PARTY SYSTEM POLARISATION AND QUALITY OF GOVERNMENT:

On the Political Correlates of QoG

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ABSTRACT

The Quality of Government (QoG) research program has to date justified the importance of political context in the form of party system type, electoral rules, and political fractionalization for understanding variation in QoG. Arguments about social fragmentation (be that ethnic, class or racial) are also related to governmental outcomes. I propose to contribute to this research program by examining the relationship between party system polarization, as measured by the variation of parties' policy positions (VPP), and quality of government. I argue that party system polarization can explain short and medium term intra-country variation in QoG. Specifically, *party system polarization should decrease QoG*. My theory suggests two reasons for this expectation. First, party system polarization increases incentives for *partiality* by the bureaucracy and government institutions, and this has subsequent implications for state efficiency. Second, political consensus enhances cooperation among political actors, and thus the government's ability to pursue beneficial reform strategies. Findings suggest that this effect is present but conditional upon a country's experience with democracy.

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The causes and consequences of a virtuous circle whereby countries build and maintain institutions conducive to what has been termed Quality of Government (QoG) has been the focus of much scholarly attention. Good governance is related to a multitude of economic and non economic outcomes: economic growth, social justice, equality, political trust are all outcomes related to levels of QoG. It is, therefore, important to identify and track sources of said outcomes.[i]

A number of country specific factors have been deemed relevant in this sort of studies. Cultural approaches suggest, for example, that corruption (one of the defining characteristics of government quality) is strongly related to embedded social norms related to gift giving and loyalty to the clan or family (Banfield, 1958, Wertheim, 1970; Heidenheimer 1994). From a development perspective studies have suggested that, even though the direction of causality is not wholly clear, it is a stable finding that high economic development correlates with good governance outcomes (La Porta et al. 1999; Treisman 2007). The variation of political institutions across countries is also related to variations in QoG. Democracies in general, tend to be less corrupt regimes, but scholars suggest that this relationship is not as straightforward as one might think (Montinola & Jackman, 2002; Charron & Lapuente, 2010). Among democratic regimes, distinctions between presidentialism and parliamentarism and electoral rules, such as the electoral formula are also sources of QoG (Panizza, 2001;Persson et al., 2003; and Kunicova & Rose Ackerman, 2005; Charron, 2011). Finally, social fragmentation can also lead to suboptimal governmental outcomes. For instance, La Porta et., al (1999) demonstrate that ethnic fractionalization does matter for QoG (see also, Alesina et al., 1999).

It is to the latter two parts of the literature that this study aims to contribute to. In this paper I examine whether QoG is related to the variation of party policy positions (VPP) on offer in a political system. While a number of other variables, that reflect political context, have been considered in the QoG literature, little attention has been paid to the actual 'shape' of party competition (but see Brown et al., 2011). By 'shape' I mean the compactness or not of the policy space (Alvarez and Nagler, 2004). I argue here, that polarized (or dispersed) political systems, in terms of policy, lack the necessary cooperation essential for reform and in some situations might encourage and increase clientelism through the excessive politicisation of the bureaucracy. As such, a situation of a dispersed policy space might be detrimental to state efficiency and to QoG. From a practical standpoint, an attractive feature of considering VPP as a contextual correlate, is that it is one of the few 'political' variables that lends itself to an intra country, cross-time research design (as opposed to the type of electoral system, for example, which generally does not exhibit high levels of intra

country variation). Thus the addition of VPP complements the contextual 'picture' regarding research on the political correlates of QoG (see for example, Kunicova and Rose-Ackerman 2005; Charron 2011).

I examine the above propositions combining data on parties policy positions generated from party manifestos and data on QoG from the International Country Risk Guide (ICRG). The sample includes 39 countries and the time frame is from 1984 to 2009. I employ a Time Series Cross Sectional (TSCS) design for my analysis. Results in the full set of countries do not, initially, confirm my expectations. However, the relationship between polarization and QoG seems to be conditional upon the years of a country's democratic experience. Younger democracies do exhibit a negative correlation between policy dispersion and levels quality of government.

