Inter-factional conflicts and government formation. Do party leaders sort out ideological heterogeneity?

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Abstract

Although a large branch of the literature takes parties as monolithic actors, we know that they are teams composed by a variety of subgroups. Hence we consider the party as a coalition of factions that must overcome collective action problems. On the one hand, factions compete to maximize their share of payoffs, while on the other they need to cooperate preserving unity, which is a public good. To deal with this conflict the party select a leader who is in charge of organizing the subgroups in order to produce the public good. Due to problems in ensuring credible commitment, inter-factional conflict and ideological heterogeneity may affect coalition formation jeopardizing party’s chances of getting into government. We estimate the ideological heterogeneity of Italian parties, from 1946 to 2010, using a new dataset, built through quantitative text analysis of policy documents presented by factions during party congresses. These data have been used to assess whether and to what extent internal polarization damages the party’s likelihood of being involved in the ruling coalition. The impact of inter-factional conflict has been investigated in interaction with intra-party rules. In fact, contrasting modes of party organization may alter the degree of autonomy of the leader and its ability to solve factional disputes related to intra-party portfolio allocation or to the governments’ policy platform. In this perspective, when the party leader is autonomous or he/she can rely on powerful whipping resources to impose discipline, the party will credibly sticks to the coalition agreement, thereby reducing the negative effect of factional heterogeneity in coalition bargaining.
Introduction

Several scholars have analyzed the process of government formation to determine who gets into office and to predict which cabinet will form (Bäck and Dumont 2008; Baron and Ferejohn 1989; Curini and Pinto 2013; Diermeier and Merlo 2004; Golder 2006; Laver and Schofield 1990; Strøm, Budge and Laver 1994; Isaksson 2005; Laver and Shepsle 1996; Martin and Stevenson 2001). On the contrary, only few works managed to deepen the analysis of government formation going beyond the unitary actor assumption (Bäck 2008, 2009; Ceron 2013b; Debus and Bräuninger 2009; Kam et al. 2010; Laver and Shepsle 1990; Mershon 2001; Meyer 2012).

We know that factionalism and intra-party dissent are a matter of fact in many parties and political systems. Intra-party ideological heterogeneity affect the choice of party platform, party change, policy-making and party unity in parliamentary voting behavior (Budge et al. 2010; Ceron 2012a; Harmel and Tan 2003; König 2006). Relaxing the unitary actor assumption can also help analyze coalition governments. Given that political parties are composed by a variety of subgroups retaining different policy preferences and contrasting political ambitions, the role of intra-party politics in the bargaining process should be taken into account. This is particularly relevant insofar as internal conflicts and divergences over (factional) portfolio allocation (Ceron 2013b; Mershon 2001) or the policy programme to be realized by the ruling coalition can delay government formation (Mershon 1994) or damage cabinet stability (Giannetti 2010).

Linking hierarchical models of coalition bargaining with the principal-agent literature, this work investigates the process of government formation and aims at analyzing the conditional effect of intra-party division and internal rules (i.e. centralized decision-making) on a party’s likelihood of getting office.

Factionalism and intra-party equilibriums are particularly relevant to the process of government formation in the Italian case (Curini and Martelli 2009), where governments are created and defeated due to the rivalries between internal party factions (Giannetti 2010). Accordingly, we collect data on the factional structure of Italian parties from 1946 to 2010. By analyzing debates held during party congresses, we will assess intra-party heterogeneity, measured through quantitative text analysis of policy motions presented by party factions. In addition, we will take account of the size of each subgroup as well as intra-party rules such as the degree of leader autonomy and the centralization of the candidate selection mechanisms.

The empirical analysis confirms our hypotheses and reveals that centralized decision-making cancels out the negative effect of intra-party ideological heterogeneity by solving problems of credible commitment and reducing the transaction costs. Our findings suggest that factional heterogeneity is not necessarily damaging to the party: autonomous and powerful leaders, in fact, can take advantage of such heterogeneity to boost party flexibility and party strength in the negotiation over government formation.

The next section illustrates the literature on the effect of intra-party politics on government formation and raises some hypotheses. Section two maps intra-party divisions
within Italian parties. Section three discusses the relevance of contrasting intra-party rules and organizational structures. Section four and five present the results of the analysis and draw a conclusion.

