

McDonald's, Martin van Buren, and the American Mass Party

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Abstract

Political parties are said to be crucial for effective democratic governance. One of their functions is to simplify the alternatives presented to voters by limiting decisions over a wide assortment of issues to a simple choice between party members. Political scientists have often asked whether American parties could better perform this function by acting more "responsibly," by ensuring that candidates who carry their label advocate the party platform in elections and promise to pursue the goals of that platform if elected. This paper provides an overview of my dissertation research examining the electoral motivations for party unity in the United States.

This work is based on a model of the electorate in which individuals look to party labels to inform their votes, despite the candidate-centered nature of American campaigns. Ideological battles within the party decrease the amount of information that voters are able to glean from partisan cues about candidates' likely behavior in office. If voters are risk-averse, the uncertainty that is created by intra-party conflict hurts all candidates running under the party's banner, creating incentives for cooperation. Accordingly, I argue that one role that party organizations may perform is to encourage candidates to coordinate their issue stances to capture the gains from a "more unified" set of positions.

These ideas are developed and tested using evidence relating to the first American mass parties that emerged during the antebellum period. The section begins with a case study that shows that the Bucktail party in New York was consciously organized to create and maintain a shared reputation. Then, quantitative research demonstrates that more ideologically unified state parties were more successful in the electoral arena. The latter work also illustrates the value of a random coefficient model, a statistical technique commonly used in Bayesian statistics, relative to more traditional methods.

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For much of the last century, the dominant scholarly paradigm for explaining candidate behavior in the United States has been the theory of candidate-centered elections (for an overview see Schlesinger 1991; Aldrich 1995). According to this perspective, American institutions exert strong centrifugal pressures on the issue positions staked by members of the same party. The basic intuition of the theory is that a different platform will be optimal in each of the many electoral districts created by America's federal system, its bicameral legislature, etc, because of the diversity of preferences across constituencies. Meanwhile, parties lack the ability to exert strong pressures on their candidates because of factors like the absence of direct control over nominations, limitations imposed by campaign finance laws, and even the use of the Australian ballot. The implication is that candidates unconstrained by their party will adopt widely discrepant platforms to appeal to their own districts' preferences. A corollary is that candidates from both parties running for office in the same district should adopt very similar platforms, or if the platforms diverge, that the candidates should be indifferent about whether their platform leans to the right or left.¹

The problem with the theory of candidate-centered elections is that it often does a lousy job of explaining political behavior. At many points in American history, the two major political parties have behaved as reasonably unified "teams" of actors engaged in furthering a common set

¹ A veritable cottage industry has emerged in the formal theory literature trying to explain why candidates from the two major parties do not always adopt identical issue positions. The result of this research program is an enormous number of models that explain the divergence in candidate platforms within a single district. These models do not explain, however, why members of the same party consistently diverge to the same range in the ideological spectrum. For each district, it is no more than a bookkeeping strategy to identify candidates with one party or the other, so this family models have little implication for national political outcomes such as national levels of intra-

of ideological goals. For example, over the last decade there has been a marked increase in levels of both intra-party unity and inter-party conflict (see introductory chapter of dissertation).

Existing theories predicting that candidates who are unconstrained by parties in their platform choices should converge to an optimal (usually the median) position in their district cannot explain why, in district-after-district, Republicans run as conservatives, and Democrats as liberals. In other words, our current theories of party behavior lack even a reasonable, static model to explain how it is possible to achieve intra-party unity and inter-party conflict in the American case. This sort of “possibility result” is a necessary pre-condition before any serious attempt at modeling the historical evolution of the party system is possible.

My dissertation fills this gap in the literature by developing a model of the political system that incorporates realistic assumptions about the behavior of voters and candidates, and that provides conditions for which “toeing the party line” may be a viable electoral strategy. The model is based on a comparison between political parties and the franchise form of economic organization chosen by companies like McDonald’s. It is argued that political parties and franchises are similar because both arrangements benefit from the development of a common reputation across candidates and outlets. However, this benefit is not necessarily the result of allowing each candidate to come closest to the median position in his or her district or of allowing each retailer to offer the highest quality hamburger at the lowest price in a particular market. Instead, both parties and franchises receive additional rewards from maintaining a reasonably homogenous product across a variety of offices and locations because the reputation that results decreases the uncertainty confronted by risk-averse voters and consumers.

party unity.

The general idea behind the application of the franchise theory of the firm to politics is that there exists a party organization—the franchiser—charged with the maintenance of a party label, or reputation, for the policies to be implemented by office-holders who possess that label. The party markets its reputation to candidates—the franchisees—in exchange for a promise of (context contingent) services the candidate is expected to provide the party if elected. The candidate then uses that reputation to market himself to voters—the consumers—who look to the party label as a signal about where the candidate stands on the issues of the day. The organization seeks to maintain the quality of its product through its influence over the individuals who possess the party’s reputation.

By offering a set of conditions that, if satisfied, make ideological unity a rational strategy for parties to pursue, the model that is offered in this paper provides a marked improvement over the standard theory of candidate-centered elections. Aside from this descriptive importance, the model also indicates how closely American parties with weak organizational features can adhere to the responsible party doctrine offered by earlier generations of political scientists including Woodrow Wilson (1885) and E.E. Schattschneider (1942; APSA Committee on Political Parties 1950). That is, the model illustrates the extent to which political parties can effectively offer themselves to the public as ideologically unified teams that, if able to achieve control of government, would implement their agreed upon platform. Regardless of how one might normatively evaluate the outcome, this behavior has significant ramifications for the nature of political representation because of its implications for the relative importance of candidate and party in voter decisions, and the nature of discourse within the legislature.

Part I of the paper presents the argument for franchising from the perspective of economics, highlighting the incentives for cooperation across retail outlets to create *brand equity*.

Part II incorporates these arguments into a model of party behavior and discusses the incentives for organization and the conditions under which coordination can be successful. Part III tests the model with evidence relating to the first American mass parties that emerged during the antebellum period. The section begins with a case study that shows that the Bucktail party in New York was consciously organized to create and maintain a shared reputation. Then, quantitative research demonstrates that more ideologically unified state parties were more successful in the electoral arena. The latter work also illustrates the value of a random coefficient model, a statistical technique commonly used in Bayesian statistics, relative to more traditional methods.

I. The Franchise Model of Industrial Organization

A franchise is defined according to a number of characteristics, the combination of which distinguish it from other forms of industrial organization or market operations.² A franchise operation provides a standardized product (e.g. car parts, coffee, hamburgers, etc.) across a number of retail outlets with the same name. The owners of these outlets are not the franchiser itself, but local operators who provide their own capital and management. The franchiser has the right to control the outlets at which its product is marketed. In exchange for the right to operate an outlet carrying the franchise's brand name, local owners, or franchisees, pay a fee or provide some service. To make the brand name valuable to local operators, the franchiser agrees to limit the number of retail outlets operating in any given area to prevent competition between multiple franchisees carrying the same reputation. Under certain circumstances, groups of actors who

² Unless otherwise noted, assume that credit in this section be ascribed to Campbell (1995).

enter into this form of institutional arrangement profit more than they would from the classical firm.

