

## CHAPTER 8

### **Political Equality in Practice: Stability and Economic Outcomes in the Consensual Democracies**

Part 1 of this book demonstrated that political equality implies proportionality in the electoral system and majority rule in the legislature. Parts 2 and 3 have considered the relationship between political equality and the values of minority protection and deliberation. However, these are not the only values we are concerned about when choosing political systems. For example, the value of stability is sometimes used as an argument against proportional representation in some countries and also as an argument for systems of checks and balances as opposed to simple majority rule. There is considerable literature on the effects of political institutions on economic performance. The liberal emphasis on procedural equality in this book could be criticized on the grounds that it ignores substantive (in particular, economic) inequality. The only way to address these concerns is to see whether there is an empirical trade-off between political equality and these other values.

There is a group of countries that have institutions very similar to those I have argued are implied by political equality. The so-called consensual democracies of Western Europe (Denmark, the Netherlands, Norway, Sweden, and, to a lesser extent, Austria and Belgium) are characterized by a combination of proportional representation and majority rule with very few constitutional checks. We can therefore use these countries to test the empirical performance of the institutions covered in this book. However, most of the existing literature on these countries does not view these countries as examples of majority rule. Rather it emphasizes the difference between the consensual mode of politics found in small European countries and majority rule as practiced in the United Kingdom, United States, and France, as exemplified by the title of Jürg Steiner's (1973) *Amicable Agreement versus Majority Rule* and by Lijphart's (1984b, 1999) distinction between "consensual democracy" and "majoritarian democracy." By contrast, I will argue that the consensual outcomes in the small European democracies do not occur because of constitutionally mandated

consensual rules but are rather the natural result of the type of majority-rule negotiation outlined in this book. I will also propose an alternative typology of political institutions to Lijphart's, based on whether the seat allocation rules respect political equality on one hand, and whether the social decision rules do so on the other.

Section 1 considers the existing literature on consensual democracy. Section 2 demonstrates that the so-called consensual democracies are indeed characterized by a combination of proportional representation and majority rule, and establishes a typology for classifying constitutions. Section 3 considers the performance of consensual democracies in terms of stability, economic outcomes, and also minority protection and deliberation. This allows us to determine whether there are trade-offs between these values and political equality.

### **1. Theories of Consensual Democracy**

Lijphart's concept of consensual democracy grew out of the idea of consociational democracy. Lijphart (1968, 1977) sought to produce a characterization of democracy as it was practiced in the small countries of Europe. The current understanding of democracy was that it consisted of competition for power between (ideally two) parties, resulting in alternation of power. This not only fit the pattern observed in the Anglo-Saxon democracies (Australia, Canada, New Zealand, the United Kingdom, and the United States) but also fit the recent experience of Fifth Republic France and Germany quite well, in that politics in these countries was essentially bipolar. Fourth Republic France and Italy were considered unstable and frankly dysfunctional forms of democracy. However, the small European democracies (as Lijphart [1977] considered Austria, Belgium, the Netherlands, and Switzerland) were clearly stable but were not characterized by alternation of power. Rather all the major parties negotiated policy, even if all parties were not represented in government all the time. Lijphart laid out four features that typified politics in these countries: grand coalitions; norms of mutual veto; proportionality in elections, but also in allocation of resources and positions; and federalism or segmented authority. Given that the countries Lijphart studied were all culturally pluralistic, he suggested that the consociational form of democracy might be more suitable for many emerging democracies than the Westminster style of democracy.

Lijphart's later work (1984b, 1999) further generalizes these ideas. In addition to the Low Countries and the Alpine republics, the consensual democracies come to include the Nordic countries. Consensus democracy

remains a single concept, contrasted with majoritarian democracy. For example, in Lijphart (1999), New Zealand is given as an exemplar of the “majoritarian” Westminster model, typified by plurality elections (until 1997) and lack of power-sharing institutions, while Belgium and Switzerland are given as examples of consensual democracy, with proportional elections and power sharing. However, the empirical part of Lijphart’s 1984 and 1999 books reveals distinct aspects of consensual democracy. Factor analysis on the constitutional features and electoral outcomes of thirty-six different democracies shows two dimensions. The first of these Lijphart calls the *executive-parties dimension*; it is loaded on mostly by the proportionality of the electoral system, the effective number of parties, the frequency of one-party government, the average cabinet length, and the interest group system. The second dimension, called by Lijphart the *federal-unitary dimension*, is loaded on by bicameralism, federalism, judicial review, constitutional rigidity, and central bank independence. Lijphart (1999) finds that most of the outcomes that lead him to consider consensual democracy “a kinder, gentler democracy” (higher turnout, more satisfaction with democracy, lower inequality, more environmental protection, more rights for women) are linked to the first dimension rather than the second. However, Lijphart does not theorize using the distinction between the two dimensions but rather argues in terms of the consensual/majoritarian dichotomy.

Unfortunately this dichotomy between consensual and majoritarian democracy conflates two important distinctions. The first is between the rule for electing legislators and the rule that the legislators use to make collective decisions. Majority rule correctly refers to a decision rule for deciding between two alternatives, as in a legislature. However, the term *majority rule* is frequently (and incorrectly) used to refer to elections by single-member district plurality (as in the United Kingdom and United States) and plurality runoff (as in France). There is no reason why majority rule in the legislature cannot be combined with proportional representation elections, as indeed is the case in most of the “consensual democracies.” Furthermore, majority rule does not imply government by a single majority party. Where no single party has a majority, majority rule is necessarily government by coalition.

Second, Lijphart’s distinction between “majoritarian” and “consensual” democracy conflates consensual outcomes with consensual institutions. At some points, consensual democracy is identified in terms of the outcomes it produces—essentially, power sharing, compromise, and broad coalitions—as opposed to the winner-take-all outcomes allegedly produced by majority rule. At other times, however, consensual democracy is identified with constitutional features that demand, if not a complete

consensus (unanimity), at least more than a simple majority to make a decision. Such institutions include strong bicameralism, federalism, and judicial review. Whether such constitutional features are necessary to produce consensual outcomes is surely an empirical question, not something to be embedded in the definition of consensual government. Indeed I argued in chapter 6 that many of these features may actually obstruct arriving at consensual outcomes. It may be that the worst way to achieve consensus is to insist that no decision can be made until a consensus exists.

