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On the Nature of First Democratic Elections

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This article investigates voting behavior and policy outcomes when violence can occur after the election. The author finds that under complete information, voters will prefer the weak party—that is, the party that is the least capable of controlling violence. Under incomplete information, however, violence might occur, and voters could prefer the party the most capable of controlling violence. Finally, the author shows that despite this likely voting outcome, the weak party will choose to participate nonaggressively in the election, providing legitimacy to the new democratic process.

During the past decade, at least 40 countries around the world have experienced major democratic reforms.¹ In many of these cases, following the elections, parties tend to resort to political violence to settle conflicts that arise in the process of policy formation. How do threats of political violence affect electoral outcomes? How does the likelihood of a collapse of the democratic process affect voting behavior? The standard literature on spatial models of voting fails to confront these questions and consequently neglects important issues that face new democracies. Specifically, this literature does not account for situations in which voters trade off policy preferences for political stability. This article shows that such trade-offs may lead to intriguing or counterintuitive outcomes, such as victories by extremist and violence-prone candidates or extreme political polarization.

Consider, for instance, El Salvador's first postcivil war presidential election in March 1994. In this election, the Republican National Alliance (ARENA) overwhelmingly defeated the Faramundo Marti National Liberation Front (FMLN), even though

1. By democracy, we mean for the most part a political system in which political office holders are selected by competitive elections. Thus, for the purpose of this article, a Shumpeterian view of democracy is adopted.

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90% of the electorate, most of which were peasants, considered the ARENA to be in the hands of rich landlords.² Equally intriguing is the 1991 legislative election in Algeria. In this election, even middle-class and highly educated voters preferred the Islamic Salvation Front (FIS), despite the fact that the political agenda of this party is to limit civic liberties by creating an Islamic state. As a result of this voting behavior, the FIS won a landslide victory. The result of the election was subsequently canceled by the government, and this decision sank the country into a long and bloody civil war.

This article presents a game-theoretical model that attempts to explain these features of electoral competition in conditions of political instability. A distinctive feature of the model proposed is that parties have the outside option of initiating political violence as an alternative to accepting electoral defeat. The value of this outside option depends on the location of the reservation policy, which is the minimum policy outcome necessary to keep a party from rioting. The following are the three main results of this article:

1. When all the parameters of the game are known with certainty and the cost of violence is sufficiently high, the least violence-prone party is more likely to win the election.
2. When a party's reservation policy is not known with certainty, violence may occur and voters may lean toward the most aggressive party.
3. When the reservation policy is not known with certainty and when parties can choose whether to participate "aggressively" in the election, the weak party will choose to participate but give up on winning the election.

These findings help explain why the communists in Russia and the violence-prone candidates in El Salvador, Liberia, and Algeria are more likely to win elections when voters fear a collapse of the political process. When violent conflicts between groups are not completely settled, electoral outcomes often reflect voters' concerns about law and order rather than their concern about a particular policy.³

This article is organized as follows: section 1 describes the basic model, which involves two competing parties that differ only in their ability to fight. Section 2 analyzes the equilibrium behavior of the basic model, assuming that the costs of fighting and therefore the reservation policies are exogenous and known with certainty. Section

2. In a country where more than one half of the rural population has no land and nearly one half of the land belongs to less than 3% of landowners, it seems counterintuitive that peasants would support a party that 90% of the electorate considered to be controlled by rich landowners. This was particularly puzzling because rural voters were not forced to choose one candidate over another. If they were afraid to show their support for their ally during the civil war (the Faramundo Marti National Liberation Front [FMLN]), they could have chosen not to vote at all or to vote for the Christian Democrats, as they had in 1981 and 1984. For more details, see Wantchekon (1998).

3. Political violence in new democracies may affect policy outcomes in a similar manner as the executive veto or divided government does in the United States. Shepsle and Weingast (1981) present a proposal-veto game and argue that if the policy preferences of the president are known with certainty and the cost of a veto is sufficiently high, Congress will never propose a bill that the president will veto. As a result, executive veto may affect policy outcomes even if it is not used in equilibrium. It may induce Congress to propose a relatively moderate bill to avoid the veto. This analysis has been extended by Matthews (1989) to include the case of incomplete information with respect to the president's "reservation policy." Our model differs from Shepsle and Weingast (1981) and Matthews (1989) on at least two grounds: (1) the process of policy formation is constrained not by the executive veto but by the outside option of violence, and (2) the "bargain" between parties is only a stage in the game and is preceded by an election or by platform choice by parties.

