

The Impact of Proportional Representation on Government Effectiveness: The New Zealand Experience

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It is often claimed that proportional representation (PR) undermines government effectiveness, including decisional efficacy, fiscal prudence, electoral responsiveness and accountability. Drawing on New Zealand's experience since the introduction of a mixed-member proportional (MMP) electoral system in 1996, this article examines the impact of the new voting system on government effectiveness. Although government durability has been substantially reduced and the policy-making process has become more complex, governments under MMP appear to be no less able to address major policy problems or respond to changing economic circumstances. Moreover, New Zealand has maintained continuous fiscal surpluses under MMP — a radical departure from the protracted, and often large, deficits that characterised the previous two decades under a majoritarian electoral system.

The impact of different types of political institutions on policy processes and outcomes has long been the subject of intensive scholarly debate. In Australia, for instance, the relative merits of the different electoral systems employed across the political system has attracted ongoing attention. Likewise, there has been lively debate over the impact of the senate and the state upper houses on government performance, and in more recent times the rules surrounding the appointment, role and powers of the Head of State has been the subject of much controversy.

From an international perspective, one of the most vigorously debated topics of institutional design concerns the political and economic impact of different electoral systems. For instance, it has long been contended that whereas majoritarian electoral systems lead to strong stable government, countries that employ forms of proportional representation (PR) are governed by fractious and ineffective administrations. A century ago, Bagehot's response to Hare's proposed system of transferable voting was to argue that it 'would not only make parliamentary government work ill, but would prevent its working at all ...' (Bagehot

1904:146). The rationale behind such claims centres on the propensity for PR systems to elect multiparty legislatures, which in turn lead to the formation of coalition and/or minority governments. Although parliaments are usually more representative as a result, particularly in terms of minority interests, it is argued that governments tend to be less decisive and less durable. This is because they must rely on the cooperation of two or more parties, unlike the unified mien of single-party majority governments. For some time PR was also tainted by association with the rise of fascism in Germany in the 1930s and the rapid turnover of governments in postwar Italy, juxtaposed with the stability and strength of the British and American polities over the same periods. Not surprisingly, therefore, when New Zealand contemplated a shift to PR in the early 1990s, those opposed to electoral reform often claimed that enhanced representation under a mixed member proportional (MMP) electoral system would come at the expense of effective government (see McRobie 1993).

Yet, as Lijphart (1999:258) notes, the conventional wisdom that one-party majority governments are more decisive and effective

has 'long been widely accepted without adequate empirical examination'. In recent decades, however, a growing volume of research has been conducted on the relationship between electoral systems and governmental performance (see Castles 1994; Lijphart 1999; Roubini and Sachs 1989; von Hagen 1992; Weaver and Rockman 1993). As might be expected, especially given the methodological problems involved in defining and measuring 'effectiveness', the empirical findings have been mixed. Some studies, for instance, have indicated that coalition and minority governments are less able to respond decisively to economic shocks, less able to impose losses on powerful groups, and more prone to running fiscal deficits — with negative impacts on macroeconomic performance as a consequence. Other studies, however, have questioned whether PR reduces government effectiveness and found no significant differences between PR and non-systems in terms of various important macroeconomic variables (eg economic growth, inflation and unemployment).

The purpose of this article is to consider whether the claim that PR impairs government effectiveness is supported by New Zealand's experience since the introduction of MMP in 1996. Three criteria of effectiveness are given particular attention: government durability, decisional efficacy and responsiveness. We readily acknowledge that it is too soon to make definitive judgments on such matters. After all, it is less than seven years since the first MMP election, and there has been only one major change in the ideological orientation of the government during this period. Against this, almost 10 years have elapsed since the binding referendum in favour of MMP in late 1993, and in political terms it was this event rather than the first PR election three years later that marked the birth of the MMP era (Barker and McLeay 2000; Boston *et al.* 1996a; Vowles *et al.* 2002:3–5). Hence, it is certainly not too early to begin the task of evaluating the institutional, behavioural and policy impact of the new electoral arrangements.

Assessing Government Effectiveness

As indicated above, any attempt to assess the relative effectiveness of different governments or the impact of particular institutional reforms,

such as electoral system change, on government performance poses a range of difficult methodological issues. Not only is there little agreement as to what constitutes 'effectiveness', but also the various criteria that have been suggested are all open to challenge and/or hard to measure (see Di Palma 1997; Eckstein 1971; Lijphart 1999; Ström 1990; Weaver and Rockman 1993).

In New Zealand, the Royal Commission on the Electoral System, whose report in 1986 recommended that MMP should replace the extant simple plurality electoral system, included 'government effectiveness' as one of 10 criteria used to evaluate the relative strengths of a number of electoral system options. In defining an 'effective government', the Royal Commission stated that:

The electoral system should allow Governments ... to meet their responsibilities. Governments should have the ability to act decisively when that is appropriate and there should be reasonable continuity and stability both within and between Governments (1986:12).

At least three different, but related, aspects of 'effectiveness' are contained within this statement: first, the degree of continuity and stability, as judged, for example, by the durability of particular governments; second, the capacity of a government to fulfil its responsibilities, above all the need to be responsive and accountable to the will of the populace; and, third, a government's level of decisional efficacy, as reflected, for instance, in its capacity to act decisively if and when required. Each of these different aspects of effectiveness deserves further comment.

The first measure of effectiveness — the durability criterion — has at least two dimensions. The survival of a government in a parliamentary democracy over a reasonable period of time provides an indication that it has been effective in satisfying voters' preferences and aspirations. Some minimum level of cabinet durability is also a prerequisite for decisional efficacy. After all, rapid changes of government (especially if they involve the replacement of the whole cabinet) are bound to impede the capacity of ministers to devise and implement sound policies or engage in prudent long-term planning. It is by no means clear, however, what

minimum threshold of durability is necessary for a government to be effective.

