Counting the Costs of Coalition: The Case of New Zealand's Minor Parties

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Unlike most coalition studies, which are primarily concerned with the major parties, this paper focuses on the costs of coalition for minor parties. As the experiences of a number of countries demonstrate, the costs of coalition are unevenly shared, with major parties generally incurring low costs and minor parties high costs. This paper will focus on the impact of coalitions on the minor parliamentary parties of New Zealand by considering whether the benefits of increased representation and influence under proportional representation have outweighed the costs. Adopting the Muller and Strom (1999) framework, it will look in particular at the consequences of coalition government for a party’s internal stability and votes. Attention will also be paid to the ‘cost-reduction’ strategies (Mershon 2002) adopted by several of New Zealand’s minor parties, including accepting portfolios whilst remaining outside of government. Finally, the paper will ask whether public criticism of a minor party’s coalition utility and efficacy are particular features of countries with long two-party traditions.

The advent of Proportional Representation (PR) provided New Zealand’s minor parties with opportunities for political representation and influence barely imaginable under plurality voting. For almost half a century, the country’s unicameral legislature was the exclusive preserve of the two major parties. Indeed, in the heyday of two-party politics, the combined vote for the two main parties averaged close to 100 percent. A number of minor parties came and went, but only one threatened to become a permanent fixture in the party system. Social Credit’s best performance in twelve election contests was in 1981, when it gained 21 per cent of the vote but only two seats. In contrast, since the introduction of PR in 1996, minor parties have demonstrated an ability to win up to one-third of all seats, leaving them strategically placed to influence the government agenda, from either the Opposition benches, a co-operation agreement, or as members of the executive. Three of the six minor parties currently represented in Parliament hold ministerial positions either inside or outside of the cabinet.

Despite these advances, New Zealand’s parties face a testing conundrum. Despite enjoying the benefits of high office, including policy gains, public prominence and ministerial largesse, they commonly incur agonising costs, the most damaging of which is likely to be the loss of public approval and votes. This experience is by no means unique to New Zealand. In her analysis of coalition governments in Europe, Carol Mershon points out that being part of a coalition does entail costs, the consequences of which will vary from party system to party system (2002, p.4). A study of government in Ireland found that ‘the electoral record of Irish coalitions has been almost uniformly disastrous for the parties concerned’ (Marsh and Mitchell, 1999, p.38). Summarizing the experience of coalitions in a selection of European countries, Muller and Strom conclude that, on balance, ‘government participation in electoral terms [is] more a liability than an asset’ (2006, p.120).

It is rarely the case that the burdens of office are evenly shared. While it has been said that ‘everyone loses in a divorce’ (Narud and Irwin, 1994, p.270), this paper will argue that minor parties bear a disproportionate share of the costs of coalition, a situation that is by no means limited to New Zealand. In Ireland, for example, it is said to be ‘extraordinarily difficult for a small party in government with a rival to get noticed, implement some of its policies, and avoid a serious flogging at the next election’ (Mitchell 2003, p.217). Party behaviour in Italy follows a similar pattern, with one study
concluding: ‘When we examine the electoral costs of governing relative to party size, the smaller parties have clearly been more susceptible than the [major ones]’ (Verzichelli and Cotta, 2006, p.490). The flow-on effects of electoral rejection include intra-party disunity and division, tensions between coalition partners, and, ultimately, government instability and failure.

Drawing on the New Zealand case study and applying the analytical framework for coalition decision-making of Muller and Strom (1999), this paper will explore the reasons why minor parties are more vulnerable to public opprobrium than Labour and National. Among the possible explanations are the residual affects of a two-party system in which the role of minor parties was never clearly defined or understood. With the advent of PR, a sudden shift in the balance of power placed the minor parties in the unfamiliar role of king-makers and partners in government. As well as severely testing the capabilities of the politicians concerned, forming and sustaining a coalition involved compromises or trade-offs that risked compromising their reputation as parties of principle, and, in the case of New Zealand First, as populist outsiders. As several party leaders soon found, appearing to put the office-seeking goal before policy and votes not only invited a backlash from rank and file members, but also the voting public. Our discussion will consider the ‘cost-reduction’ strategies adopted in response to their criticisms, including ‘confidence and supply’ and ‘co-operation’ agreements.