This paper is organized into five sections. I first present the theoretical arguments that support the polarization hypothesis. I proceed with a review of the data used to test this hypothesis. In the third section I present the results from different TSCS models and in the fourth section I proceed to a modification of my original hypothesis in the light of this results and test it again. I conclude with a discussion of these findings and the further steps that I believe this research project should take.

Theoretical Considerations

My theory explaining why polarization decreases QoG comes in two parts. First, in situations of increased polarization, political elites have greater incentives to be *partial* in their exercise of public administration, or to take politicization of bureaucratic posts to an extreme, in order to fortify policy implementation and prevent obstructions. In a polarized environment, parties and governments might have greater incentives to engage in clientelistic practices which will affect, for example, civil service recruitment. A purging of senior civil servants will follow government turnover, the division between administration and politics will become less prevalent and this will have subsequent undesirable effects for continuity in public administration and efficiency. There is a caveat to this argument. The above are conditional on the discretion that a government has on recruitment and the set of rules governing administration practices. It is also related to how the 'game' has been played out in the political arena. If previous administrations (governments) have behaved in a similar manner then the next one is more likely to engage into the same practice. This

will ensure the continuation of a vicious circle which will be very difficult to disrupt.

Second, elite consensus on policy issues is likely to increase legislative cooperation and facilitates policy reform and implementation. Administrative reform, for example, is also more likely to occur under circumstances of consensus rather than polarisation as costs for politicians are reduced. Policy agreement is not necessarily beneficial for QoG but to the extent that this cooperation extends to other political actors (e.g public sector unions) it could help to solve 'dilemmas' and deal with problems of collective action. Socioeconomic development ultimately rests on nations' ability to pursue reform, political economic or administrative (Geddes, 1991; Krueger,1993; Rodrik, 1993, 1996; Treisman, 2007). However, as McCarty, Poole & Rosenthal (2006:176–183) point out, polarization negatively affects policy change and law production. Evidence from anti-corruption reform policies in Sub Saharan Africa also suggested that high policy disagreement between veto players and other stakeholders (especially as the number of the second group increases) does have a negative effect on reform (Torenvliedad and Haarhuis, 2008). Similarly, strong competition between anti-communist and ex-communist factions in post communist countries in the 1990s has reduced economic performance and growth (Frye, 2002).

The above literature emphasizes two mechanisms through which polarisation relates to inferior outcomes in terms of policy performance and reform. First, high political fragmentation makes it difficult for elites to put together the policy 'coalitions' necessary for reform. In that setting the government turnover leads to a revision of previous policy and consequently no side is able to implement a coherent policy program across time. Second in a highly polarized environment government commitment on policy is less credible increasing uncertainty. If, for instance, businesses and firms expect large swings in policy with a change in government, then they have fewer incentives either for investment or timely compliance (Frye, 2002).

Similar arguments come from the 'public goods' literature and in relation to other sources of social divisions. It is well documented, for example, that social fragmentation and polarization (be that racial, ethnic or class related) impedes the effective provision of public goods and stifles growth. Share of spending on productive public goods is inversely related to ethic fragmentation or diversity (Alesina et al., 1999, Easterly and Levin,1997). In cases of extreme political polarization my theory suggests that parties and governments are likely to engage in more 'concentrated' and exclusive provision of public goods in order to solidify support among their own ranks.

The *polarisation hypothesis* reflects the above the theoretical considerations.

H1: Increases in the variation of parties policy positions in a political system will result in decreasing levels of QoG.

I should note that similar and recent research has theoretically specified, tested and confirmed exactly the opposite of what my theoretical framework and hypothesis propose (Brown et al., 2007). In a recent piece Brown et., al argue that polarization increased incentives by politicians to expose corrupt practices, while ideological similarity will encourage collusion between parties. Therefore, in that issue area, polarisation might have a beneficial effect(Brown et al., 2007:1517). Governments faced with oppositions placed at the extreme seem to be perceived less corrupt than governments with an opposition place closer to the middle of the political spectrum (ibid:1517). As it is the case, in my paper, Brown and colleagues move the focus from formal rules (such the electoral system) to actual 'politics'. I will not engage in a detailed critique of the paper. Suffice is to say that the operationalization of polarization, the dependent variable, the time frame and methods employed can account for the differences in the results. Most importantly, the aforementioned study employs perceptions of corruption instead of the hard measure (see below) and does not take into account the full variation of (weighted) policy positions in the political system as a whole, but rather a more summary measure of government vs opposition.

