



THE ROMANIAN PENSION SYSTEM REFORMS: EVIDENCES FROM LEGISLATIVE ROLL CALL ANALYSIS

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Abstract. There are important differences between all Eastern European countries regarding the implementation of pension system privatization. The differences regarding the political configuration between the countries from Eastern Europe might be a possible explanation for the amount of diversity in this area. The ideology of political parties that form or sustain the government that implements the reform can also be an explanation, but this influence must be studied beyond the cliché that stipulates that the right-wing parties will support the public pension system reform and the left-wing parties will oppose it. Armeanu (2010a) showed that there are countries where privatization was supported by the centre-left coalitions that needed to overpass a strong opposition made by the right-wing parties. Using the Ideal Point Estimation technique within the voting sessions related to pension reform during the last three Romanian legislatures, we will explain the formation of pro and against coalitions regarding the pension reform from Romania during the privatization process of public pension system. We also test the hypotheses of the model presented by Armeanu (2010a, 2010b), model that predicts the behaviour of political parties based on the position they have on a two-dimensional space related to the costs of pension reform.

Keywords: pension privatization, pension system reform, party system, DW-NOMINATE multidimensional scaling, Romania

The privatization of the pension system in Central and Eastern Europe

The privatization of the pension systems represents the mainstream in the field of pension reform, because it is supported by International Financial Institutions (IFI). Still, privatization is not the only method that can be used in order to reform a pension system. The World Bank and the International Monetary

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Fund present the public pension crisis as a macroeconomic vulnerability that can increase the budget deficit of a country (Armeanu, 2010b:3). The IFI's lending conditions are narrowing the range of policy models available for governments from developing and transitional countries (Brooks, 2005), and can convince a government to privatize the pension system. Still, private pension schemes should eradicate the problems faced by the public pension system: the impact of the ageing population on the sustainability of pension systems, the disproportion between contribution and benefits and the underfunding of the pension funds.

But the privatization does not solve these problems, still it creates others. First, the costs of privatization are very high. Privatization means that a part of the contributions of current workers must be diverted from public system to privately administered funds. This operation leaves an economic gap in the public system, a gap that needs to be covered. In Eastern European countries, the contributions are at a high level (35-45%). Thus, increasing them is not an option for the government, who needs to search for additional resources outside the pension system to cover this gap. If the gap is covered from the public budget, then the budget deficit will increase. Most of the countries in the region are already having a negative budget balance, therefore an action that will jeopardize even more the budget balance is not something governments can afford. Myles and Pierson (2001) characterize this problem as "an insurmountable barrier to privatization on the capitalization of existing public pension schemes" (Myles and Pierson, 2011: 313).

Secondly, the private pension system does not ensure greater benefits than the public one. This is because financial markets are underdeveloped in Eastern Europe and unable to take the full amount of money stored in the private funds. Therefore, the private administrators of the pension funds invest in government bonds, offering a smaller profit than an investment on other markets. The high administrative costs of the private pension funds represent another problem that comes with the reform of the private pension system (Armeanu, 2010b:4).

The political consensus regarding the privatization process is difficult to maintain on the long term. Government changes are a common reality in the countries of the former Warsaw Treaty, and this can jeopardize the continuity of the measures that aims to reform the pension system. A new-installed prime-minister can modify, for example, the transfer rate between the public pension fund and the private ones. Lastly, the privatization does not solve the problem represented by the special pensions. There are countries where the privileges were abolished before privatization (Czech Republic, Lithuania and Slovenia) and there are others where the privileges continued to exist after the privatization (Poland, Romania) (Armeanu, 2010b:4).

Therefore, some researchers propose a deep reform of the public pension system which aims to increase the proportionality between contributions and benefits. This objective can be achieved by implementing four types of measures: (1) increasing the retirement age, (2) changing the pension calculation formula in order to reduce its redistributive character, (3) correlating pension amount with prices evolution and (4) renouncing to special pensions scheme. In this way a reformed public pension system will not bear the costs of the transition to private funds, and thus the financial deficit of the privatization will be avoided. Finally, the administrative costs of a public fund will be smaller compared with those charged by the private funds, and this positive difference will be found in the benefits of the retired people (Armeanu, 2010b:5).

There are important differences between the privatization of the pension system implemented by the Eastern European countries. These differences can be observed both in terms of the onset of the reforms and in the output of the process (the output of the reform is evaluated based on two variables: how long the reform did survive and how important were the measures implemented: which percentage from the contributions collected to the public pension system is transferred to the private funds). One possible explanation for those differences is given by the institutional perspective (Lundell, 2005) of path-dependency, which assumes that past choices constrain present options: “(constitutional) choices may be dependent on each other, the choice of one device following naturally from the choice of another device” (Ankar and Karvonen, 2004: 8).

