

What Motivates Romania's Migrant Mayors?

An Institutional Analysis of Party-Switching at the Local Level

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Introduction

Between 2000 and 2003, Romania witnessed a unique and alarming trend among local-level politicians across the country. More than one third of the nation's 3,000 mayors switched political parties after being elected to office in June of 2000. Of the mayors who "migrated" (in local parlance), more than 80 percent switched from relatively small, fragmented opposition parties to the ruling former-communist Social Democratic Party (PSD), which regained leadership of Romania in November of 2000. This movement of mayors increased the PSD's share of the country's mayoral posts from approximately 35% immediately following the 2000 local elections to 65% by the end of 2003 (Chiorean and David 2001; Moraru and David 2003).

The trend described above is significant because it indicates a lack of stable partisan commitments on the part of local political elites in Romania. Without such partisan commitments, democratization scholars agree that parties will remain weak and the party system inchoate, hindering the prospects for democratic consolidation. The purpose of this paper is to investigate the cause(s) behind the mass movement of mayors in Romania. While no formal attempts have been made at systematically analyzing this particular phenomenon, the present study will follow in the tradition of previous research on party-switching in other contexts by stressing the role of incentives in explaining the actors' behavior. This paper will depart from previous studies, however, by explicitly applying the IAD framework to explore the institutional and environmental factors which gave rise to incentives motivating a large number of Romanian mayors to switch parties after the 2000 elections.

More precisely, I will argue that Romania's 1998 Law on Local Public Finance—an ambitious piece of legislation aimed at realizing greater fiscal decentralization in Romania—actually had the unintended effect of making some local governments *more* dependent on the central government and, in turn, the party in power. As a result, I argue that this budgetary reform, working in concert with important community attributes and rules-in-use, as well as a timely change in the country's ruling party, produced strong incentives for some opposition-party mayors to leave their parties and join the ruling PSD.

Why Party-Switching Matters

Before proceeding with the analysis, it may be useful to address a potential criticism of the present study. The criticism is that in new democracies, such as Romania, parties may not be firmly rooted, ideologically grounded, or even likely to stick around very long; in other words, they simply may not mean a whole lot. Thus, one may ask, Why are parties important to study in such an environment, and why is party-switching among Romanian mayors a significant trend?

My answer to this criticism is twofold: First and foremost, an abundance of research on democratization and democratizing nations indicates that stable parties are fundamental to the consolidation of new democracies; thus, if we are concerned about the state of democracy in Romania, rampant party-switching among local politicians is a phenomenon worth addressing. Secondly, the uniqueness of the phenomenon described above, as compared to the experiences of other new democracies in Eastern Europe and elsewhere, suggests that something exceptional is happening in Romania, which merits further inquiry.

First, among political scientists and other scholars who devote their attention to studying democracies and democratization, there is strong agreement that stable or “institutionalized” parties and party systems are crucial to the success and stability of democratic governance. As one important study states, “The structure and the interactions of political parties are the most significant variables which contribute to the consolidation or failure of the political systems of democratic polities” (Elster, Offe and Preuss 1998, 110-111). In part, this is because parties serve as a vital link between the citizenry and the government, helping to make sense of an otherwise chaotic political landscape. To be sure, average citizens do not have the time or the resources to evaluate each individual political candidate on his/her own merits—especially amid the explosion of political competition that followed democratic revolution in most of post-communist Europe. Thus, political parties provide a way of organizing the complex political spectrum, allowing voters to use what institutional analysts might refer to as “heuristic” methods of decision-making (Gigerenzer 2004). Of course, political parties serve other important purposes, as well. In his influential work, *Why Parties?*, John Aldrich argues that political parties serve three fundamental purposes in democratic systems: (1) they

regulate the number of people seeking public office; (2) they aid in mobilizing voters; and (3) they help politicians work together to accomplish goals once in office (Aldrich 1995).

Moreover, stable party systems—which are necessarily composed of stable parties—are “a requisite for democratic government” (Kuenzi and Lambright 2001, 463), because they allow for regularized, patterned and peaceful political competition to take root. Warning of the dangers of weakly institutionalized party systems, Scott Mainwaring asserts: “Democratic polities with inchoate party systems display traits that set them apart from democracies with more institutionalized systems: more personalism, weaker mechanisms of accountability, greater electoral volatility, more floating voters, more uncertainty” (Mainwaring 1998, 79).

Even more important to the present study, there is widespread agreement in the literature that party-switching prevents party systems from stabilizing. As Marcus Kreuzer and Vello Pettai note, scholars of party systems are “surprisingly unanimous” in considering politicians’ shifting organizational loyalties as one of “the key micro-obstacles to the macro-institutionalization of party systems” (Kreuzer and Pettai 2003, 77). This is because frequent party-switching prevents political elites from forming stable partisan commitments (Shabad and Slomczynski 2004), while simultaneously undermining efforts by party organizations to gain a solid foothold among the electorate. The result is that parties remain unstable, creating an environment of “loose parties and floating politicians,” which encourages personalistic and clientelistic, rather than programmatic, party competition (Conaghan 1994).

