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ELECTORAL ARENA: ELEMENTS FOR A STRATEGIC MODEL OF PARTY BEHAVIOR AND ELECTORAL PERFORMANCE ∞

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ABSTRACT

This paper outlines a theoretical perspective informed by the field of public choice, using empirical elements as examples. The field of public choice has been shaped by many thinkers and strives to understand and explain political behavior from economic motivations such as voters, candidates, parties, and bureaucrats. This approach is aligned with methodological individualism and was created as a reaction to the notion that governments act for the benefit of the common good. In this paper, we propose elements to build a model to analyze partisan competition by transposing elements from Porter's Five Forces Model. This model has been applied for decades to competitive analysis among firms in the fields of economics and management. Economics, through Public Choice theory, postulates an "electoral market"; in this arena, parties and candidates compete for ballots ("preferences revealed," like prices). In management, there is discussion about strategies and strategic management in the competition among firms.

Key words: *Public choice; political science; democracy; partisan competition.*

ARENA ELECTORAL: ELEMENTOS PARA UN MODELO ESTRATÉGICO DE COMPORTAMIENTO PARTIDARIO Y DESEMPEÑO ELECTORAL

RESUMEN

El artículo se desarrolla desde la perspectiva teórica del campo de la elección pública, y se vale de elementos empíricos como ejemplos. El

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campo de la elección pública está delineado por muchos pensadores e intenta comprender y explicar el comportamiento político de actores como votantes, candidatos, partidos y burócratas por motivos económicos. Este enfoque está en línea con el individualismo metodológico y fue creado como una reacción a la noción de que los gobiernos actúan por el bien común. En el artículo, proponemos elementos para construir un modelo de análisis de competencia partidista mediante la transposición de elementos del modelo de cinco fuerzas de Porter. Este modelo se ha aplicado durante décadas para el análisis competitivo de empresas en los campos de economía y administración. La economía, a través de la elección pública, postula un mercado electoral, en cuya arena los partidos y los candidatos compiten por los votos (“preferencias reveladas” como precios). En Gestión, hay una discusión sobre estrategia y gestión estratégica en la competencia entre empresas.

Palabras clave: Elección pública; ciencias políticas; democracia; competición partidista.

ARENA ELEITORAL: ELEMENTOS PARA UM MODELO ESTRATÉGICO DE COMPORTAMENTO PARTIDÁRIO E PERFORMANCE ELEITORAL

RESUMO

O artigo delinea uma perspectiva teórica do campo da escolha pública, utilizando elementos empíricos como exemplos. O campo da escolha pública tem sido moldado por muitos pensadores e tenta entender e explicar o comportamento político a partir de motivações econômicas, como eleitores, candidatos, partidos e burocratas. Esta abordagem é alinhada com o individualismo metodológico e foi criada como uma reação à noção de que os governos agem para o benefício comum. Nesse artigo, nós propomos elementos para construir um modelo de análise da competição partidária por transposição de elementos do modelo das cinco forças de Michael Porter. Esse modelo tem sido aplicado há décadas à análise competitiva entre empresas, nos campos da economia e da Gestão. A economia, através da teoria da escolha pública, postula um mercado eleitoral, arena na qual partidos e candidatos competem por votos (preferências reveladas, como os preços). Na gestão há discussão sobre estratégias e gestão estratégica na competição entre empresas.

Palavras-chave: Escolha pública; ciência política; democracia; competição partidária.

INTRODUCCIÓN

Economics, even before its inception, has influenced politics, seeking to submit the former to the rational-maximizing logic of the market. William Petty¹, a member of the Physiocrats (a group of French thinkers who were considered to be proto-economists), dealt with subjects related to politics and the State. Adam Smith², regarded by some as the first economist, wrote “On the Principles of Political Economy and Taxation.” Marx³ and Friedman⁴ are others who have offered explanations of politics through an economic perception of society. Liberalism, for example, can be understood as political thought based on an economic vision.

Joseph Schumpeter⁵ explicitly devised an approach to politics from economics in his seminal work “Capitalism, Socialism and Democracy.” His approach established connections between politics and economics that led to the concepts of liberal democracy and electoral democracy. Some might say that Schumpeter laid the groundwork for Downs⁶ “Economic Theory of Democracy.”

Downs, and other economists including Przeworski⁷, demonstrated that it was possible to study politics with economic techniques. Since then, the methodological mix has influenced political science, most notably in quantitative research. Downs assumed that political parties are groups of people who seek government office only to enjoy the income, prestige, and power embedded in participating in the government apparatus. He identified parties as rational agents - organizations that seek to achieve their goals using minimum resources and performing only those actions whose marginal return exceeds the marginal cost.

Downs⁸ concluded that political parties in a democracy formulate policies primarily as a means of winning votes. Consequently, the formulation and implementation of public policies while the party is in power is only a side effect of the private motivations of their leadership.

Continuing his analysis, Downs⁹ evaluates two scenarios, one with perfect information and another with imperfect information. The parties in the former do not always know what the people want; citizens do not know what the government or the opposition has

1 PETTY, William. 1996. *Obras Econômicas. Os Economistas*. Nova Cultural.

2 SMITH, Adam. 1996. *A riqueza das nações. Investigação sobre sua natureza e suas causas*. V.1. Os Economistas. São Paulo: Nova Cultural.