3 extends the basic model and shows the equilibrium outcomes when the reservation policies are private information. In section 4, participation in the elections by the political parties is endogenized. Section 5 displays some applications of the model, and section 6 concludes. All proofs are in the appendix.

1. THE BASIC MODEL

Consider a political environment in which two parties compete in a one-dimensional policy space for the votes of a finite set of N voters. Each party has both a political wing, which conceives its policy platform, and a military wing, which is capable of initiating and organizing riots.

Let s denote the party with a relatively strong military wing and w denote the party with a relatively weak military wing. Assume that parties are policy oriented and are characterized by two policy parameters. The first parameter represents a party's most preferred policy. It is -2 for the militarily strong party s and 2 for the militarily weak party w . The second parameter is its reservation policy, which represents the minimum policy outcome necessary to keep the party from rioting. The reservation policies are \bar{y}_s for the strong party and \bar{y}_w for the weak party. The winning party has the sole right to implement a policy. We denote by y_s the policy outcome if the strong party wins and by y_w the policy outcome if the weak party wins, where y_s and $y_w \in [-2, 2]$.

Voters are assumed to be policy oriented and to have policy preferences symmetrically distributed around 0 , which is taken to be the ideal policy of the median voter, M . Under the assumption of a symmetric distribution of voters' policy preferences, the pivotal and therefore only relevant voter in the election is the median voter.

The game starts when voters observe parties' policy characteristics and choose to cast their vote for either the strong or the weak party. The winner, say w , then implements a policy. Finally the loser, say s , observes this policy outcome and chooses to fight with probability r_s .

Each party's expected payoff depends on (1) the distance between its ideal policy and the final policy outcome and (2) the probability of fighting. For example, assume that a party i wins the election and implements y_i . Its opponent, $(-i)$, can then opt to fight or not to fight. If the opponent decides not to fight, the game ends, and w receives a payoff of $-|y_i - 2| = y_i - 2$, s receives a payoff of $-|y_i + 2| = -y_i - 2$, and M receives a payoff of $-|y_i|$. If $(-i)$ chooses to fight, this decision leads to an outbreak of violence, and w receives $-c_w$, s receives $-c_s$, and M receives $-c_M$.

The payoffs show that under a peaceful democratic regime, each party is guaranteed a payoff of at least -4 , and the median voter is guaranteed a payoff of at least -2 . To see why, note that if one party wins the election and implements its ideal point, its payoff is 0 , its opponent's payoff is -4 , and the median voter's payoff is -2 . For the remainder of this article, we will assume that (1) $c_w \geq 4$, (2) $c_s \leq 4$, and (3) $c_M \geq 2$. Thus, although the weak party and the median voter have vested interest in maintaining peace, the strong can possibly fight after the election. Table 1 presents an outline of the main assumptions of the basic model and its extensions.

TABLE 1
Main Assumptions of the Model

Section 1

1. There are three players: two parties and the median voter.
2. Policy space is one-dimensional.
3. Players have preferences over policy outcomes.
4. Parties' and the median voter's ideal policies are complete information.
5. The strong party's reservation policies are complete information.
6. Players cannot commit to future actions.
7. There is no preelectoral competition.

Section 2—same as in section 1, except (5) is replaced by (8)

8. The strong party's reservation policy is private information.

Section 4—same as in section 3 except that (7) is replaced by (9)

9. Before the election, parties choose whether to participate and whether to run an "aggressive" campaign.
-

2. EQUILIBRIUM ANALYSIS

The problem facing the strong and the weak party is to maximize their respective payoffs subject to the constraints imposed by the political environment. Because we assume that players cannot commit themselves to future actions, parties and the median voter are required to behave in a sequentially rational manner. The equilibrium outcome can therefore be found by backward induction.