Another possible explanation for the amount of variety in this area is the different political configurations in the Eastern European countries. The ideology of the parties that form or sustain the government that implements the reform can be an explanation, but this influence must be studied beyond the cliché that stipulates that the right-wing parties will support the public pension system reform and the left-wing parties will oppose it. One predictor for the development of the countries from Eastern Europe is the evolution of former communist parties in this region. If an ex-communist party did reform itself at the beginning of the 90's, it is more likely to support a pension reform process or make alliances with liberal parties or other political entities from the right-wing of the political spectrum (Armeanu, 2010b:29). However, for an ex-communist party, a decision to support or oppose a change of policy (like the pension system for example) is taken based on the assessment of his future potential electoral advantages (Rokkan, 2009). But this assessment is not always accurate. The scores of the ex-communist parties in Poland and Hungary, at the elections held at the beginning of the 90's, give us some clues regarding the “unwarranted optimism as well as pessimism” from the ex-communist camp (Lijphart, 1992:214).

Oana Armeanu (2010a) showed that there are countries where privatization was supported by the centre-left coalitions that needed to overpass a strong opposition made by the right-wing parties. The right-wing left-wing dichotomy cannot explain the reality in those countries; a better way to understand the process is to look at the fight between the pro-reform and anti-reform coalitions that are created based on the strategic interaction between the parties (this interaction can take place between the parties, but also between the parties and external environment). This interaction is complementary to the ideology of the parties from the political system. The output of the reform and its sustainability are influenced by the coalitions that are created during the reform implementation. Economic and external pressures do not automatically carry (by themselves) the political solution to the implementation of the reform in public pension system, no matter how acute it would manifest (Orenstein, 2003). Policy change occurs through the creation and dissemination of new ideas. Usually, those new ideas are not adopted before they are tested or implemented in the environments they were created. But sometimes, new ideas are taken without waiting further confirmation about their validity or usefulness. From this point of view, an emergence of a crisis is only necessary but not sufficient for a policy change and the new ideas may come later than the crisis. Still, this theory (the diffusion theory) doesn't explain why or how the innovations are modified during the process of implementation in certain countries (Rogers, 1995). Internal factors are different from state to state; therefore they must play an important role in the implementation of innovation, leaving their fingerprints on the process and outcome of the reform.

Armeanu (2010b) believes that political factors are the one that shape the structural or paradigmatic changes. The features of the parties and the political spectrum itself are variables that influence the way coalitions are created. The outcome of the reform depends on the relative strength of pro-reform and anti-reform coalitions and parties. When political parties decide to join one side or another, they take into account other constraints apart from ideology: maintaining the internal cohesion, the contentment of their own members, the pragmatic opportunity to create alliances (Armeanu, 2010b:7).

A party's decision to vote or not to vote the pension system reform depends on two variables: the diffuse costs and the concentrated ones. The diffuse costs and benefits represent the measures that are not immediately influencing the voters. Creating the private pension systems influences the population, by favouring the individuals with a higher income, but this influence is not immediate; it takes place in time, and also, does not favour a certain category of citizens. The party position regarding these costs is explained by their ideology, the left-wing parties being against the pension reform, while the right-wing parties supporting the privatization. Instead, eliminating the privileges offered by special

pension systems is a measure with immediate and visible impact onto certain socio-economic categories of citizens and this represents a concentrated cost. According to the model proposed by Armeanu (2010b), parties that support the special pensions are parties with roots in the communist era (even if they are reformed nowadays), but this category is larger and it includes the national-populist parties, the ones from the right-wing lot, with an ideology that contains a traditional vision about society, a vision implying that certain professions have a special role for the state (army, justice, etc.) (Armeanu, 2010a).

In addition to the concentrated costs, there are also concentrated benefits. Privatization implies mobilizing an important amount of capital, and only a part from this amount will return to the retirement people (Armeanu, 2010b). Due to the high administrative costs of the private funds, the privatization gives birth to a competition for customers and funds, a competition that take place between different banking institutions, insurance companies, managers or supervisory agencies. In Latin America, the administrative costs for private funds did rise up to 40% of the total amount of contributions transferred from the public fund to the private ones. The interests of the entities listed above may collide with the interests of certain special groups protected by special pension systems. Both those sides have representatives in the decision-making institutions, and even in the same party. Consequently, a certain party can have members both in the pro-reform coalition and in the anti-reform coalition. How the deputies or the senators of a party will vote on a reform proposal for the pension system depends on the way the party can solve the internal war between members from the anti-reform and the pro-reform coalitions (Armeanu, 2010b).

The party's position regarding the two types of costs can be highlighted on a two-dimensional spatial model. On the horizontal axis the diffuse costs are represented, with the extreme attitudes regarding the pension privatization at the two ends of the axis: supporting the public pension system (the principle of redistribution) and supporting the privatization of the private pension system (the principle of proportionality between contributions and benefits). The position on this axis can also be explained by the ideology, more specific by the party position on the left-right continuum. The concentrated costs are highlighted on the vertical axis: at one end are the parties that support the occupational privileges in the special pension system and at the other end are the parties that oppose the occupational privileges in the special pension system.