The Royal Commission's second criterion — that a government should be able to fulfil its responsibilities — can be viewed as part of a broader measure of effectiveness, namely the quality of democratic rule. As Lijphart (1999: 258) notes, it is commonly argued that there is a trade-off between decisional efficacy and the quality of the democratic process. More specifically, PR is thought to provide better representation of voters' views and preferences, stronger protection of minority interests and wider participation in the decision-making process. But these advantages, it is contended, come at the expense of the decisive policy-making that characterises the single-party majority governments produced by plurality elections. The introduction of MMP in New Zealand has certainly led to enhanced proportionality in the representation of political parties, and it has also facilitated access to parliamentary membership for hitherto under-represented groups, such as women, Maori and other ethnic minorities (McLeay 2000a). But although the new electoral system has theoretically broadened the base of societal support for decisions that governments have made, it is important not to conflate a more representative or effective *parliament* with effective *government*.

The Royal Commission's third criterion — decisional efficacy (see, for example, Eckstein, 1971:20ff) — is widely regarded as an important measure of government effectiveness. But how might such a criterion be assessed? One option is to consider the quantity and/or quality of a government's policy *outputs*. Another is to evaluate its success in achieving desired policy *outcomes*. But each approach raises a host of methodological challenges. In many instances governments have precious little control over policy outcomes, and the interference of numerous exogenous and endogenous variables makes it difficult to draw firm conclusions as to what degree of influence can be attributed to government action (or inaction). There are also difficulties in assessing policy outputs. Merely counting the number of outputs a government produces (eg the number of Bills enacted or regulations gazetted) tells us nothing about the nature or quality of such measures. Attempts to assess instead the quality of outputs are, on the

other hand, invariably contentious. For some observers, high public expenditure on social services constitutes a waste of resources; for others, it represents one of the necessary costs of pursuing greater social justice. Moreover, variations across countries (or between administrations in one country) in the degree to which governments provide comprehensive social services arguably has more to do with voters' preferences (or those of the leaders) than the effectiveness of the political institutions in translating these preferences into policy. Indeed, the political preferences of citizens for certain policy settings may influence the kind of institutional arrangements adopted, making it difficult to infer causality in the relationship between a country's choice of electoral system, for example, and its policy outcomes.

Despite these caveats, Weaver and Rockman's (1993:6) checklist for assessing decisional efficacy remains helpful — primarily because the focus of their analysis is upon the particular *capabilities* that all governments need to operate effectively, irrespective of their specific policy goals. They identify 10 separate capabilities:

- the capacity to set and maintain priorities;
- the capacity to target resources where they are most effective;
- the capacity to innovate when old policies have failed;
- the capacity to coordinate conflicting objectives into a coherent whole;
- the capacity to impose losses on powerful groups;
- the capacity to represent diffuse, unorganised interests in addition to concentrated, well-organised ones;
- the capacity to ensure effective implementation of policies once they have been decided upon;
- the capacity to ensure sufficient policy stability so that policies have time to work;
- the capacity to make and maintain international commitments in the realms of trade and national defence; and
- the capacity to manage political cleavages to ensure that the society does not experience high levels of political violence.

There are a number of reasons why a PR system like MMP might affect the capacity of governments to undertake these tasks. To start with, coalition governments — which are much

more common under PR than simple plurality systems — require two or more parties to co-operate before important decisions can be taken. Accordingly, there is a risk that the process of reaching agreed policy positions will be more difficult, that gridlock or immobilisation will be more common, that the pace of decision-making will be slower, and that it will be more difficult to devise and pursue a consistent set of policies.

Minority governments are also more common under systems of PR. In fact, most of the governments in New Zealand since the binding referendum on electoral reform have lacked an overall parliamentary majority. Because minority governments require support from other parties, they are likely to experience more difficulty securing parliamentary backing for their legislative and budgetary proposals. Equally, it is probable that the process of passing legislation will be slower, and that the final shape of the legislation may be different from that originally intended.

Quite apart from this, it is argued that coalition and/or minority governments, because they encounter a greater number of potential veto points than single-party majority governments (see Kaiser 1997), may find it more difficult to manage a crisis, respond rapidly to changing circumstances and impose losses on powerful sector groups. This is because the interests of such groups are more likely to be represented by one or other of the governing (or support) parties.

It is not possible to consider in detail here the impact of MMP on each of the 10 capabilities identified by Weaver and Rockman. Accordingly, in considering the criterion of decisional efficacy attention will focus on a selection of the most important capabilities, such as the capacity to set and maintain priorities and to innovate, the capacity to pursue consistent and prudent fiscal policies, and the capacity to respond decisively to exogenous economic shocks. But before examining the impact of MMP on decisional efficacy, let us consider first how the new electoral system has affected government durability.

Government Durability

The relevant literature contains a number of different measures of 'durability'. These differences stem from competing views over what

constitutes a 'change of government' (see Damgaard 1994; Dodd 1984; Ström 1990; Taylor and Herman 1971; Warwick 1994). For the purposes of this discussion, it will be assumed that such a change occurs when at least one of the following criteria is met: (1) there is a change in the party composition of the cabinet; (2) there is a change of prime minister; (3) there is a change in a government's parliamentary support from majority to minority status (or vice versa); (4) there is a general election; and (5) there is a reconstruction of the same government after its resignation during an inter-election period.