Context

As with parties elsewhere, the lure of cabinet office has been the paramount consideration of New Zealand’s minor parties since the advent of coalition government in 1996. There are sound structural and practical reasons why this is so. In the absence of either an upper house or a network of provincial parliaments, the opportunities for political office are severely limited. Moreover, with up to five or six minor parties competing for attention at any given point and time, placing curbs on the bargaining and veto powers of the minor parties has been easier than anticipated. For example, by forging coalition agreements with the moderate parties rather than the more ideologically committed Greens, the present Labour government has consciously reduced the demand for policy concessions.

The motivation to either accept or reject a role in government is a product of three goals: policy, office and votes (Muller and Strom, 1999). While all three are important, they are not necessarily compatible, as reflected in the structure of Muller and Strom’s analytical framework, with three distinct models of party behaviour. The ‘Office-Seeking Party’ is primarily concerned with holding seats around the cabinet table, or, as one of New Zealand’s minor party leaders described it, enjoying the ‘baubles of office’. Achieving this goal can be seen as an end in itself, or, as Riker, describes it, as the ultimate prize in a political career (Ibid, p.5). Alternatively, it can be viewed as a means to an end, the end being the achievement of certain policy goals. In the words of Budge and Laver, ‘the rewards of office may be valued...for the ability that it gives to influence policy outputs’ (Ibid, p.6).

The second model identified by Muller and Strom is the ‘Policy-Seeking Party’. As the guardians of the party ideology, rank and file members are likely to place much greater importance on policy than seeking office, or even maximising the party’s vote. This is particularly true of New Zealand’s minor
parties, several of which are splinter movements, having been formed as a result of ideological and policy disputes within the parent party. One of the greatest sources of potential conflict concerns the extent to which the party leaders are prepared to make policy concessions in exchange for a role in government. Clearly it is in the interests of all parties concerned that the coalition partners are compatible on a solid core of policies (Ibid, p.7).

The final category of party is the ‘Vote-Seeking Party’. Anthony Downs advanced the famous axiom that parties make policies to gain office, a vote-maximisation proposition that Muller and Strom reject as being overly simplistic. Rather, they regard the quest for votes as instrumental and argue that ‘parties only seek votes to obtain either policy influence, the spoils of office, or both’ (Ibid, p.9).

While this qualification appears to be at odds with an analytical framework constructed around one-dimensional models of political party, Muller and Strom acknowledge that parties have a commitment to all three goals. Each is subject to a series of compromises or trade-offs, either between the party leaders and their followers, or between the party and its prospective coalition partners. Some parties may even take the precaution of requiring that the leaders consult with their members and activists before finalizing any policy or office-holding agreement. Any such discussion might include consideration of the likely impact of the office-seeking goal on the party’s electoral support. A familiar strategy adopted by the major parties to limit the policy and office-seeking demands of party leaders and supporters is the threat of government dissolution, followed by a snap election in which the minor parties may be forced to confront a vengeful voting public.

In weighing up the potential benefits and costs of coalition, New Zealand’s minor parties face a hierarchy of options:

1. Full coalition accord
2. Accepting ministries whilst remaining out of government
3. Confidence-and-supply agreement (which requires support on any confidence motions in exchange for policy concessions)
4. Co-operation agreement (a more open arrangement allowing a party to abstain on confidence and supply)
5. Opposition

Office-seeking parties receive greatest satisfaction from a full coalition accord in which the ministries are distributed on either a pro rata basis or one favourable to the minor party. The first government under PR was a minimal winning coalition of only two parties. Although minority governments tend to be treated as something of an anomaly in the coalition literature (see, for example, Artes and Bustos 2008), through a combination of election outcomes and major party wariness of multi-member coalitions, this has become the dominant model in New Zealand. With the compliance of the minor parties, most of whom were becoming increasingly apprehensive at the electoral costs of being in government, alternative options have been devised. As we will see, the second option above is the most creative, if problematic of these alternatives. Accepting ministerial positions outside of cabinet may satisfy the ambitions of office seekers, but persuading their voters that, because the party is not in government, it cannot be blamed for its mistakes,
is to fudge an important line in the Westminster distinction between government and ‘Her Majesty's Loyal Opposition’.