Data and Methods

Measuring the Dependent variable

The International Country Risk Guide (ICRG), published by the PRS Group provide measures of the key dependent variable. As the 'mission statement' on their website reads, "On a monthly basis since 1980, ICRG has produced political, economic, and financial risk ratings for countries important to international business. ICRG now monitors 140 countries" (see, http://www.prsgroup.com/ICRG.aspx). It is this depth of coverage in terms of time, that make the ICRG data such a valuable source for the purposes of this paper. The research design aims to uncover relationships in the main variables of interest intra country and across time. Therefore,

time frame of data availability is a key consideration. With 140 countries included cross national variation is not a issue. While ICRG data are not primarily aimed for academic use, but rather they are mainly tools to make decisions on 'safe' international investment, they do feature in studies published in top academic journals and their use among researchers in political science and economy is by now widespread (see, Charon, 2011 for a review).

I use most available ICRG indicators. The freely available ICRG data are an index comprised by expert evaluations on three main aspects of Quality of Government: Bureaucratic Efficiency, Corruption and Law and Order. In the models below I employ the ICRG corruption index, along with the indicator of Bureaucratic Quality and the full ICRG QoG Index (based on a combination of the three indices above).

Other available indicators such as the Corruptions Perceptions Index (CPI) published by Transparency International have been considered. However, I have decided against their use, due to data limitations (ICRG gives a larger time frame) but also conceptual considerations (the hard measure is for the purposes of this study, I believe, more appropriate).

Measuring the Key Independent Variable: Average Party Policy Polarisation

To measure party policy positions over time, I employ estimates from the Comparative Manifesto Project (CMP). These data are comprised of party manifestos from the main political parties in more than 50 countries in the post-war period and provide the only longitudinal and cross-national estimates of party policies. The analytical payoff of the CMP data is that it allows us to map party positions over a large time frame and in a multitude of political contexts. Moreover, as the content of party programmes is often the result of intense intra-party debate, the CMP estimates should be reliable and accurate statements about parties' positions at the time of elections. Indeed, these measures are generally consistent with those from other party positioning studies, such as those based on expert placements, citizen perceptions of parties' positions, and parliamentary voting analyses. This provides additional confidence in the longitudinal and cross-national reliability of these estimates (see Hearl 2001; Laver, Benoit, and Garry 2003).[ii]

While the methods used by the CMP to map party policy positions have been at length discussed in various publications, I briefly review these methods here.[iii] Under the CMP

framework, policy preferences are characterized by systematic examination of party stances on policies based on content analysis of election programmes (Budge et al. 2001). Individual coders isolate "quasi-sentences" in a party's policy programme and pair them with policy categories (e.g. education, defence, law and order, morality, etc.) using a pre-established, common classification scheme. The classification scheme is made up of fifty-six categories and the percentages of each category provide the basis for estimating the policy priorities of a party. The Left-Right ideological scores for parties' policy programmes (used here) range from -100 (extreme left) to +100 (extreme right). I note that I have recalibrated the CMP estimates to fit on the conventional 1-10 Eurobarometer scale.[iv]

In constructing a measure of dispersion, scholars present different arguments about whether or not the parties' positions should be weighted by their size (see Alvarez and Nagler 2004; Ezrow and Xezonakis, 2011).[v] Both of these arguments appear reasonable, and, consequently, below I report empirical analyses for both weighted and unweighted measures of party system dispersion. The *weighted* measure of average *party* policy *polarisation* is defined as follows:

$$\textit{Weighted Average Party Polarisation} = \sqrt{\sum\nolimits_{j=1} VS_{jk} (P_{jk} - \overline{P}_k)^2} \qquad (1)$$

where,

P_k = the weighted mean Left-Right ideological placement off all parties in country k.

