that situation has no effect on incentives (what a politician loses by sharing spoils when selected is exactly compensated by what he receives when not selected).
\[(7) \quad x[\lambda P(1)] + (1 - x) \frac{P(0)}{2} \]

\[\geq x \left[ (1 - \alpha) \frac{P(1/2)}{2} \right] + (1 - x)[(1 - \alpha)(1 - \lambda)P(1)].\]

With probability \(x\), the other politician has a high-quality platform and does not withdraw. So, the withdrawing politician obtains a fraction \(\lambda\) of the spoils with probability \(P(1)\) (since on the equilibrium path, candidates who do not withdraw are fully credible even in the absence of a public signal). In contrast, if the candidate with a mediocre platform does not withdraw and there is no public signal—i.e., with probability \(1 - \alpha\)—then the voters do not know who is right. In this off-the-equilibrium path event, each has probability \(1/2\) of being selected in the primary, and we assume that the party and the voters assign equal probabilities on each being right, so the probability of winning the election is \(P(1/2)\). With probability \(1 - x\), the other politician has a mediocre platform as well, resulting in probability of election \(P(0)/2\) per politician, since the candidate is chosen randomly among the two politicians who stood down and has therefore the lowest possible image. The politician’s claiming she has a good platform goes unpunished only if there is no public signal (probability \(1 - \alpha\)). The bluff then yields \((1 - \lambda)P(1)\) to the politician.

Because \(\lambda\) should be minimized in order not to dilute ex ante incentives (see below), it is optimal to choose \(\lambda = 0\) if (7) holds for this value, and to choose \(\lambda\) so as to satisfy (7) with equality otherwise. In the latter case,

\[(8) \quad [1 - \alpha(1 - x)]\lambda P(1) = x(1 - \alpha) \frac{P(1/2)}{2} + (1 - x)(1 - \alpha)P(1) - (1 - x) \frac{P(0)}{2}.\]

Let \(\lambda^M\) denote the maximum of 0 and the solution of (8). Simple algebra yields\(^{22}\)

\[22. \text{This symmetry assumption gives the best chance to the moderation of competition. Asymmetric beliefs would only tighten (7) for the politician who is given the benefit of the doubt.}\]

\[23. \text{The right-hand side of (7) is continuous decreasing in } \alpha; \text{ for } \lambda = 0, \text{ it is strictly lower than the left-hand side at } \alpha = 1, \text{ hence the existence of } \bar{\alpha}. \text{ In the region where } \lambda^M \text{ is determined by (8), total differentiation yields}\]

\[\int [1 - \alpha(1 - x)]P(1)d\lambda = -\left[ \frac{x}{2}P\left(\frac{1}{2}\right) + (1 - x)(1 - \lambda)P(1) \right]d\alpha,\]

hence the monotonicity result.
Lemma 1. \( \lambda^M \) is nonincreasing in \( \alpha \), and there exists \( \bar{\alpha} \in (0,1) \) such that \( \lambda^M = 0 \) if and only \( \alpha \geq \bar{\alpha} \).

Note, though, that if the sharing of spoils is limited, then there may be no \( \lambda \leq \bar{\lambda} \) satisfying (8). In words, inducing politicians to keep a low profile and support a superior platform may require levels of sharing of spoils that are infeasible. Last, note that a politician with a good platform is not tempted to withdraw.

Ex ante. The politicians invest in platform design if and only if

\[
K \leq (x - y) B \left[ x \left( \frac{P(1)}{2} - \lambda P(1) \right) + (1 - x) \left( 1 - \lambda \right) P(1) \right] = (x - y) B \left[ \frac{(1 - x)}{2} - \lambda \right] P(1) - (1 - x) \frac{P(0)}{2}
\]

for \( \lambda = \lambda^M \).

To understand condition (9), recall first that effort raises the probability of finding the high quality platform from \( y \) to \( x \). Note also that on the equilibrium path platform proposals are interpreted by voters as high-quality platforms. It follows that \( \alpha \) does not appear in (9) and so external monitoring does not play any role in providing effort incentives. With probability \( x \), investing in platform design allows a politician to capture the private benefits with probability \( P(1)/2 \) (the probability of obtaining nomination being 1/2 and the candidate’s image being equal to 1) instead of getting a share from standing down, given that her rival proposes the high-quality platform and wins the general election with probability \( P(1) \). With probability \( (1 - x) \), investing in platform design enables the politician to enjoy a share \( (1 - \lambda) \) of the private benefits with probability \( P(1) \), given that the rival stands down, instead of being randomly designated as the candidate after both politicians have withdrawn and thereby have signaled voters that platforms are mediocre.

