

INSTITUTIONAL CHOICE IN NEW DEMOCRACIES

BARGAINING OVER HUNGARY'S 1989 ELECTORAL LAW*

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ABSTRACT

Institutions shape political outcomes, yet institutions themselves are endogenously shaped outcomes of political choices. Such choices are especially significant during transitions to democracy, when initial institutional designs fundamentally structure the path of democratic development. Most theories of institutional emergence, however, focus on stable contexts rather than on the conditions of acute uncertainty identified in the standard transitions literature. Our article attempts to bridge the two subfields by outlining and applying a model of institutional choice as the outcome of a struggle between fledgling opposition parties and the authoritarian regime wherein each side struggles to gain the greatest distributive payoff. We examine the creation of the Hungarian electoral system of 1989, linking the positions of the participants to the institutional alternatives which they expected to maximize their expected seat shares in the election to take place under those rules. The evidence shows that the individual parties generally preferred alternatives that maximized their expected seats, subject to the constraint of not derailing the negotiations as a whole. When a party had the possibility to reduce its uncertainty, it also tended to shift to a position reflecting its updated evaluation of an institutional alternative's effect on its expected seats. Far from being paralyzed by uncertainty and lack of information, actors in the choice of Hungary's 1989 electoral law were, with minor exceptions, able to effectively link institutional outcomes to electoral self-interest and to pursue these distributive gains through bargaining.

KEY WORDS • electoral systems • Hungary • institutions • institutional origins

Political institutions shape outcomes, but who and what shape political institutions? It is widely acknowledged that institutions are the product of endogenous social choices (e.g. Riker, 1980; Shepsle, 1986), yet this process

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has been examined in relatively few empirical contexts.¹ We take the perspective that institutions are the outcome of political bargaining by parties with competing interests. Each party will favor those institutional forms which it believes will bring it the greatest distributive share of the goods allocated by the institution.

Here we focus on an important subset of cases of institutional choice over a uniquely distributive class of political institutions: the choice of electoral systems during transitions to democracy. Our attention is restricted to electoral systems – the rules prescribing the collection of votes and their transformation into legislative seats – during democratic transitions for several reasons. First, the experience of new democracies warrants special attention given the importance of founding electoral institutions and their consequences for subsequent democratic development. Second, institutional choice during regime transitions differs in fundamental ways from the institutional design process in established democracies. The relatively unconstrained choice process during transitions entails a lack of the usual features – such as agenda rules, voting procedures, decision rules – which figure prominently in much of the existing literature on political institutions. Furthermore, for many students of democratization, transitions are dominated by ‘unexpected events, insufficient information, hurried and audacious choices, confusion about motives and interests, plasticity, and even indefinability of political identities’ (O’Donnell and Schmitter, 1986: 5). The transitions from state socialism are alleged to be particularly prone to such problems given the profound ‘fluidity’ and ‘poorly defined interests’ and the lack of ‘time or intellectual space for institutional innovation’ (Bunce and Csanadi, 1993: 241, 242; McFaul, 1999: 31). Together these factors suggest that rational actor theories of institutional choice will not travel well to transitional contexts.

Our analysis suggests the opposite: that even in transitional contexts, political actors both can and do calculate and pursue self-interest when adopting political institutions. We take as our starting point the notion of derived preferences, which posits that parties will rank alternative institutions based on their partisan political interests derived from expectations about future institutional consequences. Variants of this derived-preference hypothesis abound in the study of electoral laws (Bawn, 1993; Brady and Mo, 1992; Nagel, 1994; Tsebelis, 1990) and presidencies (Easter, 1997; Frye, 1997), including those in Eastern Europe (Geddes, 1996; Ishiyama, 1994; Kamiński, 1999; Lijphart, 1992; Taagepera, 1990). The most important implication of the idea of derived institutional preferences is that there will be disagreement about the choice of institutions whenever parties stand to receive different shares of the gains which those institutions produce – such as the distribution of seats produced by an electoral law. These conflicting

1. New institutionalist scholarship has overwhelmingly treated institutions as exogenous causal variables, examining their effects on policy and political outcomes (see Shepsle, 1989). For overviews of the historical and rational choice approaches to new institutionalism, respectively, see Steinmo et al. (1992) and Alt and Shepsle (1990).

preferences are resolved through bargaining and are reflected in the ultimate institutional form.

We present a model of institutional choice in which electoral institutions result from a bargain between political parties concerned in the short term with maximizing their expected seat gains in the election which the electoral rules are being designed to govern. We then apply the model to examine the negotiations which produced the Hungarian electoral law of 1989, drafted in 'National Roundtable' talks between the socialist party and a coalition of opposition groups during Hungary's transition to democracy in 1989. The model focuses on how each party derives preferences for institutional alternatives based on distributive payoffs in the form of expected seat shares, rather than on the bargaining game which transforms those preferences into outcomes. While the model is not a formal one, we carefully specify its assumptions and derive its implications, which we then attempt to compare critically with empirical evidence from Hungary's negotiated design of an electoral law in 1989. Our account thus draws on archival data and participant interviews to reconstruct the 'actors' preferences, their perceptions, their evaluation of alternatives, the information they possess, the expectations they form, the strategies they adopt, and the constraints that limit their actions' (Bates et al., 1998: 11), providing an analytic narrative of the origins of the Hungarian electoral law.

1. The Logic of Institutional Choice

1.1. *Theories of Electoral System Origins*

Electoral laws constitute a very specific type of political institution: what Tsebelis (1990: 104) has termed 'redistributive' institutions. Redistributive institutions have a zero-sum character which benefits one group in society at the expense of another, in contrast with 'efficiency' institutions which may improve everyone's welfare versus the status quo. This distinction is critical, since it means that most of the rational choice literature on the emergence and stability of cooperative and efficiency institutions has no direct application to the origins and change of electoral laws.² Electoral laws are quintessentially distributive institutions, since the seat shares electoral rules distribute to one party as gains can only be accompanied by seat share losses by another party. Moreover, alternative methods for dividing seats prescribed by electoral laws will have vastly different distributive consequences, yet all are equally efficient. The appropriate focus when

2. This approach has been most commonly applied to the emergence of cooperative institutions that promote efficiency by reducing transaction costs, enhancing information flow, and offering general gains to cooperation versus the institution-free state. For a foothold on this voluminous literature, see Knight and Sened (1995), also Shepsle (1986), Riker (1980). Bates (1988) and Knight (1992: 28–40; 1995) offer general critiques of the efficiency view.

examining the origins and evolution of electoral systems is therefore not on cooperative gains from efficiency, but rather on the struggles for distributive shares which institutional alternatives provide and the influence which those affected have in effecting institutional change.

The anticipation of different distributive consequences will lead parties to derive preferences for alternative electoral institutions. The notion of *derived preferences* in institutional choice is the idea that the choice of institutions occurs as the first stage of a two-stage game. In the first stage, parties hold or derive preferences for alternative institutions based on expectations about the payoffs these institutions will have for them at a second stage (Tsebelis, 1990). Preferences may be derived for various reasons, including objectives of policy, office, or personal gain.