1 Literature and hypotheses

The effect of intra-party disputes on government negotiations has been analyzed focusing on two aspects: party cohesion and factionalization, on the one side, and intra-party democracy, on the other. Groennings (1970) was the first to investigate this topic stating that parties weakened by factional strife face disadvantages in coalition bargaining. However, when intra-party disputes happen, centralized decision-making processes allow parties to bypass the conflict and keep office. Other authors emphasize the positive effect of party unity on office payoffs (e.g., Baron 1998). Along the same vein, Warwick (2000, 2005) claims that parties have policy ‘horizons’ that define the bounds of compromise: narrow horizons provides more constraints thereby decreasing the likelihood of entering the process of coalition formation. More recently, Bäck (2009: 64) shown that ‘factionalization and intra-party democracy have negative effects on a party’s chances of getting into government’.1

Other works emphasize the impact of intra-party organization. Strøm (1990) claims that decentralized intra-party decision-making increases the role of party activists, which are notably more policy-oriented and less willing to compromise. By decreasing policy flexibility, decentralized decision-making structures complicate negotiations. Similarly, other works suggest that strongly democratic rules damages the party’s chances to get into office (Bäck 2009; Müller and Strøm 2000; Warwick 1996) while unconstrained negotiators tend to be more often involved in coalition accommodations than parties with a strong organization (Pedersen 2010). According to Pedersen (2010: 750), however, ‘parties with strong national party organs are more inclined to stick to policy ideals, making them less attractive and flexible in inter-party negotiations’. Finally, Maor (1995, 1998) points out that decentralized parties are able to handle factional struggles, whereas in centralized parties the conflict produces public quarrels and party fissions, and these public disputes are more damaging to the bargaining power of parties than internal (private) dissent. Conversely, intra-party division can even have positive effects on the likelihood of getting into office given that factions by increasing party flexibility can provide strategic advantages in coalition bargaining (Laver and Shepsle 1996, 1999; Maor 1998).

Here we contend that intra-party fragmentation and polarization or excessive levels of internal democracy can foster an increase in transaction costs, during the bargaining over government formation (Bäck, 2003; Bäck and Dumont, 2007). This may slow down the

1Potential partners can anticipate the behavior of polarized parties. Going backward, internal polarization, the autonomy of the party leader and the whipping resources available to guarantee credible commitment can also affect a party’s likelihood of being involved in a bargaining, no matter whether the bargaining is successful or not.
decision-making process yielding a twofold negative effect. On the one side, factionalism will raise bargaining costs within the party due to the need to reach an equilibrium between different subgroups; on the other, inter-party bargaining will be influenced by the output of the intra-party game: when dealing with changing and unstable internal equilibriums, coalition partners will face higher transactions costs to negotiate and enforce an agreement.

Beside transaction costs, intra-party heterogeneity and factional strife carry out problems of credible commitment in the negotiation. If the party is composed by subgroups retaining heterogeneous policy views it will be harder for it to reach an agreement behind which all party factions will unify. As such, potential partners are not able to identify a clear stance supported by this party. Even after an equilibrium is reached (in both arenas) the party may be not able to guarantee that the factions will comply and stick to that (Bäck and Vernby 2003). Factionalism and internal fragmentation also increase the number of veto players. In addition, decentralized and unrestricted decision mechanisms tend to promote instability of the outcome. As a consequence, party unity in roll call votes can be negatively affected and government effectiveness damaged.

In light of this, we build a bridge between hierarchical (Laver 1999) and delegation (Strøm 2001, 2003) models of coalition bargaining. Following the ‘whipping game’ proposed by Laver (1999) we analyze government formation as a nested game. The final outcome (e.g. government formation), and the respective payoffs for the actors involved, depend on the output of a bargaining process involving multiple stages. This process goes back and forth between the intra-party and the inter-party rounds of negotiation. Taking the cue from Strøm (2001), in the first stage we contend that party leaders are the agents of their organizations, whose activists and members elected in central office are the principals.

In the first stage the party body assigns to the leader a mandate to bargain with potential partners. The boundaries stated in the mandate depend on intra-party policy heterogeneity while the tightness of such boundaries is affected by internal rules related to intra-party democracy and centralization. The mandate itself impinges on the autonomy of the negotiator (party leader) and on the outcome of the negotiation process given that narrow and tight boundaries imply lower flexibility and decrease party desirability as a coalition partner decreasing its chances to get into office. If the party leader reaches a compromise to form a coalition, in the next stage this agreement should be accepted and approved by the party body.

Then the leader is responsible for its enforcement. Enforcing the agreement, in turn, requires either strong ideological cohesion over the outcome of the compromise or powerful whipping resources that the leader can employ, forcing recalcitrant MPs to comply. The likelihood that the party will stick to the agreement can be discounted during the inter-party bargaining that takes place in the previous stage. Accordingly, it affects the outcome of the negotiation and the probability that the party will enter the government.