The experience of other countries with PR led many to predict that the introduction of MMP in New Zealand would reduce government durability. This is because coalition and/or minority governments, which are the norm in multiparty systems, typically survive for shorter periods than single-party majority governments (see Gallagher *et al.* 2001; Lijphart 1999; Muller and Ström 2000; Ström 1990; Taylor and Herman 1971). For example, Gallagher *et al.* (2001:365) found that of 14 European countries during 1945–98, single-party majority governments lasted an average of 953 days, coalitions 638 days and minority governments 505 days (or less than one and a half years).

While recognising that only three parliamentary terms have elapsed since the referendum on MMP in 1993, the experience in New Zealand is consistent with the international evidence. Table 1 outlines the durability of governments since 1935, based on the five criteria noted above. From 1935 to 1993, governments survived for an average of 847 days, or somewhat over two years. (This figure is increased to roughly 4.25 years if the holding of a general election is not included in the criteria for a change of government). During the 1993–1996 parliamentary term the average duration of governments fell to a mere 160 days (or just over five months), largely due to the peregrinations of incumbent MPs during the transition to the new electoral system. For the period between the first MMP election in 1996 and the third MMP election in 2002, the average duration was 414 days, about half that under the former first-past-the post system.

It is worth noting, however, that following the 1999 general election, the Labour–Alliance

Table 1: Government Duration and Termination in New Zealand 1935–99

Prime Minister	Party/ies	Majority Status	Life Dates*	Mode of Termination	Duration
Savage I	Labour	majority	6/12/35–13/12/38	Scheduled election	1,103 days (3 yrs)
Savage II	Labour	majority	13/12/38–27/3/40	Death of PM	470 days (15 mths 2wks)
Fraser I	Labour	majority	1/4/40–29/10/43	Scheduled election	1,306 days (3 yrs 6 mths)
Fraser II	Labour	majority	29/10/43–19/12/46	Scheduled election	1,147 days (3 yrs 2mths)
Fraser III	Labour	majority	19/12/46–13/12/49	Scheduled election	1,090 days (3 yrs)
Holland I	National	majority	13/12/49–13/9/51	Unscheduled election	639 days (1 yr 9 mths)
Holland II	National	majority	13/9/51–26/11/54	Scheduled election	1,170 days (3 yrs 10 wks)
Holland III	National	majority	26/11/54–20/9/57	Resignation of PM	1,029 days (2 yrs 10 mths)
Holyoake I	National	majority	20/9/57–12/12/57	Scheduled election	83 days (12 wks)
Nash I	Labour	majority	12/12/57–12/12/60	Scheduled election	1,096 days (3 yrs)
Holyoake II	National	majority	12/12/60–20/12/63	Scheduled election	1,103 days (3 yrs)
Holyoake III	National	majority	20/12/63–12/12/66	Scheduled election	1,088 days (3 yrs)
Holyoake IV	National	majority	12/12/66–22/12/69	Scheduled election	1,106 days (3 yrs)
Holyoake V	National	majority	22/12/69–7/2/72	Resignation of PM	777 days (2 yrs 7 wks)
Marshall I	National	majority	7/2/72–8/12/72	Scheduled election	305 days (10 mths)
Kirk I	Labour	majority	8/12/72–31/8/74	Death of PM	631 days (1 yr 9 mths)
Rowling I	Labour	majority	6/9/74–12/12/75	Scheduled election	462 days (1 yr 3 mths)
Muldoon I	National	majority	12/12/75–13/12/78	Scheduled election	1,1097 days (3 yrs)
Muldoon II	National	majority	12/12/78–11/12/81	Scheduled election	1,094 days (3 yrs)
Muldoon III	National	majority	11/12/81–26/7/84	Unscheduled election	958 days (2 yrs 8 mths)
Lange I	Labour	majority	26/7/84–24/8/87	Scheduled election	1,124 days (3 yrs 1 mth)
Lange II	Labour	majority	24/8/87–8/8/89	Resignation of PM	715 days (2 yrs)
Palmer I	Labour	majority	8/8/89–4/9/90	Resignation of PM	392 days (1 yr 1 mth)
Moore I	Labour	majority	4/9/90–2/11/90	Scheduled election	59 days (2 mths)
Bolger I	National	majority	2/11/90–29/11/93	Scheduled election	1,123 days (3 yrs 1 mth)
Bolger II	National	majority	29/11/93–11/9/94	Governmental aggregation	254 days (9 mths 2 wks)
Bolger III	National–ROC	majority	11/9/94–9/5/95	Governmental dissension	240 days (8 mths)
Bolger IV	National–ROC	minority	9/5/95–28/8/95	Governmental dissension	111 days (3 mths 3 wks)
Bolger V	National	minority	28/8/95–28/2/96	Governmental aggregation	184 days (6 mths)
Bolger VI	National–United	majority	28/2/96–6/3/96	Governmental dissension	7 days
Bolger VII	National–United	minority	6/3/96–16/12/96	Scheduled election	285 days (9 mths 2 wks)
Bolger VIII	National–NZF	majority	16/12/96–8/6/97	Resignation of PM	357 days (1 yr)
Shipley I	National–NZF	majority	8/12/97–28/7/98	Governmental dissension	232 days (7 mths 3 wks)
Shipley II	National–NZF	minority	28/7/98–26/8/98	Governmental dissension	29 days (1 mth)
Shipley III	National–Mauri Pacific–Independents	minority	26/8/98–10/12/99	Scheduled election	471 days (15 mths 2 wks)
Clark I	Labour–Alliance	minority	10/12/99–26/8/02	Unscheduled election	979 days (32 mths 2 wks)
Clark II	Labour–Progressive	minority	26/8/02–		