24. Formally, this follows from the fact that when \( \lambda^M > 0 \),

\[
x \lambda^M P(1) + (1 - x) \frac{P(0)}{2} = \frac{x}{2} (1 - \alpha) P \left( \frac{1}{2} \right) + (1 - x)(1 - \alpha)(1 - \lambda^M) P(1)
\]

\[
\leq \frac{x}{2} P(1) + (1 - x)(1 - \lambda^M) P(1)
\]

And the inequality also holds for \( \lambda^M = 0 \).
How does the sharing of spoils affect ex ante incentives? To facilitate the discussion, let $K^M(\lambda)$ be defined for all $\lambda$ as

$$(10) \quad K^M(\lambda) = (x - y)B\left[\left(1 - \frac{x}{2} - \lambda\right)P(1) - (1 - x)\frac{P(0)}{2}\right],$$

and $K^M = K^M(\lambda^M)$. The basic effect is the direct dilution effect: $K^M(\lambda)$ is decreasing in $\lambda$. Sharing induces free riding since the payoff from exerting effort is reduced while the payoff from not exerting effort is enhanced. But there is another, opposite effect: the moderation of competition improves “performance measurement” for each politician by preventing undue challenges by the other politician motivated by office-seeking. To be more specific, the party’s candidate has the best possible image ($\beta = 1$) whenever at least one politician has found out the high-quality platform under moderation of competition, whereas this is the case under a primary system only if either both politicians proposed the high-quality platform or external monitoring has validated one politician’s platform. It follows that, under pure primaries, there is probability $(1 - \pi)$ that voters cannot distinguish between the event where only one politician has found out the high-quality platform, and the event that none of them did, while under moderation of competition voters can always tell these events apart. So, given politicians’ efforts, the voters’ information partition under pure primaries is a garbling of their information partition when moderation of competition is introduced.

To confirm the above intuition, note that (7) and (10) imply that $K^P < K^M$ when the dilution effect vanishes ($\lambda = 0$), and when external validation is imperfect ($\alpha < 1$). Moderation of competition then improves the politicians’ incentives to design high-quality platforms. Comparing the dilution effect and the improved measurement effect for the optimal choice of $\lambda$, one can show that there exists a threshold $\alpha^*$ such that the measurement effect dominates the dilution effect if and only if $\alpha \geq \alpha^*$.

**Proposition 2 (Moderation of Competition).**

a) Using the sharing of spoils to encourage politicians to support a more effective platform enhances party credibility and maximizes the probability of winning the general election, $P(x + x(1 - x))$, provided that the sharing of spoils preserves incentives for platform design.
b) Incentives for platform design are more powerful under moderation of competition \((K^P < K^M)\) if the external validation process is effective enough \((1 > \alpha \geq \alpha^*)\), if the party’s position in the general election is strong \((a \text{ large})\), or if elections are highly polarized \((b \text{ small})\). In contrast, if the external validation process is poor \((\alpha < \alpha^*)\), then it may be impossible to conciliate good ex ante and ex post incentives through sharing of spoils; the level of sharing required to moderate competition ex post may either exceed the feasible limit \((\bar{\alpha})\), or dilute ex ante incentives too much.

As already noted, compared to a nondemocratic institution, within-party competition can have a large impact on party image, but it needs to be moderated to be most effective, as politicians who do not have good platforms must be willing to stand down. When is it feasible to moderate competition without reducing incentives? When the external validation process is effective, voters tend to have a rather good assessment of the quality of political platforms. Running on a low-quality platform then offers only limited prospects. So, no sharing of spoils is necessary to induce politicians to stand down when they know their platform to be mediocre. Incentives for platform design are therefore not diluted, and the improved performance measure effect provides higher-powered incentives in a regime of moderated competition than under primary. On the other hand, when the external validation process is poor, a politician is willing to stand down and admit her platform to be mediocre only if she gets a high share of the benefits. This high share left to a withdrawing politician dilutes incentives to invest in platform design ex ante.25 Thus, it is when moderation of competition is most desirable to improve

25. To understand why the dilution effect unambiguously dominates for \(\alpha = 0\) (or more generally for small \(\alpha^*\), consider first the case where exerting effort provides the politician with a high quality platform for sure \((x = 1)\). The share of spoils that is necessary to ensure ex post incentive compatibility in a system of moderation of competition has to make a bad-platform politician indifferent between standing down in favor of the other, good-platform politician and running on the mediocre platform. Therefore, ex ante incentives are identical to the incentives provided by primaries \((x(P(1) - P(1/2))/2)\), since \(\lambda P(1) = P(1/2)/2)\) and both systems are equivalent in terms of incentives. When \(x < 1\), however, ex post incentive compatibility is more difficult to ensure in the system with moderation of competition since standing down may lead to a situation where both politicians stand down, while running on a low-quality platform may fool voters when the rival withdraws. Therefore, with \(\alpha = 0\), \(\lambda^2\) has to increase when \(x\) falls below 1. Incentives for platform design are more diluted, and moderation of competition leads to lower-powered incentives.
party image, i.e., when \( \alpha \) is small, that it is also the most difficult to implement, as it provides poor incentives. Indeed, when external validation is weak, the pure primary cannot be improved upon by moderating competition.

IV. HIERARCHICAL PARTY

When incentives for proper ex ante and ex post behaviors cannot be provided, because \( \lambda \) does not satisfy (7) or because \( K > K^M \), then the fallback institutional design is either a pure primary (if \( K < K^P \)), which creates good ex ante incentives but too much ex post competition, or an institution in which a designated politician—call this politician the leader—is in charge of elab- orating the platform and has enough incentives to do so. The other politician—called the minority—does not focus on designing a platform, although (if \( y > 0 \)) she may end up having a good idea in this respect.

