Issues & Studies© 39, no. 2 (June 2003): 41-72.

A Blue Tango: Electoral Competition and the Formation of Taiwan's Opposition Coalition*

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This article attempts to explain the formation of Taiwan's opposition coalition, a phenomenon of critical importance to the unfolding of her democratic politics. Seeing the case as a multi-stage coalition formation game, the analysis shows that an electoral alliance between the opposition parties can be engineered regardless of how they interact in the legislature —as long as the cohesion of their legislative partnership is based on the expectation that they will cooperate in the upcoming presidential election. Another main argument is that the key to a successful opposition alliance in the 2004 presidential election hinges on the ability to produce a profile of divisible goods for the election. Once ready, these goods must be allocated in proportion to the electoral strength of each party. The greatest obstacle for the pan-Blue parties to build a joint campaign team may lie in the fact that the People First Party (PFP) has a better chance to deliver a viable candidate; the party is weaker, however, than the Kuomintang (KMT) in organizational and financial resources.

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*The author would like to thank professors Thomas B. Gold (高棣民), Szu-Yin Ho (何思因), and Tun-jen Cheng (鄭敦仁) for their helpful comments on an earlier draft of this article.

KEYWORDS: **Taiwan politics; electoral competition; coalition formation; "nested game"; Kuomintang (KMT); Democratic Progressive Party (DPP); People First Party (PFP).**

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Democratic Transition and Coalition Politics

The inauguration of Chen Shui-bian (陳水扁) as the president of the Republic of China on Taiwan on May 20, 2000 marked an important milestone of the island's quest for democracy. Unlike many other transitioning democracies where the former authoritarian party was displaced immediately after the founding election was held, Taiwan witnessed decade-long pangs before the Democratic Progressive Party (DPP, 民主進步黨), which Chen represented, replaced the ruling Kuomintang (KMT, or the Nationalist Party, 國民黨). As the regime was turned over peacefully through electoral competition, Taiwan's democracy appeared consolidated.[1]

Upon closer inspection, however, one wonders whether the regime turnover is a complete one. Chen was elected by capturing 39 percent of the vote, whereas the other two leading candidates together grabbed the remaining 60 percent. Chen's legitimacy has been severely undermined by this minority status, for the runner-up James Soong (宋楚瑜) and the third-placed Lien Chan (連戰) both came from the KMT. Had the KMT been united, many believed, Chen would have found it almost impossible to win.[2] Chen's governing capacity was further constrained by the fact that

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[1]For an assessment of Taiwan's democratic consolidation after the March 2000 presidential election, see Yun-han Chu, "Democratic Consolidation in the Post-KMT Era: The Challenge of Governance," in *Taiwan's Presidential Politics: Democratization and Cross-Strait Relations in the Twenty-first Century*, ed. Muthiah Alagappa (Armonk, N.Y.: M.E. Sharpe, 2001), 88-114 and Yun-han Chu, Larry Diamond, and Doh Chull Shin, "Halting Progress in Korea and Taiwan," *Journal of Democracy* 12, no. 1 (January 2001): 122-36.

[2]For a discussion on the 2000 presidential election, see Larry Diamond, "Anatomy of an Electoral Earthquake: How the KMT Lost and the DPP Won the 2000 Presidential Election," in Alagappa, *Taiwan's Presidential Politics*, 81-84. See also Yun-han Chu and Larry Diamond, "Sizing Up Taiwan's Political Earth Quake," *Journal of East Asian Studies* 1 (2001): 211-36.

the DPP controlled less than one-third of the seats in the Legislative Yuan (立法院), Taiwan's parliament. Even after the Legislative Yuan election of December 2001, which turned the DPP into the largest legislative party and sent thirteen members of the pro-government Taiwan Solidarity Union (TSU, 台灣團結聯盟) into the parliament, the opposition was still larger in size.[3] Together, Lien's KMT and Soong's People First Party (PFP, 親民黨) held 114 of the 225 seats in the Legislative Yuan.[4] The two parties have dubbed themselves the "pan-Blue" (泛藍, *fanlan*) army, a gesture indicating not only their common origin but also the determination to dominate the legislature.[5]

In the past two years Chen's government has indeed much suffered from this "dual-minority" syndrome, bringing great instability to Taiwan's nascent democracy. In just a few months after Chen's taking office, most of the indicators of Taiwan's economic health deteriorated sharply and the people's confidence in the government plummeted. Divided government under an ill-designed constitutional system is thus regarded responsible for the governing crises.[6] One remedy that has been proposed most frequently is for the president to share power with the legislative majority. Once the Legislative Yuan rules, according to this argument, no gridlock will arise.

Whether this solution is a feasible one, however, remains dubious. To the dismay of many, two institutional conditions seem to have made political fragmentation, hence divided government, a constant threat to Taiwan's

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[3]The TSU certainly has its own political agenda, but is rarely regarded as an opposition party because of its pro-independence nuance. The New Party (新黨), once an influential anti-independence party, was left with only one seat after the 2001 election, and thus plays a negligible role in the coalition formation game.

[4]In June 2002, the KMT expelled four members who voted against the party's decision to boycott the president's nomination of the president of the Examination Yuan (考試院院長), a move that deprived the opposition parties of their majority status in the Legislative Yuan. This case will be discussed later in the paper.

[5]Blue is the primary color of the KMT's party banner.

[6]Under the current constitution, the president can appoint a premier without legislative approval, but the premier rather than the president is responsible to the Legislative Yuan. For Taiwan's political stability after the regime transition, see Yu-Shan Wu, "The ROC's Semi-Presidentialism at Work: Unstable Compromise, Not Cohabitation," *Issues & Studies* 36, no. 5 (September/October 2000): 1-40 and Jih-wen Lin, "Democratic Stability Under Taiwan's Semi-Presidentialist Constitution," ibid. 38, no. 1 (March 2002): 47-79.

democratic stability. First, the single nontransferable vote under multi-member district (SNTV-MMD) method used to elect the members of the Legislative Yuan tends to foster multipartism because of its semi-proportional nature.[7] Second, the simple plurality system used in the presidential election makes it possible for the political parties to win the position without gaining majority vote. In fact, quite unlikely is that any party can pass the absolute majority threshold if more than two parties join the race and all are able to seize a significant portion of the votes. Worse, changing either institution requires a three-quarters support from the Legislative Yuan to amend the constitution, which is very difficult given the divergent interests of the political parties and the distrust among them. It thus seems inevitable that the president will face a chaotic legislature that is unlikely to render him a stable majority support.

Nevertheless, there are good reasons to doubt the pessimism that disintegration is the only end point for the current system. First, the famous Duverger hypothesis dictates that the single-member simple plurality (SMSP) system can induce a two-party system if the voters are given a clear clue about which party they should discard in order to keep their vote from being wasted.[8] In fact, SNTV-MMD does not necessarily accompany a competitive multipartism, as indicated by the perennial one-party dominance under the KMT or Japan's Liberal Democratic Party. Second and most important, it is possible for some parties to venture a pre-election agreement and coordinate their nomination strategies. This is especially attractive to a weak party that has little chance to win the presidency but nonetheless is powerful enough to prevent others from taking the seat. If this party can exchange its retreat from the election for a handsome reward

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[7]Arend Lijphart, *Electoral Systems and Party Systems: A Study of Twenty-Seven Democracies, 1945-1990* (New York: Oxford University Press, 1994).