* Unless otherwise indicated, these refer to the date of appointment/reappointment. Changes of prime minister are effective on the date of resignation, except in the case of deaths in 1940 and 1974 when it took some days before the new prime minister was appointed. Where the party composition of the government changes during an inter-election period, or when there is a change in majority status, the date that this change took effect has been used.

coalition lasted 979 days (just over two and a half years), longer than the average under the previous electoral system. Indeed, the coalition came close to completing a full three-year term. However, the junior coalition partner (the Alliance) suffered major internal ructions during the first half of 2002, with the result that the leader and a majority of his caucus decided to form a new party, the Progressive Coalition, to contest the 2002 election. The events surrounding the demise of the Alliance, coupled with remarkably favourable opinion polls, prompted the prime minister, Helen Clark, to call an early election — only the third such election since World War II.

But if the turnover of governments under MMP has thus far been greater, on average, than under the previous electoral system, the significance of this must not be exaggerated. For one thing, most of the changes of government between 1993 and 1999 were the result of minor parties either joining or leaving a National-led administration. Hence, while there were relatively frequent changes in the parties represented within the cabinet (or ministry), there were also many continuities: a centre-right government remained in office throughout the period; the largest centre-right party in the parliament — National — held most of the seats in the cabinet during these years; and there was only a modest turnover of ministerial personnel (at least with regard to National ministers). It is relevant in this context to note Siegfried's (1956:399) conclusion concerning the Fourth Republic in France, namely that a high turnover of governments but a low turnover of ministers can lead to 'stable instability' (an argument that can also be applied to postwar Italian politics). In short, in measuring government duration under MMP, some account should be taken of the fact that different types of government termination vary in their impact on the capacity of governments to operate efficiently and effectively.

Clearly, the durability of the National party in government during 1990–99, notwithstanding numerous 'technical' changes of government, was an important factor in mitigating the potentially deleterious effects of short government duration. Agreements with other parties ensured that there was no significant loss in the administration's capacity

to develop and implement new policies or enact legislation. Nor was there any evident reduction in the interest of ministers to address longer-term policy questions. Indeed, one of the most notable developments in public sector management during the mid-1990s was the implementation of a new strategic management regime (Boston and Pallot 1997). This required ministers to identify a series of high-level, strategic goals. Such goals were then incorporated into the annual budget cycle and departmental performance management systems.

In summary, there can be no doubt that the introduction of MMP has increased the number of (technical) changes of government and thus reduced government durability. However, it would be easy to overstate the significance of such data. Most of the changes to date have been of a minor nature and have not been the result of serious internal dissension. Accordingly, any impact on the decision-making capacity of the government should have been correspondingly small in magnitude. But if a higher turnover of governments does not necessarily undermine government effectiveness, what of the impact of the move from single-party majority governments to coalition and/or minority administrations? Has this affected the various capabilities identified by Weaver and Rockman?

Decisional Efficacy

As noted earlier, it is widely believed that governments under PR are less decisive than their majoritarian counterparts. Schmidt (2002:150) summarises this contention as follows:

Challenges requiring swift response, the rapid development of political alternatives and rapid decision-making tend to overburden the non-majoritarian democracies. And so, too, do challenges which require the capacity to design and implement significant policy changes. Due to the number of participants in policy deliberation and decision-making, non-majoritarian democracies need longer periods of time to reach a consensus or initiatives may even get struck in a blocked decision-making process.

Do such arguments apply to New Zealand and has decisional efficacy declined since the electoral referendum in 1993?

Thus far, all but two of the 12 governments that have been formed in New Zealand since 1993 have been coalitions. Most of these have lacked a parliamentary majority (see Table 1). The nature of coalition government has entailed various changes to the way in which political agreement on decisions is sought. The process has certainly been more complex and in many cases more protracted, although a long-standing criticism of single-party majority government was the excessive speed with which legislation was enacted (Palmer 1979). The traditional behavioural norm under the previous electoral system was for major policy and legislative initiatives to be referred to the government caucus for its views. During the 1980s and early 1990s, however, this became more a matter of informing rather than consulting backbench MPs. Under the coalition governments since the mid-1990s, the practice has been to refer all important matters back to the government caucuses for their views. This process has often involved negotiations between ministers and backbenchers, not simply ministers informing their caucus colleagues of the government's intentions; it has also led to the revitalisation of the caucus committee system, at least in the Labour party. In this respect, therefore, the advent of MMP has had the effect of reinstituting an old tradition (McLeay 2000b:10).

As a majority coalition, the National–NZ First administration (1996–98) behaved much as a single-party majority government under simple plurality rules in pushing its legislation through parliament. This government had a majority which was effectively greater than its formal numerical strength might otherwise suggest, given the tacit support of two other parties, ACT and United, for much of its legislative programme. The National–NZ First coalition was able to implement an extensive legislative agenda, bypassing the select committee stage in certain circumstances, overriding select committee decisions that were

not acceptable to ministers, and operating the House under urgency for lengthy periods. The policy positions which resulted were perhaps more moderate and centripetal than those of previous National governments, and it is possible that major policy decisions under MMP will be more able to withstand changes in the composition of government given their cross-party support. However, this depends on which parties are in coalition: in the absence of a well-established centre party, the alternation of coalitions of the centre-right and centre-left creates the potential for the kind of policy swings which are often a feature of single-party majority governments (Finer 1975:12–14).