An interesting institutional design question is then whether the minority should be allowed to challenge the leadership in the primary or the general election (there is no difference between the two forms of challenge in our model), say by letting it keep control over some of the party’s resources.26

IV.A. Breakup

Consider first the case where the minority is allowed to challenge the leadership. As in subsection III.C, opportunistic challenges can only be prevented by offering the minority a share \( \lambda > 0 \) of spoils when it does not challenge the leadership.27 The analysis is similar to the one in subsection III.C and is therefore only sketched.

Let us define an opportunistic breakup as a challenge where the minority is either uninformed about quality or knows that the leadership’s platform has high quality. We focus on an equilibrium where the leadership invests in platform design and there

26. The difference between what we call breakup and dissent may be understood in relation to the horizon within which the minority can gain control of some of the resources. Then, the split of the Japanese Liberal Democratic party in 1993 may be an example of breakup (see, e.g., Kato [1998]) while A. Suarez’s leading a minority of the Spanish Union de Centro Democratico in 1982 to found the Centro Democratico y Social may be best viewed, in a long-term perspective, as a form of dissent (see, e.g., Gunther [1989]).

27. And, given that it shares the spoils, there is no distinction between “acquiescing” and “remaining silent,” since the minority has an incentive to boost the leadership’s credibility if it decides not to challenge it.
are no opportunistic breakups. Two sets of incentive compatibility constraints have to be satisfied, ex post and ex ante. Ex post incentive compatibility requires that, when uninformed, the minority does not challenge the leadership:

\[
\lambda[(1 - \alpha)p_A + \alpha x P(1) + \alpha(1 - x)P(0)] \\
\geq (1 - \alpha)p_M + \alpha(1 - x)p_M^0,
\]

where \(p_A\) denotes the probability that the leadership wins the election when no challenge and no public signal occurs, \(p_L\) and \(p_M\), respectively, denote the probabilities that the leadership and the minority win the election after a breakup and no public signal, and \(p_L^0\) and \(p_M^0\) denote the same probabilities after a breakup when both platforms are revealed to be mediocre, an off-the-equilibrium-path event. On the equilibrium path, \(p_M = P(1)\), \(p_L = 0\) and \(p_A = P(x/(1 - y(1 - x)))\). To conform with our previous modeling assumption, moreover, we take \(p_M^0 = p_L^0 = P(0)/2\).

The sharing of spoils dilutes the leadership’s incentives for platform design (see below), so that \(\lambda\) should be set equal to \(\lambda^B\) for which (11) holds as an equality. Then the other ex post incentive compatibility constraints are satisfied: the minority breaks up when it knows the leadership’s platform to be mediocre, and if (11) holds as an equality, the minority acquiesces when it knows the leadership’s platform has high quality. Simple algebra yields

28. This symmetry assumption on the general election continuation equilibrium could be derived from a more general model with small symmetric differentiation along another dimension between the two candidates, or when an irrelevant sunspot serves as a coordination device for the voters on one politician or the other with equal probability.

29. Expression (11) yields, after rearranging,

\[
\lambda^B = \frac{(1 - \alpha) P(1) + \alpha(1 - x)/2 P(0)}{\alpha P(x) + (1 - \alpha) P(x/(1 - y(1 - x)))}.
\]

The derivative of \(\lambda^B\) with respect to \(\alpha\) has the same sign as

\[-P(1)P(x) + \frac{1 - x}{2} P(0)P\left(\frac{x}{1 - y(1 - x)}\right),\]

which is negative. Hence Lemma 2.

The two other ex post incentive compatibility constraints mentioned in the text are, respectively,

\[
\lambda[(1 - \alpha)p_A + \alpha P(0)] \leq (1 - \alpha)p_M + \alpha P(1),
\]

which always holds since \(p_M = P(1)\), and

\[
\lambda[(1 - \alpha)p_A + \alpha P(1)] \geq (1 - \alpha)p_M,
\]

which is implied by (11).
Lemma 2. $\lambda B$ is a positive, decreasing function of $\alpha$.

The equilibrium without opportunistic breakups exists only if $\lambda B \leq \bar{\lambda}$. Ex ante incentive compatibility then requires that the leadership exert effort; that is,

\[
K \leq K^B(\lambda) = (x - y)B(1 - \lambda) \times [\alpha P(1) + (1 - \alpha) \rho_A - (1 - y)\alpha P(0)].
\]

Again, sharing of spoils dilutes the leadership’s incentives; let $K^B = K^B(\lambda B)$, the value of the right-hand side of (12) when $\lambda = \lambda B$.

The probability that the leadership wins the general election, is given by

\[
(1 - y(1 - x))P\left(\frac{x}{1 - y(1 - x)}\right),
\]

and the probability that the minority wins the general election is $y(1 - x)P(1)$. So the probability that one of the two politicians, initially members of the same party, wins the general election is equal to

\[
P(x + y(1 - x)).
\]

A hierarchical party with the possibility of breakups cannot perform better than moderated competition, if the latter is feasible. When moderation of competition is not feasible, a hierarchical charter, if feasible, may dominate a pure primary as a fallback institution, since it yields a higher probability of winning the general election if $\alpha x < y$.