Policy-seeking. In policy-seeking theories, the origins of electoral rules are attributed to the outcome of a struggle by parties with preferences for alternatives based on the expected policy outcomes associated with the alternatives. Electoral system choice is directly linked to distributive shares in legislative power (the first stage), and this legislative power will then determine who is empowered to enact policy (the second stage). Each party involved in institutional choice at stage 1 will rank the electoral alternatives according to its utility for the exogenously preferred policy outcomes it associates with the institutional alternatives. This is the model applied by Bawn (1993) to the choice of electoral system in post-war Germany, for example, explaining both the adoption of PR in 1949 and a mixed system in 1953.

Office-seeking. Office-seeking theories of institutional choice are closely related to policy objectives in that the parties choosing institutions evaluate alternatives in terms of the utilities they will derive from their share of distributive goods associated with each institution. The office-seeking model is more general, however, since it posits both direct and indirect utility from holding office. Direct utility might be partisan power or representation of one's own constituency; indirect utility might be gains from additional shares of allocative resources determined by the balance of legislative seats, including (but not limited to) policy. The office-seeking model differs from the policy-seeking model in that it specifies that each party will prefer rules which maximize its own share of legislative seats – rather than those of any other party – regardless of the compatibility of the policy goals or ideology of other parties with its own. Office-seeking models have been applied to electoral system choice in post-communist Russia (Remington and Smith, 1996) and in post-authoritarian Taiwan (Brady and Mo, 1992).

Personal Gain. The personal gain model links institutional preferences not to distributive shares for parties in terms of either office or policy, but instead to maximizing the personal welfare of selected individuals involved in institutional decision-making, quite possibly in what is expected to be a very short-term arrangement. In the 1989 roundtable deliberations in Poland, for instance, the communist Polish United Workers' Party appears to have conceded the free election of the senate in exchange for an arrangement which it expected to guarantee the presidency of General Jaruzelski (Olson, 1993).

General Welfare. Parties may also rank alternative institutions according to their preferences for institutional outcomes that affect the general interest rather than partisan interests, struggling to implement competing institutions on the basis of their different preferences for collective political outcomes. This may be a social concern such as fairness or representation, a concern with producing good government, safeguards against hyperconcentration of power, and so on. In many cases, however, a party whose real motivation is self-interest may defend its preferred institution with arguments about the general interest.

Non-derived Preference Explanations. Non-derived preference theories of electoral system origins cover many explanations, including both those where choice was conscious as well as those explaining institutional change as the product of social forces without focusing on specific agents. The key feature characterizing all of these explanations is that institutional alternatives are not systematically evaluated based on their consequences, but rather become focal or simply emerge based on other considerations or as the result of convergent forces. The most common example is historical precedent, where institutional designers may be attracted to electoral laws used during earlier episodes of democracy, finding these solutions 'focal' in the midst of intense pressure and institutional crisis (Elster et al., 1998: 62). Other examples include: sociological explanations, which shift attention from agents and their preferences to the purposes for which electoral institutions were created (e.g. Rokkan, 1970); economic explanations focusing on the independent role of external trade (Rogowski, 1987); the role of external influences such as colonial legacies (Blais and Massicotte, 1997) or international organizations; or simply idiosyncratic factors that cannot be ascribed to systematic or recurring influences. None of these theories focuses explicitly on the role of political agents and their calculation of costs and benefits, yet they frequently feature in explanations of the origins of electoral systems. Our theory and model which follow represent a distinctly different approach.

1.2. A Model of Electoral System Choice

Electoral institutions fundamentally affect representation and shape political outcomes, and political parties are aware of these effects. When given the opportunity to choose among electoral rules, parties will rank alternatives based on the expected distributive consequences of these alternatives – the way in which they distribute seats among competing parties. We therefore expect that parties will choose electoral rules which maximize their individual seat shares given their (expected) votes (Brady and Mo, 1992: 406). Our model consists of the following assumptions, following the general approach of Bawn (1993) but making some important distinctions discussed here.

1. Each party prefers more seats for itself and fewer for all other parties.
2. Parties develop knowledge and hold beliefs over the operation and consequences of institutional rules used to transform votes into seats and make use of all available information about the preferences of the electorate to predict vote and seat shares.
3. Parties may make any proposal and there is a set of agreements that all parties prefer relative to the breakdown of negotiations.
4. The decision rule for choosing institutional rules is unanimity – all parties must agree to the rules chosen.
5. All of these assumptions are common knowledge among the parties involved.

The first assumption specifies the parties' basic motivation from which institutional preferences are derived. The emphasis on seat shares shifts the focus from post-election objectives such as Bawn's (1993: 967–8) policy-preference model to the goal of maximizing legislative seats. The perceived payoffs are therefore seat shares for one's party rather than policy outcomes, personalistic gain, or other post-election rewards. This office-seeking model seems more appropriate in the transitional context for several reasons. First, seat shares are generally the most immediate political objective among parties contesting elections. Even if parties are concerned with policy, the most preferred way to effect the most preferred policy is for one's own party to gain sufficient seats to make its passage possible. Second, especially in founding elections or elections involving new political groups, representation may be a goal in itself, with the desire to implement specific policies secondary to the desire to participate in the legislature. Individuals want to be elected or re-elected, and this desire will take precedence over policy preferences (Geddes, 1991), even motivating them to change policy positions in order to gain votes. Finally, many cases of institutional change involve fluid and unusual political circumstances, and policy preferences may be inchoate or poorly defined, with the participants

themselves not necessarily certain of their own preferences or holding multiple policy preferences within a single 'party'. For example, in Remington and Smith (1996)'s analysis of choice of 1993 and 1995 Russian electoral laws, office and not policy were seen as the key objectives motivating institutional decisions.

The last point leads us to qualify the definition of 'party' in the model. Here we use the term to refer to a bargaining side acting as a single unit with a single preference. This may mean either one political party or a unified coalition of political parties with the same bargaining stance. If a coalition of political parties were to first bargain over the unified position to be taken in the top level of institutional bargaining, then this prior intra-coalition bargaining would provide a nested example of institutional bargaining. In the context of negotiations between opposition groups and incumbent authoritarian regimes – as we elaborate in the next section – the opposition parties may first bargain among themselves to reach a unified position before entering bilateral negotiations with the regime.

Assumption 2 requires that participants in the choice of electoral systems have some understanding of the distributional consequences of alternative electoral rules for different vote distributions and that they utilize whatever information they have about their expected votes to formulate preferences, even if that knowledge is imperfect as a result of uncertainty. Two types of uncertainty may be common in institutional choice in transitional contexts. First, a party may be uncertain about the votes it or other parties will receive in the election held under the electoral rules eventually chosen. Second, even a party certain about its expected votes may be uncertain or mistaken in its beliefs as to how a particular institutional rule will affect its seat share. As electoral institutions increase in complexity this last form of uncertainty becomes increasingly significant.

Assumptions 3 and 4 distinguish institutional choice in a transitional context from choice in a more institutionalized setting. The former underscores the urgency of replacing the status quo electoral institution, while at the same time making the range of possible alternatives open-ended. The latter highlights the lack of a constitutional mechanism for managing a change of electoral rules, limiting alternatives to those which all parties might agree to accept. While these assumptions have implications for the nature of the bargaining game, their purpose here is to constrain the consideration of alternatives for which parties may derive preferences rather than to form part of a full model of bargaining.