[8]Maurice Duverger, *Political Parties: Their Organization and Activity in the Modern State*, translated by Barbara and Robert North (New York: Wiley, 1966), 217. Although not addressed directly by Duverger, complete information is obviously an important precondition for his hypotheses to work. In the presidential election of 2000, the release of any opinion polls was forbidden. Many voters thus cast their ballot without knowing which candidate was lagging behind.

from another party, a win-win situation is created: the stronger party wins the presidency, and the weaker one receives reparation. By the same token, failure to work out a collaborative plan means that neither would win the election, and that the weaker party would obtain no compensation at all.

An electoral alliance exerts other impacts as well. First, a president jointly endorsed by two (or more) parties will appear more legitimate. Insofar as this coalition also controls a legislative majority, the government is no longer divided and governing should become easier for the president. Second, cooperation in the presidential election affects both the post-election and pre-election legislative realignments. Apparently, political parties that cooperate to win the presidency have a strong incentive to maintain their partnership in the legislative arena. To strengthen the electoral alliance, it is also vital for them to cultivate mutual trust before the campaign starts. Most likely, the legislature will be used as an expedient testing ground for the solidarity of the electoral union. Legislative behavior will in this sense be conditioned by the likelihood of electoral cooperation in the future.

Coalition politics in the legislature will in turn affect electoral outcomes by changing voter attitudes toward the government and the opposition. We may even hypothesize a positive correlation between what a multiparty coalition can receive in the legislative and electoral arenas: the desire to create a viable electoral alliance forces the parties to maintain a cooperative relationship in the legislature, which in turn enhances voter support for these parties and the motivation to vote for their candidates. By the same token, however, the interplay can also be vicious unless the coalition members solve a fundamental dilemma in the electoral arena: only one party can win the presidency. Unless a formula can be found to make the electoral game non-zero-sum, the expectation that the coalition will breakdown in the end game will undermine the pre-election cooperation and thus accelerate the collapse of the coalition.

This article attempts to provide an analytical framework to tackle the aforementioned issues, and apply this framework to the formation of Taiwan's opposition coalition in the post-transitional period. The next section reviews relevant studies and shows the need to construct a theory

that links strategic choices in the legislative and electoral arenas. A game-theoretic account is illustrated in the subsequent section to derive propositions regarding the formation and cohesion of the opposition coalition. The main argument is that the key to a successful opposition alliance in the presidential election hinges on the ability to produce a profile of divisible goods for the election. Once ready, these goods must be allocated in proportion to the electoral strength of each party. The remaining sections examine the conditions specified in the model, and find their parallels in the real world. The conclusion suggests that the greatest challenge for the pan-Blue parties to pair their candidates in 2004 may lie in the disproportionality between James Soong's odds of winning in the presidential election and the relative strength of the PFP in the opposition camp.

The Missing Link between the Legislative and Electoral Games

As hinted above, there is a *theoretical* need for theories on legislative and electoral coalitions to take each other into account. Legislative behavior is an indispensable element of electoral studies insofar as it shapes the preferences and voting tendencies of the voters. For legislative studies, the principal assumption is usually that the legislators aim at winning the upcoming election. The structure of electoral competition thus becomes a critical variable to explain legislative strategy. Despite this obvious linkage, very few works consider both dimensions simultaneously, let alone study interplay between them.

The issue of electoral alliance has been mainly studied from two perspectives: voting behavior and elite strategy. The voters' preference profiles on the candidates certainly place a significant constraint on the extent to which parties can cooperate: ideally, they should select a candidate who enjoys cross-party support; they cannot cooperate if no such candidate exists. Emerson Niou (牛銘實) and Philip Paolino analyzed voters' preference rankings over the candidates in Taiwan's 2000 presidential election and discovered that, although the KMT (Lien Chan) and the PFP (James Soong) stood most closely together on the Taiwan independence issue,

more KMT loyalists chose the DPP rather than the PFP as their second choice.[9] An implication of this finding is that, in the presidential election of 2000, it would have been easier for the KMT and the DPP to jointly endorse a candidate than for the KMT and the PFP to have done so. This result may not be extendable to the election of 2004, because voter preferences are volatile and particularly sensitive to the actions parties take before elections. Given the Taiwanization policy promoted by the former KMT chairman Lee Teng-hui (李登輝), it is not a surprise that many KMT identifiers found the DPP as an acceptable alternative in the election of 2000. Lien Chan, who took over the chairmanship from Lee after the KMT lost the presidency, made a clear turn to the right and aligned with the PFP. The voters have certainly been affected, although the extent to which has not yet been investigated.

In addition to the voters' preference ordering of candidates, the party leaders also need to estimate the tendency for voters to engage in strategic voting in order to be able to gauge the consequence of electoral cooperation. We are always reminded by empirical electoral studies that voters in Taiwan have stable party identifications, which confines the likelihood of cross-party voting.[10] An interesting but unanswered question is: What if the parties merge, or at least align? Obviously, we need to specify not only the party that a voter identifies with most, but also the underlying cause of his preference ordering of the parties. Only through this information can we infer how a voter would vote if the party system changes.

As soon as the voters' preference structure and voting tendency are known, leaders of the political parties calculate their nomination strategies

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[9]A KMT loyalist is defined as one who chooses the KMT as their most preferable party. See Emerson M.S. Niou and Philip Paolino, "Assessing the Electoral Viability of the KMT and the PRI in Taiwan and Mexico" (Paper presented at the East-West Center Conference on Patterns and Outcomes of Democratic Transition Under One-Party Hegemony, Honolulu, Hawaii, March 8-9, 2002).

[10]See, for example, Liu I-chou, "Cong Taiwan xuanmin xuanju xingwei kan zaiye lianmeng de xuanju hezuo" (The electoral cooperation of the opposition coalition from the perspective of the voting behavior of Taiwan's voters), in *Zhengdang chongzu: Taiwan minzhu zhengzhi de zai chufa* (Party realignment: The second departure of Taiwan's democratic politics), ed. Su Yeong-chin (Taipei: New Taiwanese Cultural Foundation, 2001), 195-212.

and decide whether to form an alliance with other parties. Regarding the campaign and nomination strategies of political parties under the SMSP system, Wang Yeh-li (王業立) examined Taiwan's county magistrate/city mayoral elections and found that the effective number of candidates indeed has converged on the Duverger number.[11] Nonetheless, these are elections where the major rivals are the KMT and the DPP, and exhibit patterns that might not be directly applicable to the presidential election of 2004 where at least three major parties are viable. Again, to tackle this problem we need to know why a voter supports a particular party, and how this calculus generates a choice when the parties are realigned. This information in turn affects the calculation of parties about whether they should cooperate or merge.

Given the highly strategic nature of the coalition-building problem, this Taiwan case is a good topic for rational choice theorists. Among the few who see the issue from this perspective, Kao Yung-kuang (高永光) applied a spatial model to discuss the position taking of major political parties on Taiwan's ideological spectrum in the 2000 presidential election and argued that both the DPP and the PFP had the intention to squash the median voter, i.e., the KMT in his model. He also posited that the co-operation between the KMT and the PFP is a game of chicken, in which both players will try to avoid a clash but ultimately one side will gain the upper hand.[12] To make it applicable to the presidential election of 2004, this model could be modified in two ways. The first is where the chicken game—which is symmetric—does not fit the case where a significant discrepancy exists between the vote-getting capacities of the two parties. The second is when the payoff a party can obtain in the presidential election is contingent on both the ideological position it takes and the party's

[11]Wang Yeh-li, *Bijiao xuanju zhidu* (Comparative electoral systems) (Taipei: Wunan chubanshe, 2001), 77-95.