Following previous studies we distinguish two main features of intra-party politics, i.e. preferences and rules, that can damage or advantage the party in coalition formation.
Although the literature has discussed the role of factionalism and intra-party democracy as related to each other (e.g. Groennings 1970; Maor 1998), to the best of our knowledge no empirical analysis managed to test the conditional effect of internal policy heterogeneity and intra-party rules. In line with our theoretical framework, however, we claim that the effect of divergent factional preferences interacts with internal rules insofar as autonomous leader with powerful whipping resources can be able to solve credible commitment problems and reduce transaction costs. If party factions are heterogeneous veto players undermining party desirability in the negotiation, we hypothesize that autonomous leaders can override the veto, while centralized candidate selection mechanisms provide powerful whipping resources preventing factions from using it.

Hypothesis 1 (H1): Intra-party division negatively affects a party’s likelihood of being involved in coalition governments, but this effect is lower in parties ruled by unconstrained and autonomous leaders.

Hypothesis 2 (H2): Intra-party division negatively affects a party’s likelihood of being involved in coalition governments, but this effect is lower in centralized parties whose leaders can rely on powerful whipping resources to enforce compliance.

On the other side, policy heterogeneity can have positive effects when it increases party flexibility providing wider horizons (Laver and Shepsle 1996, 1999; Maor 1998). Unconstrained negotiators can pivot between different alternatives in order to get involved in a ruling coalition, but they will have more room to maneuver if the party is internally polarized, provided that the leader is strong enough to enact any agreement that lies inside the Pareto set of party factions.

Hypothesis 3 (H3): Unconstrained and autonomous party leaders with powerful whipping resources at their disposal can benefit from higher levels of intra-party division and take advantage of such flexibility increasing party’s chances to get into office.

2 Intra-party conflict in factionalized parties

To analyze the impact of intra-party conflict on government formation we need to measure internal heterogeneity and evaluate the degree of intra-party division. Our focus is on factionalized parties, composed by a variety of more or less organized subgroups.
(factions) that play a formal role in intra-party dynamics.\textsuperscript{3} Since in factionalized parties divisions and conflicts are often publicly observable, we can exploit ‘hard data’ and official party documents to assess the level of disagreement and policy heterogeneity within these parties. We focus on the Italian case,\textsuperscript{4} which is a benchmark of factional politics, and analyze data from party congress, i.e. the arena in which inter-factional conflict and bargaining take place.\textsuperscript{5}

In divided parties, factions compete to win members’ votes and present a list of candidates attached to a policy ‘motion’, which is an omni-comprehensive policy document that aims to shape party position and strategy. The motions presented by rival party factions express their contrasting views on the ideological direction of the party (Giannetti and Laver, 2009: 154). During the party congress, factional delegates elected by party members select the party body (a small committee in charge of running the party until the next congress) and, directly or indirectly, the party leader. After a public debate, delegates also define the party line and ideological position that the leadership should pursue (Levy, 2004).

In a congress motion factions are (almost) completely free to present their view on party platform, the analysis of party congresses allows to map the intra-party structure measuring the heterogeneous policy preferences of each group as well as their respective strength in party body.\textsuperscript{6} Given that ‘content analysis on texts drafted by […] intra-party groups seem to be the best choice to identify their respective preferences’ (Benoit et al. 2009: 443), here we will analyze congress motions to evaluate a party’s internal polarization. Factions’ policy positions have been extracted from policy motions through Wordfish (Slapin and Proksch 2008; Proksch and Slapin 2009a),\textsuperscript{7} an automated scaling model that, by analyzing the frequencies of all words contained in a text document, allows to assess its position. Wordfish assigns to each word a value $\beta$, which is called ‘discriminating parameter’ and enables to distinguish terms located on the extremes of a latent scale.\textsuperscript{8}

\textsuperscript{3}It has been shown that many parties have wings or tendencies and factionalism is a matter of fact within different political systems (e.g. Meyer 2012).

\textsuperscript{4}Beside the availability of information about factional conflicts, the Italian case is suitable for other reasons. In particular, the high instability rate of Italian cabinets allows to assess the dynamics of the party system on a nearly annual basis, tracking changes in alliances, party strength and policy positions. In addition, it allows to measure the effect of intra-party struggles on government formation opportunities that are temporally close to the party congress debates (see below).

\textsuperscript{5}Several scholars suggest that party congresses are valuable source of data to analyze intra-party politics (Giannetti and Benoit 2009; Levy 2004; Mershon 2001).

\textsuperscript{6}In internal debates the party whip should only play a limited role in binding the sincere expression of factions’ preferences, at least if compared to the stronger effect exerted in the roll call votes or debates in parliamentary arena.