Before the electoral outcome is presented, we need to provide a more precise definition of the concept of reservation policy. The policy \bar{y}_s is the reservation policy of s , if and only if s fights if $\bar{y}_s - 2 \leq -c_s$ and does not fight otherwise. Therefore, if \bar{y}_s is the reservation policy, it must be case that $\bar{y}_s + 2 = c_s$. In addition, because $c_w = 2 - \bar{y}_w \geq 4$, the weak part can never credibly threaten to fight the strong party. Consequently, w 's reservation policy is irrelevant.

Proposition 1: If $c_w \geq 4$, $c_s \leq 4$, and $c_M \geq 2$, then an equilibrium exists in which the weak party wins the election and implements the reservation policy of the strong party, \bar{y}_s .

The intuition that derives from this is as follows. Assume there is an equilibrium in which w loses the election and chooses not to fight. In such an equilibrium, s wins and implements a policy at its ideal point, -2 . Because $c_w \geq 4$, w 's best response is not to fight. Thus, if s wins, the policy outcome will be -2 . Now assume there is an equilibrium in which w wins the election. Because $c_w \geq 4$, w will do whatever necessary to avoid a fight. Unlike the former case, s 's best response is to fight if $y_w \geq \bar{y}_s$ and not to fight otherwise because $c_s \leq 4$. If s uses this strategy, w will prevent a fight by implementing exactly \bar{y}_s . Thus, if w wins, the policy outcome will be \bar{y}_s . In summary, there are two possible postelection equilibrium outcomes: either s implements -2 and there is no fight, or w implements \bar{y}_s and there is no fight. In both situations, violence will not

occur, and the median voter will thus prefer the party whose policy outcome will be closer to his or her ideal point, which in this case is the weak party.

It should be noted that if the strong party could credibly commit not to fight after the election, the median voter will conclude that the weak party would implement its ideal point if elected. In this case, the median voter can vote for either party. Consequently, the strong party electoral misfortune comes in part from its inability to commit to not fight after the election.

The threat of a collapse of the political process may therefore prevent the winner from "taking all," even in a purely majoritarian system. Under the assumption of the complete information and of the weak party preferring all democratic policy outcomes to violence, the median voter will prefer w because he or she expects this party to implement a more moderate policy outcome. Interestingly, the median voter does not necessarily vote for the party whose preelectoral policy position is the closest to his or her ideal point. For example, the median voter would have preferred the weak party even if this party was positioned at 3 instead of 2.⁴

An interesting illustration is provided by the 1994 South African election, won by the moderate and inclusive African National Congress (ANC) of Nelson Mandela. In these elections, the National Party (NP) of Frederik de Klerk had complete control of the official army and was seen even by ANC as the strong party. Indeed, the executive committee of the ANC in November 1992 wrote in an internal document,

The [NP] regime commands vast state and military resources, continues to enjoy the support of powerful economic forces. [There is a need] to accept that even after the adoption of the new constitution, the balance of forces and the interests of the country may still require us to consider the establishment of a government of national unity.⁵

Even if South Africa were more racially balanced and the 1994 election more competitive, the ANC of Nelson Mandela could still have won because the roundtable negotiations between the ANC and the NP had been successful in settling the military conflict between these two parties, therefore making the outside options values of the various political groups more predictable.

3. EQUILIBRIUM WHEN OUTSIDE OPTIONS ARE PRIVATE INFORMATION

As the previous analysis shows, if the cost of fighting is known with certainty and is sufficiently high, the political equilibrium is free from violence. This section considers situations in which this cost is not known in advance and shows that they lead to very

4. Suppose that $\bar{y}_s = 1$. The equilibrium policy outcome is $y_s^* = -2$ if s is elected and $y_w^* = 1$ if w is elected. As a result, w is elected despite its being positioned further away from the median voter's ideal point.

5. Declaration of the National Executive of the ANC, November 1992. Quoted from Jung and Shapiro (1995, 290).

different results. For instance, if the military strength of the strong party is hard to discern, the weak party must guess the reservation policy of its opponent and face the prospect of not making enough concessions to ensure the approval of its policy. Moreover, because voters are penalized when fighting occurs, they have to weigh the gain in policy terms of voting for the weak party against the prospect of a costly fight initiated by the strong party. If the cost of violence is sufficiently high, they may simply vote for the strong party. These conjectures are derived below as equilibrium behavior by relaxing the assumption of completely known reservation policies.