Assumption 3 permits the parties to propose any electoral rule without restrictions on the types of rules parties may propose or on the ability of the negotiators to innovate. It also posits that there are multiple electoral rules and systems which both parties would strongly prefer to not having any electoral system agreement at all – and hence the failure of a negotiated transition

to free elections. The nature of transitional institutional choice is that there is no acceptable default institution, and that failure to choose some institution results in an outcome worse than the status quo.

The unanimity decision rule in Assumption 4 specifies that the choice situation is characterized by the basic constraint of bargaining: that neither side may impose an agreement on the other. Our model assumes, in other words, that the choice context meets Nash's conditions for 'bargaining': situations in which (a) the parties involved have the possibility of concluding a mutually beneficial agreement; (b) there is a conflict of interests about which agreement to conclude; and (c) no agreement may be imposed on any party without its approval (Osborne and Rubinstein, 1990: 1). The unanimity decision rule distinguishes our model from those explaining institutional design within existing institutions, where decision rules (e.g. plurality, absolute majority, two-thirds majority) have an important independent effect on the outcome.

The last assumption (5) describes the parties' informational context and requires that the assumptions about the motivation of parties and the nature of their bargaining interaction are common knowledge among them.

1.3. Implications of the Model

These assumptions governing preferences and beliefs generate several implications which it is possible to observe. First, in negotiations over institutional choice, each party will advocate electoral rules which maximize its expected seat share. Conversely, a party will not advocate an electoral rule which promotes a putative general interest but which does not maximize its individual expected seat share; nor will it allow electoral rules to be decided without considering the consequences for its own seat share. Second, when new information becomes available to a party that causes it to re-evaluate the link between a bargaining position and its expected seat share, it will change its position (if the agreement has not yet been finalized). Conversely, a party should not stick to old positions when new information causes it to expect more seats from an alternative rule.

These implications provide the observable link between parties' preference for more individual seats and the pursuit of strategies (the choice of electoral rules) which maximize their individual representation (i.e. the seats going to their party in the new legislature). If the model holds, then during bargaining each party should propose and push for the electoral rules which it believes will maximize its seats in the election to be held under those rules. Electoral system choice should therefore not reflect concern for the general interest, the desire to create stable governments, a desire to provide equitable representation, the desire for fairness, the desire to conform to historical precedent or international models, or other non-office-seeking

motivations. Together these observable implications provide a clear set of expected findings for our empirical examination of the negotiated design of Hungary's electoral law in the summer of 1989. This examination requires a careful reconstruction of the parties, their interests, and their bargaining positions during Hungary's choice of an electoral system in 1989. As a preface to this discussion we briefly describe the political and institutional setting in which the choice of the electoral system took place.

2. Background to Bargaining: Two Levels

Hungary provides an excellent case in which to examine the model's implications for several reasons. First, the transitional setting provided a text-book bargaining situation where the range of possible outcomes was essentially unconstrained by previous institutions, and where no party could unilaterally impose its own most preferred alternative. Second, the bargainers approached the complex electoral law question as a sequence of discrete issues over a three-month period, providing multiple instances of institutional choice and consequently enlarging the sample of observations against which the model can be compared. Third, the structure of the Hungarian bargaining actually provides two discrete arenas in which to observe institutional choice: not only at the national-level roundtable negotiations between the regime and the unified opposition, but also among the different parties of the opposition in bargaining to determine the unified opposition stance on each electoral issue to be taken at the top-level talks. Hungary therefore provides, in effect, two contexts of bargaining and hence two opportunities to observe the implications of the office-seeking model.

The choice of electoral system in Hungary took place at the 'National Roundtable' talks held from June through September 1989. These talks pitted the incumbent Hungarian Socialist Workers' Party (MSZMP) against a united coalition of opposition parties who by unanimous agreement presented themselves as a single bargaining side, having first resolved their individual differences at their own 'Opposition Roundtable'. To understand the nature of these two bargaining contexts it is necessary to examine briefly the context of political change in Hungary in the late 1980s.³

The agreement to new electoral rules in Hungary in 1989 was impelled by a number of concurrent pressures, most notably a growing economic crisis, a waning legitimacy only further undermined by the gradual introduction of political reforms, and the onset of organized political opposition beginning with the formation of the Hungarian Democratic Forum in 1987

3. While we do not provide a comprehensive account here, we have listed the key points of the electoral law bargaining in Appendix A.

Table 1. Main Political Parties in 1989

<i>Ruling Party</i>		
MSZMP	Magyar Szocialista Munkáspárt	Hungarian Socialist Workers' Party
<i>Opposition Roundtable</i>		
MDF	Magyar Demokrata Fórum	Hungarian Democratic Forum
SZDSZ	Szabad Demokraták Szövetsége	Alliance of Free Democrats
FIDESZ	Fiatalkorú Demokraták Szövetsége	Federation of Young Democrats
FKGP	Független Kisgazdapárt	Independent Smallholders' Party
KDNP	Kereszténydemokrata Néppárt	Christian Democratic People's Party
MSZDP	Magyarországi Szociáldemokrata Párt	Hungarian Social Democratic Party
MNP	Magyar Néppárt	Hungarian People's Party

(Table 1; for a fuller account see Tótkés, 1996). Furthermore, the mandate of the sitting socialist legislature was due to expire in 1990. The demands for political change made it increasingly clear that new electoral institutions were required.

Unable to repress opposition demands for change, the MSZMP initially attempted to impose its own electoral law (Vass, 1994: 453) which would have effectively excluded the opposition parties from parliament. The MSZMP's proposal was based overwhelmingly on single-member districts and closely resembled the system used in the 1985 socialist one-party elections. Its provisions would also have severely restricted the candidate nomination process at the expense of opposition candidates. The MSZMP might have succeeded but for massive demonstrations led by opposition parties on 15 March which led to the formation of the 'Opposition Roundtable' one week later. This forum invited only opposition parties that were formally organized and could demonstrate some base of support. In addition to two non-party organizations, the parties of the Opposition Roundtable were: the Hungarian Democratic Forum, a populist conservative party and the largest opposition group; the centrist Alliance of Free Democrats; the Federation of Young Democrats (Fidesz), formed by a group of law students in 1988; and the 'historical' political parties that had competed in the elections in 1945 and 1947: the agrarian Independent Smallholders' Party, the religiously-oriented right-of-center Christian Democratic People's Party, the populist Hungarian People's Party, and the Hungarian Social Democratic Party.⁴

The key feature of the Opposition Roundtable was its rule of *unanimity*: all parties agreed to make all decisions unanimously before presenting a unified bargaining stance to the MSZMP at the National Roundtable. Each

4. For a more detailed look at the Opposition Roundtable's emergence and significance and the orientations of its constituent parties, see Bozóki (1993).

opposition party would have veto power over any final internal decision. Each opposition party therefore considered the maintenance of opposition unity as a basic constraint to its pursuit of individual objectives. First, the opposition parties were organizationally much weaker than the MSZMP, making collective competition against the regime much more effective than trying to compete one-on-one. Success of the opposition meant maintaining opposition unity against the regime, according to Democratic Forum leader József Antall, who viewed unity as a 'life or death issue' (Fekete Doboz, 1989: 25 August). Second, distrust of the regime united the opposition, helping it to cooperate in the face of a potential collective action problem. The opposition parties clearly recalled the 'salami tactics' of the late 1940s when the communist regime pursued a similar divide and conquer strategy and the memory of these events in 1989 helped maintain opposition unity. Third, there were also clear selective incentives for maintaining a unified stance. In the early stages of Hungary's transition, parties which left the opposition coalition to cooperate with the regime individually were perceived as quislings and suffered losses in popular support, prompting them to return quickly to the opposition coalition.⁵ Finally, symbols and the unifying force of ideological opposition to state socialism boosted the spirit of opposition cooperation. The massive demonstrations of 15 March, for instance, revealed to the opposition for the first time its potential strength as a united body and lent it a powerful moral impetus.