Proposition 3 (Breakup). Consider a hierarchical party charter that enables the minority to break up.

a) The sharing of spoils by an acquiescing minority prevents opportunistic breakups if $\lambda B \leq \bar{\lambda}$; that is, if the external validation process is effective enough ($\alpha$ not too small). The leadership invests in platform design if $K \leq K^B$.

b) Suppose that spoils are fully sharable ($\bar{\lambda} = 1$). If general elections are highly polarized ($b$ small) or the party’s initial position is strong enough ($a$ large), and the minority is sufficiently knowledgeable about platforms ($y > 1/\alpha(1 + x)$), no opportunistic breakup occurs, and incentives for platform design are more powerful for the lead-
ership in a hierarchical party charter than for politicians under moderation of competition \((K^M < K^B)\).

c) The party’s image is stronger under a hierarchical party charter than under a pure primary system if and only if \(y > \alpha x\). The probability that one of the party members wins the election is \(P(x + y(1 - x))\).

d) Therefore, when \(1/(1 + x)y < \alpha < y/x\) and either elections are highly polarized or the party’s position is strong, there exists a range of \(K\)’s for which moderation of competition is not feasible and a hierarchical party is a better fallback institution than a pure primary system (or a nondemocratic system).

It should be noted that within a hierarchical party, other types of equilibria emerge when the sharing of spoils is chosen differently. For a very low, but positive, level of \(\lambda\), the minority acquiesces if and only if it knows the leadership’s platform is good.\(^{30}\) In the other cases, in particular when it is uninformed, opportunistic breakups arise so that the minority image is always worse than the leadership’s after a breakup. So, it only takes a small share of spoils to make the minority agree when the leadership proposes a high-quality platform. When the benefits of office are hardly sharable so that \(\lambda\) is small, this may be the only equilibrium where ex ante incentives are preserved for the leadership.

IV.B. Dissent

Suppose now that the minority is prevented from running for election. Still, the minority can acquiesce, or dissent, or remain silent in reaction to the leadership’s proposed platform. If \(y > 0\) and the minority has proper incentives to acquiesce only in case of a good platform, such information is valuable, as it helps keep the leadership on its toes.

Incentive compatibility requires that the minority receive no share of the spoils (\(\lambda = 0\)) in the same way rating agencies do not take financial stakes in the firms they grade. Otherwise, it is unwilling to discredit the leadership and thereby reduce the probability that the party wins the general election. A caveat,

\(^{30}\) The precise condition is

\[
0 \leq \lambda \leq \frac{\alpha/\,(1 - x) P(0)/2}{[1 - \alpha (1 - x)] P(1) + \alpha (1 - x) P(0)}.
\]
though: the minority’s incentive to report the truth is weak. To be certain, the minority’s incentive to tell the truth might become strict if we added long-term career concerns (there are future elections, and the minority wants to signal honesty or talent). But the low power of its incentives makes the minority very prone to collusion with the leadership, which of course is eager to secure acquiescence.

Provided that the minority receives no share of spoils ever, and subject to this important caveat, the minority serves as an additional monitoring device when it happens to be informed about the high-quality platform (which has probability $y$) and no public signal is available (which has probability $(1 - \alpha)$). When the minority supports the leadership if it knows the leadership’s platform to be good or if it is uninformed, and publicly disagrees whenever it knows the leadership’s platform to be mediocre, the leadership’s ex ante incentive constraint is

$$K \leq K^D = (x - y)B\left\{\alpha[P(1) - P(0)] + y(1 - \alpha)\right\} \times \left[P\left(\frac{x}{1 - y(1 - x)}\right) - P(0)\right].$$

The leadership’s incentives are stronger than in the nondemocratic party ($K^D > K^E$). Moreover, consider a situation where benefits from office cannot be shared, so that $\bar{\lambda} = 0$. Then, neither moderation of competition nor a hierarchical party with truthful breakups is feasible; this leaves the pure primary and the hierarchical institution with dissent. When external monitoring is poor ($\alpha$ is small) and internal monitoring has some bite ($y$ large enough), it is possible that a pure primary does not provide sufficient incentives for platform design while a hierarchical party with the possibility of dissent induces the leadership to exert effort.

31. We assume for simplicity that it makes no difference here whether the minority stands down or agrees with the leadership.

32. This is the case if $K^E < K < K^D$, $K^E < K^D$ holds if

$$\frac{a}{b} \alpha + \frac{x + \alpha(2 - x^2)}{1 + x} < 2\alpha + 2y(1 - \alpha) \frac{x}{1 - y(1 - x)}.$$ 

When $\alpha$ goes to 0, this holds if $(3 + x)y > 1$. 

V. MISGUIDED ATTENTION AND VACUOUS CAMPAIGNS

This section sheds further light on the cost attached to unbridled competition. The insights obtained here are just variations on the multitask theme of this paper, but they add economic content to the general point.