Table 1: Election Costs/Benefits of Government Parties in New Zealand since 1996

<table>
<thead>
<tr>
<th>Election</th>
<th>Government</th>
<th>Support agreement</th>
<th>Movement</th>
</tr>
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<tbody>
<tr>
<td>1999</td>
<td>National</td>
<td></td>
<td>-3</td>
</tr>
<tr>
<td></td>
<td>New Zealand First</td>
<td></td>
<td>-9</td>
</tr>
<tr>
<td>2002</td>
<td>Labour</td>
<td>+2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alliance</td>
<td></td>
<td>-7</td>
</tr>
<tr>
<td>2005</td>
<td>Labour</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Progressives</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>United Future</td>
<td></td>
<td>-4</td>
</tr>
<tr>
<td></td>
<td>Greens</td>
<td></td>
<td>-2</td>
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For minor parties, there are two additional levels of agreement, both of which allow the contracting parties to remain in ‘responsible opposition’ whilst ensuring the implementation of key policies. The confidence-and-supply agreement is the deluxe model, and requires that the minor party supports the government on any confidence motions. The co-operation agreement provides minor parties with a lower threshold, since, in exchange for certain policy concessions, all they may be required to do is abstain from voting in the event that the Opposition proposes a motion on confidence and supply. Both agreements offer a measure of protection to parties that wish to retain their popularity with voters by making the claim that, while they are not in the government, they are of it in that it is implementing some of their policies. To the extent that they keep the government in power, they are also contributing to stable and effective government.

Office versus votes
The following discussion has two main purposes: first, to analyse by example the interplay between the two dominant motivations of office and votes; and second, to consider the costs of coalition for those minor parties that are drawn into such an arrangement (see Table 1).

Example 1, 1996-98:
The minimum winning coalition between National and New Zealand First appeared doomed from the outset. For a voting public conditioned by years of single party government, the outcome of the election, which gave the stridently nationalistic New Zealand First party the balance of power, could hardly have been more disturbing. By engaging in parallel negotiations with
the two major parties over a period of some seven and a half weeks, the party leader, Winston Peters, exploited his strategically important role to maximum effect. In an atmosphere of secrecy and high drama, his negotiating team went back and forth between the two main parties, on each occasion trying to extract the best possible coalition arrangement for himself and the party’s seventeen MPs, most of whom had no experience in Parliament, let alone in government. In the end, the main sticking point was Labour’s refusal to meet Peters’ demand that he be given the most important portfolio outside of that of Prime Minister, that of Treasurer. The title and role of Treasurer were new, having been proposed by Peters to ensure that he had seniority over the long-established position of Finance Minister. Whereas the Labour Opposition leader, Helen Clark, refused to accede to Peters’ demand (she insisted that the job go to her shadow cabinet Finance spokesman, Michael Cullen), National’s Prime Minister, Jim Bolger, was prepared to agree. Peters also negotiated for five appointments to the twenty-member cabinet, with the promise of three more within two years (this meant that a party receiving 13 per cent of the vote at the election would receive almost half of all the seats in cabinet). In addition, Peters successfully negotiated for four of the six ministerial appointments outside of cabinet. Of the total of nine New Zealand First ministers appointed in 1996, five were new MPs, having just been elected to Parliament for the very first time.