The bottom line is that party-switching prevents parties, and in turn, party systems, from stabilizing, thus threatening the development of the democratic system. Viewed this way, the topic of party-switching is far from irrelevant in the context of new democracies. Rather, one could argue that it is important precisely because of the problems of developing meaningful, stable political parties in new democracies.

Secondly, the uniqueness of the Romanian case in question is, in itself, a reason to warrant it attention. While a limited degree of party-switching among parliamentarians has been observed in several of the new democracies of Eastern Europe (for example, see Kreuzer and Pettai 2003; Shabad and Slomczynski 2004), nothing approaching the scale

of the migration of Romanian mayors has been seen anywhere in the region. This suggests that there is something unique at work here, which merits further investigation given the above discussion highlighting the importance of party stabilization in new democracies. Furthermore, the very fact that the mayors felt compelled to change parties indicates that party affiliation does have meaning, and that there must be a reason why such a large number of mayors decided to switch parties in such a short period of time.

Existing Approaches to Party-Switching

In general, despite the widespread recognition of the negative consequences of party-switching in developing democracies, there is a dearth of scholarly analysis on the subject. Among the existing literature, two basic approaches can be distinguished. The first approach addresses the problem at a systemic level, asserting that party-switching can be attributed to the high volatility of newly developing party systems, in which party splits, mergers and dissolutions are frequent occurrences. According to this type of explanation, party-switching is largely involuntary, and occurs in response to excessive “flux” in the party system structure (for a discussion of this approach, see Kreuzer and Pettai 2003; Shabad and Slomczynski 2004).

The problem with this type of explanation is that it ultimately glosses over the question of why individual politicians switch parties, tacitly asserting that party-switching as a systemic phenomenon is a product of party systems which have not yet stabilized. However, as asserted above, many scholars have argued that widespread party-switching in new democracies may actually *prevent* party systems from reaching the point of stabilization. Thus, it is necessary to understand what causes party-switching at the individual level.

An alternative approach in the literature attempts to do just that. Working from the premise that party-switching is a voluntary choice, these explanations attempt to identify the incentives facing politicians, which motivate them to change parties. Among these types of explanations, some of the most useful work has been done in the context of Latin America (Desposato 1997; Mejia-Acosta 1999; Desposato 2002). The most comprehensive of these studies is arguably Scott Desposato’s theoretical model explaining party-switching in Brazil’s Chamber of Deputies, which delineates four types

of “advantages” that party members gain by belonging to a political party. These include: *electoral advantages* (party image, financial resources, organization, consulting); *institutional advantages* (access to key posts, opportunities for career advancement); *ideological advantages* (how ideologically attractive/compatible a party is); and *distributive advantages* (access to government largess). Additionally, Desposato recognizes that party-switching may incur *transaction costs* (laws that prohibit/discourage party-switching, partisan electorates that may punish defectors), which constrain politicians from switching parties. According to Desposato’s model, politicians choose to switch parties when the advantages of joining another party outweigh the transaction costs that inhibit switching (Desposato 2002).

On the specific question of party-switching among Romanian mayors, there currently exists no systematic scholarly attempt at explaining the phenomenon in question. The Institute for Public Policy (IPP), a Bucharest-based think-tank, has amassed a good deal of data about shifting party affiliations among Romania’s mayors, but the institute’s two reports on the topic have only speculated informally about possible causal factors. Specifically, the reports cite a lack of strong organization among opposition parties at the local level, as well as access to financial resources controlled by the ruling PSD, as the main factors motivating the mayors’ migration (Chiorean and David 2001; Moraru and David 2003). However, the reports rely almost exclusively on anecdotal evidence and fail to explain the timing of the migration—that is, why the mayors migrated only after the 2000 election.

By applying the IAD framework to the problem of party-switching among Romanian mayors, this paper will proceed with an approach akin to past scholarly work that has examined the incentives motivating politicians to switch parties. Thus, it will build upon a small but developing body of political science literature pioneered by scholars like Desposato. It will also pick up where research by the IPP has left off by examining in detail the rules and incentives that motivated a large number of Romanian mayors to switch parties following the 2000 elections. In this way, the present study aims at contributing to our understanding of the mechanisms underlying party-switching as a general phenomenon, as well as our understanding of the migration of mayors in the specific case of Romania.

Defining the Action Situation

The main objective of this paper is to elucidate the incentives that motivated a large number of Romanian mayors to switch parties following the 2000 elections. Thus, the question is essentially a political one, which assumes that the mayors are rational political actors who want to maximize their utility—i.e. to retain political office and/or advance their careers. In the context of a democracy (such as Romania), it is presumed that a political actor can achieve this goal by satisfying his/her constituents, who ultimately hold the power to retain or dismiss him/her as an elected representative.

Further, it is assumed that the most important responsibility of a mayor (in Romania, as elsewhere) is to manage the resources of his/her locality, ensuring the fiscal health of the community and the adequate provision of public goods and services. It is also assumed that constituents judge a mayor's suitability for office on this basis—that is, on his/her ability to competently manage the locality's budget and keep the place functioning well. Thus, a mayor's adeptness at managing local resources and providing for his/her locality becomes a critical component of his/her ability to achieve success as a political actor.