As stressed in the Introduction, the alternative to investing in platform design is best understood as engaging in a political activity that is less valuable to voters and society. Suppose then that the candidates face the following task allocation problem: either they focus on designing a good platform as previously, raising and addressing relevant issues; or they devote some energy to proving that they are slightly better than their intraparty rival, to the detriment of platform design. More formally, let us introduce another dimension of vertical differentiation between politicians, and let us suppose that, for a given platform, one of the candidates is “\( \epsilon \)-better” than the other; that is, her personality provides an extra surplus of \( \epsilon \) to the voters compared with the other, where \( \epsilon \) is very small (indeed we will take \( \epsilon = 0 \) in the following computations). No one, including the politicians, knows who is \( \epsilon \)-better. And no one discovers this if the politicians adopt the first strategy and focus exclusively on platform design. So, in a pure primary and in the absence of external validation, or in any other situation in which the platforms are perceived to be of identical quality, each politician has probability one-half of being selected in the primary.

A politician who adopts the second strategy and focuses her primary campaign on personality rather than platform—let us call this behavior “posturing”—can demonstrate that she is \( \epsilon \)-better than her rival if this turns out to be the case (which has prior probability 1/2), but reduces the probability of finding the good platform to \( y < x \). We assume that posturing entails no cost of effort for politicians, whereas platform design involves cost \( K \geq 0 \).

Note first that the possibility of posturing does not directly affect the general election so long as \( \epsilon \) is small, because the rivals are differentiated in the general election. In contrast, posturing may be privately beneficial in a pure primary or in any situation of intense within-party competition between politicians, in which the rivals are “Bertrand competitors.”

33. The same logic, however, would apply to the general election if the platform differentiation were small relative to the information about the candidates’ characters.
ideas while minimizing computation, we shall assume that \( x \) is large by taking the limit case where \( x = 1 \).\(^{34}\) In this case, all party charters we have considered so far yield the same ex ante probability of winning the election, equal to \( P(1) \), so they must be compared with respect to the incentives they provide for platform design.

In a primary system it is an equilibrium for both politicians to invest in platform design if

\[
\frac{1}{2} P(1) - K \geq \frac{3}{4} y P(1) + \frac{1}{2} \frac{1}{2}(1 - y)(1 - \alpha) P \left( \frac{1}{2} \right). \tag{13}
\]

The right-hand side of (13) is intuitive: a politician who has engaged in posturing demonstrates her \( \epsilon \)-superiority, if any, when she is able to propose the good platform, and then gets the party’s nomination for sure if she is \( \epsilon \)-better (with probability \( y/2 \)) and with probability \( 1/2 \) if she is not (with probability \( y/2 \)); if she knows she does not have the good platform, this politician optimally conceals her \( \epsilon \)-superiority, if any, since voters would understand that she has been posturing and would rather trust her rival politician; she gets the party’s nomination with probability \( 1/2 \) when no public signal occurs.

Furthermore, for \( x = 1 \), moderation of competition does not improve on a pure primary: as the politicians in equilibrium learn the good platform, there is nothing to gain from inducing politicians to stand down.\(^{35}\)

By contrast, hierarchical party charters are robust to the problem of misallocation of effort. This is obvious in a party where dissent is the only form of challenge, since there is no competition at all between the leadership and the minority (at least in the short run) so that no politician has an incentive to prove she is \( \epsilon \)-better than the other. In a hierarchical party with truthful breakups, there is competition between the leadership and the minority after a breakup, but in equilibrium, the minority then has a better image than the leadership and the voters’ choice.

\(^{34}\) Although formally stated for \( x = 1 \), the results hold for \( x \) close to, but different from 1. Indeed, if \( x = 1 \), there is no ex post incentive compatibility constraint to take into account in a situation of moderation of competition, since politicians never have low-quality platforms on the equilibrium path.

\(^{35}\) For \( x \) close to 1, moderation of competition improves on a pure primary with an optimal sharing of spoils given by \( \lambda^M P(1) B = (1 - \alpha) P(1/2) B/2 \). Then, a politician gets a share of spoils equivalent to what she could expect from running on a competing platform without any \( \epsilon \)-advantage. So, the equilibrium condition is still given by (13).
would not be affected by an $\epsilon$-advantage of a politician over the other.\footnote{There is another potential effect of the possibility of posturing in this institution: posturing enables the minority to be nominated with probability $3/4$ after a breakup when a public signal reveals that both platforms are bad (that is $p_M^0 = (3/4)P(0)$). This, in turn, implies that a higher share of spoils should be given to the minority for ex post incentive compatibility, and so the leadership's ex ante incentives are weaker. But when $x$ is close to 1, as we have considered in this section, this effect vanishes.}

\textbf{PROPOSITION 4 (Misallocation of Attention).} Assume that $x$ is close to 1.

a) Both politicians investing in platform design is an equilibrium in a pure primary system or under moderation of competition if and only if (13) holds. In contrast, the possibility of misallocation of effort plagues neither the general election, in which competitors are more differentiated, nor hierarchical party structures, in which there is either no competition or competition between vertically differentiated politicians.

b) The misallocation of effort in primaries with or without moderation of competition is more likely when $y$ is large and when elections are highly polarized ($b$ small).

If posturing does not imply a large inefficiency in terms of platform design, that is if $y$ is large enough, no politician ever invests in platform design in a primary system. The party’s image is then hurt by the problem of misallocation of effort, as voters correctly anticipate that politicians fight over unimportant issues to the detriment of valuable platform design. Competition leads to vacuous political campaigns and poor political image when there is strong substitutability between investing in platform design and looking after one’s own image. Last, posturing is more likely, the stronger the party’s position and the more ideological the election, so that the fight moves more intraparty when the party is dominant.