The sheer magnitude of the minor party’s office-seeking ambitions, together with the cynicism with which it exercised its negotiating advantage over the two major parties, had an immediate and significant impact on its electoral support. At the height of its anti-immigration (mainly anti-Asian) campaign in the months leading up to the election, New Zealand First’s support in opinion polls surged to 28 per cent (eight percentage points ahead
of Labour). Two-thirds of its voters, many of whom were Maori on low incomes, had favoured a centre-left coalition with Labour, something that the party all-but promised during the election campaign when its deputy leader vowed that his party would never support a government led by Bolger. Within a matter of months, support for New Zealand First slumped to less than 4 per cent (see Figure 1). Clearly the leadership of the party had not anticipated the electoral fallout from its decision to form a government with National. Nor had Peters predicted the likely effects of exposing his inexperienced ministers to the strains of government, especially a government bristling with highly experienced National party politicians, many of whom were not only opponents of PR and coalition government, but also Peters, a former National minister who had resigned following a series of personal and ideological disputes with his former colleagues.

The combination of political inexperience and plummeting electoral support had a deleterious effect on internal party unity. There were simmering disputes between ministers from the two governing parties, a ministerial sacking, the loss of the government’s one-seat majority, and finally, in July 1998, the Prime Minister’s decision to remove Peters from cabinet. Following the coalition’s collapse, nine of New Zealand First’s MPs decided to continue to support National, leaving Peters with a deeply divided and demoralised party. Thereafter the government’s survival was dependent on the continuing support of a grab-bag of independent and party-hopping MPs. At the 1999 election, while National’s vote dropped by a mere 3 percentage points to 31 per cent, New Zealand First’s support collapsed (from 13 per cent in 1996 to 4 per cent in 1999). The main beneficiaries of this decline were the centre-left parties, notably Labour and the Alliance.

Example 2, 1999-2002
Having witnessed the implosion of the National-New Zealand First coalition, the Labour and Alliance\(^1\) parties were determined to avoid repeating its mistakes. As a breakaway movement from Labour, the Alliance manifested some of the same antipathy and distrust that had marred relations between National and New Zealand First. In 1996, the two parties had reached an impasse over the Alliance’s insistence that Labour announce its coalition plans before the election, something Labour was unwilling to do. Three years later, the two parties made their intentions clear well before polling day. Unlike the prolonged negotiations of 1996, Labour and the Alliance were able to reach agreement within five days. And, in contrast to the National-New Zealand First coalition document, which ran to 74 pages, the one-and-a-half page Labour-Alliance agreement avoided any firm policy commitments, preferring to focus on ‘consensus management’ and a declaration of support for the principle of collective cabinet responsibility. As we will see, this omission was to prove costly in the years ahead. In keeping with its office-seeking aspirations, the Alliance was given four seats in the twenty-member cabinet, including the post of Deputy Prime Minister for its leader, Jim Anderton.

\(^1\) Although referred to in the singular, the Alliance party was, in fact, a movement of five parties (New Labour, Greens, Social Credit -renamed the Democrats-, Mana Motuhake, and the Liberals). The Greens broke away from the Alliance prior to the 1999 election.
It was not before the Alliance’s credibility as a coalition partner began to be questioned, and mainly as a result of two related developments. The first, a lack of substantive policy gains, created an impression of weakness and led to accusations of ineptitude in the Alliance MPs’ dealings with Labour. Tensions between the two parties had been aroused as a result of Labour’s decision to promote a free trade agreement with Singapore, an initiative strongly opposed by the Alliance’s trade union activists. More important still was the government’s 2001 decision to commit troops to the war in Afghanistan. The Alliance’s left wing rank and file accused the MPs of putting their office-seeking ambitions before principle and called for the removal of the party leader. The second development, an irreversible decline in the level of public support, can be attributed to perceptions of impotence and intra-party conflict (see Figure 2). Shortly before the 2002 election, the conservative wing of the party broke away and formed the Jim Anderton’s Progressive Coalition (later shortened to the Progressives). At the election, the Alliance lost all 10 seats and received a mere 1 per cent of the vote. In contrast, Labour’s share of the vote rose from 39 per cent to 41 per cent. Since then, the Alliance has effectively disbanded.