Birchfield and Crepaz (1998) and Crepaz (2001) provide a theoretical justification for the two dimensions of consensual democracy generated by Lijphart. They identify the first (executive-parties) dimension with what they call “collective veto points.” A high score on collective veto points results when different agents share power and responsibility within a single body, especially when there are face-to-face contact and negotiation. They identify the second dimension (federal-unitary) with “competitive veto points.” Constitutional features such as strong bicameralism (where the two chambers have equal powers but are elected differently) and federalism create “competitive veto points” by allowing agents controlling different bodies to prevent policies being enacted. Competitive veto points tend to lead to policy deadlock and immobilism, whereas as collective veto points enable common policies to be agreed upon and implemented. Thus collective veto points lead to lower income inequality, as they facilitate government responsiveness to public opinion, whereas competitive veto points lead to higher income inequality, as it is easier to block redistributive policies. In this way Birchfield and Crepaz claim to overcome the contradiction between the theory of consensual democracy and veto points theory. Veto points theory argues that more consensual government entails more veto players, more policy immobilism, and thus higher inequality, whereas Lijphart shows that consensual democracy produces lower inequality. The solution is simply that the two different dimensions of consensual democracies work in quite different ways.

Birchfield and Crepaz (1998) is a response in part to the veto point literature. Their approach is consistent with the results of Huber, Ragin, and Stephens (1993) who find that constitutional checks and balances lead to smaller, less redistributive welfare states. However, their results contrast with those of Tsebelis (1995, 2002). Tsebelis conflates the two dimensions that we have discussed, arguing that more veto points (whether they be of the collective or competitive variety) lead to greater policy stability. When calculating the number of veto players Tsebelis uses the principle of absorption—veto points that are superfluous, in that the same party already has access to another veto point, are disregarded. Thus the number of veto points amounts to the number of parties that have access

to a veto point. This approach yields some interesting insights, such as the fact that countries normally classified as quite different like the United States and pre-1994 Italy actually experience similar policy deadlock. However, the claim that coalition partners in multiparty governments are veto players is problematic and has met with severe criticism (see Strom 2000; Birchfield and Crepaz 1998).

Lijphart (1977) argues that consociational democracy is effective precisely when society is plural and characterized by cross-cutting political and social cleavages. These are precisely the conditions that social choice theorists argue should lead to instability and “chaotic” voting outcomes, in that any winning coalition can be displaced by mobilizing on different dimensions or cleavages, producing arbitrary outcomes. Miller (1983) shows, however, that the theories of pluralism and social choice can be reconciled, given that in practice voting cycles are likely to be confined to a limited area, and that cycling may actually be beneficial to democratic stability, as it ensures that there are no permanent losers. As argued in chapters 5 and 6, this insight is central to our understanding of the working of democracy.

The theory of democracy developed in this book leads to an understanding of “consensual democracy” very different from that put forward in both the “consensual democracy” literature (with the exception of Birchfield and Crepaz 1998) and the “veto points” literature. In our theory, consensual democracy does not produce consensual outcomes because there are institutions that demand consensus, but as a natural outcome of majority-rule bargaining. Because there is proportional representation, no single party has a majority, and thus it is necessary to make coalitions. There are always multiple possible winning coalitions, so it is always possible to break the current winning coalition by offering some of its members a better deal. This protects minorities and makes intransigence a very risky strategy. If a party digs its heels in, it is always possible to make a winning coalition around it, rendering the party irrelevant. The only way a party can protect its interests is to compromise with other parties. Thus self-interested behavior leads to reasonable negotiation.

## **2. Consensual Democracy = PR + MR: A Typology of Constitutions**

We can categorize constitutions along two dimensions according to how closely the institutions fit the requirements of political equality. In chapters 3 and 4 I showed that political equality implies proportionality in the seat allocation rule, and majority rule in the parliamentary decision rule.

Thus the first dimension is simply the degree to which the electoral system is proportional. The second dimension is the degree to which the policy-making is supermajoritarian (requiring more than a simple majority, as results of institutions such as division of power, presidentialism, checks and balances, or qualified majority voting). This classification is based completely on constitutional features and does not confuse institutions with outcomes. Most of the countries regarded as consensual (Denmark, Norway, the Netherlands, Sweden, and to a lesser degree Austria and Belgium) have proportional elections and simple majority-rule parliaments. However, there are a few cases where elections are proportional, but the decision-making process is quite supermajoritarian, such as Germany, Italy, and Switzerland.

These two dimensions correspond to Lijphart's (1984b, 1999) executive-party and federal-unitary dimensions. They correspond even more closely to Birchfield and Crepaz's concepts of collective and competitive veto points but are simpler in that they avoid the introduction of new "veto points" concepts. Essentially the idea of "collective veto points" refers to nothing more than power sharing and proportionality within a legislature. Indeed Birchfield and Crepaz measure this with an additive scale of proportionality and the number of parties. In a legislature where no party has a majority (or enough seats to block legislation if there is qualified majority voting), no individual party is a veto player, and the only veto players are majority coalitions (or blocking coalitions under a qualified majority rule). Therefore it is more straightforward to replace the concept of collective veto points here with proportionality. And competitive veto points can be subsumed under the concept of supermajoritarianism. Since Condorcet (1787/1986) it has been recognized that the effect of dividing power between different bodies is to require an effective supermajority. Although "collective veto point" institutions (bicameralism, federalism) are the most common institutions leading to legislative supermajoritarianism, they are not the only ones. For example, qualified majority voting (such as the 60 percent rule required to invoke cloture and end a filibuster in the U.S. Senate) and presidentialism can have a similar effect.

The approach here is quite at odds with the Tsebelis (1995, 2002) veto points approach. Tsebelis's claim that coalition partners in multi-party governments are veto players is logically and empirically incorrect. Tsebelis (1995, 293) defines a veto player as "an individual or collective actor whose agreement is required for a policy decision." Under simple majority rule, the only such veto player is a majority coalition. If no party has a majority, then no party is a veto player. The claim that coalition partners are veto players in a practical sense, because they have the

power to leave the government and provoke a crisis, is also flawed. First, a party leaving the government does not necessarily provoke a crisis. In some countries it may not even lead to a change of administration if the government can find new allies and survive a vote of confidence. Indeed in some countries, such as Italy from 1949 through 1994, government partners came and went with depressing frequency. Second, and more important, major policy decisions in most of the consensual democracies are made in negotiations after elections but before a new government is formed. Parties negotiate elaborate policy programs before taking office. Contra Tsebelis (2002, 87) parties are not in government “to agree on a government program.” Rather they are in the government because they have *already* agreed and signed off on the government’s program. Of course, no contract is ever totally comprehensive, but parties do bind themselves to a very definite program of legislation. If (as is most commonly the case) forming a government requires a simple majority vote of investiture, no party is a veto player at this stage, as it cannot unilaterally prevent a government from being formed.