The positioning in this quasi-Cartesian system can explain the decisions to support or to oppose the pension reform, decisions taken by a certain party. Those decisions are also based on the way coalitions are created, and also on the predicted sustainability of the reform. To simplify, the author (Armeanu, 2010a) puts the status-quo of the pension system (public pension system inherited from

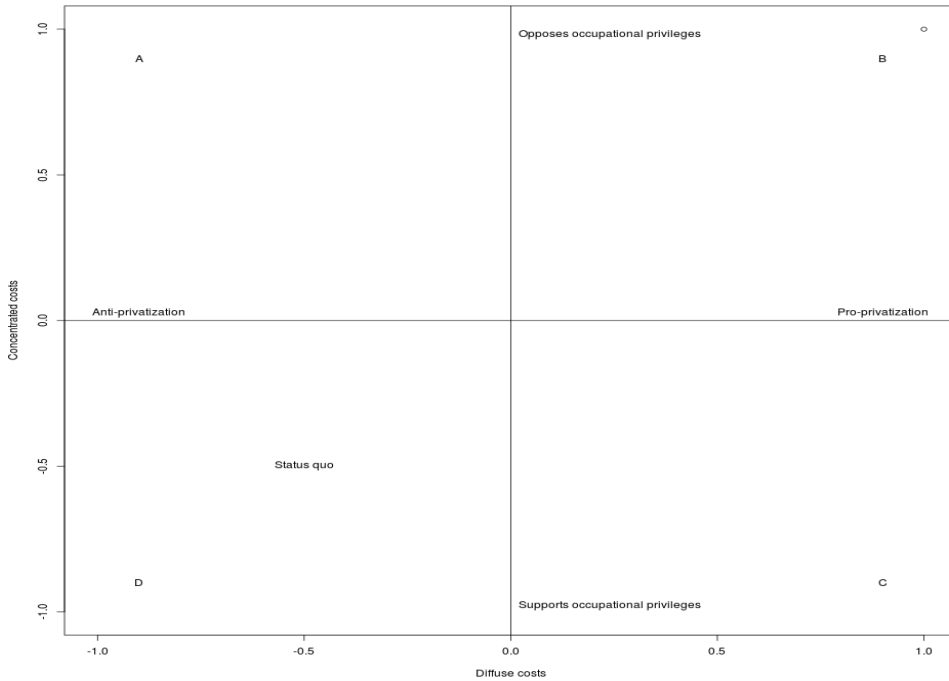


Figure 1. Party positions regarding the costs and benefits of pension reform

Source: Armeanu (2010a)

the communist era) in the lower-left quadrant (the D panel) because the public pension system was based on redistribution and promoted special pensions for certain professional categories. Also, for simplicity, the model assumes the existence of a political system with four parties, each one having the ideal point in one of the four existing quadrants: A, B, C, D. The first party opposes the privatization but also the occupational privileges, therefore it's ideal point is situated in the upper left quadrant (A). The second party supports the privatization but opposes occupational privileges therefore its ideal point is situated in the upper right quadrant (B). The third party supports both the privatization and occupational privileges and therefore its ideal point is situated in the lower right quadrant (C). The fourth party it's satisfied with the status-quo, and therefore its ideal point is situated in the lower left quadrant (D).

Main objective and hypothesis

The main objective of this research is to test the hypotheses of the model presented above following Armeanu (2010a) on the Romanian experience with the public pension system privatization. Armeanu (2010a) proposed five hypotheses regarding the behaviour of the parties in the Cartesian system, and validate them for the case of Poland. The five hypotheses are the five hypotheses of the present study:

H1: Coalitions dominated by parties who oppose both diffuse and concentrated costs of reform make only marginal changes to the existing pension system.

H2: Parties that accept both types of costs support all pro-reform coalitions.

H3: Parties that accept one type of costs but not the other will support only a reform proposal that brings the pension system closer to their ideal points than the status-quo.

H4: The outcome of the reform supported by a coalition formed by two parties is situated between the ideal points of the two parties.

H5: When a party system contains a large party that opposes both types of costs, there is a high risk of reform reversal.

H6: Sustainability of reform in the medium term is more likely when the reform is a consensual solution among multiple parties than when it is adopted by a two-party coalition.

Data and method

To find out what is the relative position of Romanian parties towards the pension reform, the author of the model (Armeanu, 2010a) used the DW-NOMINATE procedure, a procedure used by Poole and Rosenthal (1984) since the 1980s and improved over the years, with the evolution of computer technology (Poole, 2005). NOMINATE is an acronym: **Nominal Three-Step Estimation**. “Nominal” reflects the fact that the data introduced into the analysis is nominal (binary: “Yes” or “No” answers) and “Three Steps Estimation” refers to the estimation procedure used to calculate the legislator ideal points, the roll call parameters and the extent to which voting appears probabilistic (Armstrong et al., 2014).