[12]Kao Yung-kuang, "Cong boyi lilun kan zaiye lianmeng xuanju hezuo de kenengxing" (A game-theoretic analysis on the possibility of the electoral cooperation of the opposition coalition), in Su, *Zhengdang chongzu*, 177-94. Also see Kao Yung-kuang, "Cong boyi lilun fenxi lianhe zhengfu" (A game-theoretic analysis on coalition government), in *Lianhe zhengfu* (Coalition government), ed. Su Yeong-chin (Taipei: New Taiwanese Cultural Foundation, 2001), 33-56.

image; voter perceptions, however, are shaped not only by the short-term campaign strategy but also by legislative behavior of the party in the long run. The latter, in turn, hinges on coalition politics in the legislature.[13]

On the flip side, coalition theories predominantly focus on the legislature. Conventionally, coalition formation in the legislature has been explained by the "minimum size" principle,[14] the ideological connectedness of the constituting parties,[15] the cleavage structure,[16] or the strategies of portfolio allocation.[17] Recently some works are beginning to pay attention to the electoral constraints, and there are studies highlighting the impact of the electoral outcome on coalition formation in the legislature. For instance, Liao Ta-chi (廖達琪) and Huang Chih-cheng (黃志呈) argued that the outcome of the 2001 Legislative Yuan election, which made the DPP the largest legislative party, strengthened the president's confidence in being able to maintain a minority government.[18]

These studies share a common interest in the structural constraints on coalition formation, but not the "expectational factors": parties replace their coalition partners sometimes not because of what has already happened, but what is to occur in the future. For example, research has empirically confirmed that a coalition cabinet crumbles more easily as the

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[13]For a concrete example, consider the different party images of the KMT under the chairmanships of Lee Teng-hui and Lien Chan. To Lee, the DPP was a much closer ally than the pro-reunification New Party, and most people also perceived the KMT as a "pro-Taiwan" party. When Lien Chan turned to James Soong's PFP for cooperation, the KMT turned into a much more conservative party in just a few months.

[14]William H. Riker, *The Theory of Political Coalitions* (New Haven, Conn.: Yale University Press, 1962).

[15]Lawrence Dodd, *Coalitions in Parliamentary Government* (Princeton, N.J.: Princeton University Press, 1976).

[16]Arend Lijphart, *Patterns of Democracy: Government Forms and Performances in Thirty-Six Countries* (New Haven, Conn.: Yale University Press, 1999), 78-89.

[17]See Michael Laver and Kenneth A. Shepsle, "Coalitions and Cabinet Government," *American Political Science Review* 84 (1990): 873-90; Michael Laver and Kenneth A. Shepsle, *Making and Breaking Government: Cabinets and Legislatures in Parliamentary Democracies* (Cambridge: Cambridge University Press, 1996).

[18]Liao Ta-chi and Huang Chih-cheng, "Zhidu, qitu, xuanju jieguo yu lianhe zhengfu: Taiwan 2001 nian guohui gaixuan hou ge'an fenxi" (Institution, intention, election result, and coalition government: The Taiwanese case after the 2001 parliamentary election), *Lilun yu zhengce* (Theory and Policy) 16 (2002): 27-54.

mandated election becomes nearer.[19] David Austen-Smith and Jeffery Banks stated most coherently the interactive relationship between party behavior in a legislature and the election that is to come: we cannot predict one without the other.[20] Nevertheless, their model applies only to a multi-party parliamentary system, where the proportional representation system makes the game non-zero-sum. For Taiwan, the challenge is to build a theory that takes into account the zero-sum nature of the presidential election, as well as the structural factors depicted above. This is the topic of the next section.

Coalition Formation as a Multi-Stage Game

When studying the strategic interaction among political parties in connected arenas, the "nested game" is a commonly used approach.[21] According to this concept, political competition is sometimes embedded in a larger context, and only by solving the game at the higher level can we understand the behaviors locally. Regarding the issue to be studied here, the KMT and the PFP select their legislative strategies under the assumption that the presidential election is the real end game. How the game ends thus determines how it begins and unfolds. Appendix 1 gives a game-theoretic analysis of this dynamic, through which propositions can be derived rigorously. The basics of the argument, however, are easy to grasp and can be presented verbally as the following.

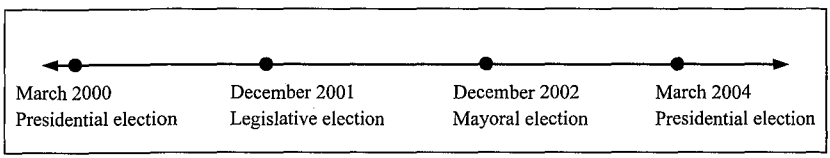
Coalition building is a complicated process involving many political actors who do not necessarily share the same goal and time horizon. To

[19]Arthur Lupia and Kaare Strøm, "Coalition Termination and the Strategic Timing of Parliamentary Elections," *American Political Science Review* 89 (1995): 648-65 and Daniel Diermeier and Randolph T. Stevenson, "Cabinet Termination and Critical Events," ibid. 94 (2000): 627-40.

[20]David Austen-Smith and Jeffery Banks, "Elections, Coalitions, and Legislative Outcomes," *American Political Science Review* 82 (1988): 405-22.

[21]See George Tsebelis, *Nested Games: Rational Choice in Comparative Politics* (Berkeley: University of California Press, 1990).

Figure 1
Time Horizon of the Coalition Game



see the strategic dynamics more clearly, I shall focus on the choices of the chairpersons of the KMT and the PFP. Although factional interest obstructs decision-making in both parties from time to time, the two leaders still wield considerable power at the critical moment, such as when their party selects an electoral partner. Both leaders are much older than the incumbent president, forcing them to treat the 2004 election as the end game of their political careers. The key issue is how the two leaders choose their political strategies, such as whether to cooperate with each other, and the occasions to do so. Assuming that the ultimate goal of the party leaders is to win the presidential election of 2004, Figure 1 depicts the possible pre-election arenas where they have to make choices.

The solidarity of the opposition coalition has been tested, prior to the 2004 presidential election, in the year-end elections for both the Legislative Yuan in 2001 and for the cities of Kaohsiung (高雄) and Taipei (台北) in 2002, along with numeral legislative sessions in between. Simplist should be party strategies for the Legislative Yuan election: given the electoral system introduced earlier, the coordination problem occurs inside each party rather than between the parties. Political parties should just nominate the optimal number of candidates and try to maximize the vote received by each. It is true that the the KMT and the PFP still share a common goal to expand the pan-Blue territory in the legislative election, yet neither can undermine the DPP's electoral fortune by simply changing its nomination strategy—such an adjustment could have dire consequences.[22]

[22]For instance, consider a two-seat district where the KMT, the PFP, and the DPP each nominate one candidate. Any opposition party retreating from the race guarantees the DPP a

The calculus for the presidential election, where only one winner is allowed, is more complicated. Each opposition party naturally wants its own candidate to win the presidency, but both parties joining the race would lead to the split of the opposition vote and hence the DPP's victory. Given the fact that in Taiwan's national elections the DPP has never been able to garner majority support, the opposition parties are almost guaranteed to win the presidential election if they are able to form a joint ticket. This would require one opposition party to yield, however, which could be worse than if both parties join the election. In the latter case, there is at least *some* chance for that party to take over the Office of the President. Each party thus faces a dilemma: to withdraw and make the probability for the DPP or itself to win the presidency both zero, or to stay and make both non-zero. Assuming that the DPP has a dominant strategy to win the race, the final electoral outcome depends on the collective choice of the opposition parties. There are three major ways for the parties to pair. First, the two opposition parties could cooperate by pairing their candidates. The second possibility is that both parties refuse to team up, making the election a three-way race. Finally, the coalition would collapse if either of the opposition parties retreats from the joint ticket. Each scenario will result in very different electoral outcomes.