Table 8.1 scores the constitutional features of the OECD countries

TABLE 8.1. Electoral System Proportionality and Constitutional Supermajoritarianism

	Electoral System	Supermajoritarianism					Total	
	Proportionality	Federalism	Bicameralism	Presidentialism	Judicial Review	Referenda		Filibuster
Australia	0	1	2	0	2	0	0	5
Austria	2	1	0	0	2	0	0	3
Belgium	3	0	1	0	1	0	0	2
Canada	0	2	0	0	2	0	0	4
Denmark	3	0	0	0	1	0	0	1
Finland	3	0	0	1	0	0	0	1
France	0	0	0	1	2	0	0	3
Germany	2	2	2	0	2	0	0	6
Iceland	3	0	0	0	1	0	0	1
Ireland	2	0	0	0	1	0	0	1
Italy	3	0	1	0	2	0	2	5
Japan	1	0	1	0	1	0	0	2
Netherlands	3	0	1	0	0	0	0	1
Norway	3	0	0	0	1	0	0	1
Sweden	2	0	0	0	1	0	0	1
Switzerland	3	2	2	1	0	2	0	7
United Kingdom	0	0	0	0	0	0	0	0
United States	0	2	2	2	2	0	2	10

that have been democracies continuously since World War II.<sup>1</sup> Electoral system proportionality is simply scored 0 for single-member district elections, 1 for mixed systems and single nontransferable vote, 2 for proportional representation with a high threshold (4 percent or more), and 3 for proportional representation with a low threshold (<4 percent). A high effective threshold may be the result of a legal threshold of representation, as in Germany, or low district magnitude, as in Ireland. Supermajoritarianism was scored as an additive index of constitutional and legislative features that allow a minority to block government action. These features are: federalism (0—unitary, 1—weak federalism, 2—strong federalism); bicameralism (0—unicameralism or weak bicameralism, 1—moderate bicameralism, 2—strong bicameralism); presidentialism (0—parliamentarianism, 1—semipresidentialism, 2—presidentialism); judicial review (0—none, 1—weak, 2—strong); referenda (0—unimportant, 1—moderately important, 2—highly significant); filibuster (0—impossible, 1—unimportant, 2—significant). The scores on federalism, presidentialism, judicial review, and referenda are taken from Huber, Ragin, and Stephens (1993). Strong bicameralism involves two chambers elected by different means, each having at least a veto; while weak bicameralism involves two identically elected chambers having a veto.

Table 8.2 compares how our measure and other measures of consensual democracy correlate together. Unsurprisingly, the various measures of the electoral system (electoral system proportionality, Lijphart's executive-parties dimension, and Birchfield and Crepez's collective veto points) are all strongly correlated with one another, as are the measures of supermajoritarianism (supermajoritarianism, Lijphart's federal-unitary dimension, Birchfield and Crepez's competitive veto points, and Huber, Ragin, and Stephens's constitutional index). The electoral system proportionality index and Lijphart's executive-parties dimension correlate with each other more strongly than with the collective veto points index. This is probably due to the fact that the collective veto points index relies heavily on the effective number of parties, which is only indirectly related to electoral institutions. It is notable that Tsebelis's (2002, 182) two measures of the number of veto points (a qualitative assessment of the number of veto players, and an average of the number of veto players for 1981 through 1991) correlate with both sets of measures. However, they correlate with the measures of the electoral system more strongly than with the measures of supermajoritarianism and federalism.

Figure 8.1 plots the various countries in terms of their scores on electoral system proportionality and supermajoritarianism. This allows us to divide them into four categories. Most of the countries considered consensual democracies (Austria, Belgium pre-1994, Denmark, Finland,



TABLE 8.2. Correlation between Measures of Consensual Democracy

	Proportionality	Lijphart dim 1	Lijphart dim 2	Supermajoritarianism	Crepaz Collective Veto Points	Supermajoritarianism	Lijphart dim 2	Birchfield and Crepaz Competitive Veto Points	Huber et al. Constitutional Checks	Tsebelis Qualitative Veto Points	Tsebelis Numerical Veto Points
Proportionality	1.000										
Lijphart dim 1	0.830	1.000									
Birchfield and Crepaz collective veto points	0.476	0.563	1.000								
Supermajoritarianism	0.222	0.222	-0.345	1.000							
Lijphart dim 2	0.358	0.177	-0.220	0.809	1.000						
Birchfield and Crepaz competitive veto points	0.222	0.148	-0.266	0.794	1.000						
Huber et al. constitutional checks	-0.127	-0.004	-0.506	0.795	0.830	1.000					
Tsebelis qualitative veto points	0.693	0.827	0.499	0.445	0.318	0.147	1.000				
Tsebelis numerical veto points	0.533	0.795	0.520	0.377	0.181	0.136	0.790	1.000			

Note: Lijphart dim 1 = executive-parties dimension; Lijphart dim 2 = federal-unitary dimension.

