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Title

Consensus Without Veto-Players: Testing Theories of Consensual Democracy

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https://escholarship.org/uc/item/8t94h85v

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Publication Date

2006-05-01

Lijphart's (1977, 1984, 1999) conceptualization of the distinction between consensual and majoritarian democracy has been one of the most important developments in the study of comparative political systems in the last thirty years, and has indeed served as an antidote to the anglocentrism that previously existed in the study of democratic institutions. However, the concept of consensual democracy is problematic from the point of view of social choice theory. Theorists of consensual democracy have emphasized consensus as an alternative to majority rule. I will argue, however, that many of the countries most often cited as "consensual" are actually amongst the world's purest examples of government by majority rule, having virtually no constitutional checks and balances (examples include the Netherlands, Sweden, Norway, Denmark, and to a lesser extent Austria and Belgium). Furthermore, I will argue that the institutions of consensual democracy follow axiomatically from the requirement of political equality. Far from being a new form of democracy, consensual democracy might better be described as "simple democracy".

The theory of consensual democracy largely grew out the fact that existing theories of democracy, based on the principle of alternation of power between rival parties, did not fit the small European democracies. Thus the early consensual democracy literature emphasized the difference between the consensual mode of politics found in small European countries and majority rule as practiced in the UK, USA and France, as exemplified by the title of Jürg Steiner's (1973) "Amicable Agreement Versus Majority Rule". Similarly Lijphart (1984, 1999) makes a distinction between "consensual democracy" (typically having proportional representation, coalition government, and constitutional checks and balances) with "majoritarian democracy" (single member district elections and unitary government).

Unfortunately this dichotomy between consensual and majoritarian democracy conflates two important distinctions. The first is between the rule for electing legislators and the rule 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 UK and USA) and plurality runoff (as in France). There is no reason why majority rule in the legislature cannot be combined with proportional representation election, 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, formal or otherwise.[1]

Secondly, 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 there is 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 will argue 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. For example, Rae (1975) shows logically that no decision where there is disagreement can be completely consensual, because if a decision has to be made, then if there is not unanimous agreement, an outcome has to be imposed that at least one players objects to.

We can classify constitutions in terms of two dimensions, relating to the seat allocation rule and decision-making rules they use. This allows us to capture the differences between the "consensual" democracies, the Westminster-style democracies and the division-of-power democracies, without conflating institutions and outcomes. Firstly we can consider the electoral system, which may be completely proportional at one extreme and single-member district at the other. Secondly, there is the extent to which the legislation is determined by simple majority rule, or by a procedure that is supermajoritarian. Most constitutional checks and balances (division of power, bicameralism, federalism, judicial review) produce a situation where more than a simple majority is required to pass legislation, as do non-constitutional features such as the filibuster. These two dimensions capture the essence of the two dimensions of consensual democracy in the empirical part of Lijphart's (1984, 1999) work, as well as Birchfield and Crepaz' (1998) distinction between collective and competitive veto points. Many "consensual" democracies are essentially proportional in terms of the electoral system and majority rule in terms of the decision rule. However, there are a few "consensual" democracies, such as Switzerland, Germany and Italy that are quite supermajoritarian. Westminster systems, on the other hand, combines plurality elections with majority rule, while the US Constitution combines plurality elections with supermajoritarianism. Theoretical frameworks that conflate these two dimensions, such as Tsebelis' "veto points" approach, will produce mistaken results, conflating two variables that we will see often work in opposite directions.

Tsebelis' (2002) extremely influential "veto points" approach argues that consensual institutions increase the number of veto players and thus policy stability. Thus consensual democracies tend to be immobile in policy terms. Institutions such as presidentialism, strong bicameralism and federalism clearly produce more veto players.

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[1] In the absence of a majority party, there may be a minority government instead of a formal coalition (see Strom 1990). However, this minority government still needs to construct coalitions to pass a vote of investiture and to pass specific legislation.

However, so does proportional representation, as it leads to coalition government, and each coalition member is counted by Tsebelis is a veto-player. I will argue that not only is this incorrect from the point of social choice theory, but that the predictions resulting from it are empirically false. Proportional representation and multi-party government are actually associated with policy flexibility, not immobilism. Under simple majority rule there are no veto players except a majority coalition.