In the legislative arena, where no party controls majority seats after the 2001 election, the parties need partners to assemble a decisive coalition. The DPP, as a governing but minority party, has no choice but to maximize legislative support under its mobilization capacity constraints. The KMT and the PFP have at least three alternatives: they could align with each other, side with the government, or just remain neutral. Given the principle of majority rule and the current power distribution in the Legislative Yuan, the only way to prevent a legislative outcome from being favorable to the government is for the two opposition parties to stand together. Whether that move is automatically beneficial to the opposition parties, however, must be judged case by case.

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safe seat. The outcome is entirely different if the district magnitude is one: by withdrawing from the election, the weaker opposition party could help the stronger one to beat the DPP.

Locating the above scenarios on the time horizon illustrated in Figure 1, we have a complicated space of possibilities. The famous proposition posited by Robert Axelrod that cooperation could evolve in an infinitely repeated game does not apply here: the game we are studying ends in 2004 and is therefore not infinite, and the payoff structure in Axelrod's model is simpler than that in ours.[23] Fortunately, that the game is a finite one suggests that we can determine a solution by backward induction: as soon as a party determines its goal in the 2004 presidential election, it should be able to deduce its best pre-election strategies to reach that outcome. As such, strategic interaction in the presidential election shapes not only the electoral outcome, but also legislative behaviors leading to that outcome. That, moreover, is the missing link between electoral and legislative studies. Following this logic, we can derive the following propositions.

Proposition 1: *There is always a chance for the electoral alliance of the opposition parties to fail in the presidential election, even if their pre-election cooperation is successful.* This result seems counterintuitive, but the reason is simple: pre-election cooperation may be conducive to the cultivation of comradeship but by no means solves the fundamental dilemma for the political parties. Insofar as the opposition parties take winning the presidential election as the ultimate goal, all pre-election agreements will be treated instrumentally. The pan-Blue coalition may be able to weaken the DPP's effectiveness through their legislative collaboration, but the critical issue is which party should represent the opposition camp to take the spoils in the presidential election. In this case, the possibility of coordination failure always haunts. In the jargon of game theory, "both parties unwilling to team up" is always a Nash equilibrium: by definition, the success of a coalition requires the consent of all partners, and neither party can single-handedly save the alliance when the other is reluctant to cooperate. This, however, does not suggest that cooperation is impossible. The next proposition will show that cooperation still remains achievable if

[23]Axelrod's model is based on a Prisoner's Dilemma game, where the players have the dominant strategy to betray each other but the equilibrium following these moves hurts both. See Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984).

some conditions are satisfied. In such a case, the game entails multiple equilibria.

Proposition 2: *Even if the pre-election cooperation between the opposition parties does not work, there is still a chance for them to team up successfully in the presidential election if the electoral fortune is divisible and is divided proportional to the electoral strength of each party.* Again, the first part of this proposition challenges our intuition, but the reason follows the same logic. Failure by the KMT and the PFP to cooperate in the legislative arena is certainly helpful to the DPP and injurious to the companionship between the opposition parties. However, this lack of cooperation by no means hampers the possibility of crafting a reunion in the presidential election. In fact, the DPP's growing popularity suggests clearly that the chance for the opposition camp to win diminishes if both the KMT and the PFP decide to run, and their incentive to team up increases with the DPP's rising odds of winning.

Motivation, however, does not suffice for a successful coalition. Lacking a third-party monitor, the contract between the KMT and the PFP is enforceable only if neither has the incentive to defect. This fact underlies the condition suggested by this proposition. When winning the presidential election, the opposition camp must make the spoils divisible; otherwise, one party is doomed to gain nothing. Anticipating this occurrence, the disgruntled party would retreat before the campaign starts and the coalition would not be viable at all. Even if divisible, the electoral fortune has to be allocated in such a way that each party receives no less than what it can obtain by defecting from the coalition and participating in the election alone. When all parties enter the race uncoordinatedly, the expected payoff of each is positively related to their odds of winning. A coalition must therefore apportion its rewards in proportion to the electoral strength of each partner, so that none would have the incentive to try its luck alone. We will see in the next section what this formula may look like in reality.

Proposition 3: *When both opposition parties are determined to cooperate in the presidential election, they will also collaborate in the pre-election stage if, in terms of the total support garnered, all find it more profitable to align with each other than with the government.* Although

the first two propositions show that the success of an electoral coalition is not determined by the pre-election relationship of the constituting parties, it is a misperception to view legislative and electoral behaviors as being uncorrelated. As has been reiterated, such a link exists, but to see the connection we must put the time horizon into perspective. Because the presidential election takes place in the last round, the political parties, once there, should not be bothered by what has already happened.[24] The situation is quite different when the parties are still in the pre-election stage. The election has yet to take place, and the belief that cooperation is a better alternative will induce the parties to maintain a close pre-election tie. The reasoning is as follows: If electoral cooperation is a desirable and feasible outcome, then the coalition must have found an acceptable formula by which to divide the electoral fortunes under a predetermined party-share ratio. It is then to the advantage of all constituent parties to expand the vote basis of this coalition. To achieve this result, pre-election collaborations play the essential role.

The second part of this proposition results from the reasoning that the stronger a party's pre-election support basis, the greater its share in the distribution of the post-electoral goods (see Proposition 2). Therefore, if an opposition party finds it easier to garner support by standing with the government in the pre-election stage, it should also align with the government in the election. By the same token, an electoral coalition between the opposition parties is viable only if all constituent parties find it more worthwhile to help each other than to aid the government. In this sense, a shared dislike of the government does help the opposition coalition to be cohesive.

To summarize, the gist of the three propositions is that the solidarity of the pan-Blue army is based on the expectation that they should cooperate in 2004, but the success of the pre-election collaboration does not guarantee that the dilemma in the presidential election is solved. The solution requires a reasonable formula to divide the electoral fortunes, and the

[24]Unless there is incomplete information that has to be updated from previous behavior.

failure to work out such an agreement could undermine the unity of the opposition coalition in the pre-election stage, which in turn diminishes their chance to win the presidency. To verify these arguments, the critical variables are the relationship between legislative politics and the shift of vote that follows, and the existence of a feasible formula to allocate the electoral fortunes if the parties decide to form an alliance. These are the themes of the next section.

The Composition and Divisibility of the Electoral Fortune

Foregoing analysis suggests that voters and party elite have their respective ways to influence the course of coalition politics. The voters respond to party behavior in the legislature by the ballot they cast on voting day, and the parties figure out a scheme to chase these votes. Two questions can thus be asked in light of the previous discussion. First, given the shift in support base induced by the change of pre-election coalition politics, is the KMT's decision to align with the PFP in the Legislative Yuan a rational one? Simply put, does the KMT gain more support by turning to the right? Second, given the zero-sum nature of the presidential election, how far is the electoral fortune divisible? Moreover, what allocation formula can satisfy both the KMT and the PFP?

Has the Pan-Blue Army Expanded Its Territory?

Concerning the first issue, empirical studies in Taiwan have persistently demonstrated that a voter endorses a party because he is psychologically attached to, or wishes to justify his social existence by identifying with, this party. However, these theories have also implicitly assumed a stable party system where the images of parties are fixed. This assumption is therefore inapplicable to this article, which focuses on the *transformation* of the party system.