3 MARX, Karl. 1996. *O capital: crítica da economia política*. Volume I. Os Economistas. São Paulo: Nova Cultural.

4 FRIEDMAN, Milton. 1962. *Capitalism and Freedom*. Chicago: University of Chicago Press.

5 SCHUMPETER, Joseph A. 2008. *Capitalism, Socialism and Democracy*. New York, EUA: First Harper Perennial Modern Thought.

6 DOWNS, Anthony. (Apr. 1957). *An Economic Theory of Political Action in a Democracy*. The Journal of Political Economy, Vol. 65, No. 2. pp. 135-150.

7 PRZEWORSKI, Adam. 2003. *Minimalist conception of democracy: a defense*. In: Dahl, Robert A.; Shapiro, Ian; Cheibub, José Antonio (Orgs). *The democracy sourcebook*. Cambridge, Massachusetts: The MIT Press.

8 DOWNS, Anthony. Loc. Cit.

9 *Ibíd.*

done, is doing, or should be doing to meet their interests. The information needed to overcome these “ignorances” is very costly - scarce resources must be used to find and assimilate it. By implication, Downs assumes that persuasion can be effective, and since some men are better persuaders, they will be politically more important than others. The government, being rational, cannot ignore this fact, which leads to the deduction that universal suffrage no longer guarantees the equal influence of all citizens over the government – a failure of the electoral system that is greater than the imperfections in current conventional microeconomic theory critiqued by some economists.

The field of public choice has been shaped by many thinkers (Downs¹⁰; Black¹¹; Buchanan and Tullock¹²; Olson¹³; Buchanan¹⁴; Niskanen¹⁵; Krueger¹⁶; Nordhaus¹⁷; Hibbs¹⁸; Migué¹⁹; Moe²⁰; Seldon²¹) and strives to understand and explain political behavior from economic motivations such as voters, candidates, parties, and bureaucrats. This approach is aligned with methodological individualism and was created as a reaction to the notion that governments act for the benefit of the common good. One can ask: what miracle happens when an individual, selfish by nature, transitions from private employment to a government position that turns him/her into an altruistic person? As we know, there are no miracles, and people in government offices continue to be self-interested and develop strategies to maximize their position by taking advantage of the public resources that they command.

However, more relevant to the present paper is that Downs²² model explicitly assumes that party = firm, reaffirming Schumpeter's²³ original perception that government is an entrepreneur selling policies for votes rather than products for money. By derivation and using the language of Economics, parties are firms competing in the voting market. In this

10 Ibid.

11 BLACK, Duncan. Feb. 1948. On the rationale of group decision-making. *Journal of Political Economy*, Chicago, vol. 56, n. 1, pp. 23-34.

12 BUCHANAN, James M.; TULLOCK, Gordon. 1962. *The Calculus of Consent*. Ann Arbor: University of Michigan Press.

13 OLSON, Mancur. 1965. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge: Harvard University Press.

14 BUCHANAN, James. M. 1973. *La hacienda pública en un proceso democrático*. Madrid: Aguilar.

15 NISKANEN, William A. 1971. *Bureaucracy and Representative Government*. Nova York: Aldine-Athlerton.

16 KRUEGER, Anne. Jun. 1974. The political economy of the rent-seeking society. *American Economic Review*, Cambridge, n. 65, n. 3, pp. 191-303.

17 NORDHAUS, William. Apr. 1975. The political business cycle. *Review of Economic Studies*, Oxford, n. 42, pp. 169-190.

18 HIBBS, Douglas A. Dec. 1977. Political parties and macroeconomic policy. *American Political Science Review*, Cambridge, n. 71, n. 4, pp. 1467-1487.

19 MIGUÉ, J-L. Mar. 1997. *Public Choice* in a Federal System. *Public Choice*, Amsterdam, v. 90, n. 1-4, pp. 235-254.

20 MOE, Terry. M. 1997. The positive theory of public bureaucracy. In: MUELLER, D. (Ed.). *Perspectives in Public Choice*. Cambridge: Cambridge University Press. pp. 455-480.

21 SELDON, Arthur. 1998. *The dilemma of democracy: the political economics of over-government*. London: Institute of Economic Affairs.

22 DOWNS, Anthony. Loc. Cit.

23 SCHUMPETER, Joseph A. Loc. Cit.

paper, we propose elements to build a model to analyze partisan competition by transposing elements from Porter's²⁴ Five Forces Model. This model has been applied for decades to competitive analysis among firms in the fields of economics and management²⁵. Given the specific nature of political parties, the model needs to be adapted for application to politics. This paper outlines a theoretical perspective informed by the field of public choice, uses empirical elements as examples, and confirms analytical possibilities. Therefore, this paper contributes to existing research because it transcends the very restricted focus on the issue of party fragmentation typically found in many works about the subject (Rae²⁶; Laakso and Taagepera²⁷; Loosemore and Hanby²⁸; Pedersen²⁹).