The theory of consensual democracy has come from empirical work, theorizing existing institutions. However, it is possible to provide a theory of consensual democracy from axiomatic foundations. If we start form the principle of political equality (Dahl 1956) then we can show that the requirement of political equality essentially demands proportional representation at the electoral stage and minority rule at the decision-making stage. Furthermore we can show that these institutions have other desirable axiomatic qualities from the point of view of minority protection and the promotion of democratic deliberation, drawing on the work of Miller (1983) and Nino (1994). Given that these institutions are the most common configuration for consensual democracies, we also need to explain why they often produce consensual outcomes. I will sketch a model of why this may be the case. This will also highlight the conditions under which these institutions will not produce such outcomes.

Theories of Consensual Democracy

Lijphart's concept of consensual democracy grew out of the idea of consociational democracy. Lijphart (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 Zeeland, UK and USA), 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 (Lijphart 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 (1984, 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 Zeeland 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 two distinct aspects of consensual democracy. When Lijphart performs factor analysis on the constitutional features and electoral outcomes of 36 different democracies, two dimensions emerge. The first of these Lijphart calls the executive-parties dimensions, and 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 the second. However, Lijphart does not theorize using the distinction between the two dimensions, but rather argues in terms of the consensual-majoritarian dichotomy.

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 is 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. Birchfield and Crepaz argue that the two types of veto points work in quite different ways. Competitive veto points tend to lead to policy deadlock and immobilism, whereas as collective veto points enable common policies to be agreed and implemented. Thus collective veto points lead to lower income inequality, as they facilitate government responsiveness to public opinion, whereas competitive veto points leads to higher income inequality, as it is easier to block redistributive policies. Thus 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.

Crepaz and Birchfield (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, 2001). This approach 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 USA and pre-1994 Italy actually experience similar policy deadlock. However, the claim that coalition

partners in multi-party 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 theorist argue should lead to instability and "chaotic" voting outcomes, in that any winning coalition can be displaced by mobilizing on different dimension or cleavage, producing arbitrary outcomes. Miller (1983) shows, however, that the theories of pluralism and social choice can be reconciled, in 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 ensure that there are not permanent losers. This insight will be central to our discussion of the working of consensual democracy.

An Axiomatic Theory of Consensual Democracy

The theory of consensual democracy has developed from an empirical basis, providing a theory of existing institutions. These institutions are typically a combination of proportional representation and majority rule. However, we do not need to create a new species of democracy to account for these institutions. Indeed they follow logically from the basic liberal conception of democracy – that is the demand that all citizens be treated equally. If we start from Dahl's (1956) definition of democracy as political equality and popular sovereignty, and we operationalize political equality as anonymity (everyone's vote counts the same as everyone else's) and neutrality (no party or outcome is privileged) then we can show that the institutions of consensual democracy automatically follow. Rather than being a "new" form of democracy, consensual democracy might better be described as "simple" democracy.

Hout and McGann (2004) show that anonymity, neutrality and nonnegative responsiveness implies an electoral system that produces an outcome essentially identical to pure proportionality. Thus the simple requirement of political equality implies proportionality in representation. It should be noted the single-member districts not only treat parties and their supporters unequally, but also give some voters more influence than others. Whether a vote has any impact depends on the location of the voter and the preferences of the other inhabitants of the district. Single-member district elections violate anonymity, not neutrality. Although the case for proportional representation is usually made in terms of the need to treat each party fairly, essentially the same case can be made from the point of view of treating each voter equally.

May's (1951) theorem shows that the only binary decision rule that satisfies anonymity, neutrality positive responsiveness and decisiveness is majority rule. Thus any binary rule that is not majority rule either treats voters unequally or parties unequally. Weighted voting clearly biases the votes of some voters over others. Supermajority rule (either the result of qualified majority voting, or of multiple checks and balances) means that one alternative (the status quo) is privileged. Thus the requirement of political equality eliminates all of the commonly used alternatives to majority rule. There are other procedures that are anonymous and neutral, but these are all procedures that consider multiple alternatives at once, such as the Borda Count and the Kemeny Rule. Majority rule is the only anonymous and neutral procedure that satisfies independence of irrelevant

alternatives. Given that in a legislative context it is not possible to enumerate all the possible alternatives, not satisfying this property is a major drawback, as the choice may essentially be determined by which alternative are included. However, even if it is not accepted that independence of irrelevant alternative needs to be met, the requirement of political equality still removes all alternatives to majority rule currently in legislative use.