Example 3, 2002-05

By 2002, the minor parties were beginning to devise their own responses to the electoral costs of being in government. Although the Greens had maintained a relatively close working arrangement with the Labour-Alliance government over the preceding three years, prior to the 2002 election they began to harden their position. Any future coalition agreement would be conditional upon Labour adopting a broad range of Green policy initiatives. Two months before the election, the Green MPs staged a walkout from Parliament’s debating chamber in protest at the government’s decision to lift
its moratorium on genetically engineered food trials. Shortly thereafter they announced that they would not go into coalition with Labour if it continued with its plans to allow the commercial use of GE products, and even threatened to use its parliamentary strength to try and bring the next Labour-led government down. It was against this backdrop that Labour began to argue that coalition government was unstable, and that voters should give it a parliamentary majority so that it could govern alone.

As it transpired, with a total of 54 seats, Labour and the Progressives fell well short of the 61-seat majority required to pass their legislative agenda. Happily for the government, the United Future leader, who had seven inexperienced MPs in his eight-member caucus, decided that being in government posed as many dangers for his party as it had for New Zealand First and the Alliance. The compromise was a ‘confidence and supply’ agreement that would allow United Future to remain at arms length from Labour. In exchange for an undertaking to support the government on confidence motions, Labour agreed to adopt some of the policy demands of the predominantly evangelical Christian party, including the setting up of a Families Commission and an undertaking to support a comprehensive drugs policy.

Armed with this agreement, Labour then turned to the Greens, whose support was needed on any liberal initiatives likely to be opposed by United Future. While the resulting ‘co-operation’ agreement had less stature than the one on ‘confidence and supply’, it did provide the Greens with the opportunity to engage with the government on a wide range of policy proposals. In return, the Greens promised to abstain from voting on any issues of confidence and supply.

Figure 3: Public Support for United Future: 1996-2006

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<thead>
<tr>
<th></th>
<th>July 2002 election</th>
<th>Sept 2005 election</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support Agreement</td>
<td>6.7%</td>
<td>2.7%</td>
</tr>
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Opinion Polls (3 monthly averaged)
As Figure 3 shows, the spike in support for United Future at the 2002 election proved to be short-lived. In contrast, apart from a minor increase at the 2002 election, throughout the 2002-05 the popularity of the Greens remained fairly constant at around 5 per cent (see Figure 5). Support for the Progressives (see Figure 4) started low and dropped still further, with a loss of one of its two seats at the 2005 election.

Example 4, 2005-08
The pre-election stances of the minor parties serve to illustrate the extent to which, by 2005, their office-seeking ambitions had been curbed in the interests of electoral success. Having won a partial reprieve from voters following the collapse of the 1996-98 coalition, in 2005 the New Zealand First leader pledged that he would not go into government with either of the two major parties. In one of the most memorable comments of the election campaign, Peters promised that his party would not be seduced by the ‘baubles of office’, by which he doubtless meant ministerial titles, offices and advisors, as well as the chauffeur-driven limousines and travel expenses the voting public most associate with the trappings of power. To make his position even more unambiguous, Peters undertook that he would not support a government that included either of the two flank parties, ACT on the right and the Greens on the left. He was partially supported in this tough stance by the United Future leader, who pledged that he too would not support a government that included the Greens. Having been largely ignored as a potential coalition partner on previous occasions, the Green co-leaders were in favour of a coalition with Labour, although they would have struggled to convince their members that the pursuit of office would not come at the expense of either policy or votes.

Figure 4: Public Support for Jim Anderton’s Progressive
2002-2006

![Graph showing public support for Jim Anderton's Progressive party from 2002 to 2006.](image-url)
In the end, Labour needed the support of New Zealand First (seven seats) and United Future (three) more than it needed the Greens (six). In one of the most creative solutions struck by the minor parties since the advent of coalition government, New Zealand First and United Future negotiated an agreement that gave them ministerial positions, but outside of government. Winston Peters became Minister of Foreign Affairs and Peter Dunne Minister of Revenue. On matters relating directly to their portfolios, the two parties in question were required to support government policy. On policies unrelated to their portfolios, they were free to either support or oppose the government, although their agreement did include a commitment to vote with the government on confidence and supply. The seeming contradiction between Peters’ pre-election pledge not to accept the ‘baubles of office’ and his later decision to accept the most prestigious portfolio after that of Prime Minister was widely condemned, as evidenced by the slump in support for New Zealand First in late 2005 and 2006 (see Figure 1).