Assume that s knows the true location of its reservation policy \bar{y}_s , but for w and M , \bar{y}_s is distributed in the interval $[a, b]$ with cumulative distribution F and density f , where $-2 \leq a \leq b \leq 2$. As in section 1, if $c_s \leq 4$, s will fight when $y_w \in [\bar{y}_s, b]$ and will not fight otherwise. Consequently, the probability that violence breaks out if w is elected is given by

$$r_s(y_w) = \Pr \{ \bar{y}_s \leq y_w \} = F(y_w).$$

As proposition 1 showed, the strong party will tend to implement an extremist policy at -2 , whereas the weak party will tend to implement a policy that is more moderate. However, in the case of uncertainty with respect to the strong party's military power, policy moderation by the weak party might come at the expense of political violence. Proposition 2 describes conditions under which violence might occur in equilibrium, and lemma 1 presents a sufficient condition for the existence of an equilibrium policy.

Lemma 1: Let $y_w^+ = \arg \max_{y_w} U_w(y_w) \cdot (1 - F(y_w)) - c_w \cdot F(y_w)$. There exists $y_w^+ \in (a, b)$ only if the hazard rate, $\frac{f(y_w)}{1 - F(y_w)}$, is increasing in y_w .

Having established the condition for the existence of an interior solution to the weak party's problem, we now describe the equilibrium policy, y_w^* , and the equilibrium probability of violence, $F(y_w^*)$, when the weak party is elected.

Proposition 2 (bargaining outcome): Suppose $y_w^+ \in (a, b)$, $c_w \geq 4$, and $c_s \leq 4$. There exists a value of the cost of fighting, \hat{c}_w , such that
 2(i) If $c_w \geq \hat{c}_w$ and $c_s \leq 4$, then $y_w^* = a$ and $F(a) = 0$.
 2(ii) If $c_w < \hat{c}_w$ and $c_s \leq 4$, then $y_w^* = y_w^+$ and $F(y_w^*) > 0$.

The intuition of this result is as follows. Unless the cost for fighting is extremely high ($c_w \geq \hat{c}_w$), fighting can occur in equilibrium ($F(y_w^+) > 0$). In other words, unless the weak party has much to lose from fighting, it will not make the policy compromise necessary to secure peace. We thus have two possible postelection scenarios: (1) either an extremist policy with no potential for violence or (2) a moderate policy with some risk of violence.

The median voter's decision depends on both c_w and c_M , where c_w determines the likelihood of violence and c_M measures the effect of this violence on the median voter. As stated in proposition 2, if c_w is sufficiently high, the policy will be moderate, and there will be no violence. Under this condition, M will vote for the weak party. The following proposition describes M 's voting behavior when c_w is not sufficiently high.

Proposition 3 (voting outcome): Define \hat{c}_w as in proposition 2. If $c_w < \hat{c}_w$ and $c_s \leq 4$, then there exists two strictly positive real numbers \bar{c}_M and \underline{c}_M such that for $c_M \geq \bar{c}_M \geq 2$, the strong party wins the election, and for $c_M \leq \underline{c}_M$, the weak party wins the election.

The result implies that the strong party has an incentive to scare voters and to hide its military strength. Scaring voters leads them to perceive an outbreak of violence as being highly costly ($c_M \geq \bar{c}_M$). Moreover, unless the cost of fighting (c_w) for the weak party is sufficiently high, uncertainty surrounding the strong party's military strength creates an atmosphere of insecurity that compels voters to lean toward the strong party.

Proposition 3 also sheds light on the following questions raised by the result stated in proposition 2(ii): if private information can generate an outbreak of violence, why do parties not share such private information? If a take-it-or-leave-it bargaining mechanism leads to ex post inefficiency, why do parties not adopt an alternative bargaining mechanism? Proposition 3 shows that the strong party will have a strategic incentive to withhold or misrepresent its private information. For example, if the median voter fears an outbreak of violence, so that $c_M \geq \bar{c}_M$, s will lose the election and get a negative payoff ($-\bar{y}_s - 2$) if it reveals the size of its army (proposition 1). On the other hand, s can win the election and receive a payoff of 0 if it hides the size of its army (proposition 2(ii)). Consequently, if $c_M \geq \bar{c}_M$ and $c_w < \hat{c}_w$, then regardless of the bargaining mechanism, the strong party always has an incentive to hide its military power rather than to reveal it.