The MSZMP formally agreed on 10 June to hold 'National Roundtable' talks with the opposition in order to design the institutions for Hungary's first competitive elections in over 40 years.⁶ The framework for the talks was remarkably open. With no constraints imposed either by higher-level rules or the threat of outside intervention (as was the case in Poland), the opposition and the MSZMP were free to design virtually any institution on which they could agree. Moreover, the MSZMP agreed that the legislation resulting from the roundtable talks would be passed into law by the sitting parliament which it controlled. Finally, because neither the MSZMP nor the opposition was in a clear position to dominate the negotiations, neither side could impose its preferred set of rules on the other, hence conforming to Assumption 4 defining the negotiations as a bargaining game.

Throughout 1989 the political parties actively sought to obtain information about their political standings, to understand the electoral law

5. A similar dynamic was observed in the internal cohesiveness of Solidarity in Poland when the PUWP attempted to forge coalitions with individual elements of the opposition (Kamiński, 1999: 96).

6. In addition to the MSZMP and the Opposition Roundtable, the talks also included a 'third side' comprising trade unions and para-political socialist satellite organizations whose role in the design of the electoral system was minor.

alternatives, and to dispel whenever possible their uncertainties about the emerging political context. First, even though a series of opinion polls taken by the state institute (see Table 2) showed opposition support steadily rising, the MSZMP strongly believed during most of the negotiations that it would receive approximately a third to a quarter of the vote (Fejti, 1995). Second, the opposition parties also paid close attention to the state polls. Although precise levels of relative support among the nascent opposition parties were unclear, the Democratic Forum showed a clear lead. Finally, several unexpected events occurred during the three months of negotiations, such as the July by-elections and some surprising private poll results released in August, providing opportunities to all parties to update information.

The conclusion of the National Roundtable bargaining was the passage of Act XXXIV on the Election of Members of Parliament on 20 October 1989, creating what may be the world's most complicated electoral law. Hungary's unicameral 386-member legislature is elected from three electoral tiers: 176 seats from single-member constituencies; a maximum of 152 seats from 20 regional party lists; and a minimum of 58 seats from national party lists. The single-member district (SMD) seats use a two-round majority-plurality runoff format, the territorial list seats are allocated through the Hagenbach-Bischoff largest-remainder proportional representation (PR)

Table 2. Party Support Over Time⁷

Party	Trial Heat Poll Results				
	16 Jun	13 Jul	23 Aug	15 Sept	Election
MSZMP	29	37	32	23	10.9 ^a
MDF	13	14	18	24	24.7
SZDSZ	5	3	6	6	21.4
FKGP	6	11	9	7	11.7
FIDESZ	9	7	7	11	9.0
KDNP	5	2	4	4	6.5
MSZDP	12	10	8	8	3.6
MNP	5	4	3	3	0.8
Other	16	12	13	16	9.3

^aVote percentage for the Magyar Szocialista Párt (MSZP), the successor party to the MSZMP after it changed its name at the 7 October party congress.

7. These polls indicate the answer to the question: 'If the election were held Sunday, for whom would you vote?' The numbers represent percentages of respondents. We exclude non-respondents because the data were originally reported in this way, and because the parties seemed to place the most weight on these figures rather than being concerned with non-response. Source: Magyar Közvéleménykutató Intézet, 1989.

Table 3. Main Features of Hungary's 1989 Electoral System

Single-Member Districts (SMDs)

- Districts: 176 single-member districts.
- Eligibility: 750 signatures.
- Formula: two-round majority-plurality system. Top 3 and all candidates with at least 15 percent of the first round votes advance to runoff.

Territorial PR Lists

- Districts: 152 seats from the 19 counties and Budapest. Magnitudes range from 4 to 28 (median 6, mean 7.6).
- Eligibility: candidates in at least one-fourth (min. 2) of the SMDs contained in the territory.
- Threshold: 4 percent of the nationwide vote.
- Formula: Largest Remainder/Hagenbach-Bischoff. Remainder seats are limited to parties with at least two-thirds of the quota; unawarded seats are added to the national list allocation.

National Compensatory PR List

- Districts: One nationwide district.
 - Eligibility: lists in at least seven territories.
 - Threshold: 4 percent of the nationwide vote.
 - Formula: d'Hondt, based on surplus votes from the SMD and territorial list tiers.
-

formula, and the national seats are decided by the d'Hondt proportional method. To gain list seats a party needed at least 4 percent of the nationwide territorial list vote. Votes for the compensatory national list come from the transfer of 'surplus' votes from the SMD and territorial list contests. The law is quite complicated and we do not provide an expository treatment here, although we outline its main feature in Table 3 (see Benoit [1996] for an expanded treatment of the law and its features). Instead, the next section reconstructs the bargaining over a subset of the law's most important features, comparing the empirical data with the choice model elaborated earlier.

3. Reconstructing Institutional Preferences

Our purpose in this section is not to provide a full account of the bargaining process which produced the electoral law of 1989 (for such an account see Schiemann, 1999). Instead, we pursue the more limited objective of (1) assessing the data to determine the motivations and content of each negotiating party's institutional preferences and strategies over the distributionally significant elements of the electoral system and (2) comparing these with the implications of the model. The data for this analysis come from interviews conducted by the authors with participants at the Roundtable,

the written transcripts of the National Roundtable talks at the middle (political) and working (expert) level committees, and videotapes of the meetings of the Opposition Roundtable.⁸ Because the electoral law was negotiated as a series of debates over specific issues and we have extensive data concerning the deliberations, we can examine each issue for the implications of the model. We also look at the same informational sources that were available to the actors during the negotiations, including public opinion polls and by-election results published in newspapers. Finally, we produce some simulated election results based on these data to reconstruct what actors might have expected as consequences of the institutional alternatives they were considering.

3.1. The Mixed Majority–Proportional System

Regime. One of the most basic distinctions between electoral system types is the dichotomy between majoritarian (plurality) systems and multi-member proportional allocation rules. This issue was the first to confront the Hungarian parties. Based on a draft law prepared by the regime (Hungarian Ministry of the Interior, 1989) as a starting point for the negotiations, the MSZMP initially favored a system that would have elected 300 out of 350 seats from single-member districts (SMDs) with the remaining 50 seats drawn from a national compensation list (Hungarian Ministry of the Interior, 1989: 8–9). The plan called for runoff elections in the SMDs between the top two candidates should no candidate win a majority in the first round. The MSZMP favored this mostly majoritarian system because the MSZMP had ‘many prominent individuals, . . . territorial networks, . . . and an [established national] organization. So as a starting point we proposed individual electoral districts’ (A. Tóth, 1994). The remaining seats from the national list would be allocated on the basis of SMD votes that did not go towards electing a candidate, in contrast to a ‘direct list’ mechanism allocating seats on the basis of a dedicated list ballot.