1. Electoral arena as a market for baskets of public goods

In Public Choice Theory, electoral system and process appear to be close substitutes for market (exchange system), which propitiates political bargaining. Voters (demanders) use their scarce resources (votes) to choose among alternatives of public goods and public policies offered by the parties in regular and periodic elections. All agents seek to maximize their positions with the least possible effort: candidates and parties maximize votes, voters maximize the well-being associated with the consumption of public goods, and bureaucrats maximize the bureau.

An electoral arena is configured as a determining mechanism of the relations between these economic agents by the definition of the decisions and actions of the government. In this arena, strategies for survival and prominence are adopted, just as firms do in the economic market. However, there are few studies about the formation of strategies in this competitive environment.

Porter^{30 31 32}, is a primary author of the school of thought that understands strategy as a matter of positioning, in which theoretical proposal provides a more comprehensive understanding of competition as a phenomenon because it aligns the environment per-

24 PORTER, Michael E. 1999. *Competição: Estratégias Competitivas Essenciais*. Rio de Janeiro: Campus.

25 Economics, through *Public Choice* theory, postulates an "electoral market"; in this arena, parties and candidates compete for ballots ("preferences revealed," like prices). In management, there is discussion about strategies and strategic management in the competition among firms. Developing a model of strategic behavior applied to political parties requires adopting a multidisciplinary perspective. This is an open scientific task that should involve points of view in addition to political science. A multidisciplinary approach can provide new explanations, such as the one proposed in this paper.

26 RAE, Douglas W. 1967. *The Political Consequences of Electoral Laws*. Yale University Press.

27 LAAKSO, Markku; TAAGEPERA, Rein. 1979. The "Effective" Number of Parties: a measure with application to West Europe. *Comparative Political Studies*, v. 12, n. 1. pp. 3-27.

28 LOOSEMORE, John; HANBY, Victor J. 1971. The Theoretical Limits of Maximum Distortion: some analytic expressions for electoral systems. *British Journal of Political Science*, v. 1, n. 4. pp. 467-477.

29 PEDERSEN, Mogens N. 1979. The Dynamics of European Party Systems: changing patterns of electoral volatility. *European Journal of Political Research*, v. 7, n. 1. pp. 1-26.

30 PORTER, Michael E. 1986. *Estratégia Competitiva*, Rio de Janeiro: Campus.

31 PORTER, Michael E. 1989. *Vantagem Competitiva*. Rio de Janeiro: Campus.

32 PORTER, Michael E. 1999. Loc. Cit.

spective (arena) with the individual perspective (firm³³). The strategic goal in this conception is the best adjustment between the party and the environment. Porter³⁴ asserts that five basic forces shape the structure of an arena: industry rivalry, threat of new entrants, bargaining power of customers, bargaining power of suppliers, and threat of substitutes. The interaction of these forces determines the attractiveness and profitability of a sector and the costs and investment required of the parties involved or interested in participating. These factors determine the return obtained by parties in the arena and are important elements for the formulation of strategy.

Entrants in an arena add new capabilities, a desire to gain participation, and substantial resources. The entry threat is directly related to the existence of barriers to entry such as economies of scale, legal registers, brand identity, change costs, capital requirements, and access to distribution, absolute cost advantages, political environment, and expected retaliation.

Political parties have institutionalized barriers to entry. In Brazil, for example, Article 17 of the Constitution explains that parties must have national character, a barrier to entry similar to those of economies of scale. The electoral law (Law n. 9.096/1995) defines that the national character must be proven by a level of support of voters, not affiliated with other parties, corresponding to 0.5% of the votes given in the last general election for the Chamber of Deputies, not counting blank and null votes, distributed by a third or more of the States, with a minimum of 0.1% of the electorate that has voted in each one.

An additional barrier is the formal requirement that the signatures must be conferred by registry offices. In Brazil, there was the notorious case of the Rede party which was in the process of being created in 2013 to launch the candidacy of Marina Silva for the presidency of the Republic. The party, though they reached 440,000 supporters, was unable to get the minimum number of signatures validated for registration because of the slowness of the registry offices, which proves the effectiveness of the barrier.

Expected retaliation is another effective barrier to participation. The creation of the Partido Social Democrático (PSD) in 2011 gave rise to a legal battle over its access to party funds and free electoral propaganda on radio and television. Based on the Law of Political Parties, 5% of the party funds are distributed equally among all registered parties, while the remaining 95% are distributed according to the proportion of votes obtained in the last general election to the Chamber of Deputies. In Brazil, party funds are the main source of party revenue; therefore, this impediment is a major barrier. The barrier was strengthened by other retaliations, including the attempt to prevent PSD access to positions commissioned in the Chamber of Deputies, which are usually distributed according to the number of representatives that the party won in the last election.

In Brazil the party fund, as well as access to free partisan propaganda on radio and TV, is a formidable resource, in itself sufficient to stimulate the creation of a political party. Parties without members in the Chamber of Deputies, like Partido da Causa Operária (PCO), were entitled to an annual amount of around R\$ 610,000 in 2014 (US 230,000, exchange

33 From now on, references to the original literature in economics or management will use the term “party” rather than “companies” or “firms” because of the logical proposition of the paper.