\textit{Remark.} Research in corporate finance\footnote{E.g., Stein [1989], von Thadden [1995], and Fudenberg and Tirole [1995].} and in regulatory economics\footnote{E.g., Laffont and Tirole [1988] and Schnitzer [1992].} has stressed that the possibility of replacement of a managerial team (in corporate finance) or of a firm (in procurement) may generate a form of myopic behavior, in that current performance is voluntarily inflated to the detriment of long-term viability. Such career-concerns-induced myopia may similarly oc-
cur in politics. Viewing “demagogy” as the deliberate choice of a low-quality platform that looks good in the short run, the previous analysis suggests that a party charter that relies heavily on within-party competition may be quite sensitive to the risk of politicians’ adopting demagogic platforms, while a more hierarch-ical party, in which head-to-head competition is absent, may be more immune to the temptation of demagogy.

VI. BEHIND-THE-SCENE DEALS

Our model also points at the large benefits attached to a transparent process. Like any form of rivalry, political competition is susceptible to collusion. The internal validation process is based on the existence or the possibility of disagreement. In all our institutions, challenges, while enhancing party image from an ex ante point of view, jeopardize the party’s chances in the general election when they occur. So politicians have an incentive to iron out their differences. Conflicts are then resolved behind closed doors, and the party always appears monolithic.39

Besides this “ex post collusion,” there can also be some “ex ante collusion” by politicians to refrain from investing in platform design; that is, the politicians could agree at the onset to dilute their incentives through substantial spoils sharing. A full-fledged treatment of collusion lies beyond the scope of this paper and is left to future research. We content ourselves with the following observations.

First, ex post collusion is much more of a concern than ex ante collusion. A right of approval concerning the sharing of spoils conferred upon a large convention or a bureau not subser-vient to the two candidates may well suffice to prevent ex ante collusion, because the party as a whole has nothing to gain from destroying ex ante incentives to design a good platform. In con-trast, the party may ex post try to hush up internal conflicts, although one would expect this suppression to be more visible to the electorate when orchestrated by a convention than by a bureau.

Second, reputational concerns may deter the party from or-chestrating ex post collusion. For example, the party may lose

39. The need for transparent processes for the selection and nomination of candidates is illustrated by the Democratic party reforms that followed the tumultuous 1968 convention, where behind-the-scenes coalition building played a major role [Aldrich 1995, p. 255].
long-term credibility if the loser of a pure primary shares the spoils of office with the winner. More generally, wide-scale spoils sharing and the repeated absence of conflict are likely to arouse voter suspicion.

Third, while we believe that in reality behind-the-scene deals are frequent and, as suggested by our theory, represent an important hindrance to party credibility, secret deals do not invalidate the basic point that party governance affects the party’s image and politicians’ incentives, and are unlikely to impact the qualitative insights obtained in this paper. One reason for this is that even if ex post collusion is expected, the party charter and its impact on collusion-free incentives determine the status quo in bargaining; in particular, a candidate with a poor platform is in a weak bargaining position since her rival can always refuse to collaborate. Another reason is that incentives for ex post collusion may arise with only small probability. Consider primaries with moderation of competition. The risk of collusion appears only when both politicians fail to identify the good platform. In this case, they can collude by randomizing over who withdraws from the race, or by entering into secret sharing of spoils. Collusion does not modify the ex ante image of the party, it just reduces ex ante incentives to invest in platform design. But if \( x \) is close to 1, it is very unlikely that both politicians fail and collusion does not make much difference.

VII. Summary and Conclusion

Let us summarize our main findings. The choice of an efficient party governance hinges on the following considerations.

*Party image.* Fixing efforts and focusing on the selection process, charters are ranked by the credibility of the party’s candidate. Entrenched parties obviously fare worst. Pure primaries fare better as they create a level playing field among candidates; however, they induce inferior candidates to run for (and sometimes receive) party nomination. Primaries with moderation of competition confer the highest possible credibility upon the party.

*Incentives.* Party credibility hinges on politicians’ ex ante and ex post incentives. Ex ante, politicians must be induced to invest in quality platform design rather than in outside activities,
networking, personal image enhancement, or demagogy. Ex post, politicians must be willing to stand down in favor of a superior candidate, which may require a sharing of spoils. These two goals conflict, since the moderation of competition needed for proper ex post behavior blunts ex ante incentives.

Our main findings are as follows.

- Elections for which spoils can easily be shared (e.g., legislative elections in which nominations are centrally decided at the national level) favor moderation of competition.
- An effective external validation process enhances both party image (for given incentives) and incentives under any charter. It therefore makes it more likely that primaries with moderation of competition is the optimal incentive-constrained charter.
- Polarized elections are bad for incentives under any charter.
- An entrenched leadership can be optimal only if the polarization is weak and the external validation process effective (between-party competition is then intense and so within-party competition may not be needed).
- Within-party competition may be sensitive to wasteful competition over vacuous issues or demagogic proposals by politicians looking for an edge in the race for nomination. Entrenched parties are robust to such posturing.
- Party credibility is much enhanced by transparency and the absence of secret deals.