\textsuperscript{7}Wordfish has already been used to estimate the policy positions of political actors in Germany, Italy, Japan, UK, The Netherlands, and the European Union (e.g., Ceron 2011; Proksch and Slapin 2009b).

\textsuperscript{8}Wordfish allows avoiding any concern with common or rare words. Common words not associated with any political meaning (i.e., articles, prepositions, etc.) appear with higher frequency but they are evenly spread across documents. Despite their strong fixed effect (frequency), their discriminating power is close to zero. Conversely the discriminating power of rare words (for instance, words included in only
Then, according to the discriminating power of each word, Wordfish extracts the policy position of textual documents scaling them along a single dimension whose meaning has to be interpreted ex-post and depends on the content of documents analyzed. Given that motions are omni-comprehensive ideological documents covering a wide range of policies, the latent dimension can be interpreted as a traditional left-right scale.

Overall, we analyzed 254 factional motions related to 83 congresses held by Italian parties between 1946 and 2010.\(^9\) Figures 1 allows to carry out a first diagnostic of Wordfish estimation, reporting the $\beta$ parameters of each word along with their frequency (word fixed effect). Some words have been highlighted as an example.

Figure 1: Diagnostic of words estimates: word frequency (fixed effect) and $\beta$ values (left-right scale)

Figure 1 confirms that the $\beta$ values assigned to words are coherent with their actual meanings in the Italian political language. For instance, on the right side we find words traditionally associated with right-wing values and policies such as god, motherland, family, privatization and meritocratic, while on the left we have terms commonly used by left-wing parties like class, nationalization, peace, laity and redistribution.

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9 Documents’ length is large enough to provide valid estimates (5,627 words on average). Only 14 per cent of texts contain fewer than 1,000 words.
Other elements attest that the factions’ positions have been correctly estimated: in each party congress, factions are properly arrayed from left to right and the wings tend to retain positions statistically different from that of party mainstream; furthermore we observe a strong and positive correlation between the position of the median faction and several external measures of party position drawn from expert surveys ($r = 0.8$) or Comparative Manifesto Project data ($r = 0.7$).\footnote{Data available upon request. For additional information on the dataset, refer to Ceron (2012a).}

Since these estimates are valid and reliable, we use them to create an index of Intra-Party Division (IPD) built adapting the concept of ‘ideological standard deviation’ (Warwick 1992) to intra-party politics. This index takes into consideration the ideological range of preferences inside the party as well the strength of each subgroup and it has been measured through the following formula:\footnote{In this way we can keep under control the existence of very tiny subgroups with eccentric positions that are located far away from the bulk of party factions. IPD is strongly correlated (0.8) with the intra-party ideological range, measured as the absolute distance between the two most extreme factions within the party congress. Using this latter variable as a measure of polarization does not alter our results.}

$$IPD = \sqrt{\sum_{i=1}^{n} s_i (f_i - WFP)^2}$$  \hspace{1cm} (1)$$

where $s_i$ is faction $i$’s share of seats in party body, $f_i$ is its policy position, and $WFP$ is the Weighted mean of Factions’ Positions; the summations are over the number of factions within each congress ($n$). Figure 2 reports the degree of IPD within each party considered in the analysis. All of them displays, on average, moderate level of conflict. Heterogeneity is higher within the Italian Socialist Party (PSI) and the Christian Democracy (DC) while the Italian Communist Party (PCI) seems less divided. In many parties we find significant variation in the extent of internal disagreements across time.

\section{Intra-party division and party organization

Internal polarization is just one side of the story since we are interested in assessing its impact in interaction with intra-party rules. Previous work on government formation focused mainly on intra-party democracy and centralization of decision-making process. These two concepts may also overlap, depending on the criteria adopted to distinguish centralization and decentralization (e.g. Bäck 2009). Given the lack of a clear definition of centralization (Pedersen 2010), here we will focus on another set of rules that are directly related to our theoretical framework.

To start with, we contend that flexibility is higher in parties with unconstrained negotiators, hence we want to measure the degree of leader’s autonomy from factional vetoes. Several authors argued that direct forms of internal democracy are one strategy to...
Figure 2: Variation in Intra-Party Division across and within parties
enhance the leader’s autonomy. Leaders may empower ordinary party members (or supporters) increasing the nominal level of intra-party democracy as a device to manipulate members for their own ends (Katz 2001) and to overcome the resistance of middle-level activists and organized factions. Due to aspects like name recognisability and the front runner effect (Kenig 2009), the direct election made by a wide selectorate produces less tight contests, decreasing competitiveness and representativeness (Rahat et al. 2008) and paving the way to a ‘Bonapartist’ form of intra-party democracy. Indeed, when the internal organization fosters leader’s autonomy the party is no longer bound by factional preferences: autonomous leaders retain more discretion in selecting the party platform and are free to negotiate with other parties and build cartels (Ceron 2012b).