34 PORTER, Michael E. 1989. Loc. Cit.

rate of December 2014 – El PAIS, 2017). It is not by chance that Brazil has one of the most fragmented party systems in the world (Mainwaring, 1993).

The magnitude of citizen power depends on the credibility of the party and its leverage capacity. Citizens' bargaining power ('choice') increases when there are more parties, when there is the ability to mobilize large numbers of people, when more information is available on parties and the political system, and when there is greater civic engagement. Citizens' power of choice decreases when there are costs involved in changing party allegiance. Parties that build strong brand identities have competitive advantages.

Downs³⁵ formulates the notion of informational costs in mathematical terms:

the amount of information it is rational for a decision-maker to acquire is determined by the following economic axiom: it is always rational to perform any act if its marginal return is larger than its marginal cost. The marginal cost of a 'bit' of information is the return foregone by devoting scarce resources – particularly time – to getting and using it. The marginal return from a 'bit' is the increase in utility income received because the information enabled the decision-maker to improve his decision³⁶.

Considering the agents' rationality assumption, associated with the cost of information, Downs came to the conclusion that the voter is intelligent and acts rationally by not expending too many resources on his choice (as the cognitive cost of information is very high and the value of the individual vote is negligible). However, if information is abundantly available and easy to process, the voter increases his/her power against the parties. This perception is corroborated by North: "the voter has little incentive to inform himself because the probability that his vote will be important is infinitesimal; in addition, the complexity of the issues produces genuine uncertainty"³⁷.

Regarding brand identity, works such as Marenco³⁸ and Needel³⁹ reveal the importance of the party's name ('label'). Marenco demonstrated that "despite the dispersion tendencies caused by voters' choices, and the breakdown of legislative decision-making behavior, party organizations have preserved stable boundaries"⁴⁰. Needel, in an analysis of imperial Brazil, claimed that "differences among parties were essential in certain points and the use of the names of the parties in the text discussed stems from the use and co-

35 DOWNS, Anthony. Loc. Cit.

36 *Ibíd.* p. 146.

37 NORTH, Douglass C. Set./dez. 2010. Desempenho econômico através do tempo. *Revista de Direito Administrativo*, Rio de Janeiro, v. 255. p. 18.

38 MARENCO, André dos Santos. Fev. 2001. Sedimentação de lealdades partidárias no Brasil: tendências e descompassos. *Revista Brasileira de Ciências Sociais*, Vol. 16, nº 45.

39 NEEDELL, Jeffrey D. Nov. 2009. Formação dos partidos brasileiros: questões de ideologia, rótulos partidários, lideranças e prática política, 1831-1888. *Almanack Braziliense*, [S.l.], n. 10, pp. 54-63. ISSN 1808-8139. Disponível em: <<https://www.revistas.usp.br/alb/article/view/11722/13496>>. Acesso em: 15 Aug. 2017. doi:<http://dx.doi.org/10.11606/issn.1808-8139.v0i10p54-63>.

40 MARENCO, André dos Santos. Op. Cit. p. 82.

eval meanings"⁴¹. Another element that reveals the importance of party labels is the dispute over their use, as in the case of the Brazilian Labor Party (PTB), which was officially extinguished by force in 1965 and restructured in 1980 after political amnesty. In the PTB, there was a fierce dispute over the name and the acronym, which was settled in the Superior Electoral Court (Tribunal Superior Eleitoral). The losers founded another party, the Partido Democrático Trabalhista (PDT). Currently, Brazil is experiencing a wave of party name changes exclusively associated with political marketing: "Podemos" (formerly PTN), "Avante" (formerly PTdoB), and "Democratas" (formerly PFL).

In the partisan case, influence on citizens is also associated with changes in socio-demographic and cultural profiles. Arce⁴² states that "today, we are in the presence of citizens-consumers. There are citizens that demand an immediate response from the state, trying to exercise their citizenship as if they were consumers." According to this researcher,

"The parties have two functions in the system, which are to recruit bureaucracy to govern and to group demands and interests of citizenship. Apparently, the parties were only in the function of recruiting bureaucracy, but forgot the function of aggregating interests and social demands. The main challenge of today's representative democracy is to incorporate these new forms of active citizenship, through institutional innovation, seeking a more direct approach with this new citizen who seeks a rapid response to his/her concerns"⁴³.

Citizenship's orphanhood feeling (the so-called crisis of representative democracy (Urbiniati⁴⁴; Hirst⁴⁵; Fung⁴⁶) has led to the emergence of new parties with antisystemic characteristics, such as the "Movement Five Stars" (Italy), the "Podemos" (Spain), and the Pirate Party (Sweden). The existence of antisystem parties affects the structure of the arena. In Brazil, for example, the "Novo" (New) party will not use party funds because they oppose this main element of the current Brazilian party system.