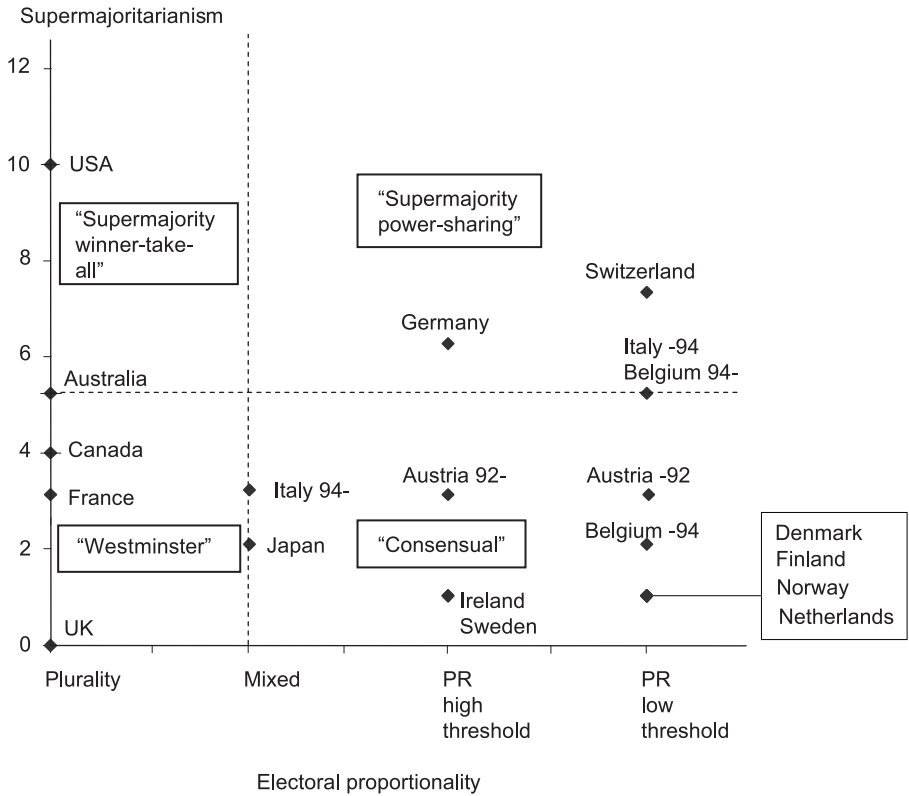


Fig. 8.1. Constitutional types in the OECD. -92 and -94 indicate pre-1992 and pre-1994; 92- and 94- indicate post-1992 and post-1994.

the Netherlands, Norway, Sweden, as well as Ireland) are in the bottom right quadrant, combining proportional representation elections with majority-rule parliaments with very few constitutional checks. There are a few cases that combine proportional representation with extensive supermajoritarianism, which I label as “supermajority power-sharing.” These include Germany and Switzerland, with Italy and post-1994 Belgium as borderline cases. (According to Di Palma [1977], many features of the Italian legislature not considered here such as consensual agenda making, secret voting, and the unacceptability of the Communists made it extremely easy to block action, so pre-1994 Italy probably should be classified in the supermajoritarian group.) The Westminster model combines winner-take-all elections with a relatively unchecked majority-rule

parliament. The United Kingdom, France, and to some degree Australia and Canada fit in this category. Japan and post-1994 Italy can also be seen as marginal cases, in that they have few checks and mixed electoral systems. Finally, there is the U.S. pattern of winner-take-all election with multiple checks and balances (“supermajority winner-take-all”). The only other countries that are candidates for this category are Australia and perhaps Canada, due to their high degree of federalism.

It should be noted that the way several countries are classified changed during the 1990s. For the 1992 election Austria adopted a 4 percent threshold where previously there was none. In 1994 Japan moved from single nontransferable vote to a mixed system. In the same year Belgium adopted a new constitution with a far higher degree of formal federalism, particularly concerning matters affecting the ethnolinguistic communities. Thus Belgium goes from being firmly within the consensual group to being on the border between this category and the “supermajority power-sharing” countries. In 1994 the Italian political system was also reformed. Most attention has focused on the changes on the electoral system, which went from open-list proportional representation to a mixed system. However, it may be that the other changes that took place at this time were equally significant. Secret voting in the legislature was abolished, as was the ability to filibuster, and the agenda was set by the majority coalition rather than consensually. Equally important, the exclusion of the (ex) Communists came to an end, so it was no longer necessary to assemble a supermajority of the non-Communist parties to govern. Thus Italy ceases to be supermajoritarian at the same time it ceases to have pure proportional representation. I would speculate that the ability of Italy to make hard budgetary decisions to meet European Monetary Union convergence criteria may be at least as much the result of these changes as it was the result of electoral system change.

### **3. Empirical Outcomes in Consensual Democracy**

We have established that the consensual democracies typically have proportional representation electoral rules and simple majority-rule parliamentary decision-making rules. We now turn to the empirical effects of these rules on stability, on economic performance and equality, and on minority protection and the quality of democratic deliberation. To summarize the results, in terms of basic rights protection and economic performance, there is little evidence that the type of political regime makes any difference. However, consensual democracies are economically more egalitarian and provide more social rights and services. In terms of

stability, consensual democracy appears, if anything, more stable than other forms.

### Stability

Stability is clearly a value that can be held up as something against which the claims of political equality have to be balanced. Indeed both proportional representation and majority rule have been criticized as leading to instability. Of course, political science's preoccupation with stability has itself come in for criticism, as has the assumption that stability—any kind of stability—is a good thing. Przeworski et al. (2000, 187–88), for example, suggest that the structural functionalist approaches popular in the 1950s combined with cold war ideology often led to normal facets of democratic competition (alternation of governments, strikes, peaceful demonstrations) being categorized alongside coups and political assassinations. For this reason it is extremely important to distinguish between different kinds of stability. There are three kinds of stability that are relevant in this context. First there is cabinet stability, which is the frequency with which governments last or break up. Second there is policy stability, or how rapidly government policy changes over time. Finally there is regime stability, or whether the basic political institutions are able to maintain themselves.

*Cabinet Stability.* Opponents of proportional representation (in the United Kingdom in particular) frequently cite cabinet instability as a problem of proportional elections. The case usually cited is Italy, where (prior to 1994) cabinets rarely lasted a whole year. Of course, proponents of proportional representation would point to other countries with PR elections that were far more stable. When we systematically examine the relationship between electoral systems, multiparty government, and cabinet duration, there is little evidence of a strong relationship. Lijphart (1984a) finds that the average cabinet duration of multiparty governments is somewhat shorter than that of single-party governments. However, this difference is mostly accounted for by a small number of outliers, notably Italy and Israel. Italy is particularly noteworthy here, as Italy had institutions other than PR that encourage instability—open-list elections to the legislature and secret voting in it, both of which undermined party discipline. Israel in the 1980s had very short cabinet duration as a result of a string of virtually tied elections. It could be argued that such elections would lead to short government duration in any system (consider the United Kingdom in the 1970s). Strom (1990) finds that minority governments (where the governing party does not have a ma-

majority but has to rely on the tacit support of nongoverning parties, an arrangement common in some countries with PR) are not particularly unstable. Thus there is little evidence that proportional representation leads in general to cabinet instability.