Within this context, political parties may be regarded as tools, which help political actors to achieve their goals by supplying them with certain goods. Following the work of Desposato, parties may provide members with an ideological platform or image, financial and organizational resources, opportunities for career advancement within the party, and (when the party is in power) access to government largess (Desposato 2002). In exchange, party members at the local level help to strengthen the base of the party by increasing the reach and influence of the party organization.

Given the above assumptions, this study focuses on Romania's system of local governance and resource allocation as the *action situation* to be explored. It is within this system that Romanian mayors interact with actors at other levels of government in an effort to attain the best conditions for their localities, and in turn, for themselves. Moreover, this system presents mayors with many obstacles and opportunities for achieving their goals—one of which is the choice of affiliation with political parties. Thus, by examining the actors and environmental factors influencing this system, we can

better understand the incentives that motivated many Romanian mayors to switch political parties following the 2000 elections.

A potentially helpful way of conceiving of this action situation is to view it as an instance of *nested games*, in which the choice of party affiliation among Romanian mayors—the ultimate concern of this study—is only one of several games in which the mayors, as political actors, are simultaneously involved. In addition to the game of party affiliation, mayors are involved in a game of winning resources for their locality, as well as a game of trying to win favor with constituents, among others.

Another important distinction is that the action situation with which this study is primarily concerned is located at the *operational level* of analysis. However, it should be noted that while this operational situation will be examined as a discrete entity, it is not, in reality, an isolated situation. Rather, this operational situation is nested within a *collective-choice* situation, where the rules that bind the actors at the operational level are determined. In this case, the collective-choice situation would be the system governing how legislation on local governance and resource allocation is drafted and signed into law at the national level. Moreover, this collective-choice situation is nested within a *constitutional* situation, which determines how decisions at the collective-choice level are made. In this case, the constitutional situation might be concerned with how the national legislative system was conceived by the authors of Romania's constitution, which was drafted following the revolution of 1989. We may even conceive of a meta-constitutional level, concerning the most basic community attributes and biophysical constraints underlying all the other levels (Ostrom, Forthcoming, 35-39). The main point is that the operational level should be recognized as only one of several levels of analysis, all of which impact what happens at the operational level.

A Closer Look at the Actors

There are two tiers of local government in Romania. The first tier administers Romania's 41 counties (*județi*). Each county-level government consists of a directly elected county council and a government-appointed prefect, who oversees the operation of the county government. The second tier of local government is responsible for administering Romania's approximately 3,000 communes (*commune*), towns (*orași*) and

municipalities (*municipii*). Each of these local governments (which I will refer to as LGs) consist of a directly elected local council, as well as a directly elected mayor, who acts as the executive authority of the LG. In theory, the two tiers of local governance are independent; that is, LGs are technically not subordinate to county-level governments. In practice, however, LGs are often highly dependent on county governments, since funds from the central government are usually distributed at the county level—a consideration that will be given greater attention later in this analysis. Other relevant actors in the action arena include: political party organizations, which may exert influence on political actors throughout the system of local governance; and constituents, to whom all directly elected local government officials are ultimately accountable.

County Council

Each county council consists of 30-40 members, depending on the size of the county. The council is directed by a president, deputy president and a permanent delegation of 4-6 councilors, who are elected from the ranks of the council. Since the full council meets only once every two months, the president and permanent delegation are responsible for handling most of the day-to-day running of the county government. The permanent delegation acts as the county's public administration authority, carrying out the "operative management" of the county (Pirvulescu 2000, 241). The president of the council, in addition to directing the county council and the permanent delegation, has distinct power as the author of the county budget. Given that the distribution of funds is such a critical function of local government, the budgetary authority bestowed on the county council president affords him/her (at least in theory) special influence within the system of local governance.

County Prefect

Separate from the county council is an independent county-level authority known as the county prefect. This government-appointed functionary serves as a representative of the central government at the county level, overseeing the actions and decisions of the county council and LGs in the county's jurisdiction. The formal powers of the prefect are

limited to coordinating the activities of the central government ministry branches at the county level and, more importantly, performing “legality supervision” of the decisions taken by local governments, both at the county and local level. This means that county prefects can sue LGs in administrative courts whenever they believe that a decision or action undertaken by an LG in their jurisdiction violates the Constitution or national law. When this happens, the LG’s decision or action is suspended until the court issues a final ruling (Ionita 2003, 5). In addition to these powers, the prefect also appoints the local council’s secretaries (top local civil servants), who report only to the prefect.

Local Council

At the local level, each commune, town or municipality elects a local council, which may range in size from as few as 9 councilors in the smallest localities, to as many as 55 in Bucharest (Pirvulescu 2000, 235). Like their counterparts at the county level, local councils meet relatively infrequently—usually once a month—on the initiative of the mayor. Thus, the local council does not have much of an active or independent role in drafting local policies. Rather, its main function is to approve, reject or modify budgetary and legislative proposals authored by the mayor’s office.