8. The expert committee meetings of the National Roundtable talks are summarized in *Jegyzőkönyv a I/3. Munkabizottság* [Minutes of the I/3 Working Committee], hereafter I/3 Minutes; and the middle-level transcripts are contained in *Jegyzőkönyv a PET munkabizottság* [Minutes of the PET Committee], hereafter PET Minutes. Materials on the National Roundtable may be found in the Archive of the National Roundtable Negotiations collected by László Bruszt and David Stark, Institute of Sociology, Budapest, Hungary. The videotapes of the Opposition Roundtable meetings can be found in the collection of the Fekete Doboz Videofolyóirat Alapítvány, Budapest, Hungary. The authors thank László Bruszt for his invaluable assistance with the National Roundtable materials and Márta Elbért for access to the videotapes of the Opposition Roundtable.

Opposition. The opposition was internally divided on the question of a majoritarian-SMD system versus a proportional-list system. Indeed, 'solving this problem was one of the original purposes of the Opposition Roundtable' (Bozóki, 1993: 298). The four historical parties, lacking both membership and prominent leaders but whose names and symbols evoked memories of the pre-communist elections of 1945 and 1947, advocated a pure PR list system (Fekete Doboz, 1989: 10 July). Fidesz also originally favored a pure list system believing that its reputation as a radical youth party would hurt its candidates' prospects in single-member contests (Áder, 1991: 69). The Free Democrats, in contrast, favored an SMD system similar to the MSZMP's proposal. Given the expectation that the SMDs would retain the two-round structure, Free Democrat expert Péter Tölgyessy argued that the SMDs offered the best chance for the opposition parties to unite behind a single candidate and 'destroy' the socialist party in many districts (Tölgyessy, 1995).

This divide plunged the Opposition Roundtable into one of the most divisive conflicts of the first phase of the talks. Hoping to resolve the conflict, the Democratic Forum's József Antall, the leader of the opposition's largest party and an admirer of the West German 'mixed system', proposed an even mix between majoritarian SMD and list PR seats (Fekete Doboz, 1989: 10 July). The historical parties were reluctant to agree and initially wanted at least two-thirds of the seats to come from PR, while the Free Democrats argued that PR seats should constitute less than half of the total. The Free Democrats also managed to persuade Fidesz that a substantial SMD element would serve the country's interest by avoiding a fractured legislature, despite the implications for Fidesz's seat share. The issue was finally resolved when the opposition parties collectively agreed to the Democratic Forum proposal for a mixed system evenly split between SMD and PR seats (Fekete Doboz, 1989: 25 July).

Discussion. The MSZMP at first rejected the opposition's call for an even mixture of SMDs and a directly elected list until it suddenly reversed its position in mid August and acceded to the opposition proposal (PET Minutes, 1989 (25 Aug.): 31). With this concession, however, the MSZMP also resurrected its idea to use a 50-member compensation list as one element of the proportional part of the system. The opposition accepted this proposal after the MSZMP consented to changing the election of the PR list from one nationwide district to one based on territorial districts (the 19 counties and the capital). This agreement created the basic three-tiered system still used today.

Did each party in fact link its individual electoral interests to the positions it held on electoral alternatives in the manner predicted by the model? The MSZMP's positioning on the mixed system issue certainly indicates that it

was pursuing a seat-maximizing strategy. It advocated the mostly-SMD system based on the initial belief that this would offer the best means of winning over a fragmented, poorly organized, and relatively unknown opposition. It later shifted its position because events in late July and early August caused it to update expectations of its likely vote share in free elections. First, in three SMD by-elections held in late July and early August opposition candidates trounced the ruling party with 69, 70, and 62 percent of the vote in the runoffs against the MSZMP candidate (Hungarian Ministry of the Interior, 1989: 24 July, 7 August). Second, an independently conducted opinion poll on 11 August gave reason for the Socialists to doubt their dominance by indicating stronger support for the opposition parties. These results caused the MSZMP to begin to doubt the more favorable results of the state research institute's polls. As a consequence, MSZMP negotiator and Central Committee Secretary György Fejti warned the Central Committee that it should reconsider its stance on the mixed system (MSZMP Central Committee, 1993: 1380). Fejti described the MSZMP's motivations to us this way:

We went from wanting an individual precinct system . . . to the point that we didn't know. But we had the feeling as time went by that it wouldn't be very favorable to us, so we pushed the thing in the other direction. In this question basically the principle of the smallest risk prevailed. (Fejti, 1995)⁹

Consequently, the top leadership of the MSZMP instructed its negotiating team on 15 August to accept the mixed system being proposed by the opposition (Vass, 1994: 636). This volte face in fact saved it in an election in which only one of the 33 seats it won came from an SMD (Table 4).¹⁰

The opposition's behavior was more mixed. The first preferences of all opposition parties except the Free Democrats and the Democratic Forum were for a list system based on PR. For parties that expect not to be the first- or second-place vote winners, such a system would have guaranteed them a share of seats commensurate with their vote shares. A majoritarian SMD system, on the other hand, would tend like the British and American elections to produce a two- or three-party system. Consequently, the four historical parties' (the Smallholders, Social Democrats, the Christian Democrats, and People's Party) push for a pure PR system is consistent with

9. According to MSZMP electoral law expert András Tóth, after the by-elections 'it became perfectly obvious that the logic about individual popularity does not work. Clearly we had to re-evaluate . . . a system which would probably not bring an electoral result that would guarantee [the MSZMP] its proper political weight' (Tóth, 1995 interview).

10. Here and elsewhere we equate the MSZMP with the Hungarian Socialist Party (MSZP); at the October party conference the MSZMP dropped 'Workers' from its name and became the Hungarian Socialist Party (MSZMP) in an effort to recast itself for the elections.

Table 4. Results of the 1990 Parliamentary Election

Parties	Seats				Seat (%)	List vote (%)
	SMDs	Territorial lists	National list	Total		
MDF	114	40	10	164	42.5	24.7
SZDSZ	35	34	23	92	23.8	21.4
FKGP	11	16	17	44	11.4	11.7
MSZP	1	14	18	33	8.6	10.9
FIDESZ	1	8	12	21	5.4	9.0
KDNP	3	8	10	21	5.4	6.5
Other ^a	5	0	0	5	1.3	15.8
Indep.	6	0	0	6	1.6	-
Total	176	120	90	386	100.0	100.0

^aIncludes four joint candidates.

the implication that parties will advocate positions that maximize their expected seat shares, as was Fidesz's initial preference for PR. Fidesz's switch, however, to a (mostly) SMD system was based on concerns for the *general* interest rather than its own *individual* seat-maximizing interests and so is inconsistent with the model's first implication.

Similarly, the Free Democrats' position as articulated by Tölgyessy was not consistent with the first implication since the justification for the SMD strategy cited the interests of the opposition as a whole and not his individual party. Although the Free Democrats' abundance of prominent dissidents meant that it could reasonably expect to benefit from the opposition uniting behind its candidate in the second round of some of the SMD races, the Democratic Forum's dominance outside Budapest and the Free Democrats' third place position (at best) in opinion polls should have prompted it to advocate a PR system which would guarantee it more seats.