An important implication of the model is that unless democrats and reformists have strong military forces, which is not usually the case, they are more likely to lose elections when there are difficulties in the state building or rebuilding process. Threats of regime collapse may lead voters to prefer "extremist" or violence-prone parties, even if they oppose the platforms of these parties. With violence-prone parties in office, the expected level of violence is lower. In other words, the possibility of violent conflict provides an advantage for parties with strong ties with the armed forces. For instance, restoration of civil order was the main motive of the massive vote for the former Liberian warlord Charles Taylor in 1997. The same can be said about the victory of the ARENA in the 1994 presidential elections in El Salvador (see Wantchekon 1998).⁶

6. This electoral behavior has even been observed in Western democracies faced with serious outside challenges, such as in France in 1958 during the Algerian War, and in countries threatened by internal collapse, such as Weimar in the 1930s. In these circumstances, voting behavior may reflect not only policy preferences but may also be influenced by concerns about the survival of the political process. These concerns might incite the electorate to prefer politicians who have strong ties to armed forces and who are capable of taking decisive actions to restore civil order. In this way, our model helps to rationalize the rise of fascism or military-style government in some Western democracies before and immediately after World War II.

Elections should therefore be organized in new democracies, only after violent confrontations between groups are resolved.

4. STRATEGIC RETREAT

In the previous sections, the decision to participate in the election was not endogenous. In this section, we assume that before the elections take place, parties simultaneously choose whether to participate in a competitive political campaign. We intend to show that the strategy of the weak party will be to participate in the elections but not to compete seriously.

To model this condition, we assume that parties' payoff functions now depend on the level of effort that they put in their political campaign $e_i \in \{0, 1\}$, where $e_i = 0$ corresponds to a low effort level and $e_i = 1$ corresponds to a high effort level. We assume that the effort levels chosen by the parties affect voters' perceptions of parties' ideological positions as well as the cost of a potential postelection rioting. Because in our model there is no uncertainty about parties' policy positions, we will then assume that parties' effort levels affect voters' perceptions of the cost of violence. In other words, we have $c_M = c_M(e)$. Furthermore, we will assume that only the strong party can affect the voter's perception about the cost of violence. That is, $c_M = c_M(e_R)$.

The timeline of the new game is as follows: before the election, parties decide whether to compete in the elections. Upon entering in the race, they choose the level of effort from a set $\{0, 1\}$ in the political campaign. After the political campaign, voters cast their votes, either for s or w . Then the winning party implements a policy, and the losing party decides whether to create political violence.

If one party does not enter in the race, then the game ends with the status quo. Each party then gets $-C$, where C , defined as the political cost of an unsettled conflict, is assumed to be greater than 2. If both parties choose to compete, then they simultaneously decide the level of campaign intensity and play the game as in section 2.

In equilibrium, party i makes a proposal of policy y_w , which is rejected with probability $F(y_w)$. The median voter will select party i if, with this party in office, its utility will be higher. In anticipation of these policy and voting outcomes, parties will behave strategically, choosing whether to run and choosing effort levels in the political campaign.

The following proposition describes the equilibrium at the preelectoral stage:

Proposition 4: If $c_M = c_M(1) \geq \hat{c}_M$, and $\gamma \leq |\bar{y}_s + 2|$, then an equilibrium exists such that both parties enter in the race. In addition, the weak party chooses a low level of effort, and the strong party chooses a high level of effort.

Proposition 4 shows that if the strong party can scare voters into believing that $c_M > \hat{c}_M$ and if the cost of such scare tactics is low, that is $\gamma < |\bar{y}_s + 2|$, then the weak party will choose to run a low-intensity campaign. This is because a high-intensity campaign is costly, and yields no return.