Mayor’s Office

Unlike its counterpart at the county level, the local council is led not by one of its own councilors, but by the mayor, who is elected directly by the people of the locality and functions as an independent executive authority at the local level. Given the largely supervisory nature of the local council, the mayor is the major decision-maker at the local level. Among the mayor’s most important responsibilities: he/she acts as the official representative of his/her locality in relations with other government bodies; he/she ensures the provision and maintenance of public goods and services, such as roads, sewers, etc.; and he/she is vested with the power to draft the local budget (Pirvulescu 2000, 238-240). In other words, the mayor is responsible for ensuring the smooth operation of his/her commune, town, or municipality, and is given a good deal of authority to accomplish this task.

Political Party Organizations

Though political parties have no formal role in the Romanian system of local governance, they nevertheless exert a good deal of influence on political actors who do hold formal positions at both the county and local levels. As mentioned above, political parties provide members with goods and services, including ideological platforms or images, financial and organizational resources, opportunities for career advancement within the party, and access to government largess and political patronage (the last of which constitutes a particularly important “service” in the Romanian system, as will be discussed later). These goods and services provide real incentives for political actors at all levels of government to join a political party. However, the parties require some things in return from their members. Most notably, they demand ideological loyalty to official party positions, as well as compliance with the demands of party leaders. In this way, political parties can and do exert considerable influence on the system of local governance, despite holding no formal position in the structure of the government.

Local Constituents

Finally, the constituents of communes, towns and municipalities constitute important collective actors, because of their power to retain or dismiss their elected representatives at the ballot box. Since local constituents are both the financiers of their localities as taxpayers, as well as the direct recipients of local public goods and services, they stand to gain or lose the most according to how well local government is managed. Thus, their ability to hold local representatives—mayors, in particular—accountable for their performance in office is a crucial component of the system of local governance. Without this check on local government power, the entire incentive structure motivating local officials to strive for the betterment of their respective communities would be fundamentally altered.

Influences on the Action Arena:

Community Attributes and Rules-in-Use

Having defined the action situation and the actors which make up the *action arena* under consideration, the next step is to explore the intervening environmental factors that have influenced the way the relevant actors interact within the action situation. More specifically, I will discuss some important *community attributes*, which have created an environment that is generally permissive of patronage and corruption. I will then identify the *rules-in-use* which regulate Romania's system of local governance and resource allocation in practice, emphasizing how these rules differ from the formal rules of the system in some fundamental ways.

Community Attributes

In order to achieve a comprehensive understanding of the incentives facing Romanian mayors following the 2000 elections, it is necessary to explicitly address sociocultural factors that impact the functioning of political and financial structures in Romania. One of the most important of these community attributes is Romania's history of patronage and corruption under the former communist system of government, which became entrenched in Romanian society and has remained a defining feature of the country's post-communist landscape.

Under communist rule—and especially during the sultanistic reign of Nicolae Ceaușescu—Romanian political and economic life developed deeply entrenched patterns of corruption, political patronage and clientelism, characteristic of what H.E. Chehabi and Juan Linz have called a “kleptocratic state” (Chehabi and Linz 1998, 22). Under such a system, in which “the binding norms and relations of bureaucratic administration are constantly subverted,” and the economy is subject to “considerable governmental interference,” Chehabi and Linz assert that “corruption reigns supreme at all levels of society” (Chehabi and Linz 1998, 7-22). Speaking specifically of the experience of Romania's public administration sector, Renata Puscasu notes: “In the Communist Regime the political administrative system spanned every public institution in a single network of relations of subordination, coordination and control, led from the center by

the Communist Party ... The Public Administration was very important for the political leaders because [it] could be a source of control over the citizens” (Puscasu 2001, 12-13). Thus, Romania’s experience under communist rule established as common practice the subversion of formal rules throughout society, in general—and in politics and public administration, in particular—leaving informal procedures based on the principles of patronage and clientelism in their place.

Since the fall of communism in late 1989, these practices have proven remarkably resilient, despite the country’s new democratic system of governance and overwhelmingly Western-orientated outlook. According to public opinion polls conducted by the Gallup Organization Romania in 2000 and 2001, 82% of Romanians agree that “corruption in Romania is widespread,” while more than two thirds (70%) of Romanians assert that “most” or “almost all” officials in Romania are involved in corrupt acts. Furthermore, 77% of respondents said it was “very likely” or “rather likely” to have to give cash to an official in order to solve one's problem, while only 7% of Romanians rely on perfectly ethical officials. Perhaps even more importantly, 50% of respondents believed that “corruption will always exist,” and another 17% expected the level of corruption to increase in the future (Gallup Organization Romania 2002). This suggests that a majority of Romanians have accepted the problem of corruption as a fact of life, fostering an environment that is effectively tolerant of widespread corruption and patronage. Thus, the institutional legacy of deeply entrenched practices of patronage and corruption constitutes an important environmental factor, which has great potential for influencing the action situation under consideration.