P_{jk} = the ideological position of party j in country k.

VS_{jk} = vote share for party j in country k.

The alternative to weighing parties' positions by their vote shares is to weight all parties equally. This measure is the *unweighted* measure of the average *party* policy *polarisation*, and it is constructed as follows:

$$\textit{Unweighted Average Party Polarisation} = \sqrt{\sum\nolimits_{j=1} \frac{(P_{jk} - P_k)^2}{n}} \qquad (2)$$

Control Variables

Three additional variables are used in the models presented below, effective number of parties, level of economic development (measured here by Gross Domestic Product) and years the country has been a democracy. All three have been theoretically and empirically associated with QoG. In some of these cases the direction of that effect is counterintuitive or the direction of causality is hardly straightforward.

The latter is the case for the measure of socio economic development. Lack of corruption, respect for the rule of law and an effective bureaucracy have been shown to be strongly related to per capita income (Kaufmann et, al. 1999). Others have claimed that in order to establish institutions of QoG a certain level of socioeconomic development is needed first (Goldsmith, 2007). Issues of endogeneity are of course of some concern, but it is not among the purposes of this paper to take a stand in this chicken and egg debate. I consider a country's wealth to be a legitimate and essential control variable in order to test the polarisation thesis not least because it is among the variables which exhibit across time intra country variation.

Institutions associated to liberal democracy, such as an independent judiciary and respect for the rule of law should impose constrains on corrupt behavior by public servants and politicians alike. It has been demonstrated empirically that this relationship is quite complex. It can have a curvilinear function (Montinolla and Jackman, 2005, Charron and Lapuente, 2010) or democracy might actually weaken government quality initially in newly established democracies (McMillan and Zoido, 2004; see also, Rothstein 2011). I do not employ here a measure of democracy which reflects overall democratic performance. I rather employ a straightforward count of the years the country has been a democracy. In this kind of empirical design years of democracy is a variable that has been deemed necessary in similar studies (see for example, Charron, 2011; Keefer, 2007) and as such it is included here as an additional control variable.

Since the compactness of the policy space (or polarisation) is also related to the number of viable political parties in a party system, a control variable that measures that feature of the political context is needed. I use hear the Effective Number of Electoral Parties calculated with the Lakso and Taagepera(1979) formula. Between 1984 and 2000 I use data from Golder (2005), and for the subsequent year I employ data from Gallagher and Mitchell (2008).

Testing the Polarisation Hypothesis

Estimating the parameters of the model specification below (Equation 3) will provide a test of H1.

$$QoG\ (t) = B_0 + B_1\ [VPP\ (t)] + B_{2\text{-}n}\ [Controls] + QoG\ (t\text{-}1) + e \qquad (3).$$

$$H1: B_1 < 0$$

The analysis encompassed about 212 election year in 40 countries between 1984 and 2009 (see Appendix for the list of countries).[vi] The data are best characterized as time-series cross-sectional (TSCS) as the set of observations include an average of 4 election measurements per country. Estimating a simple regression on the TSCS data can lead to erroneous conclusions if there are unobserved differences between countries (Hsiao 2003; Green et al. 2001). Thus I estimate country-specific effects to ensure that unobserved differences between countries are not driving the major findings. I estimate country-specific effects because the theoretical underpinnings of this study focus on intra-country and over-time variation of the dependent variable (rather than cross-national variation).[vii] Given the structure of the data, serially correlated errors within countries is a possibility. That is, the causal processes which generate the QoG score at t, could also be operating at election t-1. Thus, treating these observations as independent could be a problem. As such, corrections for first order autocorrelation such as the inclusion of a lagged dependent variable in the model are necessary. I include the country's score on the ICRG index in the previous election year (t-1) for the parameter estimates in the model specifications that I report.