The experience of minority government since the mid-1990s has undoubtedly been characterised by a discernible shift in decision-making style. Whereas majority coalitions have operated in parliament rather like a single-party majority government, minority coalitions have been required to engage in inter-party consultation at both the executive and legislative levels. Inevitably, this has created greater uncertainty and prolonged the decision-making process. Yet to date there is little evidence that minority governments under MMP have encountered any significant loss in their decisional efficacy.

In terms of the capabilities identified by Weaver and Rockman (1993), the experience since the mid-1990s suggests that both majority and minority coalitions have been able (albeit to varying degrees depending upon the political circumstances) to set and maintain priorities, formulate and implement major reforms, coordinate conflicting objectives into a coherent whole, impose losses (in a limited number of cases) on powerful groups, make and maintain international commitments in the realms of trade and national defence, and ensure effective policy implementation. For instance, the Labour–Alliance minority government, drawing mainly (but not exclusively) on support from the small Green Party (Bale and Dann 2002), enacted a substantial number of legislative reforms, some of which have entailed notable departures from the neo-liberal orthodoxy that dominated the policy agenda between the mid-1980s and the mid-to-late

Table 2: Selected Indicators of Legislative Activity 1990–2002

<i>Legislation</i>		<i>Parliamentary years (June to July)</i>										
	1990– 91	1991– 92	1992– 93	1993– 94	1994– 95	1995– 96	1996– 97	1997– 98	1998– 99	1999– 00	2000– 01	2001– 02
Government Bills *												
Introduced	42	73	50	30	51	55	36	75	73	54	54	66
Enacted	147	163	131	109	182	101	144	159	115	87	111	89
Members Bills **												
Introduced and read first time	5	10	12	10	5	25	11	22	25	14	27	1
Denied progress	4	4	10	5	7	6	7	18	9	4 (1st) 0 (2nd)	11(1st) 4 (2nd)	0 (1st) 2 (2nd)
Enacted	1	2	2	2	2	0	2	2	1	2	4	4
Local Bills												
Introduced and read first time	9	9	8	4	7	7	2	3	5	0	7	2
Enacted	1	7	10	3	8	5	7	2	0	5	1	7
Private Bills												
Introduced and read first time	3	1	2	8	3	2	5	4	1	1	3	3
Enacted	2	3	2	8	2	4	1	4	3	1	1	4

* The significant difference between the number of government Bills introduced and enacted arises from the carrying over of Bills from the previous session and the division of Bills by committees of the House.

** From 2000, members' Bills denied progress were simply listed as 'Introduced', and then divided into two categories: first reading negatived and second reading negatived. The numbers in brackets are to indicate at which reading the Bill was negatived.

Source: Report of the Office of the Clerk of the House of Representatives, 1990/91–2001/2002.

1990s. Such legislation included controversial measures to enhance trade union rights and increase tax rates for those on higher incomes, the 're-nationalisation' of accident compensation, the reintroduction of democratic representation in the governance of public healthcare providers, the introduction of paid parental leave, major changes to the funding of tertiary education, and the establishment of a tax-funded investment scheme to help pay the costs of state pensions over the longer term. Admittedly, the coalition's minority status necessitated compromises with other parties on the detail of these legislative initiatives, but the basic policy direction sought by the government was not fundamentally altered.

Similarly, quantitative data indicate that there has been only a modest change in the level and pattern of legislative activity since the introduction of MMP (see Table 2). For instance, there remains a tendency for the number of government Bills introduced and enacted to fluctuate in line with the electoral cycle, with more limited activity during the period immediately preceding and following a general election. Admittedly, the number of government Bills enacted each year since 1998–99 has been less than during the parliamentary term immediately prior to the referendum on electoral reform. However, the number of Bills enacted during 1997–98 — the first full year after the introduction of MMP — was among the highest since 1990–91. As one might expect, there has been a tendency for fewer government Bills to be enacted during periods of minority government (eg 1995–96 and 1998–99) than majority government (eg 1997–98). While there has been a significant increase in the number of members' Bills introduced since the 1993 referendum, the number actually enacted has risen only slightly — thus suggesting that governments under MMP, including minority administrations, continue to dominate the parliamentary agenda.

On another front, there is little evidence to date of any decline in the capacity of governments to take decisive action in response to unexpected international developments and crises. For instance, the National-led governments of the mid-to-late 1990s were able to secure multiparty support for action against French nuclear testing in the Pacific and a rapid and coordinated response to the violence in East

Timor in 1999. The subsequent Labour–Alliance minority coalition reacted strongly to the overthrow of the constitutionally elected government in Fiji in 2000, and took prompt action in a range of policy arenas following the terrorist attack on the USA on 11 September 2001 (including a decision — which was to prove controversial within the Alliance — to send a contingent of elite troops to fight in Afghanistan).

Finally, there is evidence, albeit limited, that governments under MMP, including minority coalitions, are willing and able to impose modest financial losses on powerful sectoral groups. For instance, in 1998 the National-led minority coalition announced significant changes to the eligibility criteria for the government superannuation scheme — changes that resulted in many older citizens having to wait for an additional number of years before they became eligible for a state pension.