Rules-in-Use

Related to the above community attributes, it is essential to recognize that Romania’s system of local governance and fiscal allocation is also shaped by some important informal rules, which govern the way the system works in practice, as opposed to in theory. As one observer aptly notes, “According to the Romanian Constitution, the local public administration functions on the [basis of] administrative autonomy and decentralization ... What is absolutely obvious in practice in the local public administration is the interference of politics in it” (Puscasu 2001, 14). Here we are most concerned with

rules-in-use regarding the power and influence of political actors representing the central government. More specifically, I will demonstrate that, despite the formal autonomy of both tiers of local government in Romania, the central government (and in turn, the political party in power) has significant influence on local government through the informal power of the prefect at the county level, as well as through external channels of discretionary resource distribution.

First, in contrast with the formal rules governing county-level governance, observers familiar with the process of local governance in Romania suggest that the real seat of power at the county level is not held by the county council or even the council presidency, but by the government-appointed county prefect. In part, this may be related to the way in which the position evolved during and after the communist system of rule. Under the communist system, the prefect was a deeply influential agent of the Communist Party at the county and local levels of government, who enjoyed extensive authority to ensure that Romania's communes, towns and municipalities were run according to the central government's wishes. As Romania's system of local governance was gradually reformed following the revolution of 1989, the first several years of democratic rule saw "few powers devolved to local authorities and limited local financial autonomy" (Coman et al. 2001). As a result, during the first phase of democratic state-building, "prefects became the most powerful figures in the local landscape," exercising "subjective criteria for the transfer of funds to local authorities, political interference and abuses" (Coman et al. 2001). Thus, a good deal of the power and influence that county prefects wielded under the communist system was initially retained according to the new democratic system.

As a consequence, when the powers of the prefect were formally scaled back following the election of a reform-oriented coalition government in 1996, county prefects across the country had already established a considerable amount of personal authority over their previously subordinate colleagues at the county and local levels, which they were reluctant to relinquish. Furthermore, prefects used the limited formal powers that they retained to threaten, intimidate and patronize county and local officials, in order to preserve their political influence. For example, prefects were able to misuse their formal power of "legality supervision" to paralyze local or county councils that acted against

their will—as happened in Giurgiu, where “almost all local council decisions are invariably sued by the prefect” (Ioniati 2004, 18). Conversely, prefects could opt for inaction in well-known cases of conflict of interest among local officials—as in Braşov—in order to reward loyal political clients (Ioniati 2004, 18). Furthermore, as Sorin Ionita notes, “There is no proper mechanism to ensure the accountability of the prefect in this respect, and no single precedent where prefects were held accountable for their actions/non-actions,” resulting in “a clear case of institutional capture of the regulator by the regulated” (Ionita 2004, 18-19).

Another example concerns the prefect’s power to appoint the local council secretaries, who are responsible for carrying out many of the administrative duties of the county government, yet report only to the county prefect. As Ionita notes, the prefect’s power over the council secretaries “represent[s] an element of control/de facto subordination of [county governments] to the central government represented by the prefect, in spite of the letter of the Constitution which postulates that no such subordination should exist” (Ionita 1999, 18). As in the previous example, prefects are able to use their power over council secretaries to undermine the authority of the county council, by directing the secretaries to either neglect their duties altogether, or to foul up the implementation of council directives, if the council does not succumb to the will of the prefect (Ionita 1999, 18).

As a result of the realities described above, county prefects have, in practice, been able to retain a good deal of informal power and influence over the decisions made at the county and local levels in Romania. Thus, the rules-in-use stipulate that county councils must often bend to the will of the county prefect, despite the fact that the formal rules give the prefect only a supervisory role. The significance of this is that it puts important influence in the hands of a government-appointed functionary, thus creating a mechanism by which the central government (and in turn, the party in power) can exert significant influence on decisions that are formally vested with local elected officials. The informal powers of the prefect also detract from the formal powers of the county council president, who is meant to be independently responsible for drawing up the county budget, but in reality, must take into account the preferences of the prefect. Thus, as Anca Ghinea observes, “According to Law on public administration there is no subordination between

the prefect and local authorities ... In reality ... the insubordination principle [is] more desiderate than a condition for the local administration functioning” (Ghinea, 33).

Another important rule-in-use concerns the propensity for parties in government to distribute significant sums of money from state coffers to localities controlled by members of their party, without passing through traditional channels of resource allocation. This has been especially true of the former-communist PSD, whose historical origins make the party particularly disposed to patronage and corruption. As an example, in the two months prior to the November 2004 elections in Romania, the ruling PSD government distributed more than 4,000 billion lei (approximately \$135 million) from the national “Budget Reserve Fund” almost exclusively to towns and communes with PSD mayors. The justification given by the government for this suspiciously-timed outpouring of government largess was simply that the money was needed for “urgent and unpredictable expenses” (*Evenimentul Zilei* 2004). This practice is significant because it is another mechanism whereby the party in control of the central government is able to influence the course of local politics, injecting partisanship and patronage into the enormously important realm of resource allocation.