Table 1 below summarizes the results for the basic specification. There are three different models that have been run using both the weighted and unweighted measure of polarisation. The first model is a bivariate regression between the ICRG corruption index (higher values in this variable indicate less corruption) and the measures of polarisation (all these models have been run using the both the full ICRG index and the ICRG measure of bureaucratic quality and results remain unchanged). In the next two models I include the lagged dependent and independent variables. The lagged dependent variable is included here for methodological reasons as mentioned before and the lagged dependent mainly for theoretical reasons as it could be the case that there is a lagged effect of polarisation. In none of the three specifications do the measures of polarisation (weighted or unweighted, lagged or not) reach a level of statistical significance. The previous levels of QoG do

exert a positive influence on future levels as expected.

TABLE 1. MULTIVARIATE ANALYSES OF ICRG CORRUPTION INDEX AND SYSTEM POLARISATION

	Bivariate		Lagged Dependent Variable		Lagged Independent Variable	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Party System Polarisation(t)	0.10	0.13	-0.09	-0.21	-0.08	-0.21
	(0.29)	(0.27)	(0.22)	(0.18)	(0.22)	(0.18)
ICRG(t-1)			0.38***	0.38***	0.38***	0.38***
			(0.07)	(0.08)	(0.07)	(0.07)
Party System Polarisation(t-1)					-0.03	0.01
					(0.19)	(0.18)
Constant	4.33***	4.32***	2.68***	2.74***	2.70***	2.74***
	(0.22)	(0.18)	(0.36)	(0.33)	(0.39)	(0.35)
Observations	213	213	172	172	172	172
R-squared (overall)	0.00	0.00	0.14	0.14	0.14	0.14

Notes. *p < .10, **p < .05, ***p < .01. two-tailed test; Dependent variable is the ICRG Corruption Index (higher values in this variable indicate less corruption). All models include country specific fixed effects. Robust standard errors are in parentheses. "Weighted" and "Unweighted" refer to the weighted and unweighted measures of polarisation being employed in the model specification, and are calculated as in equations 1 and 2 in text.

Similar is the picture in Table 2 where I add more contextual variables. The first model includes the effective number of parties as a control. In the second, economic development, measured here by Growth is included. The third model incorporates the full set of independent variables. Years of democracy have been added to this last model. Again in no models do the VPP measures achieve any acceptable level of statistical significance. As regards the additional variables Growth seems to be related negatively with QoG. When years of democracy is included in the full model, however, this is the only significant influence recorded. Both of these results are subject to further investigation when additional sensitivity checks are added to the analysis. I should note that the inclusion of a squared term for the years of democracy do not change these results. Neither does the inclusion of measures of government fractionalisation or type of electoral system.

TABLE 2. MULTIVARIATE ANALYSES OF ICRG CORRUPTION INDEX AND SYSTEM POLARISATION

	Effective Number of Parties		Economic Growth		Full Model (years of democracy included)	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Party System Polarisa-tion(t)	-0.09	-0.21	-0.21	-0.32	-0.11	-0.27
	(0.23)	(0.19)	(0.26)	(0.21)	(0.21)	(0.20)
ICRG(t-1)	0.37***	0.37***	0.35***	0.35***	0.05	0.05
	(0.07)	(0.07)	(0.09)	(0.09)	(0.08)	(0.08)
Effective Number of Parties(t)	0.00	0.01	-0.01	-0.00	0.02	0.02
	(0.05)	(0.05)	(0.08)	(0.08)	(0.07)	(0.07)
Economic Growth(t)			-1.57**	-1.64**	-0.66	-0.73
			(0.76)	(0.72)	(0.60)	(0.58)
Years of Democracy(t)					-0.07***	-0.07***
					(0.01)	(0.01)
Constant	2.73***	2.77***	3.12***	3.17***	7.53***	7.61***
	(0.42)	(0.40)	(0.68)	(0.66)	(0.82)	(0.80)
Observations	168	168	155	155	155	155
R-squared (overall)	0.13	0.14	0.16	0.17	0.41	0.42

Notes. *p < .10, **p < .05, ***p < .01. two-tailed test; Dependent variable is the ICRG Corruption Index (higher values in this variable indicate less corruption). All models include country specific fixed effects. Robust standard errors are in parentheses. "Weighted" and "Unweighted" refer to the weighted and unweighted measures of polarisation being employed in the model specifi-cation, and are calculated as in equations 1 and 2 in text.