Accordingly, we create a dummy variable, Leader Autonomy, distinguishing between leaders directly elected by party members or delegates at party congress (value 1) and those selected indirectly in small committees (value 0) where any single activist can alter the equilibrium keeping the leader tied to factional vetoes. Leaders selected in a small committee, in fact, retain no autonomy and will simply stick to the agreement reached after an inter-factional bargaining (Ceron 2013b). Conversely, leaders selected through a direct election benefit from a stronger legitimacy that gives them more autonomy and flexibility in inter-party negotiations.\(^\text{12}\)

From mid of the 1970s, Italian parties started to adopt direct election and enlarge the selectorate as a device to strengthen the party leader.\(^\text{13}\) The DC switched to direct election in 1976 while the PSI set the same rule in 1981. Around 25% of the party congresses considered have adopted direct election. Seven out of twelve parties included in the analysis have used this rule at least once and we can observe variation both across and within parties.

If direct election fosters leaders autonomy in bargaining, powerful whipping resources increase his/her ability to deal with problems of credible commitment and enforce the coalition agreement. Whipping resources are related to the candidate selection mechanisms established by party statutes. When centralized mechanisms are in place, the party leader is able to select candidates and can use disciplinary tools to punish rebel MPs, thereby altering the legislator’s behaviour (Shomer, 2011; Sieberer, 2006). Indeed, centralized candidate selection neutralizes the negative effect of intra-party heterogeneity on party unity in roll call votes (Ceron 2013a), strengthening government effectiveness. We standardize existing data on candidate selection among Italian parties and create a variable, Centralization, which expresses the degree of centralization in the selection of party candidates.\(^\text{14}\) This index ranges from 0 (decentralized selection process) to 10 (centralized mechanisms). The Italian Social Movement (MSI) is the most centralized party while the DC, as well the Italian Liberal Party (PLI) and the Italian Social Democratic Party (PSDI),

\(^{12}\)For a different view about the effect of the formal and informal powers held by party leaders see Kam et al. (2010).

\(^{13}\)See Calise (2005) on the link between direct election of party leaders and personalization of politics.

in early years, follow decentralized mechanisms of candidate selection.

Figure 3 sketches the relation between intra-party rules and factional heterogeneity. As it emerges from the picture, these two attributes are linearly independent. Neither Centralization (-0.1) nor Leader Autonomy (-0.0) appear to be statistically correlated with Intra-Party Division.

![Figure 3: Relation between Centralization and Intra-Party Division](image)

In the next section the three variables illustrated so far will be used to test the conditional effect of preferences and rules on the government formation process.

### 4 Analysis and results

The hypotheses discussed in section 1 will be tested focusing on the effect of factional conflict during party congress debates on the process of government formation that takes place soon after the congress. Thanks to the high instability of Italian cabinets these two events are temporally closer. The time elapsed between each party congress and the formation of a subsequent new cabinet is 233 days, on average (approximately seven months and a half).

Recent studies model the process of government formation as a discrete choice between potential formation opportunities and analyze them through conditional logit (Bäck
The use of this approach, however, is not completely straightforward when testing hypotheses related to the effect of party features on a party’s likelihood of getting office (Bäck 2009). Since we are interested in analyzing the effect of idiosyncratic party characteristics such as factional heterogeneity and internal rules, the best solution seems to adopt parties as unit of analysis (Bäck 2009; Warwick 1996).\footnote{Alternatively, Bäck (2009: 57-58) suggests to run a conditional logit model using the average level of factionalism and intra-party democracy across all the parties involved in a potential government. This would be empirically unfeasible due to missing data. Nevertheless, this is also less intriguing from a theoretical point of view given that our hypotheses deal with the conditional effects of features measured at the party level. Considering the average level of these variables across governments would be unfit to test the interaction between preferences and rules within party $i$.}

The binary dependent variable is Cabinet Membership, which takes the value of 1 if the party is involved in the government formation process that takes place after the congress and succeeds in getting office. The main independent variables are the three already described in previous sections: Intra-Party Division, Leader Autonomy and Centralization. Besides, we include some control variables that are commonly used in the literature.