5. APPLICATIONS

LIBERIA, 1997

The analysis presented in section 2 provides a rationale for the outcome of 1997 presidential elections in Liberia. In these elections, more than 70% of the electorate preferred the former warlord Charles Taylor, who ran on a platform of law and order (Coen 1997). The elections took place when voters were traumatized by 8 years of civil war that killed 200,000 people and destroyed the economic infrastructure of the country. The two major candidates were the former World Bank economist Ellen Johnson Sirleaf and the former warlord, Charles Taylor. Throughout the preelectoral campaign, Taylor presented himself as the candidate who held the key for stability and peace. To signal to voters what might happen if he were to lose the elections, he threatened the election commission of large-scale violence if the election were postponed. The result presented in proposition 3 showed that these threats and concerns for stability and security were the decisive factor in the electoral outcome. Liberians voted in such a great number for Taylor because, according to Coen (1997), many voters perceived that Taylor would be able to hold on to power if he won, whereas Sirleaf would be forcibly removed from power even if elected. Thus, consistent with our model, the 1997 election was a case in which voters used their ballot to effectively end a civil war. It was a case in which voters put power in "strong" hands to secure peace and security.

EL SALVADOR, 1994

The first postcivil war presidential and legislative elections in El Salvador took place in March 1994. In the presidential election, the two major candidates were Ruben Zamora of the Democratic Convergence (FMLN-MNR-DC), a left-wing coalition that includes the FMLN, and Armando Calderón Sol of ARENA, a right-wing party. In the first round, ARENA won 49.03% of the vote, the FMLN-MNR-DC won 24%, and the centrist Christian Democratic party (PDC) won 16.4%. Because no party won a majority, a run-off election was held between Calderón Sol and Zamora, which the former won by 68% to 32% of the vote. The results presented in proposition 3 help explain why during the political campaign, ARENA played the "fear card" and why the peasants voted in such great numbers for a party opposed to the land reform that would greatly benefit them. In addition, the model helps explain why the opposition party, the FMLN, often behaved as if it had conceded victory to the incumbent ARENA before the elections even took place. Using proposition 4, we argue that this behavior is due to the fact that the FMLN and its political allies came to the conclusion that their own electoral victory could create more political instability and violence. Indeed, Montgomery (1995) argues that the FMLN always feared that the military would never allow them to take power even if they were to win the elections. For that reason, the FMLN settled for a gradual demobilization of its forces in exchange for the

disbanding of the National Guard, the National Police, and the Treasury Police and in exchange for partial control over the newly created police force.⁷

In light of the results presented in sections 3 and 4, the uncertainty over the peace process caused the FMLN-MNR-DC to believe that the electoral battle was pretty much lost. Even a strong political campaign could not prevent the victory of ARENA. However, if this uncertainty were reduced, ARENA would have to moderate its policy platform to secure an electoral victory. As a result, to have a moderate land reform policy be implemented, the FMLN-MNR-DC had to help decrease the level of uncertainty surrounding the electoral process. This was achieved mainly by concentrating on bilateral negotiations between parties to demilitarize the political process. In other words, the best strategy for the FMLN-MNR-DC was to legitimize the democratic process by participating in the election and to reduce political uncertainty by focusing on the demilitarization of the political process.

ALGERIA, 1991

The first multiparty legislative elections in Algeria since independence took place in 1991 and led to a landslide victory by the religious party, the Islamic Salvation Front (FIS). The intended second-round elections were subsequently canceled by the incumbent military regime led by the National Liberation Front (FLN). This triggered the current civil war that has so far killed more than 120,000 people. The analysis presented in this article could help explain why voters massively chose to vote for the FIS and how the ongoing political crisis could have been prevented.