The Democratic Forum's best seat-maximizing strategy was less clear. In terms of actual results, it can be demonstrated that all parties except the Democratic Forum and Free Democrats would have improved their parliamentary seat shares had the 1990 elections taken place using a pure PR system. Table 5 compares the actual election to several hypothetical election results using alternative rules and alternative vote distributions (see Appendix B). The results also indicate that if the MSZMP's original plan of 250 SMDs and a 50-member compensation list had been used, then the Democratic Forum would have done better at the expense of all other parties, winning a comfortable parliamentary majority. The Socialists, on the other hand, would have suffered a crushing defeat. Few parties in the summer of 1989, of course, could have foreseen the decline in Socialist

support from its August level of 32 percent to just 10 percent in the elections. The last three columns of Table 5 therefore present the results of a hypothetical election based on the August 1989 state institute polls. The results illustrate that every party except the Socialists would have done better under a pure list PR system. Under the MSZMP plan with even fewer list seats, every opposition party would have fared worse, and the Socialists would have captured an overwhelming majority of the votes, assuming an election vote matching the August poll results.

The Democratic Forum was therefore uncertain as to precisely which set of institutions would maximize its expected seats. Its stunning success in the by-elections gave it good reason to prefer an SMD system; its prominent name and popularity as well as its trailing behind the MSZMP in the state opinion polls suggested that it would do well in a PR system. Faced with this fundamental uncertainty and the conflict between the Free Democrats/Young Democrats and the historical parties threatening to dissolve the Opposition Roundtable, the Democratic Forum proposed the mixed system compromise. Given the importance of maintaining opposition unity and the uncertainty about its best strategy, we deem the Democratic Forum's behavior weakly consistent with seat-maximization given that it was also motivated by the desire to achieve intra-opposition compromise.

3.2. The Two-Round Runoff System

Regime. The electoral law stipulates that for the SMD elections, if no candidate from the first round obtains at least 50 percent of the vote, then a runoff

Table 5. Counterfactual Simulations of Hungary's First Election

Party	Based on 1990 vote				Based on Aug. 1989 poll		
	Actual	Pure PR	MSZMP plan	One round	Actual rules	Pure PR	MSZMP plan
MDF	42	27	57	36	17	21	7
SZDSZ	24	24	21	30	5	9	2
FKGP	11	15	8	11	8	13	3
MSZP	9	13	3	9	58	35	82
FIDESZ	5	12	2	6	6	10	2
KDNP	5	8	3	6	0	8	0
Other	1	0	0	2	7 ^a	12 ^a	3 ^a
Indep.	2	0	0	2	0	-	1
Total	100	100	100	100	100	100	100

Notes: Percentages of legislative seats.

^aWon by the MSZDP.

round will be held between the top three first-round candidates and any other candidate with at least 15 percent of the first-round vote. This second round is determined by simple plurality ('first-past-the-post'). The MSZMP's original draft plan, however, had called for runoffs between only the top two candidates. Nevertheless, in late July the MSZMP changed its position and proposed instead that the top three candidates, plus any candidate with more than 15 percent of the first-round vote, advance to the runoff round (I/3 Minutes, 1989 (25 July): 2). This switch was prompted by updated information the MSZMP received from the July by-elections about the possibly disastrous consequences of a face-to-face runoff with a single opposition candidate which it expected the top-two runoff rule to produce.

Opposition. Drawing similar conclusions from the by-election results, the opposition immediately protested the MSZMP's proposed change as an attempt to manipulate the law to the MSZMP's advantage. Opposition expert Dr József Torgyán warned the Opposition Roundtable that 'the advantage of this system for us is that . . . an opposition candidate would have to be one of the candidates in the second round [and this candidate] would be pitted against the candidate of the MSZMP, which would surely mean the opposition's success' (Torgyán, 1989: 4). Conversely, warned Torgyán, having three second-round candidates would likely divide the opposition against a single MSZMP candidate.

Discussion. The MSZMP's behavior conforms to the model implications, since it stuck to the position it perceived would maximize its votes and then changed that position once new information became available that updated its belief about the effects of the rule. For the opposition parties, the top-three runoff rule was both individually and collectively seat-maximizing. A two-candidate contest would have increased the perceived chances of any opposition candidate winning against the regime, and at the top no opposition party was certain whose candidate would be pitted against the regime in a runoff. No opposition parties expected fewer seats from avoiding fragmentation in the runoff, and therefore were united against the regime's attempt to make the runoff a three-way contest.

3.3. *The National Compensation List*

Regime. The resolution of the runoff format issue led to a new debate concerning the source of the compensation list votes. When the MSZMP re-evaluated the mixed-system alternative, it also revived its draft plan provision for the establishment of the compensation list, where 'compensation votes' consist of votes for party lists or candidates not winning in their district contests. By mid-August the MSZMP had begun to view the

compensation list as an essential insurance mechanism. It calculated that the compensation list would help it win seats in the wake of widespread losses in the SMDs, which it realized after the by-election defeat was a distinct possibility (Pozsgay, 1995; also Z. Tóth, 1995a; Fejti, 1995).

Opposition. While the opposition consented to the compensation list, it remained to be decided exactly where the compensatory votes would originate. The MSZMP's original plan called for taking compensation votes from the first round of SMD contests, while the opposition wanted these to come instead from the territorial party lists. The MSZMP not only opposed this but also changed its original position, calling instead for surplus votes to be collected from the second SMD round (or whenever one was required, which it expected would be nearly always). This decision would have had significant negative distributive effects on opposition parties by denying compensation votes to all but the two largest parties whose candidates qualified for the runoff rounds. When the opposition objected, the MSZMP and the opposition partially resolved their differences by agreeing to allow compensation votes to come from both the list and the SMDs. Nevertheless the opposition continued to demand that the SMD surplus votes come from only the first round. The MSZMP likewise maintained its insistence that surplus votes come from the second SMD round (PET Minutes, 1989 (25 Aug.)).

Discussion. The stalemate was finally broken with an offer by the Socialists to concede the opposition's demand that the surplus votes come from the first-round losers' votes, in exchange for acceptance of the rule that a minimum of three candidates would compete in the runoff round (PET Minutes, 1989 (28 Aug.): 13–40). Once again, the positions pursued by the MSZMP were those which it perceived as maximizing its seat share, updating its original stance in light of new information. The opposition's preference for using the first SMD round as the source of compensation votes was likewise generally seat-maximizing, for the same reasons the MSZMP favored the opposite position. If the second round were the source of compensation votes, then only the one or two largest opposition parties could have expected to benefit. At the time only the Democratic Forum felt confident that its candidates would consistently qualify for the second-round contests. The Democratic Forum would therefore have probably increased its seat share by agreeing to the second-round compensation vote proposal, but it was constrained by the unanimity agreement of the Opposition Roundtable. This principle, in fact, guided the Democratic Forum's acceptance of the first-round position, emphasizing the crucial importance of each party maintaining opposition unity even when it occurred at the expense of possible gains in seat share (Fekete Doboz, 1989 (25 Aug.)).