Suppliers' power depends on the differentiation of inputs, the costs of changing suppliers and parties in the arena, on the impact of these inputs on cost or party differentiation, the presence of substitute inputs, and the concentration of suppliers. Party behavior towards suppliers should be viewed as a strategic decision. By finding suppliers who have the least power to negatively affect them, the parties improve their strategic position.

Who are the suppliers of the parties? Since monetary resources are the main resource in a political party, the financiers of electoral campaigns are the most prominent

41 NEEDELL, Jeffrey D. Op. Cit. p. 1.

42 ARCE, Javiera. 3 Abr 2017. De onde vem a crise de representatividade dos partidos. Nexo Jornal. Disponível em: <https://www.nexojournal.com.br/entrevista/2017/04/03/De-onde-vem-a-crise-de-representatividade-dos-partidos-segundo-esta-pesquisadora-chilena> Acesso em: 15 ago. 2017.

43 *Ibíd.*

44 URBINATI, Nadia. Jun. 2013. Crises e Metamorfoses da Democracia. Revista Brasileira de Ciências Sociais, Vol. 28, N. 82. Disponível em: <http://www.scielo.br/pdf/rbcsoc/v28n82/v28n82a01.pdf>.

45 HIRST, Paul. 1992. A Democracia Representativa e seus Limites. Editora Zahar, Rio de Janeiro, Brazil.

46 FUNG, Arcon. 2006. Democratizing the policy process. In MORAN, M; REIN, M. et al (ed). The Oxford handbook of public policy. Oxford: Oxford Univ. Press. pp. 667-683.

suppliers. They can have a major or minor role, depending on the existing normative configurations. A recent change in Brazilian electoral legislation that vetoed the possibility of financing campaigns with donations from companies had a major impact on the party system. The dependence of one or a few financiers reduces party power. It can also increase the degree of rivalry among participants when there is a dispute for financiers.

There may also be unique situations, such as the one that existed in Brazil before the aforementioned legal change, in which companies donate to practically every party, as if donations were a kind of insurance, to get along with all parties. This situation indicates a large level of power for the parties (Speck⁴⁷; McMenamín⁴⁸, which is influenced by the existence of “relationship capitalism Zingales⁴⁹; Reich⁵⁰)” in Brazil. In relationship capitalism, access to the State and its resources is a preponderant factor of success; therefore this determines the behavior of these suppliers (electoral financiers).

The existence of acceptable and available products that perform the same functions or offer the same benefits (substitute products) limits the power of parties. Porter⁵¹ argues that the substitutes that require more attention from a strategic point of view are those that are subject to trends that improve their exclusionary option in terms of performance in relation to the sector’s products.

In the case of the party system, a substitute product is the possibility of candidates without party affiliation. Some systems, like the US, allow it; others, like Brazil, do not allow this possibility. Yet in the US, independent candidatures have not been a threat to the two major parties. That is, independent candidates did not prove to be a better option than party-related candidates. Another substitute product is the designation of corporate representatives (as in the case of Brazil during Getúlio Vargas’ dictatorship), who enter politics through mechanisms external to the party system. Null and blank ballots can also serve as substitute products.

The dictatorship itself, with their forbiddance of parties is a substitute product for the parties. This substitute product gains strength with the crisis of representative democracy and the drastic fall of people’s trust in the political system, and also society’s adherence to democracy as a form of government.

The rivalry among competitors usually takes the form of maneuvering for position. This type of dispute is related to several factors, such as the growth of the arena, the relation between fixed costs and value added, chronic excess capacity, brand identity, costs of change, concentration and equilibrium, informational complexity, the diversity of competitors, party interests, and the existence of exit barriers.

47 SPECK, Bruno Wilhelm. 2016. Influenciar as eleições ou garantir acesso aos eleitos? O dilema das empresas que financiam campanhas eleitorais. *Novos Estudos CEBRAP* (Impresso), v. 104, p. 39.

48 McMENAMIN, Iain. 2013. *If Money talks, what does it say? Corruption and business financing of political parties*. Oxford, UK: Oxford University Press.

49 ZINGALES, Luigi. 2012. *A capitalism for the people*. New York: Basic Books.

50 REICH, Robert. *Saving capitalism: for the many, not the few*. New York: Vintage, 2016.

51 PORTER, Michael E. 1989. *Loc. Cit.*

One measure of rivalry among competitors is the number of participants in the arena. This topic has been widely explored by political science based on the bias of electoral and party fragmentation/concentration indexes which became a central dimension of representative political systems. The issue pervades the theme of electoral systems available for the formation of the legislative branch and their differentiation in terms of how they transform citizens' ballots into parliamentary seats (which measures party size even better than the number of party members).

Examples of these indexes are the index of vote fragmentation and seats of Rae⁵², the effective number of parties and parliamentary parties of Laakso and Taagepera⁵³, the electoral and parliamentary volatility of Pedersen⁵⁴, the disproportionality indexes of Loosemore and Hanby (1971), and the least squares of Gallagher⁵⁵. These authors in one way or another dialogue with Duverger's⁵⁶ seminal work in which he formulated what came to be known as the 'Duverger Law': the electoral system influences the configuration of party systems, causing bigger or lower fragmentation. For Duverger⁵⁷, one-shift major electoral systems encourage the configuration of bipartisan systems, while two-shift major systems and proportional systems provide incentives for the configuration of multiparty systems. Duverger's⁵⁸ analysis is based on electoral behavior dynamics (elector choice = consumer power).