The 1991 elections took place when the authority of the FLN government, which had been ruling the country for more than 30 years, was undermined because of economic mismanagement and widespread corruption. As the economic conditions of the country worsened, more Algerians turned to political unrest and to Islamic opposition. For instance, in 1988, riots broke out, with the demonstrators calling for the Islamization of the state. According to Chhibber (1996), the FLN had been viewed as the party capable of maintaining order and stability. However, the economic difficulties of the country and subsequent violence undermined that image, leading voters to seek assurance of order and stability elsewhere. As result, when the FLN offered democratic elections in 1990, the traditional bourgeoisie and educated middle class primarily concerned with order chose this opportunity to distance themselves from the FLN and became more sympathetic to the Islamic opposition. As a result, in the 1990 local elections, the FLN won 28.13% of the vote and the FIS 54%. When the next elections for the national parliament took place in December 1991, the FLN-dominated state government applied martial law and arrested hundreds of FIS leaders. Despite these

7. For instance, Joaquin Villalobos, one of the leaders of the FMLN, said in an interview, "Our political forces will be participating with the aim of preventing the taking of land from the peasants, the reversal of judicial reform and the politicization of the training of the new police force. . . . The question of majority or minority electoral support does not matter. In El Salvador, it is important that we continue to reach an agreement whether we are in the majority or in the minority. The confrontation ended only months ago. Perhaps, once it is further behind us we can embark upon a path of more democratic norms" (quoted in Bland 1993, 24).

intimidation tactics, the FIS won 188 out of 231 seats in the first round. The second round was scheduled for January 6, 1992, but was canceled, bringing the Algerian transition to democracy to a halt.

In light of propositions 3 and 4, we argue that the Algerian crisis is the outcome a series of miscalculations. First, the FLN leaders decided to initiate a transition to democracy because they thought they could win the first democratic election. Second, voters preferred the Islamic party because they thought that the FLN would abide by the outcome of the election and that this would end political unrest by Islamic militants (proposition 3). Third, the FLN canceled the elections because it thought that the armed forces would be able to control Islamic rebellion. Finally, the Islamic party chose to engage in terrorism because it thought that this could bring down the FLN government. As it turns out, both political parties as well as voters were wrong.

In our view, this situation could have been prevented had the FLN chose to somehow address the issue of unemployment before initiating democratic reforms. This could have helped control violence and weaken the Islamic opposition. In addition, had the ruling party adopted the “El Salvadorian way” (discussed in section 4), the current bloodshed could have been avoided. In particular, the FLN could have (1) downplayed the importance of the first democratic elections and (2) negotiated a credible pact of nonviolence with the Islamists in exchange for its commitment to abide by the electoral outcome. As in El Salvador, such strategy could help disarm the extremist militants and consolidate the position of the moderate Islamists.

6. CONCLUSION

We have analyzed electoral incentives and outcomes when parties have outside options. We deduced that political violence affects voting behavior and policy outcomes, even if it does not necessarily occur in equilibrium. When a party’s ability to riot is known with certainty, voters in general prefer the least violent party. When a party’s ability to riot is not known with certainty, political violence occurs with positive probability. This likelihood of violence might paradoxically incite voters to prefer the most violent party. The examples presented in section 4 suggest that our argument is consistent with empirical reality.

The purpose of this article is not only to shed light on the mechanics of democratization but also to provide a framework for the design of democratic institutions. One empirical regularity that can be explained using this framework is the prevalence of consensus governments in new democracies.⁸ In this article, the threat of costly post-electoral conflict forces the winning party to offer policy compromises. We can push the argument further and show that this threat affects the allocation of power between parties during the process of transition to democracy. The winning (majority) party has to concede power to the losing (minority) party to avoid the occurrence of political violence. To be part of the democratic order, parties will have to get at least their “expected return” from political violence. Consequently, threats of political chaos may constrain

8. Examples of this model of government include South Africa, Benin, and Nicaragua.

the process of democratic reforms and lead to the adoption of a consensus model of government.

APPENDIX

Propositions 1, 2, and 3 are special cases of the proof propositions 1, 2, and 3 in Ellman and Wantchekon (1998).

PROOF OF PROPOSITION 1

To derive the voting outcome, we begin by describing the postelection equilibrium strategies of both parties. Suppose that s loses the election. Because $\bar{y}_s + 2 = c_s \leq 4$, s will choose to fight when $y_w \in [\bar{y}_s, 2]$ and not to fight when $y_w \in [-2, \bar{y}_s]$. If s plays such strategy, w will implement \bar{y}_s because $c_w \geq 4$. Now suppose s wins. Because $c_w \geq 4$, w will not fight and s will implement its ideal policy, -2 . In addition, if s implements -2 , w 's best response is not to fight.