The New Institutionalism and the Theory of the Firm

Dating to Coase's (1937) pioneering work, new institutionalist theories have been used to explain why rational actors turn to the hierarchical structure of the firm as a device to regulate commercial transactions rather than a contractual relationship more consistent with perfect competition. Prominent arguments for the development of the firm focused on concerns about economies of scale, the benefits of team production (Alchian and Demsetz 1972; Williamson 1979), and post-contractual opportunism (Klein, Crawford, and Alchian 1979). These arguments have been used to explain the hybrid form of organization known as the franchise arrangement that combines elements of both market and intra-firm interactions (Norton 1988; Campbell 1995).

Based on the fundamental assumption of the new institutionalism that rational actors would choose the profit-maximizing solution to a problem of group interaction, the decision of whether to form a franchise operation is straightforward. If both the local operators and parent corporation receive greater profits from a franchise arrangement compared to the alternatives, then they will cooperate. Simply put, the local operator chooses to join a franchise if:

(1) profit under franchise agreement - licensing fees > profit as individual outlet.

The parent corporation, on the other hand, chooses to form a franchise if:

(2) total franchise fees received by parent firm - monitoring costs > profits from acting as a chain store corporation under unified management.

The remainder of this section discusses circumstances in which conditions (1) and (2) are satisfied, making franchising a superior institutional arrangement to the classical firm.

Economies of Scale in Reputation

Economic arguments in favor of franchise organization suggest that this arrangement is worthwhile only if the development and maintenance of a *reputation* for producing a good with known quality across retail outlets is valuable. That is, the local operator would not be willing to pay the parent firm licensing fees if it did not receive an additional profit in return. Typically, the source of that profit is that consumers prefer the product of *known* quality and cost that they can purchase at a standardized franchise outlet compared to the *unknown* product of a rival firm, even with the knowledge that they may receive a higher quality, lower cost good elsewhere.³ The benefit of this shared reputation across outlets could, however, be captured by a chain store rather than by a franchise. Consequently, there must be additional factors involved in the decision-making process.

The Principal-Agent Problem, Chain Stores, and Franchising

One factor that explains why a corporation may use the franchise form of organization rather than develop a chain store is concerns about *efficiency*. The problem facing the potential owner of a chain store is that it is difficult to achieve the optimal level of output at each outlet, where optimal refers to the efficient level of production where marginal revenue equals marginal cost. Owners of a company with a number of outlets simply would not be able to handle the management of each operation. Consequently, they would be forced to hire people to oversee the

³ See Keller (1998) for an accessible introduction to the theory of brand management.

management of their stores. This, in turn, raises the specter of the *principal-agent problem*: how do the owners of the chain store encourage their managers to equate the marginal revenue of production with marginal cost? Because of incentives to shirk or otherwise deviate from efficient production levels, reward systems based on salaries, hourly wages, or a percentage of the profit generally fail to lead to efficient production levels. The only efficient solution is to provide a one-to-one relationship between outlet profit and the manager's pay; however, if the manager receives all of the profit, then there is no benefit to the owner of the chain store.

From the perspective of the parent corporation, the franchise form of organization provides a satisfactory remedy for the principal-agent problem. The solution is for the parent company and owners of individual outlets to form a contract in which the franchiser licenses its brand name in exchange for a fixed fee. The fixed fee is the key because it does not change the slope of the local owners' budget constraints/production possibilities frontiers. Consequently, the owner of each outlet is provided the appropriate incentive structure to equate the marginal revenue of production with the marginal costs, thereby maximizing the profitability of each outlet. The maximization of profits for the local franchise increases the value of the license, allowing the parent company to charge higher fees than if they had entered into a less efficient contractual relationship.

Franchising and Solutions to Post-Contractual Opportunism

On the other hand, the precise mechanism that allows each outlet to achieve economic efficiency also raises the specter of *post-contractual opportunism* (Klein, Crawford, and Alchian 1978). If one independently owned retail outlet serves lousy hamburgers, then the value of the parent corporation's reputation is diminished along with the profitability of each of the other

franchisees. Consequently, the parent must invest considerable resources to ensure that each of its franchisees follows the guidelines necessary to maintain its reputation for uniform product quality. To help guarantee product quality, the parent maintains the right to terminate the licensing agreement if their subsidiary fails to ensure the uniform quality of its goods.

Summary

The franchise form of economic organization is an optimal solution to the combined issues of team production of reputation, the principal-agent problem, and monitoring costs. The next section incorporates similar reasoning into a model of party organization.

II. The Franchise Model of Political Organization

The model of political party behavior introduced in this paper is based on an analogy to the franchise theory of the firm. The main idea is that the political party (the franchiser) “markets” the reputation associated with the party label (the brand name), to candidates for office (the franchisees). Candidates, in turn, use the party’s reputation to “market” themselves to the electorate (the consumers). The party benefits from the greater electoral success of its members. The candidates benefit from their improved prospects at the ballot box.

The Value of Partisan Reputations

The application of the intuitions from the franchise theory of the firm to politics depends on a model of the electorate in which individuals look to party labels to inform their votes, despite the candidate-centered nature of American campaigns. It is assumed that voters’ impressions about the party are informed by their observations of the behavior of individual candidates

associated with the party. For example, public impressions about the Democratic candidate running in their district are based partly on their observations of party leaders they observe on the national news, Democrats running for other local offices, and so forth. Ideological battles within the party therefore decrease the amount of information that voters are able to glean from partisan cues about candidates' likely behavior in office. If voters are risk-averse, the uncertainty that is created by intra-party conflict hurts all candidates running under the party's banner, creating incentives for cooperation.

Chapter 2 of my dissertation (www.duke.edu/~jdg6/parties.html) represents the development of voter beliefs about candidates as a Bayesian updating process. The prior beliefs about a new political candidate are provided by voters' observations about other party members. Through the campaign or over the course of their career, office-seekers may distinguish themselves from the other members of their party by providing candidate-specific information. Importantly, if politicians do not belong to a party, this model implies that, holding constant the amount of candidate-specific information, voters are necessarily less certain about the candidates' likely behavior in office. With a risk-averse electorate, this helps to explain why politicians compete through caucuses or primaries for local control of the party label, and are willing to pay a premium for its use, in the sense of foregoing opportunities to run as an independent.

The Incentives for Political Organization

Based on a model in which voters 1) are risk-averse and 2) use cues inferred from the positions adopted by party members, there exist incentives for candidates who share a common party label to coordinate their issue positions across districts to maintain a clear signal. This incentive is fundamentally similar to the manner that local retail outlets have an incentive to

cultivate a common reputation through the franchise arrangement. Chapter 3 of my dissertation (www.duke.edu/~jdg6/parties.html) demonstrates that, based on the aforementioned model of the electorate, an equilibrium exists in which all candidates converge toward (but not necessarily to) a common party position to benefit from improvements in the quality of the party's reputation.

An important intuition gleaned from the theory of franchising is that despite the possible benefits of cooperation, each individual candidate has an incentive to act in a manner that erodes the value of the common reputation (note that this is a second equilibrium derived in my formal work). In the marketplace, that might mean the provision of inferior services or offering a product line that differs from what might be offered at other locations. In politics, the incentive is for individual candidates to distinguish themselves from the other members of the party to increase their appeal to the voters in their district. However, if all candidates behave similarly, then the value of the party reputation is degraded, making everyone worse-off.