Overall the results are not encouraging for the polarisation hypothesis. In none of the tests above did VPP appear to exert a significant effect on QoG. However, in all the specifications the sign of the coefficient was the one expected, that is negative.

Modifying the Polarisation Hypothesis

One could argue that a casual reading of some of the available data could provide a clue as to why H1 seems to support the null. For example, the case of Denmark a country with high scores in QoG indicators presents a large variation in terms of policy positions. Indeed cases like Denmark are the ones that drive a positive effect of dispersion on QoG in a simple cross country pooled regression, exactly the opposite of what my hypothesis specifies. Another consideration is that our data on QoG do not go further back than 1984. To the degree that corruption or the absence of it, is "sticky" (Rothstein, 2011), it is difficult to argue that countries with a long history of

established institutions conducive to good governance would exhibit changes in QoG according to the compactness or not of the policy space. On the other hand countries that are still on their way (and the struggle) to achieve high quality of governance would provide a more appropriate set to test the hypothesis.

The other defining characteristic of Denmark, along with the handful of other countries in the sample, is that it has the longest experience with democracy. As of 2007 (the last election year available in my data) Denmark had 77 uninterrupted democratic years. As I have mentioned before the relationship between democracy and QoG is complicated but one could plausibly expect that experience with democracy will alter the way that both elites and citizens interpret situations of polarisation. In established democracies, in the long run, policy outputs tend to be centred around the median voter (McDonald and Budge, 2005). Therefore successive governments have less need to protect policy implementation in the way specified by my theory since both the citizens preferences and the competition among parties has in some sense 'settled' around the median voter with small overtime deviations. If you add to that a consensual culture whereby policy differences are smoothed out inside government coalitions then again this does not encourage the behaviour I have described my theory.

However, one could argue that in younger democracies whereby competition is still much more volatile and swings in voters preferences more abrupt, successive governments a) need to respond quicker to the voter coalitions that brought them to power and b) probably are faced with demands that diverge much more from the status quo than is the case in established democracies. Previous research has highlighted the curvilinear relationship between democracy and quality of government (Keefer, 2007). As the argument goes, the inability of political actors to make credible pre-electoral promises to voters will result in inferior performance outcomes (Keefer, 2007:804). I argue here that diverge positions on policy will exacerbate the credibility problem.

I propose therefore that a country's experience with democracy might condition the relationship between polarisation and QoG. In Table 3 below I include in the full model specification an interaction term between the variables "years of democracy" and "polarisation". Both the main and the interaction effect for polarisation is significant for the weighted dispersion model, but not the unweighted. The signs of the two coefficients, in the weighted model, suggest that when democratic experience in a country is short (main effect) polarisation tends to de-

crease QoG. The sign of the interaction suggests that as the history of electoral democracy becomes longer the same effect tends to become positive, but is very close to zero. Graphing the marginal effect of polarisation over the years of democracy provides more information. In Figure 1 the marginal effect of VPP on QoG appears to be negative and significant in younger democracies. As a country experiences more additional democratic years, the effect turns positive but as the confidence intervals suggest it is not distinguishable from zero. This conditional polarisation hypothesis appears to fit the data better. I should also note that in 12 out of the 14 specification presented above, the polarisation coefficient (both weighted and unweighted) has the hypothesized negative sign.

TABLE 3. MULTIVARIATE ANALYSES OF ICRG CORRUPTION INDEX AND SYSTEM POLARISATION CONDITIONAL ON DEMOCRATIC EXPERIENCE

	Unweighted	Weighted
Party System Polarisation(t)	-0.59	-1.07***
	(0.36)	(0.29)
ICRG(t-1)	0.04	0.02
	(0.09)	(0.09)
Effective Number of Parties(t)	0.02	0.04
	(0.07)	(0.07)
Growth(t)	-0.64	-0.78
	(0.57)	(0.51)
Years of Democracy(t)	-0.08***	-0.09***
	(0.01)	(0.01)
Years of Democracy*Polarisation(t)	0.01	0.02**
	(0.01)	(0.01)
Constant	7.97***	8.35***
	(0.80)	(0.82)
Observations	155	155
R-squared (overall)	0.42	0.44

Notes. *p < .10, **p < .05, ***p < .01. two-tailed test; Dependent variable is the ICRG Corruption Index (higher values in this variable indicate less corruption). All models include country specific fixed effects. Robust standard errors are in parentheses. "Weighted" and "Unweighted" refer to the weighted and unweighted measures of polarisation being employed in the model specification, and are calculated as in equations 1 and 2 in text.