In reality, the voters support a particular party for very diverse reasons, such as candidate image, issue position, or simply social mobilization. Party identification can be viewed as a shortcut used by the voters to

save on information costs: these elements in the calculus of voting tend to be correlated with party image or capacity in the long run if the system is stable. A better way to understand voting behavior under a changing party system is to uncover the underlying dimensions of the vote choice equation, and associate them with the properties of the new parties. Regarding Taiwan's case, we have been reminded by many studies that, although the social cleavage is usually multi-dimensional in specific elections, national identity is the main dominating one.[25] This is so because the voters can most easily differentiate the parties by locating them on an ideological spectrum that even ordinary people can envision, and because the national identity issue spans across elections. Other concerns (the economy in particular) certainly matter, but their impact may not be as discernable as national identity in the long run.

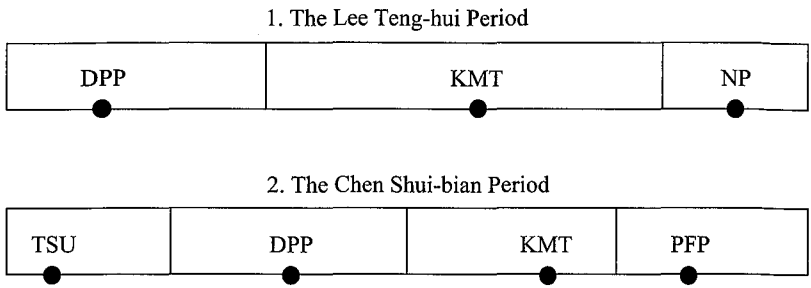
That is the way the DPP's vote share has remained quite constant throughout the years, according the proponents of this theory.[26] To generate a more comprehensive picture, we can examine how the shift of the parties' ideological stances affected voting behavior in the most recent case: the Legislative Yuan election of December 2001.[27] Between the presidential election of March 2000 and this legislative election, political parties in Taiwan went through an interesting relocation of ideological positioning. The KMT, under Lien Chan's chairmanship, has turned to the right by the party leadership's attempts to cast off Lee Teng-hui's legacy. President Chen Shui-bian, embracing the so-called "new middle-ground line" (新中間路線) that dampens the DPP's radical tendencies, also moved to the right

[25]See John Fuh-sheng Hsieh and Emerson M.S. Niou, "Issue Voting in the Republic of China on Taiwan's 1992 Legislative Yuan Election," *International Political Science Review* 17 (1996): 13-27; Tse-min Lin, Yun-han Chu, and Melvin J. Hinich, "Conflict Displacement and Regime Transition in Taiwan: A Spatial Analysis," *World Politics* 48 (1996): 453-81; and John Fuh-sheng Hsieh, "The 2000 Presidential Election and Its Implications for Taiwan's Domestic Politics," *Issues & Studies* 37, no. 1 (January/February 2001): 1-19.

[26]For example, even in the Legislative Yuan election of 2001, where the DPP was thought to be performing exceptionally well, its vote share was almost identical to that of 1995. See Hsieh, "The 2000 Presidential Election," 2.

[27]For detailed analysis, see Jih-wen Lin, "Taiwan's 2001 Election and Its Political Impacts," *China Perspectives*, no. 39 (2002): 53-61.

Figure 2
Changed Electoral Bases Following the Ideological Shifts



in the eyes of the diehard pro-independence activists. The TSU entered the political market by attracting voters angered by the ousting of Lee, and those who felt betrayed by Chen's moderate gesture.

We can see from Figure 2 the dynamics of this position-taking game. It depicts an independence-reunification spectrum on which the voters' stances are distributed uniformly, and where the vote share of a party is determined by the percentage of voters who find this party to be the closest to their ideological position. In the Lee Teng-hui era, the KMT stood somewhere between the DPP and the pro-reunification New Party (NP), and thus could grab votes from both sides as long as the two poles stayed on the extremes. However, the wide range of the KMT's ideological span also explains the party's internal factional strife between the mainlanders and Lee.

Chen Shui-bian's coming to power and his ideological adjustment created a "musical chairs" effect after May 2000. Under the leadership of Lien Chan, the KMT became the only loser in this relocation game exactly because Lien led the party to the right while the others were moving toward the median. Lien's shift alienated the pro-Lee voters on the left side, while the right side was already occupied by a more distinctively labeled PFP. Had the KMT stood more firmly with Lee's policies, the DPP and the TSU would have had a hard time expanding their territories. The KMT's dilemma, therefore, had to do with its embarrassing position in the debate over Taiwan's national identity. Under the leadership of Lee Teng-hui, the KMT

brought about the Taiwanization policy, yet the same party, when chaired by Lee's successor, was eager to rectify this legacy. Lacking a coherent and consistent ideology, the KMT had to bind its members through a patron-client network, which necessarily weakened as the party lost power. The KMT's difficulty to compete with the DPP or the PFP in party image can be attributed to the same ideological vagueness. By the same token, the DPP and the TSU, together called the "pan-Green" (泛綠, *fanlü*) camp, was able to expand their territory in the 2001 election because of the KMT's turn to the right.

In general, the relocation of the ideological positions corresponds well with the outcome of the 2001 election, corroborating the previous conjecture that national identity is a dominating cleavage in Taiwan. The picture also explains why economic voting did not manifest a significant impact in this legislative election.[28] The pre-election opinion polls did show most respondents holding the DPP government responsible for Taiwan's economic distress in the first seventeen months of Chen's term. Many of these disgruntled voters never voted for the DPP in the previous elections, however, and thus could not penalize the government by withholding their support. To the DDP followers who suffered from unemployment or bankruptcy, the government was of course to blame but the KMT's deviation from the pro-Taiwan policy was even more intolerable. Economic voting did matter, but its effect was overshadowed by the cleavage of national identity.

Does the KMT's electoral misfortune suggest that, according to Proposition 3, the party's alignment with the PFP on the ideological spectrum is an irrational move? Not quite so. First, the electoral outcome in the Legislative Yuan election is also affected by nomination strategy, an area in which the KMT performed poorly. That is, given a certain amount of vote share generated by ideological position, the KMT's seat share could be increased by a relatively better nomination strategy. Second, whether

[28]It should be noted that, up to this moment, empirical surveys on the 2001 election have yet to confirm any conjecture. The argument presented here is hypothetical, yet appears consistent with the electoral outcome.

the shift of ideological position changes a party's vote share depends on the moves of other parties as well. The KMT's territory could be much larger had the DPP and the PFP been more extreme than they actually were. Third, the impact of economic voting has become more salient as the DPP moves toward the middle road: the party could no longer survive simply by reiterating its ideological stance, but must provide the median voter with concrete policy achievements.

Here is where we find a justification for the KMT's legislative strategy after May 2000. By collaborating with the PFP in the Legislative Yuan, the KMT successfully undermined the DPP's credibility as a ruling party. The resulting legislative gridlock might have angered many people, but does not matter much in terms of vote shift: those strongly dissatisfied with the KMT's strategy tend to be pan-Green supporters already. More important is the attitude of the undecided voters. The KMT-PFP alliance will be able to expand their electoral territory if these voters blame the government rather than the opposition for the economic downturn. Hoping to produce this effect, the opposition parties have in fact selected their battlefields carefully. As will be shown in the next section, the critical confrontations between the government and the opposition all took place on non-ideological issues where ethnic mobilization had little role to play. Issues having this potential were carefully avoided by the opposition camp.

The KMT's seemingly irrational move can also be explained by a change in its strategic horizon. The "musical chairs" effect described above occurs in the Legislative Yuan election because the multi-winner electoral system compels the parties to take distinctive positions; the KMT suffered because it failed to do so. In the presidential election, which is evidently the KMT's chief concern at this moment, the winning strategy is not to appease minority groups but to broaden its support base as widely as possible. Challenging the legitimacy of the incumbent president is just the first step toward attracting majority support.