W-NOMINATE is a multidimensional scaling method for analysing legislatures and, more specific, for studying the roll call voting. It represents “a random-utility model of Euclidian spatial voting that assumes each actor assigns a utility to each of two options (voting in favour or against). This utility is determined both by the distance between the actor and the options as well as a stochastic error term” (Lupu, 2013: 916).

The method takes into account how a deputy or a senator votes over several voting sessions, in the same legislature or in different ones, and establish his/her position in a two-dimensional spatial model. Basically, the position of a senator or deputy depends on how he/she voted in all the parliamentary sessions he/she attended (Poole, 2005). While it may seem counterintuitive, a two-dimensional spatial model is very effective in terms of modelling the relative positions of parties in the same Parliament. For example, Rosenthal and Voeten (2004) have shown that such a model based on a two-dimensional space correctly classified 95% of the votes cast by MPs in the voting sessions of the French Fourth Republic.

In the same two-dimensional space, all MPs from a legislature can be positioned (even parliamentarians from different legislatures can be positioned), according to the votes they gave during their political career. The analysis starts with the hypothesis that the senators or deputies (the legislators, in one term) have ideal points in a policy space and vote for the policy alternative closest to their ideal point. A roll call vote reflects the distance between a legislator's ideal point and a policy proposal. If the roll call votes are available, the DW-NOMINATE procedure can recover the locations of the legislator's ideal points and the policy alternatives in the latent space (Armstrong et al., 2014:182). To find the position of senators or deputies on a topic of interest, the researcher can select for analysis only the voting sessions for laws related to the specific field of interest.

The first step of the procedure is to compute the agreement score matrix for the legislators. This represents the proportion of times they vote the same way over all the roll calls (Poole, 2005:32). Of course, the agreement score matrix is symmetric, therefore for the analysis we only need a triangle below the main diagonal (all the elements from the main diagonal have the same value =1). The second step of the procedure is creating the matrix of squared distances. This can be done by subtracting the agreement scores from 1 (in the agreement score matrix) and squaring them (Poole, 2005:32). The third step is to double-centre the matrix of squared distances: from each element of the matrix of squared distance we must subtract the row mean, subtract the column mean and the matrix mean, and then divide the result by -2. This operation produces a cross product matrix of legislator coordinates (Poole, 2005: 33). Finally, the fourth step is to "take the square root of a diagonal element of the double-centred matrix and then divide through the corresponding column of the matrix by this square root. Using the first diagonal element produces the legislator coordinates (Poole, 2005: 34).

The analysis made by Armeanu (2010a: 134-137) (regarding the position of Romanian political parties in relation to pension reform) is not very specific. More exactly, the DW-NOMINATE procedure was applied to 105 randomly selected voting sessions from the whole 1793 that took place between 2006 and 2008 in

the Romanian Lower Chamber of the Parliament (Chamber of Deputies). Basically, in the analysis were not introduced the voting sessions on the laws related to pension reform, but a randomly selected 5 per cent from all the voting sessions between 2006 and 2008 (the randomly selected 5 per cent includes voting sessions related to laws from many different fields, not only on pension reform). The DW-NOMINATE procedure was supplemented with the conclusions of another quantitative research: 18 experts in Romanian politics positioned all the Romanian Parliamentary parties by placing them in one of the four quadrants: A, B, C, D. In order to find the relative positions of the parties, a scale with scores ranging between 1 to 20 was used, with questions from 13 areas of interest. But this procedure did not clearly assess the relative positioning of the parties towards the pension reform, because the experts did not classify the parties in one of the four quadrants based on their attitudes related to pension reform, but on 13 general areas of interest.

In order to assess the exact position of parties on a particular subject, Poole (2005) (the initiator of the W-NOMINATE procedure) suggested that in the analysis must be introduced only the voting sessions related to that particular subject, and afterwards, the results can be compared with the general tendency. Therefore, in this study we tried to introduce in the W-NOMINATE analysis all the voting sessions regarding all the laws related to pension reform. These voting sessions took place in the Chamber of Deputies (the Chamber of Deputies is the decisional chamber for social protection policies). We searched the website of the Chamber of Deputies for records of voting sessions for laws related to pension reform in the last three legislatures: 2004-2008; 2008-2012; 2012-2016 and we discovered 44 voting sessions. But this number was insufficient for the W-NOMINATE procedure, which needs a higher number of voting sessions in order to assess the relative position of the deputies and parties in the two-dimensional space. However, there are methods for positioning the parties and the deputies in a quasi-Cartesian space that can be used even with a small number of available voting sessions (44 for example, like in our case). One of these methods is Ideal Points Estimation developed by Bailey, procedure used in this research. The statistical analysis was done using the R statistical package. We also used the code written by Jackman (2009) for Ideal Points Estimation procedure. We applied the Ideal Points Estimation procedure on all the votes casted by the deputies during all the voting sessions related to pension reform held in the last three legislatures (and available on the Romanian Chamber of Deputies website). There were 758 deputies who voted in at least one of the 44 voting sessions from our research: 233 MP's from PSD, 181 from PNL, 156 from PNL, 24 from PC, 29 from PP-DD, 26 from PRM, 16 from UNPR, 41 from UDMR, 16 representing the minorities, other than the Magyars, and 29 were deputies unaffiliated to any party.