Scholars distinguish between internal and external bargaining resources. The former are related to the intra-party attributes discussed so far; the latter include elements like party size and policy position. Larger parties need a lower number of partners to form a majority, hence they usually face less troubles in coalition bargaining as long as they can negotiate with a lower number of potential allies or with smaller groups. Therefore, party size can indeed affect the likelihood of being involved in coalition governments (e.g., Laver and Shepsle 1996) and we control for this aspect through the variable Party Size, which records the percentage of parliamentary seats of each party. Other studies argue that the electoral performance matters as well, and success in elections should increase the probability of entering the government (Isaksson 2005; Martin and Stevenson 2010; Warwick 1996). The variable Change in Size tests this idea measuring a party’s gain (or loss) with respect to previous election.

The role of party’s policy views has been controlled for through a couple of variables. By applying the Black (1958) theorem to coalition bargaining, we would expect that the median party (i.e., the party to whom the median legislator belongs) benefits from its strategic position during the negotiations (Bäck 2009; Laver and Schofield 1990). We include the dummy Median Party, which takes the value of 1 if party $i$ contains the median legislator, and 0 otherwise. Parties whose policy position is closer to the government ideal point could be more easily involved in the bargaining (Pedersen 2010). To control this feature we apply the ‘vanilla method’ (Gabel and Huber 2000) to the Italian Legislative Speeches (ILS) dataset (Curini and Ceron 2012b; Curini 2011; Curini and Martelli 2009; Curini and Pinto 2013) and estimate parties’ and governments’ positions on a single dimension. Then we create the variable Distance, measuring the divergence between party $i$’s and government $j$’s ideal points.\footnote{Given that ILS data are measured after the bargaining, when the government has already been formed,
Finally, several works investigated the impact of incumbency on government formation (Bäck and Dumont 2007; Martin and Stevenson 2001, 2010; Pedersen 2010; Warwick 1996). Transaction costs increase when parties change their coalition partners. These bargaining costs produce inertia and generate an incentive to exploit the well established routines, hence coalition partners would rather keep their cooperation on track. We control whether incumbent parties are advantaged in the negotiations through the dummy variable Incumbent, which is equal to 1 if the party was in office at time \( t - 1 \), and to 0 if not.

Data have been analyzed through logistic regression. Since observations are nested within parties we provide robust standard errors clustered by party to avoid possible problems from non-independent observations.\(^{17}\) Whenever a party fission occurred after the congress (Ceron 2013c), the value of the independent variables has been adjusted to take account of the actual factional structure of the party.\(^{18}\) Table 1 presents the results.\(^{19}\) Three models have been provided. The first one tests the interaction between IPD and Leader Autonomy, the second tests IPD in interaction with Centralization, while the third model includes both interactions.

The results seem to confirm our hypotheses. The coefficient of the interaction between factionalism and intra-party rules is positive and statistically significant in all the models. From model 1, we observe that the negative effect of IPD on the likelihood of being involved in a government, in line with H1, disappeared when the party is ruled by an autonomous leader that can get rid of factional constraints (see Table 2). An increase in IPD by one standard deviation from its mean is 15% less damaging if the party is ruled by an autonomous leader. Similarly, in model 2 we notice that the effect of IPD is mitigated by the degree of Centralization (H2). Figure 4 shows that IPD decreases a party’s chances to get into office only when the candidate selection process is decentralized and the party leader does not retain strong whipping resources. Conversely, when Central-

\(^{17}\)Clustered standard errors are heteroskedastic and autocorrelation consistent (Rogers 1993).

\(^{18}\)Centralization and organizational rigidity increase the likelihood of splits (Ceron 2013c), as suggested also by Maor (1992). Accordingly, our results are net of the effect of ‘exit’ and party fission that have been deemed damaging to parties involved in the negotiation (Maor 1992, 1998). Note that, once in office, party leaders might even have an interest in promoting the breakaway of minority factions in order to improve cohesion in parliamentary behavior and increase government effectiveness (Ceron 2013c).

\(^{19}\)Excluding the formateur party does not alter the results. Our findings hold when considering the role of pre-electoral coalitions through a categorical variable that takes the value of 1 if the party is member of a winning pre-electoral coalition, -1 if it is part of a losing coalition, and 0 if it is not included in any pre-electoral coalition. Focusing on the Italian First Republic (1946-1993) alone yields the same results.
Table 1: Logit regression of Cabinet Membership

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<td>Pseudo R²</td>
<td>0.492</td>
<td>0.500</td>
<td>0.515</td>
</tr>
<tr>
<td>Correctly predicted (%)</td>
<td>85.48</td>
<td>85.48</td>
<td>87.10</td>
</tr>
</tbody>
</table>

Robust standard errors clustered by Party in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$
ization increases whipping resources are stronger and factional divisions cease to damage the party in the bargaining process. When IPD grows by one standard deviation from the mean, its negative impact on the likelihood of being in office is reduced by 24% if the party has powerful whipping resources (i.e., if the degree of Centralization changes from 2 to 7)