A useful representation of the dilemma confronted within the party is as a coordination game where there are two "actors:" a single candidate within the party and all other party members. Each actor decides whether to cooperate with their co-partisans by announcing issue positions consistent with the maintenance of a strong party label, or to defect, and adopt the positions most preferred by their districts. The two equilibria, presented in Figure 1, occur either when both actors work to maintain a common party reputation, or when both actors forego the benefits of a shared reputation to appeal directly to their district's preferences. Importantly, the electoral prospects of all members of the party can be improved through cooperation.

Figure 1. Strategic Concerns within the Party

Candidate X All other party members	Maintain Party Reputation	Appeal Directly to District Preferences
Maintain Party Reputation	Superior Equilibrium	
Appeal Directly to District Preferences		Inferior Equilibrium

The result illustrated in Figure 1 demonstrates that candidates will cooperate to mutually improve their electoral fortunes only if they believe that their co-partisans will also work to maintain the party label. In the marketplace, franchisers are able to prevent this opportunistic behavior through contracts and, to a certain extent, the development of corporate identities in which the corporation cultivates a set of shared values among franchisees and their employees. In the political sphere, party leaders and organizations may perform a similar function, encouraging candidates to coordinate their issue stances to capture the electoral benefits from a "more unified" set of positions.⁴

Institutions to Facilitate Cooperation

The sorts of activities that the party organization engages in to facilitate cooperation among its members are dependent on the historical and institutional context. The necessary trust may emerge through the *development of a group identity* among party members. This confidence may not even be the result of a conscious activity performed by members of the party. Instead, through legislative battles and the regular contest of elections, politicians may develop the trust

⁴ This intuition is similar to that employed by Cox and McCubbins (1993) in their account of partisan majorities as legislative cartels. A crucial distinction is that Cox and McCubbins argue that party members organize to check the amount of pork barrel spending, to maintain a reputation with high expected value, but without ideological content, or a sense that intra-party conflict would increase voter uncertainty about the party label.

necessary to successfully coordinate their behavior. Cooperation may also be promoted through the functions traditionally performed by political parties. The *control of nominations* makes it possible to grant access to the party label only to those candidates who credibly pledge to follow the party's platform. Through *candidate recruitment*, candidates with similar ideologies may be brought into the party. These individuals may be perceived as more likely to "toe the party line" if that were electorally viable, because this behavior would bring their public pronouncements in line with their personal preferences. The distribution of *selective incentives* such as campaign contributions, legislative committee assignments, etc., allow parties to send a signal that faithful adherence to the party platform will be rewarded. The key point is that these resources are not important just for the direct impact they have on individual candidates' behavior, but also because they increase politicians' confidence that their co-partisans will cooperate.

III. The Franchise Model of Party Organization during the Antebellum Period

If the theory of franchising is applicable to the study of politics, then a party that works to maintain the value of its reputation will generally be more successful in elections if it has lower levels of ideological conflict among its members. This suggests that an appropriate test for the theory would involve an examination of two related hypotheses. First, it is necessary to determine whether candidates rely on the reputation of a political party to further their personal ambitions and that the party has created institutions in order to facilitate the sort of cooperation and trust necessary to protect that reputation. Second, if a party has the reputational and organizational trappings suggested by the theory of franchising, then one would expect that lower levels of ideological conflict within the party would protect the group's common reputation and improve its electoral fortunes.

These two hypotheses were tested using data on the Democratic Party during the American antebellum period. Although it may seem a peculiar choice, this era provides a very valuable test of the theory because it is such a difficult case. The Democratic Party emerged concurrently with the rise of the mass electorate. It would therefore be surprising to find that leaders without experience in competing before the mass public were 1) aware of the electoral benefits of clearly articulated partisan ideologies, and 2) they possessed the knowledge and ability to develop a set of institutions necessary to protect the value of their common reputation. The most obvious alternative case would be to test these hypotheses during the current period. However, the franchise model of party organization was largely built around my observations of contemporary politics, especially the Republican Revolution. It simply would not be diagnostic to test the theory against the same data around which the theory was built.

The analysis proceeds in two parts corresponding to the pair of hypotheses under consideration. First, a case study is presented concerning the organizational precursor to the Democratic Party in New York. The study demonstrates that the political faction known as the Bucktails actively developed a "brand name" in order to compete against the personalistic organizations characteristic of the period following American independence. The New York case is chosen because it is generally accepted to represent archetypal organizational behavior both during the early antebellum period when personalistic factions were the norm, and later when organizations that we would today recognize as parties with reasonably stable memberships, standardized nomination procedures, etc., prevailed.⁵ Second, a series of statistical models demonstrate that when the antebellum Democrats (who, if the case study is correct, were organized in a manner akin to the franchise model) better protected their shared reputation by

⁵ See especially McCormick's very thorough study of state-level party organizations in the period leading up to and

minimizing intra-party ideological conflict, their party was more successful in the electoral arena.

Reputation, Organization, and the New York Bucktails⁶

Political parties in the immediate aftermath of the American Revolution bore little resemblance to the franchise model. If modern American parties are franchises, these early political organizations were “independently owned and operated,” and tended to be structured as local, personalistic factions, formed around a dominant personality or family. Politicians’ greatest assets during this period were their personal reputations, and with notable exceptions, the most powerful actors tended to be economic elites. Statewide and national elections were competitions between candidates supported by a system of loosely allied, transient, factions (Wallace 1968; Hofstadter 1969; McCormick 1966). Politics in the state of New York was typical of the period. Competition in the state was almost feudal, with the dominant factions centered on two of the largest land-holding families, the Clintons and the Livingstons.

By the early-1810s, DeWitt Clinton had emerged as the dominant political figure in New York. The son of a major general during the American Revolution and the nephew of the governor of New York, DeWitt Clinton had emerged as an important political figure in his own right by the time of his appointment as mayor of New York in 1803, an important source of patronage because of the port. Later named director of the Erie Canal Commission, Clinton was, by all accounts, a brilliant man and gifted statesman. He was precisely the sort of individual around which the traditional personalistic faction emerged.

including the rise of the Jacksonian Democrats.

⁶ Much of the evidence presented in Part III would not be considered the intellectual property of any individual. My work, however, relies heavily on the van Buren biographies by Niven (1983), Cole (1984), and Remini (1959); the histories of New York politics by Benson (1961), Remini (1958) and Wallace (1968); and the histories of American party organization by Aldrich (1995), Hofstadter (1969), McCormick (1966; 1982), and the contributors

DeWitt Clinton was also the impetus for the formation of the first modern party organization in New York. Ostensibly a Jeffersonian Republican, during the presidential election of 1812 Clinton challenged the reelection bid of James Madison, his party's candidate, in the process garnering strong national support from the Federalist Party. It appears that in exchange for this support, Clinton had agreed to back Rufus King, a prominent New York Federalist, for the U.S. Senate in his 1813 campaign. This deal not only ceded the U.S. Senate seat, but it also deprived the state's Republicans of important channels for federal patronage, both through the Senate seat, and the loss of favor in the national administration. Clinton's rupture with the national party disillusioned many of his key supporters, including Martin van Buren, a newly elected state senator whose political success had heretofore been propelled by his ties with Clinton's faction.