Fiscal Policy

A repeated theme during the debates over electoral reform in the early 1990s was the proposition that the introduction of MMP would reduce the degree of fiscal discipline and impair the capacity of governments to respond appropriately to exogenous economic shocks (Bollard 1993:32; Boston *et al.* 1996b:284–85). Such concerns were based upon the findings of a number of cross-national studies that indicate positive relationships between the prevalence of coalition and minority governments and slow responses to adverse macroeconomic shocks. It has been hypothesised that under such circumstances budget deficits are more likely to result, because it is more difficult to agree on cuts in spending programs where action needs to be negotiated between two or more parties (Roubini and Sachs 1989; Edin and Ohlsson 1991). It is not so much that the parties disagree about the desirability of expenditure reductions (although this may be the case in some instances), but rather that they are unable to agree where the spending cuts should occur. Also, the vulnerability of a medium-term fiscal strategy is thought to increase as the term of parliament matures, as parties increasingly seek to differentiate themselves before the next election through additional spending (or tax reductions) designed to appeal to their respective constituencies

(Schick 1996:62). This tension between the parties in government may exacerbate the short-term horizon to fiscal policy if PR generates a pattern of short-lived coalition and minority governments (Roubini and Sachs 1989:908–9; Bollard 1993:16).

Against this, von Hagen (1992) has argued that the ability to achieve fiscal discipline is less a function of the electoral system or government type (ie coalition or majority status) than the more specific institutional procedures that determine the budget process. According to von Hagen, there are three conditions which are conducive to achieving fiscal restraint: the dominance of the prime minister or finance minister over spending ministers in shaping the budget; restrictions on the ability of the legislature to modify the proposed budget; and limitations on the ability to change the budget during its implementation. More recently, it has been argued that electoral arrangements matter only to the extent that they restrict the type of budgetary institution that a government has at its disposal during the executive phase (Hallerberg and von Hagen 1997). A strong finance minister is feasible in states where one-party governments are the norm (eg under plurality systems), whereas multiparty governments are more likely to employ negotiated spending targets.

The evidence to date from New Zealand's experience under MMP indicates that there has been no significant loss of fiscal discipline, and thus tends to support von Hagen's analysis. To be sure, there has been a change in the budget *process* in the sense that more parties must be consulted. Also, under minority governments there is a requirement for consultation (and sometimes negotiations) with non-government parties prior to the budget being finalised and introduced in parliament. However, thus far no government has encountered much difficulty in winning parliamentary support for its major budgetary initiatives, and there have been few instances where ministers have felt obliged to use their 'financial veto' (available under Parliament's Standing Orders) to prevent the passage of legislative amendments advanced

by opposition parties with significant fiscal implications.

In terms of fiscal policy, all of the governments under MMP — whether of the centre-left or the centre-right — have been committed to broadly similar fiscal objectives, including the maintenance of budget surpluses, a reduction in government expenditure as a proportion of GDP and a reduction in both gross and net public debt (Dalziel and Lattimore 2002). Likewise, all the governments since 1996 have embraced the concept of three-year expenditure caps (under which spending limits are agreed at the commencement of each parliamentary term) (Boston and Church 2002). More impressive, perhaps, is the fact that the governments have generally achieved their fiscal objectives and come close to remaining within their self-imposed expenditure caps. For instance, the Labour–Alliance coalition expected to reduce government expenditure as a proportion of GDP (from about 33.8 per cent in 2000 to 32.9 per cent in 2003), reduce gross and net public debt,¹ and maintain modest fiscal surpluses (of 1–2 per cent of GDP).² In fact, assuming that the current fiscal stance remains largely unaltered (and barring a major downturn in the world or domestic economy), then by 2004 the government will have secured continuous fiscal surpluses for a decade. This marks a radical departure from the large fiscal deficits that were common during the previous two decades (1974–94) — prior to the introduction of PR.

To date, the biggest fiscal test for governments since the introduction of MMP arose from the Asian financial crisis in late 1997 and early 1998. The rapid and unexpected economic downturn in Asia led to a significant reduction in the government's projected fiscal surplus, and generated domestic pressures (from the Treasury and financial markets) for the government to review the spending plans enunciated in the coalition agreement. As might be expected, there was some reluctance on the part of NZ First during the early part of 1998 to accept the need for any change in economic strategy. In particular, the party leader and

Treasurer, Winston Peters, had to be persuaded by his advisers and ministerial colleagues that spending cuts were necessary and desirable, and was suspicious that some within National were exploiting the changed international economic outlook to renege on the coalition agreement. However, he ultimately accepted the case for action, and agreed that certain planned expenditures should be deferred (but not cancelled) until the economic situation improved. The eventual cuts took the form of three packages, with a \$300 million reduction in projected spending incorporated into the 1998 budget, closely followed by a further \$300 million cut in July, and a final \$150 million decrease in September 1998, by which time the coalition had terminated. Admittedly, such cutbacks were relatively modest in nature, but it is not clear – whether on macroeconomic or other grounds — that more stringent action was required. In the event, the government managed to maintain an operating surplus throughout the mid-to-late 1990s, and thus the threat of a return to fiscal deficits was averted (Dalziel and Lattimore 2002:60).

But if the National–NZ First coalition demonstrated a capacity to respond to the Asian financial crisis, the process of doing so highlighted the kind of inter-party conflicts that can arise in such circumstances (see Roubini and Sachs 1989; Edin and Ohlsson 1991). The second round of cuts, in particular, generated significant tensions, partly because the government had given itself only three weeks to come up with a package which saved \$300 million. This required intensive negotiations, most notably between Peters and the new Prime Minister, Jenny Shipley. The evening before the cabinet meeting which would confirm the contents of the package, Peters was lobbied by his NZ First ministers who persuaded him to seek a change in the direction of the cuts. A long debate followed in the cabinet the next day and at one stage the meeting broke into separate party caucuses of ministers before an agreement was hammered out. The episode generated frustration on the part of National ministers towards NZ First, and immediately preceded the meltdown of the coalition over the issue of the sale of Wellington airport (Boston *et al.* 1999). It also demonstrated that

Peters' hold over his own ministers was tenuous.³

There are at least four reasons why the introduction of MMP has not generated more difficulties thus far with respect to the management of the budget process and the maintenance of fiscal discipline. First, with the exception of the relatively brief Asian financial crisis, economic conditions have remained reasonably benign. How successfully policy-makers under MMP will respond to a serious and protracted economic downturn remains to be seen.