Table 2: Effect of IPD conditional on Leader Autonomy

<table>
<thead>
<tr>
<th>Leader Autonomy = 0</th>
<th>-0.761***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(0.250)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leader Autonomy = 1</th>
<th>0.433</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(0.407)</td>
</tr>
</tbody>
</table>

Robust standard errors clustered by Party in parentheses
* p < 0.1, ** p < 0.05, *** p < 0.01

Leader Autonomy and Centralization strengthen the leadership and inhibit the damage due to intra-party conflicts. However, internal rules have an effect on Cabinet Membership as well, though this effect depends on intra-party heterogeneity.

The leaderships in fact can take advantage of its bargaining strength only when the party is composed by subgroups supporting heterogeneous views. Figure 5 confirms that flexible leaders in flexible parties have higher chances to succeed in the negotiation over government formation (H3). Conversely, in cohesive parties, Leader Autonomy and Centralization cease to play a positive effect: leaders, in fact, credibly commit only to well defined party positions. These narrow horizons together with the leader’s propensity to make clear cut choices reduce flexibility and decrease a party’s likelihood of entering the government.20

Among the control variables, three display a significant effect. With respect to the ‘external bargaining resources’, a party’s position and its seats share impinge on the process of government formation. Party Size is positive, meaning that larger parties are more likely to be involved in the negotiation, while Change in Size does not seem to affect a party’s attractiveness as a partner.21 Distance is negative: the probability of entering the cabinet is lower for parties whose policy position lies far away from the ideal point.

20The marginal effect of Leader Autonomy (model 1) is similar to that of Centralization shown in figure 5 (based on model 2). In model 3 both variables have a positive effect on Cabinet Membership when IPD is high, while for low values of Intra-Party Division their marginal effect is no longer statistically different from zero.

21See Isaksson (2005) for a similar result. Note that, within our dataset, Change in Size has a positive effect on Cabinet Membership when considering post-election cabinets only (Martin and Stevenson 2010)
Figure 4: Marginal effect of IPD conditional on Centralization
Figure 5: Marginal effect of Centralization conditional on IPD
of the government. Conversely, Median Party does not have effects. An increase in Party Size by one standard deviation from the mean enhances the probability of getting office by 23%, while a similar change in Distance lowers this likelihood by 13%. Finally, as suggested in previous studies (e.g., Warwick 1996), the incumbent party has a strong advantage in the process of government formation and the probability of entering the cabinet again grows by 70%.

5 Conclusion

Going beyond the unitary actor assumption, the present paper investigates the process of government formation taking into account the effect of intra-party ideological heterogeneity under different internal rules. In order to evaluate the degree of internal conflict, the factional structure of Italian parties (1946-2010) has been mapped and intra-party heterogeneity has been measured by applying a technique of quantitative text analysis to documents (motions) presented by factions during party congress debates.

These data have been used to test hypotheses about the conditional effect of factionalism. Building a bridge between hierarchical and delegation models of coalition bargaining, we contend that factionalized parties are disadvantaged in the process of government formation due to increasing transaction costs and higher problems of credible commitment. However, different intra-party rules may erase obstacles related to ideological heterogeneity. On the one side, the direct election of party leaders increases their legitimacy and autonomy from factional constraints. This lowers transaction costs and allows leaders to set the most suitable party platform in order to reach a coalition agreement, build cartels and get into office (Ceron 2012b). On the other side, centralized mechanisms of candidate selection strengthen the whipping resources available to party leaders allowing them to solve problems of credible commitment and enforce the coalition agreement.

The empirical analysis confirms this theoretical framework. Existing studies (e.g., Bäck 2008, 2009) suggest that factionalism and intra-party democracy jeopardize a party’s chances of getting into government. Our findings show that these two features are damaging only when they interact together.

In fact, our results support the Groennings’ (1970) argument, stating that factionalized parties are less likely to be in office the higher the level of decentralization of intra-party decision-making. Conversely, party leaders that are autonomous in the decision-making process or can adopt a powerful whip to achieve compliance of rebel MPs, are more able to handle internal disputes so that factional conflict is no longer harmful for the party.

Note that this result can partially reflect the ability of autonomous leaders to set policy positions closer to that of the government to enhance the likelihood of getting into office.