In reaction to this apostasy, van Buren and others broke with Clinton's faction and formed a rival political organization within the Republican Party. With the demise of the state's Federalist organization, pro- and anti-Clinton factions essentially became the two New York parties. The opposition group of politicians faced an uphill battle when confronted with a politician of Clinton's stature, especially given their own rather unnoteworthy personal reputations. It is crucial to realize that these were not wealthy, well established New York landowners, but members of the state's middle class. Van Buren, for example, was the son of a tavern-keeper, while many of the other members of his faction were the children of yeomen farmers, immigrants, and so forth. The adverse impact of their undistinguished personal reputations became particularly acute once Clinton had parlayed his position as head of the Erie Canal planning

to Silbey's (1973) edited volume. My interpretation of the data most closely follows Wallace (1968).

commission into a political gold mine, making a persuasive and very popular case for the economic and political benefits of *his* program for internal improvements.

Party Labels as a Substitute for Individual Reputations

To compete with Clinton, van Buren's faction created an organization that substituted the party label for the individual reputations used by traditional elites. Unlike its predecessors, the Bucktails, as they came to be known, possessed an organizational form more akin to a corporation than a personalistic faction, one that was able to outlive its leaders (Wallace 1968). The Bucktail label was used as a signal that candidates were of sound Jeffersonian ideology, and perhaps more importantly, that they could be trusted to distribute patronage in an appropriate manner. The sort of issues that the group was likely to support included things like the development of a common set of standards to limit bias in the approval of corporate charters, and the opposition to government intrusion into the private sphere through activities like the regulation of whiskey. The party's messages were typically articulated through the *Albany Argus*, and disseminated statewide through a network of affiliated newspapers. Although technically operating under the rubric of the Republican Party, the Bucktails had essentially formed a party organization based on the same principles as the franchise model: through political cooperation, individual candidates created a shared reputation that made its members better off.

Organizational Innovations

The Bucktail organization used, with a vengeance, each of the different solutions to the "party's problem" to maintain unity. One manifestation of the group's organizational strength was the strict adherence to the *caucus doctrine* that was demanded of its members. This doctrine

was based on the idea that the party should be able to control which members are nominated as its candidates for elective office. Rather than splintering into rival personalistic factions each election, the party debated behind closed doors its choice of candidate, and once the decision was made, the minority was expected to publicly embrace the choice of the majority. The doctrine was sufficiently well established that even when the Republicans nominated archrival DeWitt Clinton for governor in 1817, the Bucktails followed the caucus' wishes. Van Buren noted at the time:

“If we could be found capable of opposing [the caucus’] decision for no other reason than because we found ourselves in the minority, our bad faith would reduce us from our present elevated position as the main body... of the Republican party of the State, to that of a faction, like the Burrites and Lewisites, which struggles for short seasons & then disappears from The State (quoted in Wallace 1968).”

The significance placed on adherence to the will of the caucus is most dramatically illustrated in a letter from Silas Wright to Azariah Flagg, two Bucktail leaders: “Tell them [the Bucktails] they are safe if they face the enemy, but that the first man we see step to the rear, we cut down (quoted in Remini 1958).”

A second feature of Bucktail organization was a rigid structure of *candidate recruitment*. Individuals with political ambitions were expected to provide loyal service to the party during an apprenticeship period, before being provided with opportunities to run for higher offices (Wallace 1968). Although unusually distinctive, the political career of Silas Wright nicely illustrates the pattern by which candidates advanced through the Bucktail ranks. Initially elected as surrogate of St. Lawrence County in 1821, Wright soon became his party’s nominee for state senate, winning a seat in 1824. After three years in that office, Wright was elected to the U. S. House of Representatives. He then served as New York state comptroller and later as U.S. Senator. He finished his political career as Governor of New York, after declining the Democratic nomination

for Vice President of the U.S. in 1844 out of loyalty to Martin van Buren, whose reelection bid for the presidency was thwarted by the national convention. Over time, loyalty to the party was rewarded with opportunities for future advancement.

A third feature of Bucktail organization was their disciplined control over patronage. In general, the Bucktails were more conscientious in their management of government offices, trying to avoid the impression that competent officials were replaced for personal or political gains. However, occasionally they went a bit overboard, such as the time when the party seized control of the legislature from Clinton's faction, together with New York's Council of Appointments.

Niven describes the aftermath:

At its first meeting on January 12, 1821, the council removed eleven county sheriffs, the comptroller, the treasurer, the attorney general, secretary of state, all the chief officers of the militia, until then considered to be nonpartisan posts, the mayors and recorders of New York City and of Albany, and the superintendent of common schools... Over the next six weeks, the council systematically combed through the six thousand minor posts, removing the few Federalists yet remaining, all the Clintonians and even some Bucktails considered ineffective or doubtful politically (pp. 90-91).

It should be noted that this was perhaps their most extreme abuse of the patronage system, provoking a public outcry that was partially responsible for a constitutional convention later that year that dispersed this power among local governments, the governor, and legislature. These reforms, however, only strengthened Bucktail control over patronage, by making its distribution more sensitive to the wishes of the legislative caucus (McCormick 1966).

Finally, many of the Bucktails were *close friends, fiercely loyal* to one another. One contemporary noted in his diary that, "their families interchange civilities, their females kiss each other when they meet—their men shake each other heartily by the hand—they dine, or drink, or pray, or take snuff... with and in each other's company (James Gordon Bennett, quoted in Remini 1958)." It is easy to understand the origin of this loyalty. Many politicians during this period

were lawyers who rode the state's judicial circuit. They therefore traveled from town to town together, separated from their families. It is inevitable that in living and dining together at local taverns and mess halls, friendships would form, and could approach familial proportions. These relationships were then reinforced among like-minded politicians when they returned to Albany for the state's legislative sessions. The confluence of shared political interests and good company created strong bonds within the Bucktail ranks.

The Franchise Model and Democratic Electoral Success

The previous section presented a case study of the Bucktail faction in New York, providing evidence that members of the state's middle class had organized to protect a partisan reputation that allowed them to effectively compete against better-known politicians such as DeWitt Clinton. By 1820, this group had gained sufficient strength to elect their leader, Martin van Buren, to the U.S. Senate. Over the next decade, he worked tirelessly to form a national coalition of state parties, each of which were organized, to a greater or lesser extent, according to the franchise model.⁷ The main purpose of the coalition formed by van Buren and others was to form a national party able to win the presidency (Aldrich 1995; McCormick 1982).

The new party, which first coalesced to promote the candidacy of Andrew Jackson in 1828, initially appeared to be yet another transient national faction within the Jeffersonian Republican Party that would disappear with the exit of its leader. However, the reintroduction of internal improvements and the Bank of the United States as wedge issues, combined with congressional opposition leader Henry Clay's presidential ambitions, lead to the organization of a

⁷ Wallace (1968) suggests that parties in Pennsylvania, Massachusetts, and North Carolina were organized in a manner similar to the Bucktails in New York. McCormick (1966) further documents the emergence of reasonably strong Democratic and Whig party organizations in every state (except South Carolina) by the mid-1830s.

comparable, rival coalition in the legislature during the early-1830s. By the time of Jackson's exit from politics in 1836, competition between Clay's Whigs and van Buren's Democrats had settled into a relatively stable system of two-party competition at both the state and national levels.