Thus, if $c_w \geq 4$ and $\bar{y}_s + 2 = c_s \leq 4$, there are two possible postelection equilibrium outcomes: either the strong party wins, implements its ideal policy -2 , and there is no violence, or the weak party wins, implements \bar{y}_s , and there is also no violence. Consequently, the median voter M will vote for w because \bar{y}_s is closer to his or her ideal policy, 0 , than -2 . QED

Proof of lemma 1 is available upon request.

PROOF OF PROPOSITION 2

First, suppose that $c_w = \infty$. It is straightforward that $y_w^* = a$.

Next, suppose that $c_w < \infty$. Suppose also that $\frac{f(y_w)}{1 - F(y_w)}$ is increasing in y_w , so that $y_w^* = \arg \max U_w(y_w) \cdot (1 - F(y_w)) - c_w \cdot F(y_w)$ and $y_w^* \in (a, b)$. Define by \hat{c}_w the value of c_w , such that $(1 - F(y_w^*))U_w(y_w^*) - F(y_w^*)\hat{c}_w = 2 - a$. The value of \hat{c}_w represents the cost level that makes w indifferent between implementing a and y_w^* . It is straightforward to show that if $\hat{c}_w \leq c_w < \infty$, the weak party will rather implement a and secure peace instead of implementing y_w^* and risking a fight. If $4 \leq c_w \leq \hat{c}_w$, the weak party will implement y_w^* instead of a and $r_s^*(y_w^*) = F(y_w^*) > 0$.

PROOF OF PROPOSITION 3

Suppose $c_w \leq \hat{c}_w$, where \hat{c}_w is defined as in proposition 2. To show how the cost parameters c_w and c_M affect the median voter's voting behavior, let us first present his or her payoff. According to proposition 2, if $c_w \leq \hat{c}_w$, M earns -2 by voting for s and $-|y_w^+|(1 - F(y_w^+)) - F(y_w^+)c_M$ by voting for w . Define by \hat{c}_M the value of c_M such that

$$-|y_w^+|(1 - F(y_w^+)) - F(y_w^+)c_M = -2 \tag{1}$$

(continued)

Appendix Continued

\hat{c}_M is the value of c_M , such that M is indifferent between voting for s and voting for w . It is immediate that

$$\hat{c}_M = \frac{2 - |y_w^+|(1 - F(y_w^+))}{F(y_w^+)}$$

We can now derive the median voter M 's equilibrium voting strategy. If $c_M \geq \hat{c}_M$, the strong party wins, and if $c_M \leq \hat{c}_M$, the weak party wins.

PROOF OF PROPOSITION 4

Denote by π the probability that M votes for s . The payoff of the strong party s is $\pi(e) [U_s(y_s, c_s)] + (1 - \pi(e)) [U_R(y_w, c_s)] - \gamma e_s$, and the payoff of the weak party w is $(1 - \pi(e)) [U_w(y_w, c_w)] + \pi(e) [U_w(y_s, c_s)]$. Finally, the payoff of the median voter is $\pi(e) [U_M(y_s, c_M(e_s))] + (1 - \pi(e)) [U_M(y_w, c_M(e_s))]$.

In the subgame starting from the voting game, if $e_s = 1$, then $c_M > \hat{c}_M$, and as a result, s wins. The policy outcome is 1, and there is no violence. If $e_s = 0$, then $c_M < \hat{c}_M$, and as result, w wins, and the policy outcome will be \bar{y}_s . Finally, because $c_M = c_M(e_s)$, e_w has no effect on the policy outcome.

At the campaign stage, if s were to choose $e_s = 1$, its payoff will be $-\gamma$. If it were to choose $e_s = 0$, it will lose the election, and its payoff will be $-\bar{y}_s + 1$. Thus, s will choose $e_R = 1$ so long as $\gamma < \bar{y}_s + 1$. On the other hand, for $\gamma > 0$, it is a dominant strategy for w to choose $e_w = 0$. This is because by choosing $e_w = 1$, it gets -2 , but by choosing 0, it gets $-2 - \gamma$.

Finally, at the entry stage, because the cost of the unsettled conflict C is higher than 2, it is a dominant strategy for both parties to enter in the campaign.

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