The issue can also be approached from an economic perspective. Economically, oligopoly tendencies (a situation with few participating firms-parties in the market) occur when there are economies of scale, especially those that encourage large-scale production. Regardless of the country, electoral markets are large enough to justify large-scale production.

In the economy, an oligopoly is characterized by the interdependence between firms, which also happens in the party system. No party can act independently of other parties, since it needs to take into account the reactions of its competitors in making decisions. The choice of an extremist candidate by one of the participating parties should affect the choice of candidates from all other parties. It is precisely this interdependence that makes strategy a vital element. Since parties cannot act independently, they need to anticipate the response of other parties.

Critical decisions in oligopolistic systems involve judging whether it is worthwhile to practice an open competition or pursue coalitions with rivals; maintain or not adhere to strong ideological principles (extremist parties); get ahead with some innovation (choosing a candidate with a differentiated profile, for example), or wait for the competitors to do so and be a follower.

52 RAE, Douglas W. Loc. Cit.

53 LAAKSO, Markku; TAAGEPERA, Rein. Loc. Cit.

54 PEDERSEN, Mogens N. Loc. Cit.

55 GALLAGHER, Michael. 1991. Proportionality, Disproportionality and Electoral Systems. *Electoral Studies*, v. 10, n. 1. 1991. pp. 33-51.

56 DUVERGER, Maurice. 1980. *Os Partidos Políticos*. Rio de Janeiro: Zahar; Brasília: Universidade de Brasília.

57 *Ibid.*

58 *Ibid.*

Other economic characteristics of oligopolistic systems are: existence of barriers to entry (as argued, this is the case of the party system); ownership or control of a scarce resource (parties control access to voters' ballots and the transformation of those ballots into government participation); high costs of entry (as in the case of Brazil, where parties must demonstrate a national presence) and sunk costs, as is the case of parties that have developed a long-standing reputation throughout history. Therefore, characteristics leading to an oligopolistic system are related to the weight of fixed costs, optimal scale, market size, and number of long-term sustainable competitors.

The reasons for the formation of a duopoly instead of an oligopoly still remain unexplained by economic theory. Although, in Bertrand's oligopolistic model, when products (candidates or policies) are close substitutes (in the party-system case we may consider then perfect substitutes), duopoly will be the equilibrium position.

What happens in the case of proportional systems? The vote counts more than once – one for the product (candidate) and one for the party (company). In economic terms, this effect is similar to that of a subsidy; financial support that causes the purchase price (by citizens) to fall below the selling price (party offer). In economics, it is often said that a subsidy is a negative tax; the net result received by the seller (party) exceeds the price paid by the buyer (ballots given by the voter).

Subsidies are usually adopted when there are market failures, which occur when a deregulated competitive market is inefficient because prices do not provide adequate signals to consumers and buyers. There are two situations classically considered as market failures: 1) the presence of externalities – when the action of a consumer (voter) or producer (parties) influences other consumers or producers, but is not taken into account in determining the market price; 2) information asymmetry – when consumers do not have information about the quality or nature of a particular product. In the absence of externalities or informational asymmetry, a free market reaches the level of economically efficient production.

In the case of the political market, there is a theoretical perception both of the presence of externalities (possibility of the exacerbated growth of one party, leading to the dreaded effect of the tyranny of the majority) and of informational asymmetry (lack of information of voters about the quality of the representation). The proportional system would be a solution to these problems. Its effect, in economic terms, is that of a subsidy. In the field of economics, there is a long discussion about the practical effects of subsidies, with liberal economists attacking their use, because the market should adjust itself to the maximum level of efficiency. In the political market, the introduction of the subsidy gives rise to the existence of competitors who would otherwise be inefficient competitors. From the point of view of the political theory that sustains the virtues of the representative system, however, they would have the power to create a better representation of the society in legislative houses.

It is not by chance, that exponents of the liberal economy are quite contrary to the proportional system, even if they do not express it in the terms we propose here. Fried-

man⁵⁹ states that the number of groups that may actually be represented is narrowly limited. The final result of the legislative process must be a law with universal validity, rather than a law for a specific group or party, which implies, according to Friedman's⁶⁰ view, that proportional representation rather than providing unanimity without conformity generates ineffectiveness and fragmentation. Schumpeter⁶¹ argues that the proportional representation system offers opportunities for all forms of idiosyncrasies to manifest, and prevents democracies from producing efficient governments, which is a danger in times of stress. Also for Schumpeter⁶², if the acceptance of leadership (legitimacy by consent) is the true function of voting, the defense of proportional representation collapses because its premises are no longer true.

2. Electoral arena – the path to evolution

The structures of the electoral arena, as well as those of market competition, are in constant transformation in response to changes in elements that affect the competitive equilibrium such as the profile of needs, desires, aspirations, demands of citizens/voters/taxpayers, innovations in the electoral competitive process, cost fluctuations, that is, The structural forces that shape the arena change over time, thereby defining that arenas evolve based on the movement of forces that pressurize for change. Parties that want to stay and be successful need to think and develop strategies that effectively generate sustainable competitive advantages.