Uncertainty about relative votes among the opposition parties also made the resolution of this issue palatable to the Democratic Forum. It is important to keep in mind that the mixed PR and SMD system had *already* been agreed upon; the question was what the advancement rule should be employed for the SMD tier, given its existence.¹¹ Given a choice between a system which would help the MSZMP versus one which would help some opposition candidate, the Democratic Forum and the other opposition parties preferred one which would help the opposition (Fekete Doboz, 1989 (25 Aug.)).

3.4. *Thresholds and Participation Barriers*

Two participation and threshold issues were raised at the national-level talks. First, the negotiators had to decide on the registration requirements for candidates and party lists. Second, the issue of a minimum vote threshold was raised as a device to avoid excessive fragmentation.

Regime. On the registration issue, the MSZMP wanted the barriers to be set high for both SMD candidates and PR party lists. This was because it had a nationwide organization and resources as well as popular recognition for its candidates. The MSZMP therefore pressed initially for a requirement of 1000 signatures for each SMD candidacy, along with a 5 percent minimum vote threshold for the allocation of list seats (I/3 Minutes, 1989 (28 July): 3).

Opposition. The opposition interests were uniformly in favor of lower requirements for establishing individual SMD candidacies and territorial and national lists for parties, and the opposition therefore quickly agreed to push for a 500 signature requirement for candidacies as a counter to the MSZMP's proposal of 1000. On the threshold issue, however, the opposition was divided. The historical parties demanded an extremely low threshold of 1 or 2 percent while the Free Democrats, Fidesz, and the Democratic Forum pushed for a 5 percent hurdle. The result was a compromise at the Opposition Roundtable for a position favoring a threshold of 3 percent (Fekete Doboz, 1989 (25 July)).

Discussion. The resolution of the thresholds and participation barrier issues at the National Roundtable was straightforward. On the signature requirement question, the negotiators agreed to split the difference at 750

11. It is for this reason that we are able to treat the second-round advancement rule and the mixed system as distinct issues. We thank an anonymous reviewer for forcing us to clarify this point.

signatures, halfway between the MSZMP and opposition proposals.¹² A threshold of 4 percent for the list seats was also agreed as a compromise between the MSZMP's 5 percent proposal and the opposition's 3 percent. The straightforward clash of preferences over both candidacy and threshold is consistent with office maximization for both the MSZMP and the opposition parties. Both sides compromised somewhat in order to reach agreement by splitting the difference between their positions.

3.5. *List Electoral Formulas*

Regime. The decision to employ PR for both the PR districts and for the national compensation list meant that two PR formulas had to be chosen. The MSZMP's draft electoral law had called for a largest-remainder (LR) formula with a Hare quota – the total votes cast divided by the number of seats to be awarded – to allocate seats from the national compensation list. The opposition initially consented to the use of the LR-Hare formula and the issue seemed settled. But on 25 September – after the final Roundtable Agreement had been signed on 18 September and the talks concluded – the MSZMP reopened this issue and demanded a different national list formula: the d'Hondt method, known to be more favorable to large parties, in order 'to avoid as much as possible . . . the ability to obtain a mandate on the national list with too few votes' (I/3 Minutes, 1989 (25 Sept.): 2).

Opposition. The opposition changed positions on both the district and national list PR formulas, in quite different ways. First, the MSZMP's switch to d'Hondt for the national list was ratified by the Democratic Forum essentially acting alone. By late September the Opposition Roundtable had already disbanded following the conclusion of the national talks. With the Free Democrats, Fidesz, the Social Democrats, and the Smallholders busily engaged collecting signatures for a referendum on the presidency, the MSZMP's late demand was essentially addressed to the Democratic Forum. Confident that it was the largest opposition party, the Democratic Forum agreed to the d'Hondt rule (I/3 Minutes, 1989 (9 Oct.): 8). Second, on the second issue of the district PR formula, Free Democrat expert Tölgyessy argued in late August that the Hare rule should be changed because it could have allowed tiny or regionally based parties to fragment parliament. He feared that small district sizes in the counties would have distorted the proportionality which the county lists were designed to provide. This ran

12. The requirements for PR lists were directly linked to the number of SMD candidacies, at having established at least two SMD candidates in a PR district as a requirement for a party's establishing a list. It was also agreed that at least five of the 20 district PR lists would have to be established for a party to set up a national list.

strongly counter to the interests of the national-, Budapest-based Roundtable parties who at the time 'were extraordinarily weak in the counties' (Z. Tóth, 1995b). He therefore lobbied to change from the Hare quota to the Hagenbach-Bischoff quota – calculated as the total votes divided by one plus the number of seats in the district – and advocated that remainder votes be at least two-thirds of this quota in order to count toward a seat in the largest remainder allocation.

Discussion. The MSZMP found the opposition's proposal to use the Hagenbach-Bischoff formula acceptable and the two sides reached agreement without much conflict, for several reasons. First, because the two-thirds limit and the higher threshold would have made it harder for purely local parties to win seats, its distributive effects were generally favorable for all roundtable parties. Second, the choice of PR formula was a technical issue which was not very well understood by either side. 'We knew only a few mathematical electoral methods. [We chose them] because they were known to us,' according to MSZMP electoral law expert Zoltán Tóth (1995a). Yet when the MSZMP was able through additional study to reduce its uncertainty about the operation and consequences of the electoral formulas, it updated its preference and successfully lobbied to change the national list formula. Most of the opposition was also unsure about the distributive effects of alternative formulas and deferred this 'technical' issue to Tölgvény's expertise. We therefore consider the resolution of the PR formula issue to be inconsistent with the office-maximizing positions predicted by our model. Given the volume of literature in electoral studies about the significance of electoral formulas and district magnitudes, the lack of distributive struggle on the formula issue is surprising. Except for the MSZMP's minor manipulation – which turned out in any case to be inconsequential – the bargaining sides were forced to put self-interest aside on this issue because uncertainty and lack of knowledge about institutional consequences made it too difficult to link positions with outcomes.

4. Conclusion: Institutions as Bargaining Outcomes

Far from being paralyzed by the uncertainties generally accompanying transitions, political parties in Hungary in 1989 were able to formulate well-defined institutional alternatives, link them to their electoral self-interest, develop preferences over these alternatives, and update these preferences when new information caused them to reconsider this linkage. Furthermore, the parties attempted to obtain rules as close as possible to these preferences through bargaining at the Opposition Roundtable and at the National Roundtable. As a result, the final system bears the indelible

imprint of the struggles related to its design, even in the context of a political transition rife with uncertainty, a lack of understanding about institutional consequences, and a lack of political experience among many of the actors.

The Socialist party generally pursued an aggressively seat-maximizing strategy. When new information became available or when the MSZMP was otherwise able to reduce its uncertainty about institutional consequences, it updated its positions whenever possible in light of the new information. The MSZMP's final embrace of the mixed system basically saved the Socialists from political oblivion in the first election, but this was not a reluctant concession to opposition demands. Rather it reflected a change in MSZMP position after new information caused it to significantly downgrade the seat share it expected to gain from the SMD-based system.

The opposition parties also generally preferred institutional rules which they expected to be individually seat-maximizing. The historical parties, with the smallest expected vote shares, consistently favored a system that was as proportional and open as possible. The Democratic Forum, as the largest opposition party, favored rules that were more majoritarian in character and less favorable to small parties. Nonetheless several important exceptions to the model predictions were observed, each of which deserves some discussion.