Second, the Treasury has for many decades been the most powerful ministry within New Zealand's public sector, and while its influence has ebbed and flowed with the changing political environment, it has retained a major, if not decisive, role in the shaping of economic policy under MMP (Boston and Church 2002).

Third, the difficult economic circumstances faced by New Zealand during the 1980s and early 1990s, including relatively high inflation, large fiscal deficits and rapidly increasing public debt, had a salutary impact on the political elites. Having achieved budget surpluses in the mid-1990s (at significant social costs), no government was keen to return to the days of fiscal laxity. Hence, there has been a broad multi-party consensus in favour of fiscal conservatism.

Fourth, and related to this, the emphasis upon fiscal discipline led, in 1994, to the passage of the Fiscal Responsibility Act (Scott 1995). This legislation was designed to improve the conduct of fiscal policy, most notably through the specification of principles of responsible fiscal management and improved financial reporting. It was also designed to counteract the expected short-term focus of parties under MMP and the associated risk of greater fiscal laxity. As matters have transpired, the moves towards a clearer enunciation of the government's economic strategy and the more exacting reporting requirements imposed by the Act have provided the basis for a more informed discussion of budgetary goals and parameters between the parties in a coalition (and, where relevant, between a minority government and its support party or parties).

Finally, thus far the smaller parties supporting minority governments have been reasonably cooperative in relation to budgetary matters. They have made only modest policy demands in return for their parliamentary

backing for the budget, they have not exploited the opportunities provided under Parliament's Standing Orders to move amendments on issues affecting public expenditure and revenue, and they have rarely threatened to vote against the government on issues of supply (Bale and Dann 2002). This is partly because they have agreed with the general policy direction of the government in question, and partly because no circumstances have arisen in which it has been politically expedient for them to force an early election.

The Responsiveness of Government to Voters

Talk of elections brings us to our third and final criterion of governmental effectiveness. New Zealanders' rejection of a plurality electoral system in favour of MMP reflected their concerns over the lack of the responsiveness and accountability of governments under the former system (Jackson and McRobie 1998:317–18). To paraphrase James Madison, the two things that matter most about governments are how you elect them and how you control them.

During the debate over electoral reform in the early 1990s, critics of plurality electoral arrangements drew attention to a number of weaknesses relating to the system's responsiveness to voter preferences. First, because the electoral system regularly manufactured parliamentary majorities for the two major parties, decisions were typically made by governments that more people *opposed* than *supported*. Second, because of the 'winner-takes-all' nature of office under a largely two-party system, there was a tendency for the major parties to engage in a 'bidding war' in the run-up to elections, notwithstanding serious doubts about their capacity to fulfil the promises being made. Voters were thus presented with comprehensive manifesto commitments, many of which had no realistic chance of being implemented. Third, and related to this, both the fourth Labour government (1984–90) and the fourth National administration (1990–96) very explicitly, and in some cases almost eagerly, abandoned a number of key campaign pledges within a short time of being elected (or re-elected). This, not surprisingly, had the effect

of reducing public trust and confidence in the political system, with repeated claims that the governments in question were acting outside the scope of their mandate (Mulgan 1994:302).

Against this background, MMP was seen by many as the panacea for these deficiencies in the democratic process (see Levine and Roberts 1997; Jackson and McRobie 1998). In particular, it was argued that the political constraints and incentives generated by the new electoral system would ensure that policy decisions were more in tune with voter preferences and that governments would be subject to greater democratic control. For instance, it was believed that governing parties under MMP would be less able to abandon long-standing ideological positions or break key policy commitments because of the greater risk of defections, if not major party splits. Equally, it was presumed that the absence of single-party majority governments would increase the number of checks and balances in the decision-making process, thereby enhancing political accountability. But have such expectations been fulfilled?

It must be noted at the outset that 'responsiveness' is a multifaceted concept and that the competing claims that MMP has either enhanced or reduced the responsiveness of New Zealand governments are difficult to assess. Having said this, the available survey data and other evidence suggests that, while the experience of PR has altered the nature of public concerns over the democratic process, it has by no means eradicated them (see Karp and Bowler 2001; Vowles *et al.* 2002). To be sure, parties are now represented in parliament in relative proportion to their nationwide strength, and, as noted earlier, the representation of minority groups has been much enhanced. Similarly, it is now more common for governments, at least in nominal terms, to enjoy the backing of a majority of electors (ie if the vote shares of the parties in office are aggregated with those of any party or parties providing support for the government on matters of confidence and supply).

Against this, it is not necessarily the case that the *particular* combination of parties that cooperate in order to form a government is supported by a majority of voters. It would be impossible to argue, for instance, that the National–NZ First coalition (1996–98) was

endorsed by a majority of citizens simply because the aggregation of their respective vote shares comprised over half of the total votes.⁴ After all, most National and NZ First supporters neither expected, nor wanted, the two parties to form a coalition (Miller 1998). The same argument does not hold, however, for the Labour–Alliance coalition after the 1999 election or the Labour–Progressive coalition after the 2002 election, since in both cases the respective party leaders had made their post-election intentions abundantly clear (contingent, of course, on securing sufficient electoral support to form a viable government). Whether the party system develops over the longer term in a way that minimises the ambiguity between potential governments of the centre-left and centre-right remains to be seen.