FIGURE 1. THE CONDITIONAL EFFECT OF POLARISATION ON QoG.
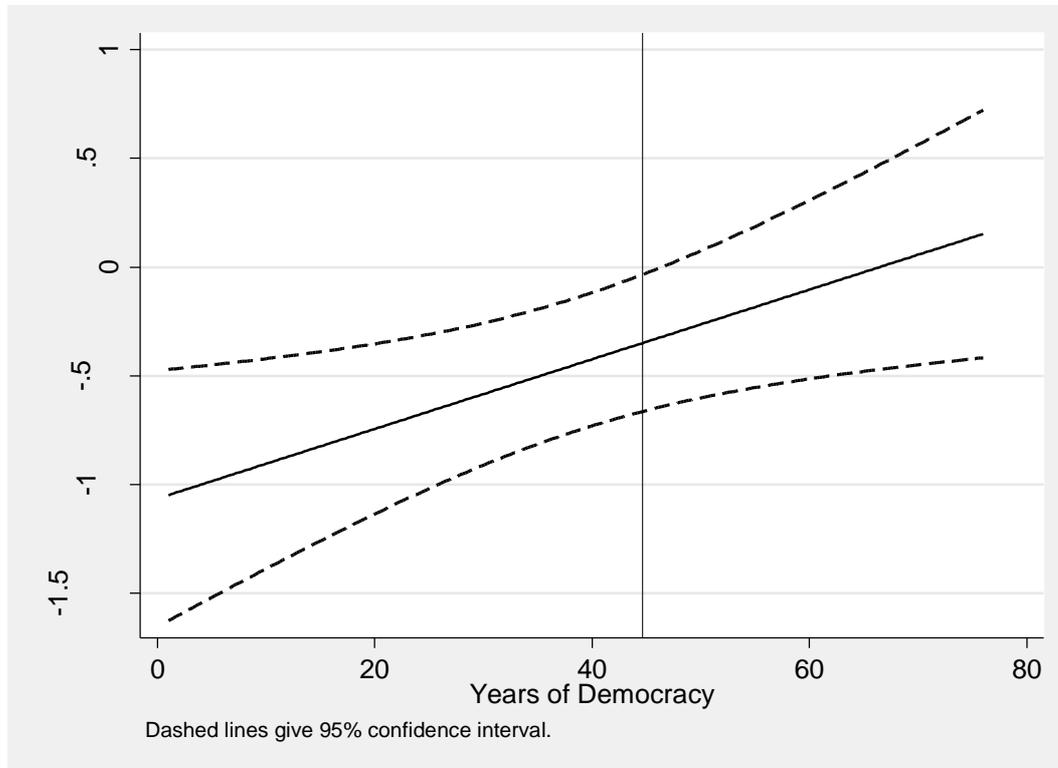
Discussion

In this paper I have argued that the 'shape' of party competition in a political system is a contextual political variable neglected so far in research regarding the determinants of QoG. I suggested that taking into account the compactness or not of the policy space, having therefore another measure of political fragmentation and conflict, is a relevant variable that can add to our understanding about the mechanisms that lead to inferior governmental outcomes or not. I suggested two mechanisms through which polarisation might affect QoG. First, in a polarized environment, parties and governments might have greater incentives to overtly politicize the bureaucracy or engage in clientelistic practices which will affect, for example, civil service recruitment and accordingly state continuity and efficiency. Second, elite consensus on policy issues is likely to increase legislative cooperation and facilitates policy reform, implementation and governments' policy commitment credibility.