First, on several issues for several opposition parties, the primary motivations were social or coalitional rather than individually seat-maximizing. On the issue of the mixed system, for instance, the Free Democrats' argument in favor of SMDs was that it would maximize the chances of a general opposition candidate winning – not necessarily a Free Democrat candidate. Fidesz also cited this factor in justifying its switch from its original all-PR preference, as well as a desire for governability. Neither motivation is consistent with the office-seeking model.

Second, on the unusual issue of the PR formula, while both sides agreed on rules consistent with their self-interest, they also largely deferred this issue to technocratic expertise. It is possible that each party found that either the costs of further bargaining on the issue outweighed the potential distributive gains from a favorable outcome, or decided to defer to technical expertise because of uncertainty over which position would maximize its self-interest. Both motivations, however, are inconsistent with the simple model we develop here.

A third caveat concerns the unanimity agreement at the Opposition Roundtable, which created a nested choice situation without which the opposition preferences at the national talks cannot be understood. The result: the bargaining strength afforded the opposition by striking a unified position on institutional alternatives came at the cost of requiring each party to dilute its most preferred position in order to reach a consensus position. Even when the opposition front-runner, the Democratic Forum,

might have increased its own seat share by breaking ranks with the other opposition parties, it chose to maintain opposition unity first and pursue seat maximization second. The Democratic Forum compromised on several such issues, most notably the second-round compensation vote question and the acceptance of the evenly mixed system. The nested bargaining game of the Opposition Roundtable also made updating more difficult. While the MSZMP was able to continuously update its preferences as new information became available, the intra-coalition bargains struck by the opposition parties were harder to renegotiate and therefore harder to reconsider.

Such caveats notwithstanding, when it came to each party's positions on specific alternatives, social concerns came second for all parties some of the time and for some parties all of the time to the desire to maximize legislative seat shares. The nearly unprecedented complexity of the system, the party-centric features such as closed party lists and multiple-tier candidacies, and the generally unanimous exclusion of partisan interests not present at the bargaining (such as tiny parties, regional parties, and associational groups who were potentially parties) only reinforces this theme. It is hardly coincidence that all but one of the negotiating parties won seats in the 1990 election, and no party not present at the bargaining won more than a single seat.

Finally, uncertainty also played a role for the largest parties in clouding their pursuit of seat-maximizing rules. Both the Democratic Forum and the MSZMP saw the mixed system as a way of winning seats in multiple ways for multiple possible vote shares. Had each party known precisely what its votes would be in the election, the MSZMP should have embraced an all-PR system and the Democratic Forum an all-SMD system. Likewise, the opposition frequently advocated rules which favored any opposition party against the regime instead of specific individual opposition parties, given their coalitional constraint and their desire to unite against the regime. Quite often at the National Roundtable, then, they fell back to positions maximizing their group's expected seats rather than their individual expected seat shares.

The approach taken here to applying and testing the distributive theory of institutional origins to an empirical case is applicable to other East European countries such as Poland and Bulgaria that negotiated their political institutions as part of their transition to democracy. Our analysis applies equally to other political institutions such as electoral laws, legislatures, presidencies, and constitutional courts. Finally, our examination suggests that further research should focus on the cognitive maps of the strategic actors, namely their perceptions and the way in which they evaluate the precise distributive consequences of different institutional rules and form expectations under uncertainty about their future political status under the new institution.

APPENDIX

A: Chronology of Key Events

Date	Events/Negotiating Positions
1989	
10–11 February	MSZMP Central Committee votes in favor of negotiations with opposition groups and a peaceful transition to free elections.
12 February	Regime agrees to free elections and a multiparty system.
February–May	Bi-lateral consultations between regime and opposition groups.
15 March	Massive demonstration against the regime on the anniversary of the 1848 revolution.
22 March	Formation of the Opposition Roundtable; first meeting.
30 March	The Opposition Roundtable publishes an open letter to the MSZMP demanding bilateral negotiations.
22 April	Preparatory talks begin between the Opposition Roundtable and the MSZMP.
5 June	Publication of the regime's preferred electoral law based on the Politburo decision of 26 May. Proposal: 300 SMD seats, 50 PR seats (compensatory). Allocation rules: Two-round majority-runoff for SMDs; largest remainder Hare for PR list; surplus votes taken from first round of SMD voting.
10 June	Signing of preliminary agreement establishing National Trilateral (Roundtable) Talks.
16 June	Public reburial of 1956 revolutionary martyr Imre Nagy; massive demonstration against the regime.
22 July, 5 August	Regime defeated in four parliamentary by-elections using SMD majority-runoff rules.
25 July	Opposition Roundtable: Agreement among opposition parties to a mixed SMD–PR system as their unified opposition negotiating position at the National Roundtable talks. One-half majority-runoff SMDs, one-half PR list with a 3 percent threshold. Regime: proposes change in runoff-round advancement rule from top two to a minimum of three.
28 July	MSZMP negotiator György Fejti warns the Central Committee that the MSZMP should reconsider the mixed system.
11 August	Private polling institute publishes poll results showing 25 percent for the Democratic Forum, 13 percent for the MSZMP, and 10 percent for the Free Democrats (<i>Népszabadság</i> (11 August): 7).
25 August	Regime proposes and opposition accepts a three-tiered system of 150 SMD seats, 150 list seats, and 50 supplementary (compensation) seats.
28 August	Agreement on (1) runoff-round advancement rule (all candidates receiving more than 15 percent in the first round with a minimum of three) and (2) surplus vote basis from SMD races (first-round votes for parties whose candidate does not ultimately win the race).
6 September	National Roundtable agreement on final proportions: 152 SMD seats, 152 list seats, 70 supplementary seats.
16–20 October	Parliament debates and passes electoral law, amending proportions to 176 SMD seats, 152 list seats, and 58 supplementary seats.
1990	
25 March, 8 April	Free elections in two rounds.

B: Counter-factual Simulation Methodology

The first four numerical columns in Table 5 were calculated from the actual district-level 1990 election results. Column 1 is the simulation's replication of the actual election outcome. Column 2 reruns the election assuming 350 seats distributed on the basis of nation-wide PR using the Hagenbach-Bischoff LR method. (A 350-seat legislature is used in assessing the proposed system since 350 seats was the size originally envisioned for the unicameral Hungarian legislature.) Column 3 reruns the election with 300 SMD seats and 50 national list seats; here the SMD districts and votes have been proportionally rescaled from the actual 176 districts. Column 4 recalculates the 386-seat 1990 election but awards the SMDs to the plurality candidates in the first round of voting.

The last three columns use simulated votes based on the August 1989 state polling institute figures reported in Table 2. The method consists of several steps: (1) generate PR district votes by multiplying each party's polled percentage by the 1990 actual total votes in each PR district; (2) simulate SMD votes for each party in each SMD by drawing from a posterior distribution whose mean is the polled percentage and whose variance is an empirical function of patterns from analyzing the 1990 election results; and (3) convert these simulated votes into seats using methods similar to those described earlier. This method was developed by Benoit (1999, 1997) for use in predicting Hungarian parliamentary election outcomes using opinion polls and previous election results, a method which was successfully applied to forecast the 1998 election outcome (see *Magyar Hírlap*, 1998 (31 May)).

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