*Policy Stability.* Next we turn to policy stability. Even here it is necessary to distinguish between two kinds of policy stability. The first is the absence of short-term oscillation in policy (as when consecutive governments switch sides on important issues or radically change spending priorities back and forth). This first kind of stability is needed for effective government. However, the second kind of stability is not necessarily so desirable. This is long-run stability in policy, or put more negatively, policy inflexibility. Policies are locked in over the medium term so that they are stable even as the demands on government change. In a rapidly changing global economy it is easy to make a case that this kind of policy sclerosis is a liability.

As for the first kind of policy stability, there is little empirical evidence on how systems of government affect this. Tsebelis and Chang (2001) provide an interesting measure of policy stability, using the Euclidean distance between vectors of government spending. However, they do not relate the variation to constitutional features such as proportionality, supermajoritarianism, or veto players. They do show that instability is greatest when there is an alternation of government, and when the distance between the ideological placement of the parties in government changes greatly. Given that proportional representation is associated with fewer complete alternations of government than winner-take-all systems, we would expect proportional systems to exhibit less short-term policy oscillation. However, this is an argument based on indirect evidence. Further research is to determine directly the effect of different election systems.

Concentrating on the second kind of policy stability (long-run stability versus flexibility) allows us to discriminate between theories that argue that consensus democracy is characterized by veto players, on one hand, and theories that characterize consensual democracy as driven by mutual accommodation and flexible adjustment, on the other. Tsebelis (2002) argues that consensual democracies have many veto players and thus a high degree of policy stability if not deadlock. Tsebelis (2002) tests this proposition, although his measures are extremely problematic.<sup>2</sup> Birchfield and Crepaz (1998) on the other hand argue that electoral proportionality and power sharing (what they call “collective veto points”) are enabling and allow governments to implement redistributive policies. There is also a considerable political economy literature (for example, Cameron 1978;

Katzenstein 1985) that argues that the countries that we call consensual are small, open economies that tend to be extremely flexible in terms of policy and indeed have to be, given their exposure to world markets.

In this chapter policy stability is measured using the simple proxy of total government spending as a percentage of gross domestic product, taken from OECD Historical Statistics. Whereas this does not capture subtle changes in the direction of policy, it does provide a crude measure of flexibility. In particular the ability to cut government spending is a strong test of flexibility, as the literature on government retrenchment (for example, Pierson 1994) argues that government spending is far more difficult to cut than to increase, because the beneficiaries of programs form concentrated groups. If such groups have access to veto points, they will be able to prevent retrenchment. The standard deviation of government expenditure/GDP provides a first measure of flexibility. However, it is possible that a high standard deviation is simply the result of a constant upward trend, essentially locked in by an inflexible political system. Therefore we also consider the standard deviation of the annual change in expenditure/GDP. The countries that score highest will be those that can increase and decrease spending, whereas countries that have a constant trend will score zero.

Table 8.3 considers the mean and standard deviation of government expenditure/GDP and the standard deviation of the annual changes, averaged across countries with different constitutional types. Contra Tsebelis, the consensual democracies actually display the most variation. The consensual democracies (those with proportional elections and simple

TABLE 8.3. Variation in Total Government Expenditure for Different Constitution Types

	<b>Winner-Take-All</b>	<b>Proportional</b>
Supermajority	“Supermajority winner-take-all”	“Supermajority power-sharing”
	Mean	Mean
	34.59	37.93 (42.22)
	Standard deviation	Standard deviation
	4.24	4.87 (5.24)
	Standard deviation	Standard deviation
	annual change	annual change
	1.23	1.33 (1.48)
Majority-rule	“Westminster”	“Consensus”
	Mean	Mean
	35.79	44.04
	Standard deviation	Standard deviation
	4.70	7.01
	Standard deviation	Standard deviation
	annual change	annual change
	1.11	1.92

*Note:* Figures in parentheses exclude Switzerland (see text).

majority rule) have high government spending (an average of 44 percent of GDP) but also a high standard deviation in annual changes. The Westminster systems and the “supermajority winner-take-all countries” have on average lower expenditures, but also lower variability. The “supermajority power-sharing” countries (proportional elections and checks and balances) have average expenditure slightly lower than the consensual countries, but also considerably less variability. Note that figures in parentheses for these countries exclude Switzerland. This is because OECD figures for the size of the Swiss government are considered suspect by many observers (Lane and Maitland 2001; Armingeon 2001) because they do not include state mandated contributions to theoretically private insurance programs. If Armingeon’s estimate of the size of the Swiss state (45 percent of GDP) is correct, then the mean expenditure of the “supermajority power sharing” countries would be almost identical to that of the consensual countries.

Figure 8.2 charts the evolution of public expenditure in Germany, the Netherlands, and the United States. The Netherlands increased public spending extremely quickly in the 1970s. However, in the 1980s it halted the rise and retrenched somewhat. In the late 1990s there were drastic cuts in the state’s share of the economy. This experience is typical of many of the consensual democracies. It is possible to expand expenditure rapidly to deal with external shocks, but once a decision has been made that retrenchment is necessary, the government faces no veto players that can stop it. Even in Sweden, long famous for its government expenditure in excess of 60 percent of GDP, had reduced this to 52.4 percent by 2000. In Germany, however, there has been a steady trend toward greater spending, so that by the late 1990s it actually overtook the Netherlands. In the United States there has also been a trend toward greater expenditure, although this growth is far slower than Germany’s. It has long been accepted that the consensual democracies have higher government expenditure than other countries. However, it also seems to be the case that they are better at retrenching. It should be no surprise that a lack of supermajoritarian institutions makes blocking retrenchment harder. However, it is less clear why proportional election should facilitate retrenchment, given that broad coalitions have to be constructed. In a provocative paper, Kitschelt (1996) suggests that retrenchment is hard in systems with bipolar party systems because the opposition party will always opportunistically attack any government that takes hard economic decisions. In a consensual system, however, these hard choices would be negotiated among all the parties.