The critical point is that, as suggested by Proposition 2, the likelihood for the electoral alliance to succeed hinges more on the division of the fruits of cooperation rather than on its size. The opposition parties are of course happy to see more voters deserting the DPP, but that does not automatically

solve the resource division problem within the pan-Blue camp. Conversely speaking, finding a solution to this problem could strengthen the determination for the opposition parties to cooperate in the legislative arena, which will in turn improve the odds that the opposition will triumph in the presidential election.

The Formulas of Electoral Fortune Division

Electoral fortune is used here to refer to everything that can be cashed in by winning the presidential election. For the fortunes to be divisible, the presidency cannot be the only element, even though it may be the most valuable piece. Given Taiwan's constitutional rules, we can at least propose the following items for a president-elect to distribute: the vice-presidency, premiership, ministries in the Executive Yuan (行政院), and presidencies and memberships of the Examination Yuan (考試院), the Control Yuan (監察院), and the Judicial Yuan (司法院). By winning the presidency, a party also obtains better access to government-sponsored enterprises or agencies, or even government funds. Obviously, these trophies are divisible. The problem is rather *how* they should be allocated to please the soldiers of the pan-Blue army. A feasible solution requires two kinds of calculations: the value of these goods and the share each party deserves to acquire.

For some of these goods, their values cannot be counted separately. For example, whether the premiership is a valuable position really depends on who controls the presidency. When the president and the premier come from the same party, the latter becomes the subordinate of the former and the position thus becomes unattractive to the politically ambitious. The importance of the premiership also rests on the partisan structure of the legislature. Since the Executive Yuan is constitutionally defined as the highest executive organ, a premier who is supported by a legislative majority may become the most powerful political figure and thus downgrade the president to a figurehead. The vice-presidency is but a constitutional back-up, yet can nonetheless be attractive to those who would like to appear as the president's successor.

The allocation of government portfolio appears less controversial, but

is nevertheless affected by the policy interests of the parties.[29] For instance, a party heavily supported by labor will have a tough time heading the Ministry of Economic Affairs (經濟部), which is concerned more with growth than with equity. Given the nature of its support base, the KMT would be more interested in ministries in charge of licensing or financial affairs. More useful to the PFP are perhaps jobs related to foreign or cross-Strait relations. To consolidate their urban vote base, the PFP should desire their ministers to be more noticeable in the mass media.

In any case, the values of these positions can always be measured and assessed as long as the information is complete. More difficult to determine is the worthiness of each party. Again, we can think of several criteria. Most straightforward is the popularity of a party's presidential candidate. In previous elections, political parties have used opinion polls to determine which candidate they should jointly endorse. Nevertheless, the problem is not just a technical one. Such popularity contests are an important signal that the party is serious about winning the election, and set off not only the electoral campaign but also the races inside each party. Ideally, the parties should negotiate their nominations first, but to be successful such discussions require a consensus on the gap between their strengths.

A party can also demonstrate its strength in a negative way. To win an election, the parties need not only promising candidates, but also organizational and financial resources. A party in need of good candidates can cause substantial damage to its coalition partner by refusing to share campaign costs, thereby forcing the latter to concede in the division of electoral fortunes. The threat from a resourceful party whose candidate has little chance to win is especially credible: the party has everything to contribute but nothing to lose. In the pan-Blue camp, the KMT is in a better position to exercise this negative bargaining power, given the formidable resources the party commands and the fact that it has had an undersupply

[29]For an allocation procedure that can create a stable government, see David Austen-Smith, "Stable Governments and the Allocation of Policy Portfolios," *American Political Science Review* 84 (1990): 891-906.

of convincing winners. The PFP, in contrast, will almost certainly insist on endorsing James Soong, the most valuable (if not the only) asset the party possesses. Soong, who lost to Chen Shui-bian by only three percentage points in 2000, is also in a good position to attract pan-Blue supporters who regret voting for Lien Chan. The PFP is much weaker in organization and much poorer in resources than the KMT, however, and will have a tough war to wage if the KMT withholds its support.

The most difficult challenge to the pan-Blue's electoral cooperation is thus the asymmetry between their odds of winning and party strengths, rather than the divisibility of electoral fortunes. The party that receives a larger share of the pie will be constantly reminded of its weakness in other dimensions, and some members will always question the fairness of the formula. Such an uncertainty will in turn undermine the solidarity of the union. For example, in exchange for supporting James Soong to lead the campaign, the KMT could demand complete control of the Executive Yuan. Knowing that this deal would make him a symbolic figurehead, Soong would be reluctant to agree. Bargaining will then continue until the countdown of the campaign begins, but there is no guarantee that a deal can be struck in time. The most straightforward solution to the coordination problem is probably for the two parties to merge, but this could be more difficult than just building a coalition.[30]

The Monuments of the Pan-Blue Advance

Despite the difficulties mentioned above, the *belief* that a pan-Blue electoral alliance is necessary and possible will suffice to induce the opposition parties to engage in pre-election cooperation. This is the essence of Proposition 3. In retrospect, the KMT and the PFP have displayed a good—or at least better than expected—capability to work together over

[30]A KMT-PFP merger was actually proposed by KMT legislator John Chang (章孝嚴, the son of late president Chiang Ching-kuo 蔣經國) in April 2002, but the PFP rejected this idea immediately and determinately.

Table 1
Monumental Cases of the Pan-Blue Cooperation

Time	Issue	Result
October 2000	Recalling the president	The pan-Blue camp failed to coordinate on whether to introduce a vote of no confidence or to recall the president.
January 2001	The construction of the Fourth Nuclear Power Plant	The pan-Blue camp won; 134 out of the camp's 138 legislators voted for the construction of the plant.
February 2002	Speaker and vice-speaker election of the Legislative Yuan	The KMT won both the speakership and vice-speakership with the support of the PFP. No pan-Blue camp legislator defected.
February 2002	Veto-overriding of the Budget Allocation Law	The pan-Blue camp gathered 109 votes but failed to reach the 113-vote threshold. Four camp members defied party orders.
June 2002	Confirmation for the president and vice-president of the Examination Yuan, members of the Control Yuan	The pan-Blue camp decided not to show up, but six KMT legislators disregarded the order. The DPP nominee Yao Chia-wen (姚嘉文) won the confirmation with the minimum 113 votes.

the past two years. In addition to their joint ventures in legislation and budget reviews in general, the two parties also stand together on many critical issues where the legitimacy of the government is at risk. These are recorded in table 1. Overall, the cohesion and effectiveness of the pan-Blue camp have been much stronger than expected.

The construction of the Fourth Nuclear Power Plant was an issue that typified the predicament of the Chen Shui-bian government.[31] The DPP, long active in the anti-nuclear power movement, refused to continue building this power plant—which had been approved by the Legislative Yuan when the KMT was in power. Yet this decision was not supported by any legislative majority, and the issue gradually evolved into a highly politicized one. The first confrontation took place between the DPP and Premier Tang Fei (唐飛), a mainlander and retired general handpicked by

[31]For a detailed compilation of the process of the nuclear power plant dispute, see <http://forums.chinatimes.com.tw/special/unclear5/index.htm>.

the president to appease the opposition parties. After staying in office for less than five months, however, Premier Tang resigned after his attempt to sell a compromised solution was rejected by the DPP government. The president then appointed Chang Chun-hsiung (張俊雄), a DPP doyen renowned for his reconciliatory personality, to replace Tang. As the pressure for the government to make a decision mounted, Chang finally declared on October 27, 2000 that the government would terminate the power plant project. The announcement came just a few hours after a meeting between President Chen and KMT Chairman Lien Chan which was supposed to cultivate a friendly atmosphere. The KMT was naturally infuriated, and decided to put the strength of the pan-Blue solidarity to test.