Every arena has an initial structure, resulting from its basic economic and technical characteristics, the abilities and resources of the pioneering parties, and the initial restrictions they face. Changes in the elements of the arena structure can occur by several factors. Some are related to the individual strategy of one of the participating parties and others depend on the collective actions of the competing parties. There are also factors caused by external agents that transact with the arena, in addition to changes in the environment, which, although independent of the parties, end up affecting them. In the Brazilian case, for example, decisions of the Federal Supreme Court (external agent) regarding party loyalty, barrier clauses, etc., have a major impact in the arena.

Bacic⁶³ argues that the factors that drive the evolution of the arena have diverse origins. Some changes occur in the long run, such as growth of the participating parties, relationship with voters, emergence or eruption of barriers to entry, changes in operating conditions, appearance of threats of substitute products, changes in government policies, change of participants (entry and exit), and adoption of new products and processes (due to innovations). Growth is affected by changes in demographic trends, social needs, the position of substitutes and complementary products, etc. The relationship with voters is altered when the arena addresses new groups (younger voters, for example) and they become better acquainted with the products ('candidates', 'policies') and require the

59 FRIEDMAN, Milton. Loc. Cit.

60 *Ibíd.*

61 SCHUMPETER, Joseph A. Loc. Cit.

62 *Ibíd.*

63 BACIC, J. M. 1998. "Administración de Costos: Proceso Competitivo y Estrategia Empresarial". Universidad Nacional del Sur, Bahía Blanca, Argentina: Tese de Doutorado.

presence of specific features, becoming less sensitive to differentiation policies. Barriers to entry are reduced by the diffusion of knowledge and by the reduction of the uncertainty about products and processes and increase with the accumulation of experience gained by established parties.

To meet the demands of an increasingly complex and dynamic environment, parties need new perspectives, since a strategy that has worked well in the past may not continue to work in the future. According to Day e Reibstein⁶⁴, “strategies that have worked well in the past are the most likely targets of attack by competitors who define the market differently.” An environment of rapid change is dangerous and at the same time challenging, because in it innovations can arise that will erode certain competitive advantages as well as opportunities for companies to establish advantages in a given arena.

Day e Reibstein⁶⁵ have argued that two prominent perspectives of competitive advantage are those that result from the party’s position in the arena or from its resources and capabilities. Thus, changes in the party’s position automatically generate changes in its competitive advantages. The strategy, in an evolutionary environment, has two dimensions: to put barriers in the path of competitors, protecting the current advantages; or invest in new assets and capabilities. Therefore, the creation of the advantages and their sustenance are dynamic and interactive processes that occur in the long term, requiring, besides a preemptive posture, continuous investments.

The five structural forces that shape the economic sectors are the determinants of the attractiveness of the arena in the long run and therefore dictate both its evolution and that of its participants. From a strategic point of view, parties must engage in an attempt to control or shape the evolution of these structural forces. Changes in the structure of the arena can affect the basis on which the strategies are built and thus change the balance between them, since it is possible to change the basis of sustainability of a given strategy and the resulting competitive advantage.

The party that designs and seeks to implement the strategy, in the electoral arena, is not necessarily the one that presents itself under an acronym or name, with electoral registration, but rather the articulated group that has an objective or more, and goes in its search. It may happen, for example, that by formal requirements, the party has thousands of affiliates, but the active party (people that really work) is in fact a small group, for which affiliates are only the individuals who help to fulfill the formal requirement. Thus, the assumption that the party is an organization sufficiently structured and with internal cohesion to define and pursue a competitive strategy is not a condition for the application of the model outlined here. This is, of course, a complicating factor, since, for example, party strategy in Brazil is handled according to “cyclical winds,” by leaders who are unconcerned with matters beyond the immediate horizon.

It should be noted that, more often than not, the party strategy focuses on the search for the median voter whose profile the electoral marketing work pursues, with consequences on the sincerity of the parties’ and candidates’ intentions, leading to the platforms over

64 DAY, George S.; REIBESTEIN, David J. 1999. *A Dinâmica da Estratégia Competitiva*. Rio de Janeiro: Campus. p. 21.

65 *Ibíd.*

time losing credibility, with consequences on the quality of democracy. As party strategies can contribute to the preservation and deepening of democracy in the arena, it is an open question.

Conclusion

For the school that understands strategy as a positioning, competitive strategy comprises the answer to two central questions: what basic competitive advantage should be pursued (minimum cost or product differentiation, or basket of public goods, in the Public Choice Theory) and what field of activity (“market segment,” or electorate profile) should be attended to? The competitive advantage desired by the party depends on a well-structured strategy, from conception to implementation.

the notion behind the concept of generic strategies is that competitive advantage is at the heart of any strategy, and to get it a company needs to make a choice - if a company wants to gain a competitive advantage, it must make a choice about the kind of advantage it seeks to achieve, and the scope within which it will attain it⁶⁶.