Patterns of Interaction:

Incentives Before and After the 1998 Law on Local Public Finance

This study is predicated on the notion that, in Romania (as elsewhere), managing local resources and providing public goods and services is one of the most critical components of a mayor’s job, and that a mayor’s ability to adequately fulfill this duty is a critical determinant of his/her success as a political actor. If one follows this line of reasoning, a natural implication is that mayors will have a vested interest in the resources made available to their communities, since a lack of adequate resources would hinder their ability to fulfill their duty as mayors. Therefore, the most critical piece of the action situation under consideration here is the subsystem of local governance that determines resource allocation to Romania’s communes, towns and municipalities. Moreover, I will argue that it was a critical change in the rules governing this system—in the form of the 1998 Law on Local Public Finance (LLPF)—which was ultimately responsible for

changing the incentive structure facing Romanian mayors, motivating a large number of them to switch parties after the 2000 elections.

Incentives Prior to the LLPF

Prior to the implementation of the LLPF, the Romanian system of budget allocation was one in which LGs were highly dependent on funds from the central government. Before the reform, all of the national taxes collected by LGs (primarily in the form of wage taxes) were sent directly to the central government and were filtered back down through county-level governments as subsidies and general fiscal transfers. These subsidies and fiscal transfers accounted for an average of 75-80% of LG budgets (Romanik and Conway 2002, 18), making them a tremendously important part of LG resources.

Thus, communes, towns and municipalities (and the mayors who ran them) were essentially at the mercy of county governments (and their powerful prefects), who were responsible for distributing the funds doled out by the central government. Given the history of corruption and patronage in Romanian society, this power asymmetry could easily create an incentive for mayors to want to curry favor with the county prefect, perhaps by switching party affiliation to the party in power which appoints (and ostensibly directs) the prefect. There were, however, a few important factors which kept this power asymmetry in check, prior to the LLPF.

The first factor relates to the history of party competition in Romania after the fall of communism. From the collapse of communism in 1989 until 1996, Romania was ruled by various incarnations of the PSD. During this time, the issue of party affiliation among mayors was not particularly important because local authorities were granted very little authority or autonomy (Coman et al. 2001). Thus, the PSD had no particular incentive to pressure opposition party mayors to join their party, because the PSD essentially ran the show at the local level through the office of the prefect. And, without pressure from the party in power, mayors felt little incentive to switch parties.

In 1996, an alliance of opposition parties won office and began to implement reforms at the local level, which devolved significant political powers away from the central government to the local level (prior to the LLPF). This created a situation where

local officials had greater political autonomy, but were still largely reliant on funds from the central government. However, this situation did not put pressure on mayors to switch parties to the party in government because: (a) the “party” in power was actually an ill-fitted alliance of ideologically disparate parties, meaning that there was no one party with a monopoly on government power; and (b) the alliance parties did not have in place the kind of party discipline or patronage networks necessary to put real pressure on the mayors to switch parties.

Secondly, since the alliance government took office in 1996, the money doled out by the central government in the form of subsidies and transfers was allocated in a way that allowed for basically even distribution across localities. Central government funds in the form of subsidies (comprising 35-40% of local budgets) were earmarked for specific services and were thus allocated across localities according to their need for those services (Romanik et al. 1999, 14). Similarly, the distribution of general fiscal transfers, which comprised another 35-40% of local budgets, was closely aligned with the population of localities (Romanik et al. 1999, 15).

Thus, while local governments were far from financially autonomous prior to the LLPF, the existing power asymmetry did not put substantial pressure on local mayors to join the party in government. Moreover, the distribution of funds from the central government was relatively equitable under this system, so the mayors did not stand to gain much in this way from switching parties. Hence, the mayors did not perceive any real *incentives* to switch parties. In fact, given the circumstances, mayors were naturally incentivized to remain with their current party because of the *transaction costs* associated with switching parties (Desposato 2002). For instance, part of the electorate’s rationale for electing their mayor was presumably his/her affiliation with a particular party; thus, the electorate might punish a mayor for switching parties if they are loyal to that party. Additionally, switching parties may mean a loss of opportunity for career advancement within the party, since joining a new party would mean starting over at the bottom of the ranks. Furthermore, the act itself of switching parties requires time and effort that might be spent on other things. In sum, the incentives necessary to motivate mayors to switch parties were clearly absent prior to the LLPF.

Incentives After the LLPF

The 1998 LLPF, which was first enacted in 1999, was part of an ongoing series of decentralization reforms intended to give LGs greater political and financial autonomy. In particular, the objective of the LLPF was to decrease LGs' dependence on subsidies and transfers from the central government. One of the ways the reform attempted to do this was by enacting a revenue-sharing program, whereby LGs would not automatically send all their national tax revenue straight to the central government, but would instead retain 35% of the national tax revenue in their own coffers (Romanik et al. 1999, 3). At the same time, local taxes and fees were increased significantly to aid LGs' financial self-sufficiency (Romanik and Conway 2002, 2). As a result, the share of LG budgets coming from "own" revenue sources—which includes local taxes and fees, shared national taxes, and other local sources—increased dramatically from 20-25% before the LLPF to around 70% afterwards (Romanik and Conway 2002, 18). Concomitantly, subsidies and general fiscal transfers from the central government were both cut significantly (see Table 1).