If the conjecture that the Democratic state parties had organized in a manner consistent with the franchise model is correct, then the theory predicts that these organizations would have generally been more successful against the Whigs, the lower the level of ideological conflict within the Democratic Party. This follows because more unified sets of positions decrease voter uncertainty about the issue positions of candidates within the party, thereby improving the candidates' electoral prospects. In order to test this claim, a pooled time-series cross-section research design is used. The time-series units are the congressional election years from 1836 until 1852, while the cross-section units are the states that had entered the union by 1834.

The dependent variable in the analysis is Democratic electoral success, as measured by the percentage of seats won by the party to the House of Representatives in state i in election t . This variable is chosen over the percentage of the vote for the Democratic presidential candidate for a number of reasons. First, the more frequent House elections more than doubles the number of cases, still yielding only a meager nine observations per cross-section unit. Second, presidential contests tended to occur between war heroes, with every successful Whig candidate, for example, an accomplished military general. The results from House elections, therefore, provide a better measure of the influence of state party strength, because the results may be less heavily influenced by the personal popularity of the candidates. Finally, a well-organized party would not necessarily want to maximize the vote share of one of its candidates. Rather, a superior strategy would be to maximize the number of seats won, possibly sacrificing votes in one district to manipulate the party's reputation to enhance the electoral prospects of candidates in other districts.

The independent variable in the analysis is the level of ideological conflict, measured by the variance in the Poole-Rosenthal first dimension DW-Nominate scores among members of the state's Democratic party delegation to the House in period t-1.⁸ These first dimension DW-Nominate scores are an indicator of a congressperson's preferences regarding economic issues, or their ideology along a continuum that is inferred from the pattern of their roll call votes. The variance in the Poole-Rosenthal scores among a state's Democratic House members, therefore, reflects the ideological heterogeneity within this group. To the extent that the ideology of these office-holders is representative of the state party as a whole, the observed level of conflict in Congress is an observable implication of conflict within the Democratic organization.

The relationship between the measured level of intra-party ideological conflict and Democratic electoral success lends itself to several different interpretations. The first interpretation is derived from the formal theoretic work presented in my dissertation, and is the interpretation that is used when discussing the findings. The formal model argues that a candidate's success at the ballot box is related to 1) the distance between his or her "expected" platform and the ideal point of the median voter in their district and 2) the amount of "uncertainty" that the median voter has about that expected platform. The level of uncertainty is, in turn, assumed to be a function of the level of ideological conflict within the party that is observed by the voter. The greater the intra-party conflict, the more uncertain voters feel about the "true" stance of any one member of the party. This makes sense if people rely on party labels as an informational shortcut, and intra-party conflict makes the meaning of that label unclear. Since most political conflict revolved around state politics during the antebellum period, the observed level of ideological conflict within the state party's congressional delegation in the

⁸ Strictly speaking, I used (Variance in Poole-Rosenthal scores – Mean Variance in Poole-Rosenthal scores)

period leading up to the election provides a measure of the amount of uncertainty voters would have possessed.

A second interpretation of the variance in legislator ideologies is as a measure of the extent to which the party had successfully franchised. That is, the level of ideological conflict is an observable implication of the party's successful development of the trust necessary to coordinate their activities around a common platform. The greater the candidates' confidence that other members would "toe the party line," the more likely they would be to cooperate to protect the party's reputation. The resulting improvements in the heuristic value of the party label, in turn, further the party's electoral fortunes. Given this interpretation, the quantitative analyses that follow provide direct evidence for the impact of organizational success on the party's electoral fortunes, and indirect evidence that the mechanism for the party's success was an improvement in their reputation.

A third interpretation of the variance in legislator ideologies is as a measure of party infighting in the period leading up to the election. The greater the level of ideological conflict, the greater the number of resources that candidates within the party expend battling one another, rather than the other side. Although this may seem like a perfectly valid argument, ideological conflict is not a necessary or sufficient condition for party infighting. On the one hand, there may exist party members with very different ideologies who only care that their co-partisans vote the same way on organizational matters before the legislature. For example, the southern Democrats were embraced by their national party for so long, despite their ideological distinctiveness, because they improved the party's chances of achieving the legislative majorities necessary for procedural control in the House and Senate. On the other hand, two or more ambitious

because an independent variable centered about its mean has nice properties that speed convergence.

politicians could have the same ideology, but if they were competing for power within the party or a nomination for the same office, then the level of infighting could be high. In fact, the only time that ideology and infighting would necessarily be correlated would be in instances when there is disagreement over the symbolic content of the party label. That is, ideology and infighting would be related to conflicts over the party platform (or the average party position) and the extent to which individual departures from that platform should be tolerated. These are the sorts of debates that would occur within a “franchise party,” concerned about the maintenance of a desirable reputation. In this event, politicians are at least acting as if the party’s reputation matters for their electoral prospects. An observed relationship between ideological conflict and electoral suggests that either that that they are correct that reputation matters, and one of the two other interpretations apply, or they conducted an irrational fight over reputation that damaged the party’s fortunes (which I would feel justified in assuming that a party would not do).

To estimate the relationship between electoral success and the level of intra-party conflict, three different sets of estimations were performed based on different Bayesian probability models. Each model corresponds to a different treatment of the state-specific effects in the pooled time-series cross-section design. A Bayesian estimator is used because it lends itself to a unified treatment of the different pooled time-series cross-section models.

Pooled OLS

The first model is a simple pooled OLS regression. It is assumed that the dependent variable, $\text{Electoral Success}_{it}$, is distributed normally with unknown mean μ_{it} and precision ϕ (i.e. $1/\text{variance}$), as in a standard maximum likelihood model.⁹ Thus,

⁹ It would also be reasonable to consider the data to be distributed as a binomial random variable, since each

$$\text{Electoral Success}_{it} \sim \text{Normal}(\mu_{it}, \phi),$$

$$\text{where } \mu_{it} = \alpha + \beta * \text{Intra-Party Conflict}_{it-1}$$

Unlike with maximum likelihood models, it is also necessary in the Bayesian paradigm to specify a probability model for the parameters α , β , and ϕ . In this case, diffuse prior probabilities are used such that:

$$\alpha \sim \text{Normal}(0, .01)$$

$$\beta \sim \text{Normal}(0, .01)$$

$$\phi \sim \text{Gamma}(.1, .1)^{10}$$

Based on these assumptions, the model was estimated using the Gibbs Sampler algorithm in Winbugs. The results are presented in Figure 2. Consistent with the hypotheses derived from the franchise model, there is a negative and statistically significant relationship between Democratic electoral success and intra-party conflict. This supports the argument that during elections where ideological conflict was relatively high within the Democratic ranks, so the party’s reputation was being degraded and voters were less able to use the party label as a heuristic device, the party performed poorly at the ballot box.

Figure 2. Pooled OLS.

	Posterior Mean	Posterior Standard Deviation
Intercept	0.578*	0.024
Ideological Conflict	-3.512*	1.192

observation corresponds to a certain number of “successful” candidacies given a fixed number of available seats, or “trials.” I have not tried to estimate this model, and do not see the need at this time to invest in the computational expense. First, the estimated models do not yield predicted values (based on the means of the parameters’ distributions) that are greater than one or less than zero, implying that the introduction of constraints that may bias the estimates is unnecessary. Second, there is not a theoretical reason to anticipate a non-linear relationship in the data which might justify, say, a logit transformation.