When testing the interaction between Incumbent and Distance (measuring the cabinet position either at time \( t \) or \( t - 1 \)), we observe that the incumbency effect vanishes as Distance grows: an incumbent party, whose position was far away from the incumbent (or the new) coalition is no longer privileged in the bargaining. This results is consistent with recent studies on the conditional effect of incumbency (Martin and Stevenson 2010).
Various reasons can explain why centralized decision-making halts the negative effect of ideological heterogeneity. First, autonomous leaders can solve factional disputes related to the distribution of cabinet spoils. For instance, through portfolio allocation they compensate minority factions that are reluctant to form a coalition with partners that retain a divergent policy position (Ceron 2013b). Strategic portfolio allocation then can balance their lower amount of policy payoffs (Warwick 1998). Secondly, autonomous leaders are free from factional ties in the choice of party platform (Ceron 2012b). In line with the ‘cartel party’ theory (Katz and Mair 1995), autonomous leaders can shift the party position to build cross-party cartels and will be more successful in bargaining a coalition deal. As a third point, in factionalized parties the centralized selection of MPs strengthens the party whip and increases party unity in parliamentary votes (Ceron 2013a) thereby solving the problem of credible commitment during the negotiations and fostering government effectiveness afterward. Whether factional disputes concern portfolio allocation or the programme of the coalition government, centralized parties provide their leaders with proper tools to handle the conflict.

The analysis, however, also suggests that factional heterogeneity is not necessarily damaging to the party. In fact, higher internal divisions can widen the party horizons (Warwick 2000, 2005) and increase its flexibility. Due to credible commitment problems, though, only autonomous and powerful leaders will be able to take advantage of this enhanced flexibility. They will pivot between different intra-party dominant coalitions of faction and, within the boundaries of the Pareto set defined by factional preferences, leaders will unify the party behind the most suitable line and strategy, depending on the needs and the requests of alternative potential inter-party coalition partners. In addition, party leaders can also exploit the resistance of intra-party factions as an ‘excuse’ to blackmail partners. This would strengthens the party in the negotiation and help to bargain a more favorable coalition deal, moving the policy outcome closer to its ideal position.

Conversely, when disunity is lower, the area of the Pareto set shrinks, and the leader has only limited room to maneuver because he/she cannot credibly commit to a coalition agreement that lies outside it, far away from the wills of any internal faction. Accordingly, centralized decision-making processes can even damage the party when combined with low internal heterogeneity, which implies lower flexibility in the bargaining.

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24 In a different setting, Kam et al. (2010) suggest that backbenchers are not powerless in the face of leaders. Although starting from a different theoretical point of view, our results point out that even autonomous leaders will take into account the preferences of party backbenchers and, in light of this, they exploit their power to solve internal disputes (Ceron 2013b).

25 For instance, in the aftermath of 2013 Italian election, the leader of the Democratic Party, Pierluigi Bersani, and the deputy party leader, Enrico Letta, took advantage of internal factionalism and divisions, trying to negotiate a coalition agreement with the ‘anti-system’ Five Star Movement and the centre-right People of Freedom party, one after the other. By doing this, the party succeeded in forming a cabinet.

26 In that case the leader would be dismissed by party factions.

27 Note that centralized decision-making in unified parties can be damaging even for other reasons. The party leader could be surrounded by ‘yes-men’ and does not face the opposition of minority factions: such
These findings side with other contributions that emphasize how parties can even benefit from divisions within their own ranks (Meyer 2012). The negative effect of party disunity, in fact, seems conditional on intra-party rules affecting the leader’s ability to handle the conflict and negotiate with potential partners.

In light of this, future research should investigate more in depth the conditional effect of factionalism and intra-party rules and extend the analysis of their impact on the process of coalition formation to other countries in which the inter-party bargaining takes place either before or after the election.\footnote{Factional heterogeneity and the autonomy of party leaders can affect not only the outcome of government formation but also the duration of such process, altering the time-span of such negotiation (Mershon 1994). Then, the theoretical framework analyzed herein could be expanded to analyze thoroughly the complexity of the whole process of bargaining over coalition formation.}

During the Italian First Republic coalition bargaining usually occurred after the election and, due to cabinet reshuffles, this process took place repeatedly until the following elections. Despite the existence of pre-electoral coalitions, even in the Second Republic (1994-present) coalition deals are often reneged and renegotiated after the elections. Sometimes Italian parties appoint governments supported by partners different from those who ran the election together and seem free from coalitional constraints in the bargaining over the formation of a new cabinet. This happened for instance after the 1994 elections when Silvio Berlusconi was replaced by Lamberto Dini as Prime Minister, but also several times between 1998 and 2001 when the centre-left coalition was in office, and again in 2005 and 2010-2011 when the Berlusconi IV cabinet survived for a few months thanks to splinter groups switching from the opposition parties, before being replaced by a new cabinet led by Mario Monti, in November 2011.
References