Table 1: Share of LG Budgets by Source*

<i>Source</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
"Own" Revenues ¹	19.0 %	24.7 %	69.7 %	72.1 %
Central Govt. Subsidies	44.4 %	37.1 %	11.3 %	10.0 %
General Fiscal Transfers ²	36.2 %	37.6 %	17.3 %	17.9 %
Loans	0.4 %	0.5 %	1.6 %	n/a

* *Data source:* Romanik and Conway 2002, 18.

¹ These include local taxes and fees, shared national taxes, and other local sources.

² Before 1999 reform, these consisted of General Purpose Grants, which have been replaced by Equalization Grants following the reform.

While these reform measures were aimed at making all Romanian LGs more self-sufficient, the new system actually favored richer, urban areas, while seriously undermining cash flows to poor, rural areas. Because the share of LG budgets coming from own revenues sources increased so dramatically, "local governments with less capacity for generating own revenues were likely to perform poorly" (Romanik et al. 1999, iv). This is because those LGs with greater revenue generating capacity (mostly large municipalities) received a greater proportion of funds according to the new system,

while those with less revenue-generating capacity (many communes, towns and small municipalities) got proportionally less. In fact, in a representative sample covering all localities in five Romanian counties, Romanik et al. find that 70% of communes and 56% of towns and municipalities were net “losers” according to the new system. As a result, they conclude that “revenue sharing does not compensate for local fiscal imbalances due to differences in economic bases, but rather, reinforces such differences (Romanik et al. 1999, iv-v).

This disproportionate loss of income among poor, rural LGs meant that rather than becoming less dependent on central government transfers, these LGs actually became *more* dependent on the central government to make up for their losses. This was a critical (though likely unintended) consequence of the LLPF, because it put mayors of localities with low revenue-generating capacity in a vulnerable position. Believing that their success as political actors depended on their ability to manage local finances and provide goods and services to their community, their very livelihood was threatened by the possibility of having inadequate resources to fulfill their mandate.

The main source to which mayors could turn to compensate their lost income from the new revenue-sharing system was general fiscal transfers (renamed “equalization grants” under the LLPF) from the central government. However, these grants, which were intended to equalize the disparities caused by the new revenue-sharing system, were not distributed to LGs according to need. In fact, as Romanik et al. note, “The Law on Local Public Finance did not establish objective, clear and workable criteria for allocating the equalization grants” at all (Romanik et al. 1999, 21). Rather, the grants were handed out to county governments, who decided at their discretion how to divvy up the funds between LGs. As a result, the equalization grants were distributed to localities “regardless of need,” and did “not target funds to local councils that have inadequate revenues to provide basic services” (Romanik et al. 1999, 21). Summing up the problem, Ionita writes: “The process is not controlled or coordinated, and hence the distribution resulted has nothing to do with equalization ... There is no relationship between the fiscal power of counties and the per-capita sums received or withheld as equalization funds. This creates a serious problem for rural communes” (Ionita 2003, 25).

Moreover, many county governments distributed the equalization grants without public debate, nor published criteria, creating a system that has been evaluated by observers as “not insulated from partisan politics” (Romanik et al. 1999, 25-26). In fact, given the influence of the government-appointed prefect over the county-level government, this opaque equalization grant system created a very real opportunity for undue political influence to enter into the process of resource allocation at the local level. Moreover, the system left Romanian mayors with a critical *asymmetric information* problem. Because the mayors did not know how distribution of the equalization grants was being decided at the county level, they were forced to speculate on the process, based on past experiences, their knowledge of the community and/or word-of-mouth.

One final change in the action arena, which followed the 1999 implementation of the LLPF and added to the pressures facing many mayors, was the electoral victory in November 2000 of the PSD. This change in the national government party was important because, unlike the alliance government that had been in power since 1996, the PSD was ideologically unified, well-disciplined and had long history of clientelistic practices. The leadership of the PSD also had powerful incentives to try to build up the party’s strength and influence after 4 years out of government office. The result was that, with the PSD back in power, the government party was both more able and more likely to use government largess and patronage as tools for political recruitment at the local level.

Taking stock of the situation so far, the LLPF’s revenue-sharing system, designed to give local governments more financial autonomy, actually produced the unintended effect of decreasing the revenue of many localities with low revenue-generating capacity. This, in turn, made disadvantaged LGs more dependent on fiscal transfers from the central government to compensate for their losses. At the same time, the process of distributing fiscal transfers through county governments became less transparent and more vulnerable to political bias and patronage (creating a critical asymmetric information problem), while control of the central government was returned to the hands of the notoriously clientelistic PSD.