Table 8.4 gives the results of regressing electoral system proportionality and the supermajoritarianism index on the standard deviation of

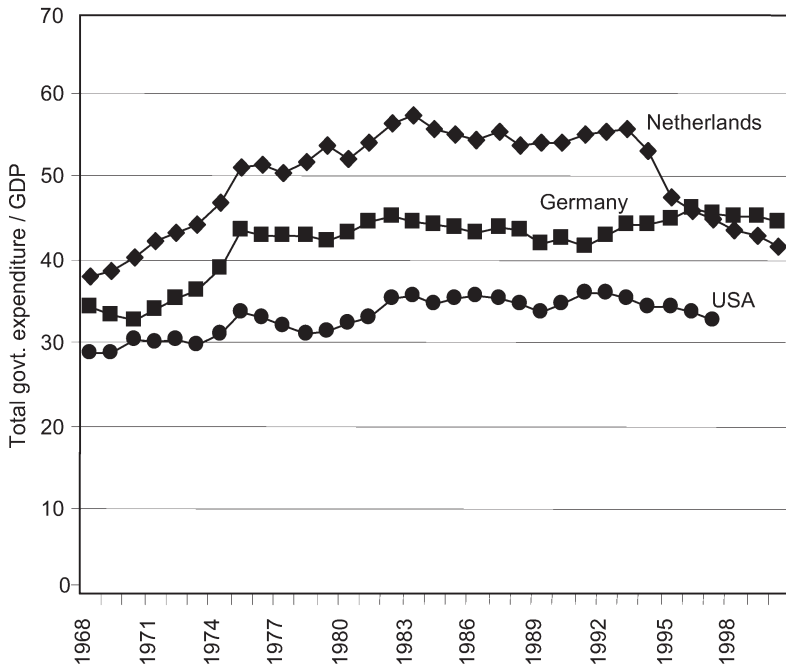


Fig. 8.2. Total government expenditure in Germany, the Netherlands, and the United States

TABLE 8.4. Regression of Constitutional Type on Deviation in Total Government Expenditure

Dependent Variable	Deviation in Expenditure/GDP ( $N = 18$ )			
	Effect			
	Coefficient	Std. error	$t$	$P(1 \text{ tail})$
Adjusted $R^2 = 0.287$				
Constant	5.766	1.008	5.717	0.000
Electoral system porportionality	0.546	0.345	1.582	0.0675
Supermajoritarianism	-0.320	0.167	-1.916	0.0375
Dependent Variable	Deviation in Change in Expenditure/GDP ( $N = 18$ )			
	Effect			
	Coefficient	Std. error	$t$	$P(1 \text{ tail})$
Adjusted $R^2 = 0.394$				
Constant	1.536	0.225	6.833	0.000
Electoral system porportionality	0.155	0.077	2.018	0.0361
Supermajoritarianism	-0.083	0.037	-2.234	0.0205



government expenditure/GDP and the annual change in government expenditure/GDP. As expected, election system proportionality increases the standard deviations, while supermajoritarianism decreases them. All the coefficients are significant to the 5 percent level (1-tailed test) except proportionality on the standard deviation of government expenditure, and even this is close. This is in spite of a low sample size ( $N = 18$ ). Table 8.5 regresses Tsebelis's two measures of the number of veto points on the same dependent variable. The coefficients have the opposite sign to that predicted by Tsebelis's theory, with a higher number of veto points producing more deviation in expenditure. However, the results are not statistically significant. This is to be expected, as Tsebelis's concept of veto points conflates two variables (proportionality and supermajoritarianism) that work in opposite directions.

In summary, it is clear that short-term policy instability is undesirable, but we cannot come to any firm conclusions as to how consensual democracy performs relative to other forms. We would suspect, however, that consensual democracies are more stable in the short run because they have fewer complete alternations of governments. It is not clear that long-run stability is desirable. If a country is a small, open economy in the world market (as most of the consensual democracies are), policy flexibility is likely to be very important. Our evidence suggests that the consensual democracies are actually far more flexible than other forms of democracy over the long run, at least as measured by overall levels of government spending. Not only was it possible for these countries to develop large welfare states, but it has been possible for these countries to

TABLE 8.5. Regression of Tsebelis Veto Points on Deviation in Total Government Expenditure

<b>Deviation in Expenditure/GDP (<math>N = 12</math>)</b>				
<b>Dependent Variable</b>	<b>Effect</b>			
	<b>Coefficient</b>	<b>Std. error</b>	<b><i>t</i></b>	<b><i>P</i>(1 tail)</b>
<b>Adjusted <math>R^2 = 0.027</math></b>				
Constant	3.816	2.409	1.584	0.072
Tsebelis veto points	1.067	0.933	1.143	0.140
<b>Deviation in Change in Expenditure/GDP (<math>N = 12</math>)</b>				
<b>Dependent Variable</b>	<b>Effect</b>			
	<b>Coefficient</b>	<b>Std. error</b>	<b><i>t</i></b>	<b><i>P</i>(1 tail)</b>
<b>Adjusted <math>R^2 = 0.000</math></b>				
Constant	1.364	0.600	2.275	0.023
Tsebelis veto points	0.135	0.232	0.582	0.2865

retrench their welfare states far more than other countries. This disconfirms the hypothesis that consensual democracies are stable because they have a large number of veto players. Rather, they appear to be the democracies most capable of flexible adjustment.

*Regime Stability.* Within the advanced industrial democracies, there is little evidence that the type of democracy has any effect on regime stability. In high-income countries, democracy—whatever its type—appears extremely stable. As Przeworski and Limongi (1997) famously pointed out, there is no case of democracy failing in a country with a per capita GDP of more than \$6,000 per year. Przeworski et al. (2000) show that national income is by far the strongest predictor of whether democracy will survive. Thus, in advanced industrial democracies there does not appear to be any trade-off between political equality and regime stability.

In the case of lower-income countries, there is no evidence that the consensual form of democracy leads to higher regime instability. Indeed as Colomer (2001) argues, parliamentary proportional representation systems (a distinction that roughly corresponds to our characterization of consensual democracy) have had far fewer breakdowns than parliamentary-majoritarian or presidential systems. The reason we cannot come to a strong conclusion about consensual systems being more stable than other forms is that the consensual model has rarely been applied in low-income countries (the only cases that Colomer gives of proportional-parliamentary systems outside of Europe are South Africa after 1994 and Lebanon from 1943 through 1976). However, the consensual model did prove stable in Western Europe in the interwar period when income was much lower and regime breakdown common in many countries. It also appears stable in several middle-income postcommunist countries. Indeed the only cases of breakdown in parliamentary-proportional systems (excluding foreign invasion) are Estonia (1934), Latvia (1934), Lithuania (1926), Italy (1922), Austria (1933), and Lebanon (1976) (Colomer 2001).