¹⁰ Note that these probability distributions are parameterized as in Spiegelhalter, et al.

Mean Squared Error: 0.08516

*** Denotes statistical significance**

Unpooled OLS (or fixed effects)

The problem with the use of pooled OLS for time-series cross-section data, as students of comparative politics well know, is that it fails to take into account *regime effects*. That is, there is no *a priori* reason to expect the parameters to be constant across states. Instead, the intercept term should be allowed to vary by state to model the differences in average Democratic electoral success. Similarly, the coefficient for intra-party conflict should be allowed to vary to capture possible differences in the relationship between successful adherence to the franchise model and electoral success. The source of this variation could be related to the ability of leaders to effectively communicate with the public because of differences across states in media and transportation, or for technical reasons related to the formal work, be caused by differences in the dispersion of optimal platforms (or median positions) within states.

The standard method to cope with the possibility of regime effects is to use dummy variables and interaction terms. The revised probability model takes the form:

$$\text{Electoral Success}_{it} \sim \text{Normal}(\mu_{it}, \phi),$$

$$\text{where } \mu_{it} = \alpha_i + \beta_i * \text{Intra-Party Conflict}_{it-1},^{11}$$

$$\alpha_i \sim \text{Normal}(0, .01) \text{ for all } i$$

$$\beta_i \sim \text{Normal}(0, .01) \text{ for all } i$$

$$\phi \sim \text{Gamma}(.1, .1)$$

Thus, separate values are estimated for each state's intercept and regression coefficient.

¹¹ Note that this is a slightly different specification than the more common used: $\mu_{it} = \alpha_{\text{main}} + \alpha_2 + \dots + \alpha_n + \beta_{\text{main}} *$

To foreshadow what follows, note that the results in this section are presented to make a methodological point, rather substantive claims. Specifically, the results demonstrate that traditional methods for pooled time-series cross-section analyses can over-fit the data, creating the appearance of unstable relationships across states where, in fact, stability seems to exist. In the next section, a superior technology is presented, which uses all of the available information—both state-specific and aggregate—to avoid over-fitting the data.

The results for unpooled OLS are presented graphically as a set of predicted values for each state in Figure 3. The presentation is intended to be somewhat confusing, with each line portraying the relationship between intra-party ideological conflict and Democratic electoral success in a particular state. The point of the Figure is to highlight that each state has a different intercept along the y-axis and that the magnitude, and even direction, of the relationship between intra-party conflict and electoral success varies nationally.¹²

Either it is the case that the impact of party unity varied willy-nilly nationally, or the model over-fit the data, and a more restrictive model is superior. A traditional pooling test (based on a slightly different probability model) to determine whether the differences across states were statistically significant yields mixed results. It reveals that the joint impact of all state-specific effects is not statistically significant, however, some states did behave in a significantly different manner from the rest of the sample. As a result of the former finding, many researchers would feel justified in reverting to pooled OLS to get unambiguous results. This decision, however, is unsatisfactory because some states are clearly different than others. A possible middle ground would be to just include dummy variables and interaction terms for the states that appear to be

Intra-Party Conflict_{main t} + β_2 * Intra-Party Conflict_{2t} + ... + β_n * Intra-Party Conflict_{nt}

¹² With only a handful of observations for each state, the parameter estimates are not generally statistically significant.

significantly different from the rest. Yet, this approach is also unsatisfactory, because it is tantamount to stepwise regression, whose results depend heavily on the choice of algorithm. Overall, none of the traditional econometric techniques used by political scientists are particularly agreeable.

Insert Figure 3 Here

Random Coefficient Model

The third model, often called a random coefficient (or hierarchical) model, offers a compromise between pooled and unpooled OLS.¹³ It balances the competing demands of allowing regime effects and providing information about the overall relationship between the variables of interest. That is, it gives estimates for each of the state-specific effects and an estimate of the overall effect. The specification of the random coefficient model is quite similar to that presented for unpooled OLS. It is assumed that:

$$\text{Electoral Success}_{it} \sim \text{Normal}(\mu_{it}, \phi),$$

$$\text{where } \mu_{it} = \alpha_i + \beta_i * \text{Intra-Party Conflict}_{it-1},$$

$$\alpha_i \sim \text{Normal}(A, \phi_A) \text{ for all } i$$

$$A \sim \text{Normal}(0, .01)$$

$$\phi_A \sim \text{Gamma}(.1, .1)$$

$$\beta_i \sim \text{Normal}(B, \phi_B) \text{ for all } i$$

$$B \sim \text{Normal}(0, .01)$$

$$\phi_B \sim \text{Gamma}(.1, .1)$$

¹³ The model is based on the work of Lindley and Smith (1973) and Lindley (19??). See the papers by Western (1998) and Beck and Katz (2001) for two earlier applications of random coefficient models in political science.

and $\phi \sim \text{Gamma}(.1, .1)$

The crucial difference between unpooled OLS and the random coefficient model is that the state-specific intercept terms and the coefficients for intra-party conflict are now treated as exchangeable draws from a common probability model with unknown mean and variance. The posterior distributions of these state-specific parameters convey information about local effects. The “hyper-parameters” A , ϕ_A , B , and ϕ_B govern the distribution of these local effects and have an important substantive interpretation in their own right. The hyper-parameter A represents the average level of Democratic electoral success while ϕ_A measures the variation in the party’s fortunes across states. Similarly, B is the average impact of intra-party conflict, while ϕ_B indicates the variation in the influence of party unity across states. It is interesting to note that if the posterior distribution of the hyper-parameters reveal that $\phi_A = \phi_B = \infty$, then pooled OLS is a special case. This follows naturally because if there is no variance (i.e. infinite precision) in the intercept or coefficient across states, then one should conclude that there are no regime effects. Similarly, if $\phi_A = \phi_B = 0$, then unpooled OLS is a special case because there is no underlying structure to the data across states. To complete the model, the “hyper-parameters” A , ϕ_A , B , and ϕ_B are assigned diffuse prior distributions.

Figure 4. Random Coefficient Model Hyper-Parameters

Parameters for State-Specific Intercepts	Posterior Mean	Posterior Standard Deviation
Mean of State-Specific Intercepts	0.54*	0.054
Precision of State-Specific Intercepts	21.2	8.101

Parameters for State-Specific Intra-Party Conflict	Posterior Mean	Posterior Standard Deviation
Mean of State-Specific Coefficients	-2.85*	1.216
Precision of State-Specific Coefficients	3.071	4.891

*** Denotes Statistical Significance. MSE = .05548**

The results from the random coefficient model are presented in two parts.¹⁴ Figure 4 presents the posterior distribution of the hyper-parameters, providing information about the average intercept and effect of intra-party conflict. Consistent with the findings from pooled OLS, the hyper-parameter that describes the average effects of the independent variables confirms that there is a statistically significant, negative relationship between intra-party conflict and Democratic electoral success. Because the independent variable is based on a complex set of interrelated activities, a direct translation of changes in Democratic behavior on their electoral fortunes is difficult. However, predicted values reveal that the Democratic Party in an arbitrarily chosen state election could be expected to win 32 percent more seats if they were the most ideologically unified state delegation over the period under investigation, compared to the expected outcome if they were the least unified delegation. This supports the hypothesis that the maintenance of a clear public reputation had substantial favorable consequences at the ballot box.