Up to this point, the PFP actually held an ambiguous attitude toward the power plant project, and criticized the government mainly on procedural grounds. To the KMT's legislators, this issue had little to do with their constituency interests—except the ones elected in the district where the plant was to be built. To the leaders of the opposition parties, remaining silent on the government's decision was like yielding their political dignity to the enemy. A summit was immediately summoned in late October 2000 at which the opposition parties agreed to coordinate their legislative actions and declare Premier Chang unwelcome. They then moved further to introduce laws to constrain the administration, and indeed collaborated on most legislation thereafter. On January 31, 2001, the Legislative Yuan passed a resolution that demanded the immediate rebuilding of the power plant on the legal grounds that the Council of Grand Justices had ruled that the budget slated for the power plant was legally binding. The resolution was passed 135 to 70 votes, indicating that the members of the opposition parties had repudiated the government's decision almost unanimously.

It turned out that this event was only the beginning of the government's troubles. The pan-Blue camp had from very early on viewed the nuclear power plant as a constitutional issue, and the humiliated KMT was especially eager to launch a political strike against the Chen administration. However, the opposition camp was divided between two alternatives: to pass a vote of no confidence in the premier who announced the decision, or to recall the president who was believed to be the genuine executive head.

The PFP advocated a no-confidence vote, but the KMT feared that this strategy could result in a reelection and deprive the Nationalist Party of its majority status. The KMT wanted instead to recall the president, whereas the PFP was hesitant, claiming that this move might ferment social unrest. This situation is what Proposition 3 envisioned: the no-confidence vote and the recall motion were respectively unfavorable to the KMT and the PFP, and thus the cooperation on these matters came to a quick halt. Still, the opposition parties managed to adopt the Law Governing Legislators' Exercise of Power, which substantiated many of the Legislative Yuan's constitutional powers.

After the 2001 election severely weakened the KMT's legislative strength, new trials began to challenge the opposition camp. The first test was the election for the speaker and vice-speaker of the Legislative Yuan. According to the law governing the election, these offices are elected separately by a majority of the legislators with the presence of at least one-third; when no candidate receives a majority vote in the first round, a runoff election will be held. Given the excellent performances of the pan-Green parties in the legislative election, one would expect the DPP to gain the upper hand in this race. The objective of the DPP was actually a modest one: to take the vice-speaker while supporting the KMT candidate Wang Jin-pyng (王金平) to become the speaker.

Surprisingly, the KMT decided to nominate its own vice-speaker candidate and looked to the PFP for help. The election had little to do with ideological difference or constituency interests, and the KMT threatened to revoke the membership of those who disobeyed the party's order. Since the cost-benefit equation was so straightforward for the opposition legislators, the outcome was easy to predict. While Wang received 218 of the 225 votes in the first round and was immediately elected, the KMT's vice-speaker candidate Chiang Pin-kun (江丙坤) engaged in a two-round race with the DPP's candidate Hong Chi-chang (洪奇昌). The result was 111:108 in the first round and 115:106 in the second round.[32] Since the pan-

[32]*Taipei Journal*, February 2, 2002, 1.

Blue and pan-Green camps each controlled 115 and 100 seats, it is clear that almost no opposition legislators defected.

The fourth case involves the redistribution of financial resources among constituencies, and is therefore a tough trial for the opposition parties. The government opposed the status quo budget allocation law, which granted local governments handsome shares of tax revenues, on the grounds that the legislation would be unfair to the poor counties. The opposition parties defended the status quo bill by criticizing it as the government's attempt to concentrate power and money. Since the status quo version was proposed by Taipei City Mayor Ma Ying-jeou (馬英九), President Chen's major political rival, the KMT was in a sense compelled to respond to the government's veto of the law lest the party's superstar be discredited. Because constituency interests were involved in this case, the opposition parties had a hard time building consensus among their members. The KMT and the PFP again threatened the defectors with party discipline, and together the two parties garnered 109 votes to block the executive veto on February 19, 2002. The total number was four votes shy of an overriding majority, but already constituted a remarkable achievement given the incongruent interests inside each party. This case shows the power of party discipline, but also suggests that the opposition coalition can be demoralized by incoherent interests.[33]

A recent example of how divergent intraparty interests could endanger the pan-Blue coalition concerns the confirmation of the president and vice-president of the Examination Yuan, members of the Control Yuan, and the grand justices. Before the vote was taken in June 2002, the KMT and the PFP had announced that they would not accept Yao Chia-wen (姚嘉文), the nominee of the president of the Examination Yuan, because of his pro-independence background. For fear that some members might vote against the party's instruction, the KMT decided that their legislators should not show up on voting day, a proposal echoed by the PFP. Given that the confirmation requires the approval by an absolute legislative

[33]See *Taipei Times*, February 20, 2002.

majority, the pan-Blue camp was confident that their strategy would suffice to force out Yao. To their surprise, however, Yao won the confirmation with 113 votes, the minimum number, with support from several undisciplined KMT legislators.[34] An even greater surprise was that Chang Po-ya (張博雅), the nominee of the vice-president of the Examination Yuan, failed to garner majority approval even though she was endorsed by many pan-Blue legislators. The KMT had no choice but to expel the traitors, but this move deprived the pan-Blue coalition of its majority seats in the Legislative Yuan.[35]

Overall, these cases clearly indicate the determination of the leaders of the KMT and the PFP to maintain a solid alliance. The coalition is not just founded on a shared ideological view, but also the common belief that the two parties should cooperate in the upcoming presidential election. Whether this belief is sustainable is yet to be confirmed, but its impact is already omnipresent. As the presidential election approaches, however, the pan-Blue leaders must convince their party members that the cooperation in 2004 is not just desirable but also feasible, so that party discipline is maintained.

Conclusion: Can the Empire Strike Back?

This article illustrates a dynamic picture of the formation of Taiwan's opposition coalition. Through a game-theoretic analysis, this study shows that an electoral alliance between the KMT and the PFP can be engineered regardless of how they interact in the legislature, but the cohesion of their legislative partnership must be based on the expectation that they will cooperate in the upcoming presidential election. An intuitive explanation of this result is that the legislative game takes place *before* the election, so that

[34]These KMT legislators defected on various grounds. Some supported Yao because they came from the same constituency; others might have personal interests involved.

[35]Myra Lu, "Vote Aftermath Seen Rebalancing Legislature," *Taipei Journal*, June 28, 2002, 1-2.

the parties should only care about the election if they are already at that stage. When building a legislative coalition, in contrast, the parties are affected by what they expect to happen in the upcoming election: cooperating with a party that will soon become one's electoral rival is only self-defeating. Thus, the *prospect* of a pan-Blue electoral alliance facilitates coalition building in both the legislative and electoral arenas.

As the presidential election approaches, this prospect is gradually taking shape as a reality. As if following the aforementioned logic of coalition formation, the leaders of the KMT and the PFP hinted very early that they wish to arrange a joint ticket, and refuted forcefully any doubt on this possibility. On April 9, 2002, KMT Chairman Lien Chan declared ambitiously that his party is confident in recovering the presidency; the next day the KMT secretary-general clarified that the party's partnership with the PFP is a stable one.[36] Lien also put Lee Teng-hui on the altar of coalition building: on April 19, only two weeks after Lien echoed the call from inside the party to respect Lee, he declared the former KMT chairman to be "passé." This move had a stronger impact on the PFP loyalists, who dislike Lee much more than their KMT counterparts.