In terms of the impact of MMP on public concerns about the accountability and responsiveness of governments to voter opinion, the evidence thus far is mixed (see Bale and Roberts 2002). According to a survey conducted in 1999, coalition governments are thought more likely by voters to keep their promises (43 per cent) than single-party governments (30 per cent) (Vowles *et al.* 2002:168). Similarly, on the question of what type of government is more likely to do what the people want, 19 per cent of voters answered that single-party governments are best suited to this, whereas 51 per cent preferred coalition governments. Such findings are certainly consistent with the view that the policy positions that are eventually reached between coalition parties better represent the opinions of median voters on each issue. They do not, however, provide conclusive proof.

In this context, it is worth noting that the decision by NZ First in late 1996 to join National in a coalition was a ‘broken promise’ arguably of greater magnitude than any perpetrated by single-party majority governments under the former electoral system. Also, the fact that parties must work with others in order to build a working majority means that they must inevitably compromise their stated policy positions. Worse, voters may find it difficult to hold a party responsible for its record in government, because each party in a coalition will try to take credit for the government’s successes while passing the buck where the failures are concerned.

Yet, while it is possible that the need to co-operate may make parties less trustworthy in terms of their ability to fulfil all of their policy positions, it may also lead parties to change the nature of their election promises. Interestingly, the advent of MMP has coincided with a shift away from detailed and prescriptive campaign pledges towards promises that focus more on the desired *direction* of policy. There has also been a tendency for aspiring coalition partners to adopt shared, or at least mutually compatible, policy positions. A notable example was the decision of Labour and the Alliance prior to the 1999 election to bring their taxation policies into greater harmony (Boston and Church 2000).

Of course, parties may still have certain issues on which they are not prepared to compromise. To date, the most graphic example has been the position adopted by the Greens on the controversial issue of genetic modification. In May 2002, the party declared that it would not support any government, regardless of its ideological orientation, that failed to extend the moratorium on the release of genetically modified organisms when it expired in October 2003. There can be little doubt that the intransigent stance of the Greens during the subsequent 2002 election campaign, and the conflict with Labour which this generated, had a negative impact on the aggregate level of the centre-left vote. Such outcomes suggest that electors prefer ideologically connected parties to behave in a generally cooperative manner and, other things being equal, are likely to reward those parties that are able to present themselves during an election campaign as a potentially viable governing partnership.

Conclusion

The preceding analysis has examined the claim that PR impairs government effectiveness by considering the experience of New Zealand since the introduction of MMP in 1996. Three criteria of government effectiveness have been applied: government durability, decisional efficacy and government responsiveness to voters. To date, the evidence suggests that the move to PR has not resulted in any significant loss of government effectiveness. Admittedly, only three elections have been held under the

new electoral system, and less than a decade has elapsed since the binding referendum on electoral reform. Nevertheless, sufficient time has passed to enable preliminary conclusions to be reached.

The need to share the responsibilities of office between two or more parties has contributed to the premature demise of governments, and has thus reduced their overall duration. But any negative impacts arising from the more rapid turnover of governments have been largely mitigated by the continuity of certain parties and personnel in office. Moreover, the internal disputes that have characterised recent coalitions parallel, in many ways, those experienced under single-party majority administrations. The main difference lies in the reduced ability of coalitions to conceal dissension behind the cloaks of cabinet and caucus secrecy. Given New Zealand's long history of single-party majority government, parties and voters alike find it difficult to accept such differences as healthy signs of robust debate within the government. Having said this, even though their internal problems have often been well known, most coalitions under MMP have thus far exhibited remarkable voting cohesion in parliament.

It would be misleading to suggest that MMP has not altered the *process* of governing. Without doubt, policy-making is now slower, more complicated and hostage to consultation with a range of parties or individuals. On the positive side of the ledger, this means that decisions are being taken in a more measured way, with greater input from a wider range of interests. Against this, governments have found it more difficult to develop and implement a consistent set of policies. This has not prevented governments taking effective action to address changing economic circumstances, and nor has it resulted in any greater fiscal laxity. Indeed, if anything, the move to a system of PR has directly and indirectly contributed to an enhanced emphasis on fiscal prudence and has been associated with a period of sustained fiscal surpluses.

As yet, of course, policy-makers under MMP have not faced the ordeal of a severe or sustained economic downturn and have not been required to impose substantial and sustained losses on politically powerful groups. It thus remains to be seen whether the new

electoral system will reduce decisional efficacy under more testing circumstances.

Notes

1. Gross Crown debt and net Crown debt increased slightly in 2002 due to the recapitalisation of Air New Zealand, but are expected to resume their downward track from 2004. Indeed, net debt combined with the NZ Superannuation Fund is forecast to approach zero by 2011 (see Minister of Finance 2001:2). Gross debt was 32.2 per cent of GDP in the 2001 accounts, and expected to fall to 30.7 per cent by 2005–06. However, the main change in direction has been to focus upon building the NZ Superannuation Fund assets (from 2002) rather than reducing Crown debt.
2. As measured by the Operating Balance Excluding Revaluations and Accounting Policy Changes (OBERAC), which is a relatively new fiscal indicator. It is argued that the OBERAC provides a better guide than previous indicators to the government's overall fiscal management and financial stewardship because it excludes one-off changes, such as Accident Compensation Commission revaluations (eg due to changes in liabilities).
3. However, this was the final straw for NZ First MP Neil Kirtton, who contended that by reversing expenditure promises made in the May 1998 budget, the coalition government had broken important electoral commitments, particularly in the areas of health and education.
4. One of the reasons Peters used to justify his party's choice of coalition partner was that the centre-right parties won more votes than the centre-left in 1996.

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