Results

In order to find out how many dimensions to estimate for the W-NOMINATE or Ideal Points Estimation, “the most practical approach is to look at the pattern of the eigenvalues of the double-centred agreement score matrix” (Poole, 2005). If we look at the screen plot bellow, we can see that the plot fall steeply and then the eigenvalues fall off fairly smoothly from the 3rd value through the 20th. This is a clear indication that the data is more likely to be two-dimensional. Therefore, the model must be two-dimensional.

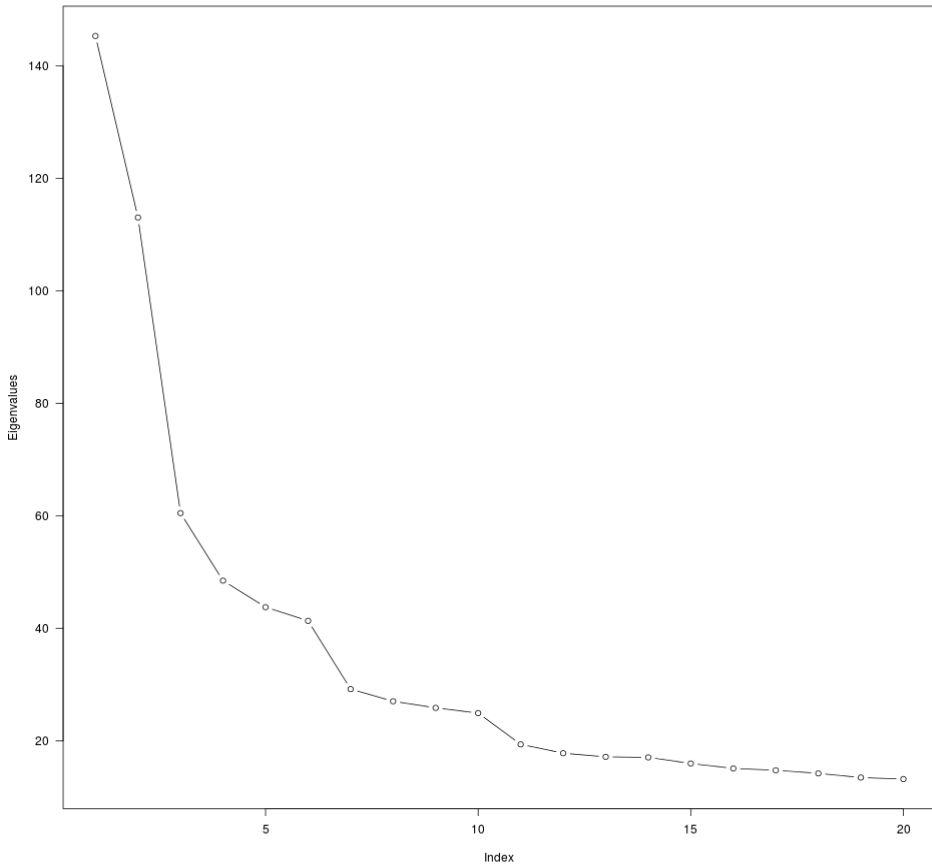


Figure 2. Eigenvalues of the double-centred agreement score matrix for the roll calls included in the analysis

Source: Personal computations based on Chamber of Deputies' records of voting sessions

Analysing the voting sessions for all the 44 laws and amendments related to pension reform in the past three legislatures of the Romanian Parliament, we obtained the relative positions for each party (Figure 3, see below).