Lien and Soong also skillfully eschewed the candidacy problem, but stated clearly on May 3 that the two parties will organize a joint team to enter the 2004 election. They also agreed to make the Taipei and Kaohsiung city mayoral elections of 2002 the testing grounds of their cooperative capability.[37] Later on, Lien went so far as to announce that the KMT-PFP joint team has already been determined, and that the two parties should assemble a shadow cabinet to prepare for "the second regime turnover." To this, Soong responded positively. It thus seems that a pan-Blue

[36]The news about the progress of the pan-Blue electoral alliance is taken from the website of *Zhongguo shibao* (China Times). See <http://ec.chinatimes.com.tw>, various days.

[37]Consensus has been strong that, in this election, the PFP will back the KMT incumbent Ma Ying-jeou in the city of Taipei. The cooperative scheme in Kaohsiung, however, was rather precarious. The KMT has "recommended" Huang Chun-ying (黃俊英) as its candidate, but many believed that Lien and Soong had privately agreed to endorse Chang Po-ya despite strong local objection. When the popularity of Huang climbed up in the opinion poll, Soong shifted his endorsement to Huang and discarded Chang. Although Huang lost the election by a small margin, the case was thought as a successful pan-Blue cooperation.

union is no longer a remote possibility.

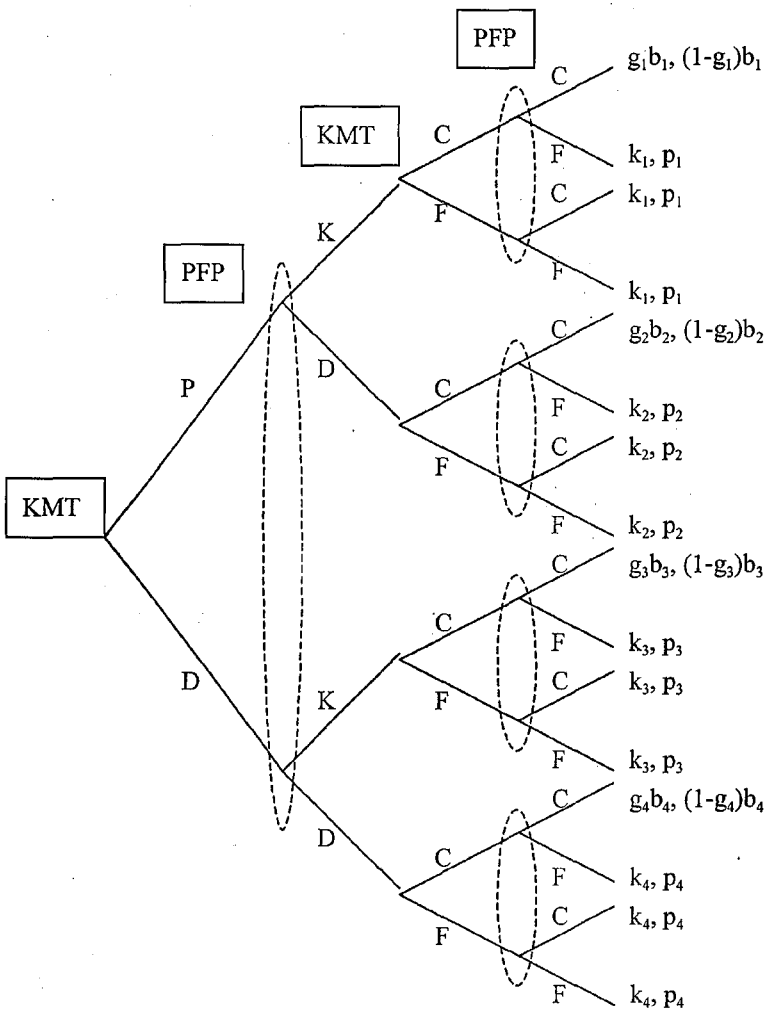
Yet a critical problem still remains to be solved. Unless this shadow cabinet (or whatever portfolio allocation alternatives they can find) matches the criteria discussed earlier, there is a good chance that the electoral alliance may collapse. That would in turn shake the opposition coalition in the pre-election period. However, we can also view the problem from the opposite side. The landscape of Taiwan's democratic politics could be transformed if the pan-Blue coalition turns out to be successful. A presidential candidate jointly endorsed by the KMT and the PFP is more likely to receive an absolute majority vote than if he is running for a single party; if elected, he is also in a good position to rally majority support in the Legislative Yuan. Most important, the success of the coalition suggests that the portfolio allocation problem is already solved. The formula could then be used as the foundation of government formation, solving another problem for the new regime. These are all important ingredients of a stable democracy.

Appendix 1: A Nested-Game Model of Coalition Formation

Suppose two parties, the Kuomintang (KMT) and the People First Party (PFP), are considering their strategies in two arenas. The game ends with a presidential election, where each player can choose between coordinating and not coordinating with the other. Before the election takes place, a pre-election game is played in the legislative arena. There the KMT can choose between the PFP and the Democratic Progressive Party (DPP) as its legislative partner; the PFP can choose between the KMT and the DPP. Games in the electoral and pre-election arenas are both simultaneous, but the results of the pre-election game are revealed before the electoral game starts (see Figure 3).

Since the DPP has a dominant strategy of accepting whichever party chooses to align with it in the legislature, to be considered are the four strategy pairs of the KMT and the PFP in the legislative arena, which render four possibilities of payoff distributions. They are (k_1, p_1) if the KMT and the PFP decide to cooperate with each other in the legislature; (k_2, p_2) if the PFP decides to align with the DPP; (k_3, p_3) if the KMT determines to cooperate with the DPP; and (k_4, p_4) if both choose to stand at the DPP side.

Figure 3
An Alliance Formation Game in Extensive Form



Each subgame in the electoral arena entails four strategy pairs, among which only two types can follow. If the two parties work out a coordination scheme in the election, the payoff will be g_ib_i for the KMT and $(1-g_i)b_i$ for the PFP in the *i*th subgame, where b_i designates the total electoral fortune generated by the game in the previous round and g_i the share of the fortune assigned to the KMT by the co-

ordination scheme. If either or both of the two parties refuse to cooperate in the election, they are respectively left with k_i and p_i. That is, they just pick up their gains in the legislative game and enter the election campaign alone.

From the extensive form of the game, we can immediately derive the following results:

Result 1: *FF is a Nash equilibrium in all subgames.* That is, coordination failure always haunts the opposition parties no matter what the parties did in the legislature.

Result 2: *For all subgames, CC is a Nash equilibrium if and only if* $k/b \leq g \leq (b-p)/b$. This is derived by solving two inequalities $g \geq k/b$ and $1-g \geq p/b$. This condition suggests that, if the KMT and the PFP decide to cooperate in the presidential election, the benefit each side obtains should be in direct proportion to its odds of winning the election alone. This result implies that an electoral alliance between the opposition parties can always be achieved as long as a feasible and acceptable formula to divide the electoral fortunes is available. However, even if such an allocation contract is ready for all subgames, each still generates different payoffs. Therefore, the parties must carefully select their legislative strategy to be able to reach the most favorable subgame.

The following result specifies the condition under which the parties will collaborate in the legislature, given that they are looking forward to an electoral cooperation.

Result 3: *When, in the electoral arena, both parties are committed to CC and have established a division rule g for all subgames, PK is chosen in the legislative arena only if* $b_1 \geq b_3$ *and* $b_1 \geq b_2$. This result comes from the requirement that, when CC is sure to happen in all subgames, PK is a chosen in the first round to produce a subgame perfect equilibrium only if $gb_1 \geq gb_3$ and $(1-g)b_1 \geq (1-g)b_2$. This condition amounts to that, for the legislative coalition to be viable, both parties should find it relatively more beneficial to cooperate with each other than with the government.