The results do not initially suggest that this is the case. While I do obtain the expected

sign for the coefficient in my models in none of those is this effect significant. However, a conditional effect between VPP and QoG seems to be at work here. Younger democracies tend to be susceptible to less compact political spaces as regards indicators of QoG.

Admittedly there is a necessity to shore up the "conditional" argument further in terms of theory and evidence . The argument as it is right now suggests that the distribution of voters preferences, and especially how this distribution changes through time, might be relevant. Data that can combine measures of parties' policy positions along with voters are sparse but they are definitely not non-existent. This would be a way to test whether governments' are adversely constrained in their behaviour due to large swings in voters' preferences.

So far this paper hasn't addressed the potential 'elephant in the room': that is the direction of causality. It could be the case that the causal arrows run from the QoG to polarisation and not in the other way round. One rationale could be the following. Badly governed societies are usually societies where inequality is rampant. This would increase redistributive demands and facilitate the electoral success of fringe parties. The policy space would inevitably expand as a result of that. At this point I can say that in the set of countries and years at hand there does not seem to be a correlation between inequality and polarisation.[viii]

For the future I intend to continue work in this project by focusing on two main issues. One is extrapolating the polarisation data in non-election years. This would not only increase the number of cases but would also provide me with more balanced panels making analysis easier and methodologically sounder. The other would be possibly to focus on policy dimensions, other than the economic as I do here, to calculate compactness of the policy space. In that case maybe switching to a measure of policy performance (so that performance on alternative policy areas can be assessed), would be advisable.

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[i] The presence of impartial institutions, respect for the rule of law and a non corrupt bureaucracy are identified for the purposes of this study as indicators of quality. In this paper I am not going to dwell much on the important aspect of the literature which in effect defining the concept (Rothstein and Teorell, 2008)

[ii] Debate exists over which approach (e.g., expert opinions, citizen perceptions, or codings of manifestos) is the most accurate for measuring parties' policy positions. A special issue of *Electoral Studies* analyzes the tradeoffs that accompany each of these approaches (Marks 2007). I rely on the CMP data because the dataset covers a longer time period than the alternatives.

[iii] For a more thorough description of the coding process, see Appendix 2 in Budge et al. (2001).

[iv] I recalibrated the CMP estimates to fit on 1-10 scale using the following equation: (CMP estimate $\times$ 9/200) + 5.5.

[v] The argument for weighting party system dispersion by party size is that such weighting accounts for the fact that the small parties in some countries have virtually no political influence. The arguments for relying on an unweighted measure of party system dispersion are that a parties' policy influence does not necessarily correlate with vote (or seat) share. Additionally, small parties provide a vehicle through which voters can express their policy preferences, regardless of whether or not such parties significantly influence government policy outputs.

[vii] Hausman tests on the models reported below suggest that a fixed effects estimator is both efficient and more consistent than a random effects one.

[viii] A simple bivariate regression between the GINI Index of inequality and polarization did not return significant results.

Appendix

TABLE A1. LIST OF COUNTRIES AND TIME FRAME

Country	Election Years
Albania	1990-2001
Australia	1984-2007
Austria	1986-2002
Belgium	1985-2003
Bulgaria	1990-2009
Canada	1984-2006
Croatia	1990-2007
Czech Republic	1990-2002
Denmark	1984-2007
Estonia	1992-2003
France	1986-2007
Germany	1990-2009
Greece	1985-2000
Hungary	1990-2002
Iceland	1991-2003
Ireland	1987-2007
Israel	1984-1999
Italy	1987-2006
Japan	1986-2003
Luxembourg	1984-1999
Macedonia	1990-2002
Malta	1996-1998
Mexico	1985-2000
Montenegro	1990-2002
Netherlands	1986-2003
New Zealand	1984-2008
Norway	1985-2001
Poland	1991-2007
Portugal	1985-2009
Romania	1990-2008
Russia	1993-2007
Slovakia	1990-2006
Slovenia	1990-2008
Spain	1986-2008
Sweden	1985-2006
Switzerland	1987-2003
Turkey	1987-2002
United Kingdom	1987-2005
United States	1984-2008