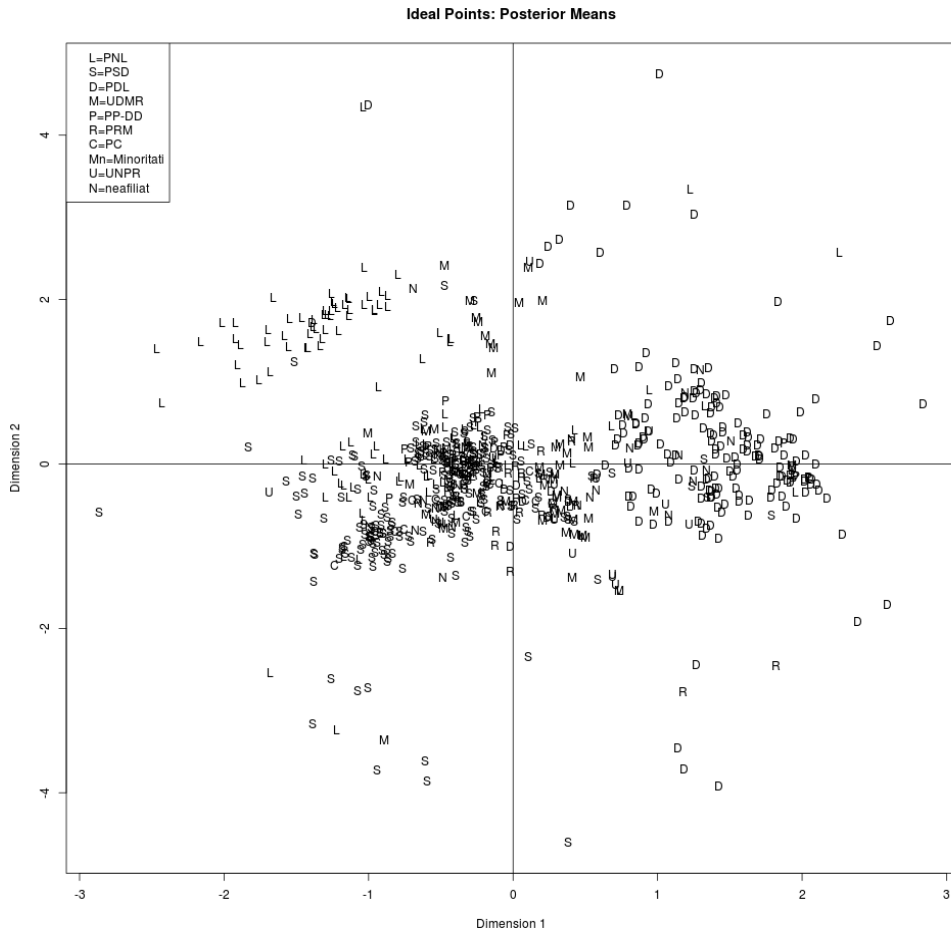


Figure 3. Romanian party's positions regarding the diffuse and concentrated costs of pension reform. Analysis made using Ideal Points Estimation

Source: Personal computations based on Chamber of Deputies' records of voting sessions

The model correctly predicts 97.57% of all the votes casted in all 44 voting sessions introduced into analysis. However, there is a significant difference between the proportions of the “Yea” votes correctly predicted (99.89%) and the proportion of the “Nay” votes predicted (81.34%).

Each point in the graph above represents a deputy who attended one of the 44 voting sessions introduced into the Ideal Points Estimation Procedure. We can observe some compact groups of points having the same letter, this meaning that the political parties have a clear and unified position about the pension reform. The PNL represents an exception: their MPs seem to have different opinion about the concentrated costs. Thus, some liberal deputies seem to be against special pensions, while others have a more reserved attitude towards this field, being closer to the centre of vertical axis. We can also find deputies positioned far from the cloud that represents the general opinion if we are looking at other parties. PSD, for example, has some deputies in the D quadrant – they are opposing both the diffuse costs and the concentrated ones. But the majority of the deputies representing this party are situated on the left side of the vertical axis and near the horizontal one. PDL supports the pension privatization, though there are deputies from PDL who oppose privatization.

Regarding the relative position of the important parties, National Liberal Party (PNL) and Social Democratic Party (PSD) are positioned mostly in the A square (B square for some deputies from National Liberal Party and D square for some legislators from Social Democratic Party). The Democratic Liberal Party (PDL) is positioned in the B and C quadrants. The only party that is positioned almost entirely in the D square (near to the status-quo) is The Great Romania Party (PRM).

Discussion

Looking at the chart obtained by Armeanu (2010b) by using the W-NOMINATE method, and comparing it to the graph we obtained using the Ideal Points Estimation, we can see that there are many similarities between the two bi-dimensional spaces, but also some significant differences. In our analysis, the Democratic Liberal Party (PDL) is situated upper in the two-dimensional space (both in B and C quadrants), supporting the privatization, but having an ambiguous attitude towards the special pensions. The National Liberal Party (PNL) has its deputies located mostly in the A quadrant, on the right side of this panel, opposing the occupational privileges but not having a clear attitude towards the privatization. However, on the graph resulted from the present research (Ideal Points Estimation), the Social Democratic Party (PSD) is situated near the centre of both the horizontal axis (the one representing the diffuse costs), and the vertical one (the one representing the concentrated costs). On the W-NOMINATE output, the same party is situated mostly on the upper left side of the A quadrant. Those differences can be explained if we take into consideration the period of analysis on