The first significant opportunity to test the viability of this arrangement occurred in April 2008, when New Zealand and China signed a free trade agreement, the first between China and a western country. The decision of the Foreign Minister and his party to oppose this agreement was seen by their critics as putting the government in a constitutional quandary, although the government correctly pointed out that it was the Minister of Overseas Trade, not the Foreign Minister, who was responsible for trade policy.

Figure 5: Public Support for "Opposition" Minor Parties: 1996-2006

Conclusion
This paper has discussed the ways in which minor parties respond to the costs of being in government. As the New Zealand case study shows, through a process of trial and error, parties have an ability to adapt to changing demands and conditions, as exemplified by the strategic trade-offs parties make between their office-seeking, policy-seeking and vote-seeking
objectives. When PR was first introduced, New Zealand’s minor parties lacked both parliamentary and governmental experience, with the result that they failed to anticipate the impact joining a coalition might have on party unity and electoral support. By curtailing their office-seeking demands, those parties that survived have been able to reduce the electoral costs, whilst preserving a measure of influence over the government’s policy agenda.

Whereas the minor parties initially were viewed as being essential to effective and stable government, the growing incidence of minority government has reduced some of their tactical importance to voters, as well as to election outcomes. As many voters have come to appreciate, a hierarchy of engagement with government has begun to emerge, from a fully-fledged partnership (for example, the Progressives), to ministerial office outside of government (New Zealand First and United Future), through to agreements to either vote with the government or abstain on confidence and supply (United Future and the Greens). With so many minor parties competing for attention at the time of an election, measuring a party’s utility to the outcome is becoming an increasingly difficult task. Instead of using their two votes to construct their most preferred centre-left or centre-right coalition government, voters are being presented with the option of a single-party government, with legislative support from one or more minor parties. Clark asked voters for such an outcome in 2002, and, to all intents and purposes (Jim Anderton’s Progressives may be on the point of merging with Labour), that has been the structure of government ever since.

But as well as judging the utility of minor parties, voters are being called upon to make comparisons based on their efficacy as partners in government. Of continuing relevance to their decision is New Zealand’s long tradition of two-party politics. In classical two-party systems, the role of both major parties is to maximise their vote with a view to forming a single party majority government. The principal electoral function of minor parties, on the other hand, is to act as agents of protest. In such party systems, their performance bears an inverse relationship to that of the two major parties. In times of sustained public dissatisfaction with the two main parties, electoral support for minor parties rises, and when confidence returns, support falls. These fluctuations between the extremes of relevance and irrelevance are a consequence of several factors, the most important of which, the degree of public esteem for the two major parties, is beyond their ability to influence. In all other respects the role of minor parties is limited to that of frustrated outsider.

In the case of New Zealand, all this changed with the introduction of PR and the resulting consolidation of the multi-party system. Suddenly, minor parties were being asked to play a strategic role within parliament and government. This transition has proved difficult, not only for the parties concerned, but also for a voting public conditioned to limit the role of minor parties to the three-year election cycle. On the two occasions New Zealand First has been instrumental in forming a government, doubts have been raised as to the integrity of its motives, as well as to the reliability and effectiveness of its decisions. Much of the responsibility for this negative image lies with the party leadership. Deliberately misleading pre-election announcements as to its coalition preferences, together with what many regard as inflated office-seeking demands, simply have confirmed the
suspicion of the critics of PR that minor parties are the ‘tail wagging the dog’. The reputation of minor parties has been further tarnished by the bitter ideological battles between the Alliance’s MPs and grassroots members in the late 1990s and early 2000s. The Alliance’s dramatic decline in support, followed by that of United Future three years later, gave substance to the claim that entering or supporting a government involves significant costs. Although sacrificing office for policy and/or votes is likely to be an unpalatable trade-off for ambitious politicians, the confidence and supply and co-operation agreements appear to offer the optimum opportunity for influence, as well as helping to ensure the sustainability of minor parties as electoral organisations.

Bibliography