Thus, each generic strategy can be qualified as a fundamentally different method for creating and sustaining a competitive advantage. In formulating this type of strategy, one must articulate the format of advantage that a party aims at with the scope of its strategic target, through strategic, coherent, and synergistic prescriptive movements. Therefore, generic strategies are broad formulas that define how a party will compete, what its goals should be, and the policies needed to carry them out. Generic strategies indicate the direction of the party’s movement in relation to products (baskets of public goods announced on the electoral platform) and markets (electoral profiles), based on its current position. They correspond to the action that the party will adopt in relation to the environment, in view of its mission, purposes, and the result of its strategic diagnosis.

The process of strategy formulation should consider the party with its resources, strengths, weaknesses, neutralities, mission, purposes, strategic posture, objectives, challenges and policies; the environment, in constant change, with the emergence of new opportunities and threats; and finally, the integration between the party and its environment, aiming at the best possible adjustment. At the environmental level, we analyze the arena, the competition, and the economic, social and political conjunctures.

Porter⁶⁷ identified three generic strategies: cost leadership, differentiation, and niche. Bacic⁶⁸, also without using the terminology, signals for two basic competitive advantages, cost leadership and differentiation. Roughly, we can relate these two positions to the

66 PORTER, Michael E. 1989. Op. Cit. p. 25.

67 PORTER, Michael E. 1999. Loc. Cit.

68 BACIC, Juan Manoel. Loc. Ci.

classic positions of Duverger⁶⁹ of the mass parties (cost leadership) and of the parties of cadres (differentiation⁷⁰).

Duverger⁷¹ has pointed to a tendency for all parties to become mass parties. Kirchheimer⁷², on the other hand, addressed the issue in a somewhat differentiated way, indicating the emergence of the catch-all party, as one that accepts people of different orientations, independently of adherence to any ideology whatsoever (clearly an option of cost leadership, not differentiation). Interestingly, in the economic markets, what has happened in the last decades was a great homogeneity in terms of cost leadership (all companies started to seek the minimum cost as a survival factor) and a consensus that there is a need for differentiation (as a success factor). Porter himself reformulated his conception and proceeded to work with the notion of competitive advantage, something that cannot be easily copied by competitors and that is sustainable over time. Other authors, such as Hamel and Prahalad⁷³, have explored the notion of core competencies as distinctive elements of firms in the markets.

Likewise, in the political market, the time has come when parties need to seek differentiation. It happens that this differentiation no longer occurs at the level of ideology (abandoned, according to Kirchheimer⁷⁴, but rather in terms of satisfaction with other spheres of citizens-consumer needs, as argued by Arce⁷⁵. The question to ask the citizen-consumer is: for what service do you want to hire politicians? At the time of the election campaigns, voters indicate the priority problems in their vision (in terms of those problems that are treatable through the provision of public policies, such as health, safety, education, unemployment, etc.). Candidates who succeed in demonstrating different and effective proposals for solving these problems win. This is a clear non-ideological differentiation. It is up to the parties to develop their competitive strategies in accordance with this new environmental scenario, taking into account the structure of the arena in which they compete. It is noteworthy that the competitive change in the electoral arena goes in the direction of further specification of the product, since it is not enough for the party or candidate to be right or left when they are pressed much more to be better suppliers of more efficient public goods and providers of public policies.

Finally, it is worth commenting on the limitations and inadequacies of comparisons between market (economic) competition and that of the electoral arena (political, but based on strategic economic objectives). They exist, some of which can be circumvented (with more or less difficulty), others not. However, the criticisms that may be directed at these

69 DUVERGER, Maurice. Loc. Cit.

70 As other elements related to the theoretical transposition that is proposed by the paper, this claim should be regarded with care, once that, in its original formulation, the concepts of mass parties or cadres parties are due to forms of organizing parties, and not due to dispute voters.

71 DUVERGER, Maurice. Loc. Cit.

72 KIRCHHEIMER, Otto. 2012. A transformação dos sistemas partidários da Europa Ocidental. *Revista Brasileira de Ciência Política*, nº 7. Brasília, janeiro-abril. pp. 349-385.

73 HAMEL, Gary. e PRAHALAD, Coimbatore Krishnarao. 1995. *Competindo pelo futuro*. Rio de Janeiro: Campus.

74 KIRCHHEIMER, Otto. Loc. Cit.

75 ARCE, Javiera. Loc. Cit.

comparisons must first turn against the Public Choice Theory itself, within which they are inserted, as well as against the potential model for evaluating party competition proposed here.

Perhaps proposing that the political actor's strategy is based on the same logic of the economic agent's strategy (or, in other words, approaching the political decision from the methodological individualism of conventional microeconomic theory that explains the decision of the consumer and the producer in the market) is to propose that the dog sings like a bird, or to suggest that the "animals" government and parties can behave in a similar way to the "animals" market and firm. Whether this is reasonable is an open question: it is known that a dog will never sing like a bird, but a dog does not evolve, nor does a bird; market and government, firm and party, do evolve, thanks to the creative capacity of those who use them to organize their material and social life, in the struggle between selfishness and altruism.

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