both studies. The conclusion of the research made by Armeanu (2010b) are drawn by looking at the votes casted between 2006 and 2008, while the present research takes into consideration the last three legislatures (2004-2016). During this period, The Social Democratic Party moved from the left side of the political spectrum to the centre of it. In the autumn of 2004, the Romanian Government lead by Adrian Năstase, president of the Social Democratic Party at that time, created the second pillar (the mandatory private pillar) of the pension system by persuading the Parliament to adopt the law no.411/2004. In reality, the Government never had any problem convincing the Parliament to vote the law, because the Social Democratic Party held the majority in the two legislative chambers (the Senate and the Chamber of Deputies). Also, in the 2004-2008 legislature, PSD (The Social Democratic Party) offered parliamentary support for the liberal government lead by Călin Popescu Tăriceanu, when the "Truth and Justice Alliance" (who won the presidential election in 2004) broke. The Romanian president at that time, Traian Băsescu, wanted the prime-minister Tăriceanu to resign, but the last one refused to do so, and, as a consequence, the Democratic Liberal Party (a party that was close to the president Băsescu) switched sides by moving into the parliamentary opposition camp.

But those actions weren't the only ones who can prove the PSD's movement towards the centre of the left-right political continuum. After the parliamentary election held in 2008, the Social Democratic Party, led by Mircea Geoană at that time, made an alliance with the Democratic Liberal Party by offering parliamentary support for the Emil Boc government. The Democratic Liberal Party (PDL) leaved the PES group (Party of European Socialists) and moved to the right side of political spectrum by joining the political family of European People's Party. Before the presidential election held in 2009, the alliance between PSD and PDL broke, but the Social Democrats made another alliance with a party from the right side of political system; they formed the parliamentary opposition for the Boc government, alongside The National Liberal Party (PNL). The bond between the two political parties increased, and in 2011 they created an electoral coalition named The Social Liberal Union (USL), who won the local and general election in 2012. However, the coalition split-up in 2014, the year of the last Romanian presidential election. After quitting the Social Liberal Union, The National Liberal Party (PNL) merged with The Democratic Liberals (PDL), and PSD was left alone on the centre-left side of the Romanian political spectrum.

The only party that is situated – in both analyses – almost entirely in the D square (near the status quo) is The Great Romania Party. This finding is consistent with the hypothesis that predicts that nationalist parties are opposing the pension reform more strongly than the left-wing ones. Armeanu (2010b:30) argues that the nationalist parties cannot be assimilated into the left-right continuum;

they represent another pole of power, and they can have either a left or right orientation without necessarily being positioned on the left or to the right side of the political spectrum. The nationalist parties with a left orientation are found in the post-communist countries. In this environment, they create “nostalgia for the communist paternalist system of economic relations” (Armeanu, 2010b:30) and speculate it for electoral purposes. The nationalist parties speculate in their advantage the unpopularity of the pension reform and also oppose to the involvement of International Financial Institutions in the process. The conditionality imposed by the International Monetary Fund or the World Bank were the cause of several attacks from Corneliu Vadim Tudor (the leader of the Great Romania Party) towards the International Financial Institutions, who were seen as hostile external forces trying to impose their will on another nations. Another reason for the nationalist parties to oppose the pension reform is that some of their members held privileged pensions in the communist regime (army workers, former employees in uncompetitive fields of industry). Trying to protect the privileges of their members, the nationalist parties present themselves as the “champions of the general interest, which is being threatened by Western forces through neoliberal policies” (Armeanu, 2010b:31).

The Democratic Liberal Party (PDL) is situated in both in the B and C quadrants, but its position on the horizontal axis (the one representing the diffuse costs) is more on the right side than the position of The National Liberal Party (PNL) – the most liberal party in Romania. This can be explained by the fact that an important part of PNL (leaders like Cristian Boureanu and Theodor Stolojan) decided to quit the party in 2007 and joined PDL. The liberal leader Calin Popescu Tariceanu was the prime-minister at that time and his government lost the political support of PDL. He needed the votes from The Social Democratic Party’s (PSD) in order to survive (recently, Tariceanu formed another party, called The Reformed Liberal Party, that supported the PSD (The Social Democratic Party) government, and in 2016 his party merged with PC and formed the ALDE political formation). After Tariceanu, Crin Antonescu became the leader of The National Liberal Party, in 2009. In 2011, Antonescu and Victor Ponta (the leader of the Social Democratic Party) formed an electoral coalition called the Social-Liberal Union (USL). Those connections with PSD (The Social Democratic Party) can explain the moderate attitude towards the pension privatization shown by the liberal deputies (the position of PNL on the horizontal axis is situated more on the centre left). There are some groups of liberal MPs that are isolated from the mainstream represented by the party’s general opinion towards both the diffuse and concentrated costs.