Returning to our conception of Romanian mayors as rational political actors, there is ample evidence to suggest that the above changes to the action arena under consideration would have fundamentally altered the *perceived incentives* of many mayors

regarding their choice of party affiliation. In particular, non-PSD-affiliated mayors representing localities adversely affected by the new revenue-sharing system would likely have perceived a real threat to the economic welfare of their localities, and in turn, to themselves, as a result of the new system. Faced with incomplete information about how equalization grant distribution would be decided, the mayors would have drawn on their knowledge of the community's attributes and rules-in-use to conclude that the process was likely corrupt and based on political patronage. In this case, rational mayors would be faced with a strong incentive to curry favor with the party in power—a task that could be most obviously and effectively accomplished by leaving their respective parties and joining the PSD with the hope of receiving preferential treatment as party members. Regardless of whether switching parties would actually produce real benefits for a mayor's locality—or whether such benefits would actually improve a mayor's standing with his/her constituents—the key point is that the mayors *perceived* this to be the case.

Given the above changes to the action arena, it is reasonable to assert that many opposition-party mayors would have perceived real incentives to switch to the PSD after the 2000 elections. Of course, these perceived incentives would have to be strong enough to outweigh the potential transaction costs of switching parties in order for a mayor to actually go through with the act. But faced with the prospect of financial shortages and eventual dismissal by a deprived and dissatisfied electorate, the costs of switching parties would likely pale in comparison to the costs of staying put for many struggling opposition-party mayors.

Conclusion

The primary purpose of this study was to identify the incentives which motivated more than a third of Romanian mayors to switch parties to the ruling PSD, following their election to office in 2000. Specifically, I have argued that the 1998 Law on Local Public Finance, which was intended to make Romanian localities less fiscally dependent on the central government, actually had the opposite effect for many localities with low revenue-generating capacity. This institutional change, combined with some key community attributes and rules-in-use, as well as a timely change in ruling parties, changed the perceived incentive structure facing many Romanian mayors regarding their

choice of party affiliation. It was these altered incentives, I argue, that ultimately motivated a large number of mayors to switch parties.

In general, the argument presented here supports the notion that politicians who switch parties do so in response to specific incentives—an idea that underlies the work of existing research on party-switching by scholars such as Desposato, Mejia-Acosta, and others. In this way, the present study builds upon the small but developing body of political science literature concerned with party-switching in comparative perspective. This study also supports the claim made by initial observers of Romania’s migrating mayors that access to financial resources played a key role in motivating the mayors to switch parties. This finding may also lead to a more generalized assertion that fiscal concerns have a disproportionate influence on political actors’ incentives regarding party affiliating (though such a generalization would certainly require further research). Finally, the above analysis helps to account for the timing of the migration of mayors in Romania, which occurred only after important changes in the institutional setting.

In many ways, however, this analysis raises more questions than it can definitively answer. In part, this is due to the fact that one can never be entirely certain about what incentives are actually perceived by the actors in a given situation. Even face-to-face interviews with the mayors themselves may not have yielded a completely reliable account of the incentives that motivated them to switch parties, if one considers that the mayors may face incentives to withhold information or give false or misleading responses to questions about their political motivations.

If, instead, one wanted to corroborate the explanation proposed here with further empirical evidence, one might look for data showing a correlation between those localities that were negatively impacted by the budget reform and the mayors who chose to switch parties following the reform. Though such a finding would not definitively elucidate the incentives facing Romanian mayors, it would be a logical next step to bolster the present argument. Unfortunately, information about party affiliation at the local level in Romania is currently very hard to come by, since the only political party that keeps an up-to-date party list is the PSD, and this list is secretively guarded by the party (a practice lamented by many scholars of Romanian politics). Thus, such data must be laboriously gathered through interviews and surveys, as was done by the IPP between

2000 and 2003. Unfortunately, due to the labor-intensive nature of the data gathering process, the data collected by the IPP is also closely guarded and is not shared freely with scholars outside the institute. Thus, such an analysis must be left for another day.

One potentially fruitful avenue for future research might be to shift the level of analysis that frames the research question. This study considers an action situation that takes place at the operational level. However, if the hypothesis posed here is correct—that is, if it was a rule change that took place at the collective-choice level which is responsible for incentivizing the mayors to switch parties—then a possible solution to this problem may require a shift in the level of analysis to the collective-choice level. In other words, while this study treated the 1998 LLPF as a static entity in order to facilitate analysis of its effects at the operational level, it may be useful to shift focus to the collective-choice level if we are concerned with rectifying the perverse incentives generated by the current law. A collective-choice level analysis may help us understand why the government in power in 1998 passed the law that they did, and what were the constraints, influences, rules-in-use, etc. that shaped the construction of the law. Only then can we understand how the law might be changed at the collective-choice level to resolve the problems discussed in this paper, which reside at the operational level.

In conclusion, this study represents a first cut at uncovering the incentives that motivated a mass political migration of Romanian mayors between 2000 and 2003. Employing the method of institutional analysis, this paper attempts to show how various institutional and environmental factors shaped the perceptions and incentives of the mayors involved in this movement. It is argued here that the 1998 Law on Local Public Finance—in concert with a number of other factors—led to a change in perceived incentives on the part of the mayors, which motivated many of them to switch parties. Yet there clearly remains room for further investigation into this important and intriguing phenomenon.

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