Figure 5 presents predicted values concerning the state-specific effects in a manner analogous to those presented in Figure 3 for unpooled OLS. In contrast to the confusing set of overlapping lines observed before, with the random coefficient model there is a reasonably

¹⁴ Using the traditional Gibbs sampler, there was a large degree of autocorrelation in the Markov chains for many of the parameters. Because of slow mixing, an unusually long burn-in (10,000 iterations) and large number of draws (160,000 = 40,000 for each of 4 chains) from the Gibbs sampler were used to make inferences about the parameters. Neal's (n.d.) over-relax algorithm was also implemented in Winbugs with little change in the substantive findings.

consistent negative relationship across states between the level of intra-party conflict and Democratic electoral success. In each state, this relationship is statistically significant at the .10 level or greater. The main variation lies in differences in the intercept term, corresponding to different base levels of Democratic support. Together, the results reported in Figures 4 and 5 provide convincing evidence in favor of the electoral value of successful efforts to organize around ideology. In every state, when national evidence is used to guide inference about local effects to avoid over-fitting the data, successful efforts to protect the party's shared reputation yielded electoral rewards. The Democrats were more successful in elections when the public was more certain about the ideological content of the party label.

Insert Figure 5 About Here

What Sort of Voodoo is This?

Many readers may be troubled by the fact that the conclusions in the previous section are contingent on the application of a statistical technique that they are unfamiliar with, especially given the starkly different results provided by the more familiar unpooled OLS. Part of these concerns should be ameliorated by the observation that the random coefficient model did not “force” the state-specific intercepts to be almost identical like it did for the intra-party conflict coefficients. This suggests that when the data does not support the existence of an underlying structure across states, the modeling technique does not create such a structure.

The explanation for why the random coefficient model had such a substantial impact on the parameter estimates for intra-party conflict was precisely because our pooling tests rejected the joint significance of state-specific effects. The wild variations observed from unpooled OLS

were an artifact of over-fitting the data based on a small number of observations. To prevent this over-fitting, the random coefficient model “borrowed strength” from the overall effect of the independent variable in order to make inferences about the state-specific effects. The extent of this borrowing is contingent on the relative precision of the state-specific and overall effects. Thus, the regression lines became approximately parallel with the introduction of the random coefficient model because there was relatively little information provided by the state-specific data regarding the effect of intra-party conflict relative to that provided by the entire sample. Meanwhile, the intercepts remained variant across regression lines, because there was sufficient state-specific data to establish that each state had a different predisposition in favor or against the Democratic Party.

Omitted Variable Bias?

It is probably apparent to most readers that the statistical model introduced in this paper is misspecified. The model omits potentially important controls, including cross-sectional variables such as the normal vote or the distribution of partisan identifications across states, in addition to time-series variables like surges or declines in Democratic fortunes due to factors like presidential coattails or economic booms and busts. Also omitted are two measures suggested by my theory: the average distance for each observation between median voters’ ideal points and their perceptions of their candidates’ platform and the behavior and perceptions of the opposition party. It really does not matter that measures of these variables do not exist for the antebellum period—the resulting bias exists whether or not the omitted variable is observed. So, what should one make of the results that have been presented? Aren’t the magnitude, and even the direction of the coefficients biased? Fortunately, with a few reasonable assumptions, it is clear that to the

extent that bias exists, it is likely to be biased against the findings in this paper, suggesting that one would not expect to find results that turned out worse for the theory if measurements did exist.

Consider initially the omission of cross-sectional controls. Given that the period of investigation is quite short, it is fair to assume that the value of these variables was reasonably constant during the period under investigation. There simply are not dramatic changes in things like partisan identification that one would include as controls over a ten or fifteen year period of time. To the extent that these variables are constant over time, the inclusion of state-specific intercepts provided a sufficient correction for this omission, and should not be a great concern.

Somewhat more troubling is the exclusion of variables to measure changing circumstances over time. For example, factors such as presidential coattails or economic growth rates would certainly have influenced the outcome of congressional races. Although possibly problematic, earlier specifications of the model included separate dummy variables for each election year. These election-specific intercepts are sufficient to capture the joint impact of national level forces, thereby controlling for the omitted annual data. These additional variables did not substantially improve the model's fit, and their inclusion did not substantially change the value of the coefficient or significance level for the impact of intra-party conflict, demonstrating that the findings are robust despite the exclusion of these potentially relevant variables.

For both the omitted time-series and cross-section variables, it makes sense at a more technical level that their exclusion would not influence the relationship between intra-party ideological conflict and Democratic electoral success. Even if my assumptions about the stability of cross-sectional effects within states across time and about the stability of the time-series effects across states are flawed, the above statistical inferences should still be valid. This is because the

omitted variables are unlikely to be correlated with Democratic Party unity, which implies that a necessary condition for *bias* due to omitted variables is not satisfied. In a sense, omitted variable bias is not a problem because, if these variables were observed, the models would not suffer from multicollinearity.

Having briefly reviewed the explanation for the irrelevance of the excluded macro-level variables, now consider the bias induced by those variables that the formal theoretic work in Chapter 3 suggest drove antebellum political behavior. To foreshadow, the remainder of this section is a proof that if the regressions did not have omitted variable bias, then the findings would provide even stronger support for the theory. If the reader is not interested in the proof, they may wish to skip to the conclusion.

Based on the formal work reported elsewhere, and the fact that observations about district-level behavior are aggregated to the state-level, first assume that Democratic electoral success is a function of 1) intra-party ideological conflict (denoted X_1); 2) the Democratic candidates' average distance from their district medians (denoted X_2); and 3) the opposition party's behavior (denoted X_3 , where X_3 is a vector representing for the opposition party values analogous to X_1 and X_2). A regression model based on that assumption would have the form:

$$\text{Democratic Success} = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3$$

Second, assume that the opposition party's behavior is uncorrelated with Democratic Party behavior. Thus, $\text{cov}(X_1, X_3) = \text{cov}(X_2, X_3) = 0$. Note that this assumption is reasonable because, according to the formal work, the Democratic candidates' departures from their district medians (and therefore the extent to which they lowered intra-party conflict) was related to the level of trust within the party, and was uncorrelated (in a statistical sense) with opposition behavior. This is not to say that opposition party behavior did not influence Democratic platform

choices; just that the relationship was not deterministic in the manner required for regression analysis to be appropriate.¹⁵

Third, assume that the average distance between Democratic candidates' ideological positions and their district medians, ignoring the beneficial effect of decreasing uncertainty about the party reputation, is negatively related with Democratic electoral success. In other words, assume that the standard assumption of spatial theory is satisfied, and that a pivotal voter is less likely to vote for a candidate, the greater the distance between the candidate's platform and the voter's ideal point. Thus, $b_2 < 0$.

Fourth, assume that Democrats would diverge from the ideal point of the median voter in their district only if doing so would allow them to capture electoral gains from party unity. In other words, candidates were rational because they did not choose a strategy that hurt themselves in the two different ways possible in the model. Thus, the candidates are assumed to have not simultaneously 1) increased the perceived gap between themselves and the median voter in their district and 2) increased the level of ideological conflict within the party making the median voter more uncertain about the candidates' platform. Thus, $cov(X_1, X_2) < 0$.