However, the analysis of Benoit and Laver (2006) on the relative positioning of Romanian parties, made at the beginning of the last decade, and used by Armeanu (2010b) as a complementary method to test her findings, shows

a different configuration than the one obtained by using the W-NOMINATE procedure, or Ideal Points Estimation method. In 2003 and 2004, Benoit and Laver (2006) questioned 18 Romanian experts on Romanian politics, and asked them to classify all political parties (parties that won at least one seat in the Parliament after the last elections) based on 13 relevant dimensions: economy (spending vs. taxes), social policy, privatization, EU joining, environment, attitude towards the former member of the Communist Party, foreign ownership of land, media freedom, nationalism, religion, urban vs. rural interests, decentralization, left/right side of the political spectrum.

The National Liberal Party (PNL) and The Democratic Liberal Party (PDL) are in the same quadrant, namely B, while The Social Democratic Party is situated both in A and D quadrants. In the configuration created by using the Ideal Points Estimation, The National Liberal Party (PNL) is situated in the A quadrant, while The Democratic National Party (PDL) is located in the B and C squares, so not very close to PNL. This can be explained if we take into consideration the period in which the research of Benoit and Laver took place. In 2003-2004, The National Liberal Party (PNL) and The Democratic Liberal Party (PDL) were partners in the "Justice and Truth Alliance"; therefore, the experts rated their positions as being closer to each other and opposing the Social Democrats. However, the experts did not classify the parties based on their attitudes towards pension reform, but on the 13 dimensions mentioned above. So, the attitudes towards a specific policy can differ from the one that a party regularly has on general matters of politics.

We put to the test the hypotheses of the model presented by Armeanu (2010a, 2010b) and we discovered that not all of them can be verified based on Romanian political reality related to votes on pension reform. For example, the first hypothesis, who stipulates that "coalitions dominated by parties who oppose both diffuse and concentrated cost of reform make only marginal changes to the existing pension system", cannot be tested. The only party who opposed both diffuse and concentrated costs is The Great Romania Party, but PRM has never formed a Government (either alone or in a coalition).

The second hypothesis (parties that accept both types of costs support all pro-reform coalitions) does reflect the Romanian political reality: in 2006, the centre right coalition of PNL, PDL, UDMR and PC created the third pillar of the pension system (law 2004/2006 moved the status-quo to the right side of the two-dimensional space).

The third hypothesis (parties that accept one type of costs but not the other support only a reform proposal that brings the pension system closer to their ideal than the status-quo) is partially true: it correctly reflects the PDL case, who voted the law 204/2006, who moved the status quo to the right side of the two-dimensional space, but is not confirmed for the PSD case, who created the

second pillar of the pension system in October 2004 and that policy change did not move the status quo upper on the map (so near the PSD ideal point), but on the right side of it.

The fourth hypothesis (the outcome of the reform supported by a coalition formed by two parties is situated between the ideal points of the two parties) is partially true: in 2006 PNL and PDL created the third pillar, a bill that moved the status quo near the curve uniting the ideal points of the two parties. The second part of the hypothesis cannot be verified, because Romania never had a broad spectrum coalition.

The fifth hypothesis (when a party system contains a large party that opposes both types of costs, there is a high risk of reform reversal) cannot be verified, because Romania did not have a large party situated in the D quadrant (a party that opposes both costs of the reform).

The political reality from the beginning of this decade validates the sixth hypothesis of the model (sustainability of reform in the medium term is more likely when the reform is a consensual solution among multiple parties than when it is adopted by a two-parties coalition): in 2010, PDL adopted the Unitary Pension Act, but after the year 2012, when the coalition formed by PNL and PSD took the power, a partial reform reversal did happen (still, the reform reversal did not move the status quo near the ideal points of the two parties: PNL and PSD).

Conclusions and implications

The external pressure is another fact that may need to be taken into consideration, because it can change the way the MPs from all parties may vote. International Financial Institutions can impose a reform not wanted by the government of a country. They have a large spectrum of methods they can use for influencing the local decision makers, ranging from economic suggestions to sanctions they can impose. These methods have a bigger effect if the IFI are the creditors for the country in which they try to impose a policy change. The level of indebtedness influences the way IFI's recommendations are treated. Whether these recommendations are followed or disregarded in a certain country depends of the level of the indebtedness of the country in cause. Rating agencies include radical pension reform as an advantage in their country-risk assessments (Müller, 2007). The country risk-assessment has an important influence on the access to international credit, and therefore can influence the state's ability to cover short-term debt obligations.

The next studies on this field may answer an important question that this research does not address: the international pressure did change the way the deputies voted on the laws related to pension reform? For example, the former Romanian president Traian Băsescu acknowledged that the implementation of the Unitary Pension Act was a measure imposed by the International Monetary Fund, as a condition to release the next tranche from the stand-by agreement for financial aid.

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