Besides the general insights on the role of intraparty competition and cohesion in determining the long-term performance of parties, and ultimately party democracy, cross-country comparisons ought to shed light on the relevance of our organizational predictions. For example, U. S. and European parties differ in many respects. Our model predicts that presidential regimes (or legislative regimes in which the nomination process is not centralized within parties) and a weak ideological focus of the electorate both are more conducive to pure primaries. These conclusions accord well with the U. S.-Europe comparison, but a more careful analysis is required before drawing firmer conclusions.

Some of our modeling assumptions deserve further discussion. We have assumed that the electoral system is of the “first-past-the-post” kind. It would be interesting to investigate how nonmajoritarian electoral systems such as proportional represen-
tation impact the optimal party governance.\textsuperscript{40} Proportional representation (PR), by alleviating the "coordination problem" associated with multiple candidates in the same political family, would undermine cohesion and encourage breakups. A reasonable conjecture is that pure primaries would fare less well in a PR system since, unlike moderation of competition, they cannot divide spoils to prevent breakups.

We have conferred a minor role upon the party's rank-and-file and none upon competition for ideological definition. This obviously is a poor depiction of reality.\textsuperscript{41} An interesting research question will be to correlate party governance and platform ideology. Another benefit of introducing ideologically heterogeneous parties would be that breakups could occur because of ideological splits, and not only because of disagreements over the split of the surplus.

Parties are not the only political intermediaries. Media, experts and intellectuals, the Supreme Court (through its opinions on government matters), and lobbies all play a role in the formation of public opinion. Each of these intermediaries differs from parties in several respects and should probably be thought of as complements rather than substitutes in the broader picture of the organization of political life.\textsuperscript{42}

These, and other fascinating questions, must await further scrutiny.

\textsuperscript{40} There is a large literature on the impact of electoral laws on the number of relevant parties: e.g., Cox [1997] and Taagepera and Shugart [1989]. Duverger's [1963] Law and Hypothesis state, respectively, that the simple plurality rule favors a two-party system and that the simple-majority system with second ballot and proportional representation favors multipartyism.

\textsuperscript{41} It would be worth combining the analysis here with, say, that in Caillaud and Tirole [1999]; the latter paper shows that Downsian platforms are better validated by an ideological rank-and-file, and therefore that (mildly) ideological parties have more credibility than centrist parties. Roemer [1998, 1999] studies intraparty competition for ideological definition in a context in which platforms are multidimensional (e.g., taxation and religion) and party ideology is the outcome of a struggle between "militants" (who do not care about the probability of elections), "opportunists" (Downsian politicians), and "reformists" (who have intermediate preferences).

\textsuperscript{42} Media, experts, and intellectuals, like politicians, are accountable in the sense that the public can stop listening to them. But they have lower-powered incentives and play a crucial role in monitoring politicians; to some extent, they play a role similar to that of rating agencies for the firms they assess. Supreme Courts and other independent bodies are not accountable, and usually have less discretion than politicians. Interest groups also monitor politicians, but they do not aim at representativeness and, for two reasons, they cannot replace parties. First, they cannot regulate competition among politicians as parties do. Second, their interest-group-specific biases make them poor assessors of quality issues. A proper assessment of "vertical aspects" must not be obfuscated by strong "horizontal divergence."
Proof of Proposition 1

All results in Proposition 1 have been derived except for the comparative statics in d). To obtain the latter, note that $K^P > K^E$ if and only if

$$2ab < a\alpha + b\left(\frac{x + \alpha(2 - x^2)}{1 + x}\right).$$

Rearranging, this is equivalent to

$$a(1 + x)\alpha + xb[1 - \alpha(2 + x)] > 0.$$

If $\alpha(2 + x) \leq 1$, i.e., $\alpha$ small, this inequality always holds. If $\alpha(2 + x) > 1$, i.e., $\alpha$ high, the inequality holds if $a$ is large enough or $b$ is small enough. QED

Proof of Proposition 2

First, note that from Lemma 1, $\lambda^M$ is decreasing in $\alpha$ when positive; hence, for a given level $\bar{\lambda} > 0$, there exists a unique threshold $\alpha_1 < 1$, such that for $\alpha > \alpha_1$, ex post incentive compatibility is satisfied, and a constitution with moderation of competition is ex post incentive compatible.

Next, from (6) and (10), $K^M > K^P$ if and only if

$$\left(1 - \frac{x}{2} - \lambda^M\right)P(1) - \frac{1 - x}{2} P(0) > \left(\frac{x}{2} + (1 - x)\alpha\right)P(1)$$

$$- (1 - x) \frac{\alpha}{2} P(0) - \frac{1 - \alpha}{2} xP\left(\frac{x}{1 + x}\right).$$

When $\alpha \in [\bar{\alpha}, 1)$, $\lambda^M = 0$, and the inequality reduces to

$$(1 - x)\left[P(1) - \frac{P(0)}{2}\right] + \frac{x}{2} P\left(\frac{x}{1 + x}\right) > 0,$$

which always holds; hence $K^M > K^P$.