Because the results of the empirical model showed that the estimated value of $b_1 < 0$, if (but not only if) the previous four assumptions hold and X_2 and X_3 are not observed, then the bias is in the positive direction. The key to this result is the following identity for models with omitted variables:

$$b_1^{\text{true}} = b_1^{\text{observed}} - b_2 \text{cov}(X_1, X_2) / \text{var}(X_1) \quad (\text{Kmenta 1997})$$

Since both $b_1^{\text{observed}} < 0$ and $\text{var}(X_1) > 0$, and by assumption $b_2 < 0$ and $\text{cov}(X_1, X_2) < 0$, it follows

¹⁵ That is, if the Whig candidate adopted point X. The best response of the Democratic candidate would be to go either point Y or Z, depending on the behavior of his co-partisans. Because of the conditional nature of the relationship, bivariate correlation can reasonably be assumed to be zero.

that $b_1^{\text{true}} < b_1^{\text{observed}}$. That is, the “true value” of b_1 is more negative than the estimated value.

IV. Conclusions

Beginning with an analogy to the franchise theory of the firm, this paper presented elements of a model of political behavior that incorporated political party organizations, candidates, and voters as active agents. The logic underlying the model is that voters, like consumers, are risk-averse. Consequently, they may often settle for a known “low-quality” product or “extreme” politician rather than gamble on alternatives whose expected value is higher but whose expected utility is less. Based on this intuition, it was shown how political parties could form to capture the benefit of creating this lower variance reputation across candidates for office. The model predicts that more ideologically homogenous parties may be relatively more successful than more heterogeneous parties.

Having laid out the theory, the paper tests a pair of hypotheses to determine whether the model had explanatory power in a most difficult case—the rise of the first mass parties during the antebellum period. A case study of New York politics demonstrated that during the 1810s and 1820s, a faction of the Jeffersonian Republican Party had cultivated a collective reputation that allowed them to successfully compete with the state’s traditional elites. To protect the value of their “brand name,” this group developed a set of institutions able to effectively police members of the organization in order to protect the value of their franchise. Empirical tests of the importance of low-variance party reputations for electoral success provides further support the model’s predictions. Quantitative evidence demonstrated that the antebellum Democratic Party received significant benefits from lowering the volume of ideological conflict within the party. In the language of franchising, when the Democrats offered themselves as a more homogenous product

line that decreased voter uncertainty about their likely behavior in office, a risk-averse public was more likely to vote for them.

Together, the empirical and theoretical arguments made in this paper offer a significant challenge to the dominant theory of candidate-centered elections. To the extent that the electorate uses party labels to inform their vote decisions, candidates carrying those labels have incentives to cooperate to protect their common reputation. This implies that it may be rational for office-seekers to concede some autonomy in the selection of issue positions if their co-partisans followed suit, since their electoral positions would improve. Further, party organizers benefit from the additional seats in the national legislature won by their candidates for office due to their efforts. Thus, party leaders and rank and file members may benefit from their participation in a franchise arrangement. It is left to future work to flesh out the conditions under which parties may be better able to realize these potential gains from organization.

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Figure 3. Unpooled OLS

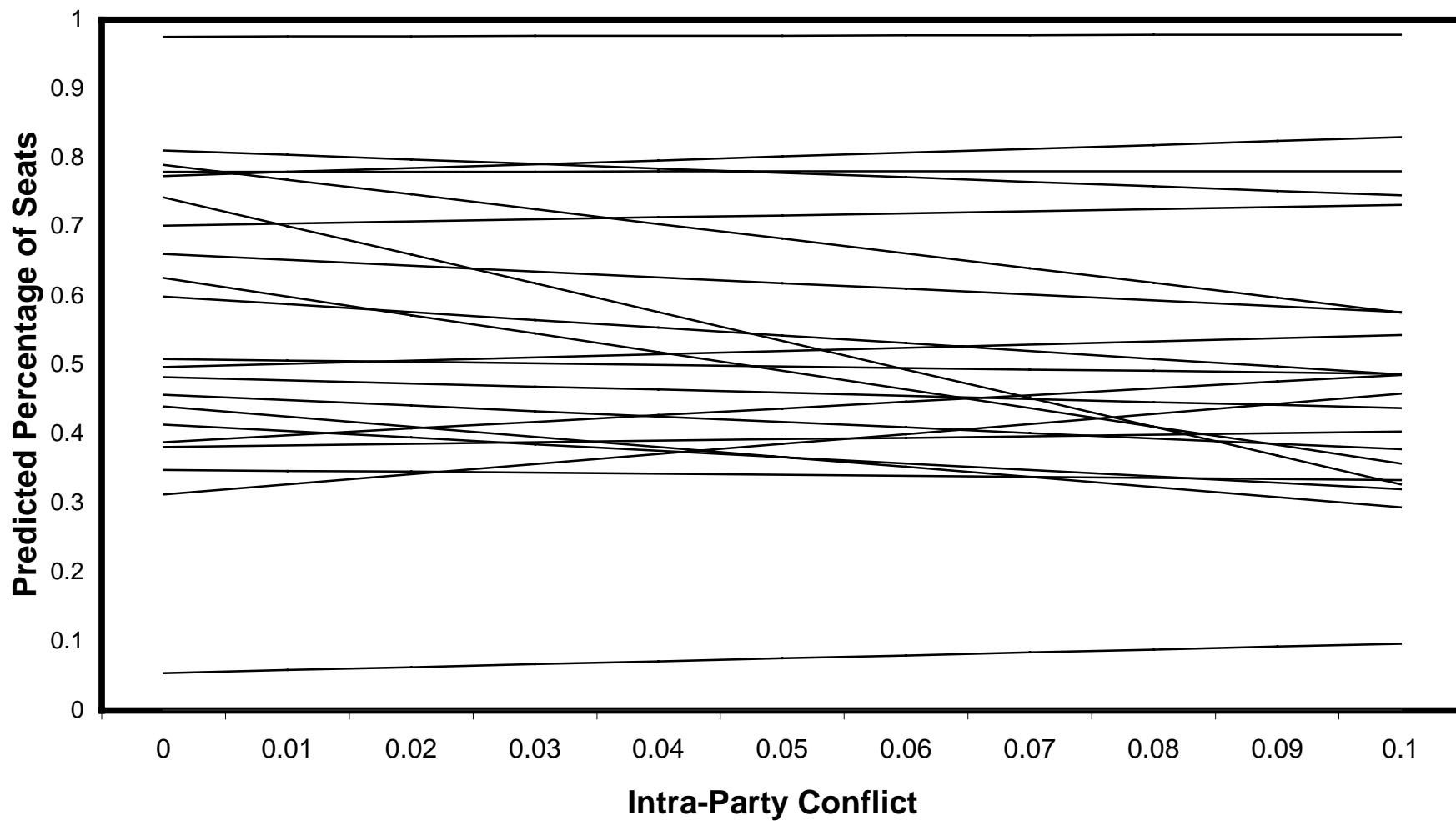


Figure 5. Random Coefficient Model