There is considerable evidence that presidential systems are less stable than parliamentary ones. For example, Przeworski et al. (2000) find that presidential systems are three times as likely to suffer a breakdown in a given year as parliamentary systems, and that this difference cannot be explained by differences in income or by the fact that many presidential systems are in Latin America. Furthermore, presidential systems are found to be particularly unstable when the governing party controls between a third and a half of the lower house. Przeworski et al. argue that this is the situation in which deadlock between the executive and the legislature is likely—in our terms, when the supermajoritarian nature of presidentialism produces inflexibility. Shugart and Carey (1992) argue

that presidentialism does not necessarily produce instability, but their results are actually quite consistent with those of Przeworski et al. (2000). They find that the greater the powers of the president (legislative and executive), the greater the chance of a breakdown. This is particularly the case when the president has strong legislative powers, which can lead to deadlock between the president and the legislature.

Of course, there are theoretical reasons to expect consensual democracy to exhibit higher levels of regime stability than other forms. Lijphart (1977) argues that consociational democracy is a direct result of the need to pacify a deeply divided society and commends it to developing nations for precisely this reason. Miller (1983) and Przeworski (1991) suggest that regime stability depends upon all actors expecting a better payoff from playing by the political rules than by taking up arms. This in turn depends on the probability of each player being able to win future elections and on the difference in payoff between winning and losing. Consensual democracy is likely to increase the chance of stability on both counts. Even a minority has a chance of being in the government coalition under proportional elections, whereas under a winner-take-all system it has no chance. Second, a consensual power-sharing system typically reduces the difference in payoff between winning and losing. Even if a group expects to lose an election, it still may not take up arms if it expects to continue to have some influence over the government. Although there are few cases of consensual parliamentary-proportional systems outside Europe, there are other systems that can be described as power sharing. For example, India, the longest established non-OECD democracy, typically has multiparty governments in spite of having single-member district elections. Thus government coalitions have to be negotiated as in the consensual model. The same is true in several recent democracies in Africa (such as Mali). It may be that the crucial factor in regime stability is multipartism and power sharing, not specific institutions. This, however, is a hypothesis for future research.

### **Economic Performance and Economic Equality**

There is little evidence that either dimension of consensual democracy is related strongly to overall economic performance. Lijphart (1999) finds no significant relationship between the executive-parties scale and economic growth or inflation. He does find that the federal-unitary dimension is correlated with low inflation, but this is unsurprising as the federal-unitary dimension includes central bank independence as one of its components. Rogowski and Kayser (2002) claim that the price level is significantly higher in countries with proportional representation, and

that this shows that producers have more power than consumers in these countries. However, what they actually show is that the real exchange rate is more overvalued in countries with proportional representation. This results in exports from these countries being more competitively priced vis-à-vis the rest of the world, which benefits internationally competitive producers as opposed to producers for the domestic market. Given that countries with proportional representation in Europe tend to be small, open economies, it is hardly surprising that export industries get their way on exchange rate policy.

Economic corruption is very low in the consensual democracies. Denmark, Norway, the Netherlands, Sweden, and Switzerland are all among the ten least corrupt countries in the world according to Transparency International (2005). Considering all the world's democracies, Rose-Ackerman and Kunicova (2005) do find a positive relationship between proportional representation and corruption, but this is completely driven by the interaction between proportional elections and presidentialism. The coefficients for parliamentarianism with proportional representation are not significantly different from zero and actually tend slightly toward lower corruption. In terms of pork barrel spending (spending on inefficient, but locally popular projects), this is extremely hard to measure objectively, especially across countries. However, Milesi-Ferretti et al. (2002) suggest that we should expect countries with proportional representation to spend a higher proportion of their revenue on transfers (which are universal), while countries with "majoritarian" elections should spend a higher proportion on "public goods" (which can be geographically targeted). They produce econometric evidence that seems to confirm this.

When we consider income equality, consensual democracies do vary from other constitutional types. Lijphart (1999) shows that income inequality tends to be lower in the consensual democracies, while social spending and redistribution are higher. Birchfield and Crepaz (1998) show that "collective veto points" (essentially proportionality and multipartism) lead to lower inequality, while "competitive veto points" (checks and balances) increase inequality. Theoretically it is very easy to explain why supermajoritarian checks and balances increase inequality. Such institutions allow minority groups that lose from redistribution to veto it. However, explaining why proportional elections produce lower inequality than winner-take-all elections is more complex.

Crepaz (2001) suggests that the reason proportional elections facilitate redistribution is that to build redistributive institutions requires time and planning. Proportional elections enable long-term planning, whereas winner-take-all elections make this difficult. Essentially we can think of winner-take-all elections as being a stochastic veto point. Given

that the electoral system magnifies changes in support, the party in government is likely to lose power in the near future for reasons beyond its control such as economic cycles. Furthermore, the party in power cannot afford to make temporarily unpopular decisions that may prove advantageous in the long run. With proportional elections, however, the parties are able to negotiate a long-term settlement. The idea that winner-take-all elections are a form of veto gate, with uncertainty and alternation of power preventing long-term policy development, is consistent with our findings on policy stability. Countries with single-member district elections have low variation in the level of government expenditure, even when they have very few constitutional checks.

There have been numerous other models proposed recently to account for the difference in redistribution between countries with proportional and winner-take-all elections (for example, Austen-Smith 2000; Iversen and Soskice 2002; Persson and Tabellini 1999). Many of them build on the insight that the median voter is not poor, and that the poor, as a minority group, do better under a proportional system. Further research is necessary to determine which of the many plausible mechanisms is actually responsible for the fact that countries with proportional representation tend to have lower income inequality.

However, it should not surprise us that we find low income inequality in countries with proportional representation electoral systems and simple majority-rule decision-making rules. In these countries political resources are distributed in a highly egalitarian manner. If economic assets are distributed less equally, it is not surprising that those who have votes but few assets leverage their votes for economic redistribution. What is interesting is that redistribution does not appear to proceed to the point where it damages economic growth, as consensual democracies appear to perform just as well as other forms. (In fact, there is little economic evidence that income inequality and growth are correlated—see Furman and Stiglitz 1998.) Thus democracy can be seen as a form of distributive justice, as Esping-Andersen suggests in *Politics Against Markets* (1981). Dahl (1988, 191) makes a similar point.