When $\alpha < \bar{\alpha}$, the inequality reduces to

$$\lambda^M P(1) < (1 - \alpha)\left[(1 - x)\left[P(1) - \frac{P(0)}{2}\right] + \frac{1}{2} xP\left(\frac{x}{1 + x}\right)\right].$$

Multiplying both sides by $(1 - \alpha(1 - x))$ and using (8), we obtain $K^M > K^P$ if and only if $\Delta(\alpha) > 0$, with
\[ \Delta(\alpha) \equiv (1 - \alpha(1 - x))(1 - \alpha) \brace{(1 - x) \left[ P(1) - \frac{P(0)}{2} \right] } \\
+ \frac{1}{2} xP \left( \frac{x}{1 + x} \right) - (1 - \alpha) \brace{\frac{1}{2} P(\frac{1}{2}) + (1 - x)P(1) } \\
+ \frac{1 - x}{2} P(0). \]

\[ \Delta(\alpha) \text{ is a convex polynomial of degree } 2 \text{ in } \alpha. \text{ From above and by continuity of } \lambda^M \text{ with respect to } \alpha, \Delta(\bar{\alpha}) > 0. \text{ Moreover,} \]
\[ \Delta(0) = \frac{x}{2} \brace{P \left( \frac{x}{1 + x} \right) - P(\frac{1}{2})} < 0, \]
as long as \( x < 1 \). Hence, there exists a unique root \( \alpha_2 \) in \((0, \bar{\alpha})\) to the equation \( \Delta(\alpha) = 0 \), and \( \Delta(\alpha) > 0 \) if and only if \( \alpha > \alpha_2 \).

Let \( \alpha^* = \max \{ \alpha_1, \alpha_2 \} \); for \( \alpha > \alpha^* \) moderation of competition is feasible (from an ex post perspective) and provides better incentives than primaries. For \( \alpha < \alpha^* \), either moderation of competition is ex post nonfeasible, or it provides less ex ante incentives.

Finally, \( \Delta(\alpha) \) can be written as \( \delta_1 a + \delta_2 b \), with
\[ \delta_1 = (1 - \alpha(1 - x)) \frac{1 - \alpha}{2} - (1 - \alpha) \brace{\frac{x}{2} + \frac{1}{2}} \]
\[ \delta_2 = (1 - \alpha(1 - x))(1 - \alpha) \brace{1 - x + \frac{x^2}{2(1 + x)}} \]
\[ - (1 - \alpha) \brace{1 - x + \frac{x}{4}}. \]

Simple algebra yields
\[ \delta_1 = \alpha^2(1 - x) > 0 \]
\[ \delta_2 = - \frac{x(1 - x) + \alpha(1 + x)(4 - 3x)}{4(1 + x)} < 0. \]

When \( a \) gets large, \( \Delta(\alpha) \) becomes equivalent to \( \alpha^2(1 - x)a \), and so \( K^M - K^P \) becomes infinitely large and positive. Similarly, for a given positive \( a \), when \( b \) gets small, \( \Delta(\alpha) \) is positive. QED
Proof of Proposition 3

Given Lemma 2 and discussion, we simply have to prove b). Existence of $\lambda^B$ requires that

$$(1 - \alpha) P(1) + \alpha \frac{1 - x}{2} P(0) \leq \alpha P(x)$$

$$+ (1 - \alpha) P\left(\frac{x}{1 - y(1 - x)}\right),$$

which is satisfied, for a given $\alpha > 0$, when $a$ is large or $b$ is small. In the limit of $a$ going to infinity or of $b$ going to 0, $\lambda^B$ goes to $(1 - \alpha(1 + x)/2)$.

The constitution with breakups provides ex ante incentives while moderation of competition does not if $K^B > K > K^M$. For that, suppose that $\lambda^M = 0$ is appropriate for the constitution with moderation of competition; if it is true for this case, it will hold if $\lambda^M > 0$. So, we must have

$$(1 - \lambda^B) [\alpha(a + b) + y(1 - \alpha) \left( a + \frac{xb}{1 - y(1 - x)} \right)$$

$$- (1 - y)\alpha a] > \left(1 - \frac{x}{2}\right)(a + b) - \frac{1 - x}{2} a.$$  

When $a$ becomes large or $b$ becomes small, the coefficient of $a$ becomes paramount; on the left-hand side it tends to $\alpha(1 + x)y/2$ while for the right-hand side it is 1/2.

Note that the range of parameters $(x,y,\alpha)$ such that $1/(1 + x)y < \alpha < y/x < 1$ is not empty. QED

Proof of Proposition 4

From (13), an equilibrium with both politicians focusing on platform design exists in primaries with or without moderation of competition if $K \leq K^A$, where

$$K^A = \frac{1}{2} P(1) - \frac{3}{4} y P(1) - \frac{3}{4} (1 - y)(1 - \alpha) P\left(\frac{1}{2}\right)$$

$$= \left(-\frac{1}{4} - \frac{3}{4} \alpha(1 - y)\right) a + \frac{b}{8} (1 - 3y + 3\alpha(1 - y)).$$

$K^A$ is decreasing in $y$, and negative for $y = 1$. Moreover, notice that the coefficient of $b$ is larger than the coefficient of $a$ in the
above expression. So, if the coefficient of $b$ is positive, $K^A$ is small when $b$ is small, while if this coefficient is negative, then $K^A < 0$, and politicians have no incentives to invest in platform design. b) follows. QED

REFERENCES