The democratic process not only presupposes a broad array of fundamental rights: It is itself a form of distributive justice, since it directly influences the distribution of power and authority over the government of the state and, because of the importance of the decisions made by the government of the state, over other substantive goods as well.

Thus there is not convincing evidence that there is a trade-off between political equality and either economic performance or economic

equality. Consensual democracies appear to perform economically at least as well as other forms in terms of growth and inflation. In terms of economic equality, consensual democracy appears considerably more egalitarian and redistributive. The argument advanced by the traditionalist left in the United Kingdom and by Roemer (1999a,b) that winner-take-all elections may allow more redistribution is empirically false: Winner-take-all elections actually lead to less redistribution than proportional elections. Again, it should not be surprising that institutions enshrining political equality should be most favorable to the disadvantaged: If an electoral system or decision-making rule is fiddled in somebody's favor (that is, is not anonymous and neutral), it is highly unlikely that it will be fiddled in favor of a disadvantaged group. If a group is powerful enough to get the constitution fiddled in its favor, it is almost by definition not a disadvantaged group.

### Minority Protection, Rights, and Democratic Deliberation

In terms of protection of basic rights, there seems little evidence that there is any difference between consensual democracies and other forms in the advanced industrial democracies. This is because advanced industrial democracies of all constitutional types in general respect the basic rights necessary for democratic governance. For example, if we consider the score on political and social freedom compiled by Freedom House (2004) we find very little variation between OECD countries, all of them receiving near perfect marks. When we consider Amnesty International's (2004) annual report, we do see that some countries appear to be cited more (the consensual democracies are often conspicuous by their absence). However, Amnesty International does not provide a comparable, quantitative measure and specifically states that the absence of a country in the report does not mean that the organization has no concerns. Thus there is no evidence that any constitutional form is necessary for the respect of basic rights. Certainly there is no evidence for the American constitutionalist assumption that a system of checks and balances is better able to protect rights than a parliamentary system with no such checks (see Dahl 1988, 2001).

Of course, human rights violations often take place when a regime collapses or is overthrown. If one constitutional form is less stable than another, it is more likely to lead to a breakdown situation where rights violations occur. As noted earlier, it appears that presidential systems are considerably more likely to break down than parliamentary ones.

Consensual democracies appear to provide more broadly defined

“social” rights. Indeed there are various characteristics that appear to make these “kinder, gentler democracies” in Lijphart’s (1999) words. As discussed later, consensual democracies tend to have lower income inequality and greater provision of public services. Lijphart (1999) also finds that they appear to be more egalitarian in respect to gender, with more female legislative representation and more expansive family policies. They also appear to be less punitive, with lower incarceration rates and less inclination to use the death penalty. Finally, they appear more environment friendly, at least when environmentalism is measured by outcomes such as emission levels and energy efficiency (see also Scruggs 1999, 2001).

In terms of the conduct of democracy, countries with proportional representation have notably higher rates of voting (Lijphart 1997, 1999) and legislatures that are descriptively more representative in terms of variables such as gender (see Farrell 2001). The consensual democracies also appear to be different in other ways that are harder to measure. Because there is multiparty competition, observers of these countries often emphasize collaboration and negotiation among elites, rather than adversarial competition (Steiner 1973; Lijphart 1977). Strom (1990) argues that in some consensual democracies the power differential between parties that are in government and those that are not is slight, because parliamentary committees are powerful and chairs are distributed proportionally. Greater reliance appears to be placed on outside expert testimony, leading to a highly consultative form of democracy relying on institutions like the Social Economic Council in the Netherlands and the Royal Commissions in Scandinavia (Katzenstein 1985; Rochon 1999; Gladdish 1991; Cox 1993 on the Netherlands; Arter 1999 on Scandinavia). Of course, the reliance on outside expertise should not be surprising when no party has the political muscle to guarantee its preferred outcomes single-handed. Thus politics in consensual democracies appears extremely deliberative—a negotiated process aimed at finding better alternatives. Consensual democracy is, well, more consensual.

## **Conclusion**

We have seen that the consensual democracies typically have proportional representation at the electoral stage, and simple majority rule (with very few checks and balances) at the lawmaking stage, precisely the institutions demanded by political equality. In terms of the empirical performance of consensual democracy, there is no evidence that there is

a trade-off between political equality and stability. There is no evidence that countries with proportional representation and simple majority rule have significantly more turnover of governments. Neither is there any evidence of more short-term policy instability, although policy does seem to be more flexible in the long run. This, however, would appear at first sight to be an advantage in a changing world economy. In terms of regime stability, type of constitution makes little difference in developed countries, as democracy in whatever form appears stable. However, there is evidence that consensual forms may be more stable in developing countries.

Neither does there appear to be a trade-off between political equality and economic performance or equality. There is little evidence of a relationship between the form of democracy and economic performance. However, countries with PR and simple majority rule do have less income inequality and more public services. This provides a rebuttal to the argument that there is a trade-off between the value of procedural equality, on which this book is based, and substantive equality (particularly in terms of economics). Of course, such a trade-off may exist in theory, but in practice it is precisely where political procedures are most egalitarian that income equality and redistribution by government is highest. This should not surprise us—political institutions are highly unlikely to be biased in favor of the economically disadvantaged. Political equality is the most that the economically disadvantaged can practically hope for (and considerably more than they get in many cases). Furthermore the empirical literature shows that it is precisely where there is political equality that governments do most to reduce economic inequality.

We find that the consensual democracies perform at least as well as other forms of democracy in terms of rights protection and the quality of democratic deliberation. Therefore it is difficult to make a case that there is a trade-off between the value of political equality and these other values. Where there may be a trade-off is between political equality and participation (see chapter 6). Consensual democracy emphasizes intensive negotiation, which implies discussion among small groups and a representative rather than a direct form of democracy. This hypothesis, however, requires systematic study.

The central characteristic of consensual democracy is that it has power sharing rather than domination by a single majority. The consensual democracy literature has tended to contrast this power sharing with majority rule. However, majority rule does not typically produce domination by a single majority when combined with proportional representation, because no single party typically wins a majority. Rather it tends to produce coalition and compromise. In most consensual democracies,



consensus is not the result of “consensual” (i.e., supermajoritarian) institutions that demand consensus as a condition for making a decision. Rather, consensual decision making results from the fact that no party can get its way without convincing allies, and that furthermore any coalition can be undercut by an alternative coalition. Consensual outcomes, it seems, result from the instability inherent in majority rule.