Majority rule has other important qualities. McGann (2004) shows that majority rule is the decision rule that best protects the worst-off minority. The intuition behind this result is that if a group is equally likely to need government protection or protection from the government, then majority rule provides the greatest potential to form a coalition to overturn an outcome that is oppressive to that group. This builds on Miller's (1983) insight that the instability associated with majority rule may actually be beneficial in ensuring that there are not permanent minorities. Majority rule also allows minority groups to trade their voting weight on issues that they do not care about in exchange for greater influence on the issues they consider vital. For example, a religious party may strike a deal with a socialist party, the socialist party getting a labor market policy in return for the maintenance of religious schools. Thus majority rule takes intensity of preferences into account, as revealed by the willingness to make legislative bargains. Of course, this type of bargain lies at the heart of consensual democracy.

Nino (1994) shows that majority rule is the optimal rule to bring about democratic deliberation. In line with many deliberative democrats, Nino argues that the need to convince people force people to make broader arguments that appeal to general principles as opposed to personal or sectional interests. Majority rule is the rule that maximizes the number of people that need to be convinced. Any rule requiring more than a simple majority, allows a minority to have a veto. If such a minority likes the status quo, they can get their way without the need to be convincing to a broad group of people. There are other reasons to believe that supermajoritarian rule will lead to less reasonable decisions, all stemming from the fact that enacting coalitions and blocking coalitions are different. Laing and Slotznick (1987) show that it can be rational for members of a veto group to veto policy changes even if they approve of them, because they can foresee future amendments ending an outcome they like less than the current status quo. Krehbiel (1998) shows that if the status quo is far from the position of the median voter, then the median voter may be decisive, whereas if status quo is closer, then the veto pivot is decisive. Extending this logic, it may well be in the interests of radicals to prevent incremental change. Rather they may want to prevent change until the status quo is so far from the median voter, so that the veto pivot is irrelevant and radical change is possible. Barry (1965) argues that a veto may be used offensively. If I have a veto, I may use it on an issue I am completely indifferent about, just to extort some advantage on other issues, or a simple payoff. Finally, supermajoritarianism may promote episodic change in the event of crisis. In a crisis situation, it may be possible to change policy radically with little discussion. The new policy, however, will be locked in and very difficult to alter.

Thus we can see that the institutions normally associated with consensual democracy follow from a standard liberal conception of democracy. If all citizens are to be treated equally, this logically implies proportionality and majority rule. Furthermore, we would expect many of the advantages claimed for "consensual democracy" (minority protection, pragmatic deliberation) to follow from these arrangements. The next section

categorizes constitutional forms according to how closely they conform to this pattern of proportionality and majority rule.

What is Consensual Democracy?

We can categorize constitutions along two dimensions. The first dimension (which corresponds to Lijphart's parties-executive dimension) is simply the degree to which the electoral system is proportional. The second dimension (corresponding to Lijphart's federal-unitary 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, 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, 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 election are proportional, but the decision making process is quite supermajoritarian, such as Germany, Italy and Switzerland.

These two dimensions correspond 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 simply 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 veto points here with proportionality. As for competitive veto points, this 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% rule required to invoke cloture and end a filibuster in the US Senate) can have a similar effect.

However, the approach here is quite at odds with the Tsebelis' (1995, 2002) veto points approach. Tsebelis' 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 practical sense because they have the power to leave the government and provoke a crisis, is also flawed. Firstly, 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. Furthermore, in some countries such as Italy from 1949-1994, government partners came and went with depressing frequency. Secondly, and more importantly, 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 1 scores the constitutional features of the OECD countries that have been democracies continuously since World War II.[2] Electoral system proportionality is simply scored 0 for single-member district elections, 1 for mixed systems and single non-transferable vote, 2 for proportional representation with a high threshold (4% or more) and 3 for proportional representation with a low threshold (<4%). A high effective threshold may be the result of a legal threshold of representation, as in Germany, or low district magnitude, as in Ireland.

Table 1 – Electoral system proportionality and constitutional supermajoritarianism

	Electoral system proportionality	Supermajoritiarism						
		Federalism	Bicameralism	Presidentialism	Judicial review	Referenda	Filibuster	Total
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	1	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
UK	0	0	0	0	0	0	0	0
US	0	2	2	2	2	0	2	10

Supermajoritarianism was scored as an additive index of constitutional and legislative features that allow a minority to block government action. These feature are: federalism (0 – unitary, 1 – weak federalism, 2 strong federalism); bicameralism (0 - unicameralism

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[2] France's 1958 coup d'état is ignored for this purpose.

or weak bicameralism, 1 – moderate bicameralism, 2- strong bicameralism); presidentialism (0 – parliamentarianism, 1 – semi-presidentialism, 2 – presidentialism); judicial review (0 – none, 1 – strong, - weak); 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 et al. (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.
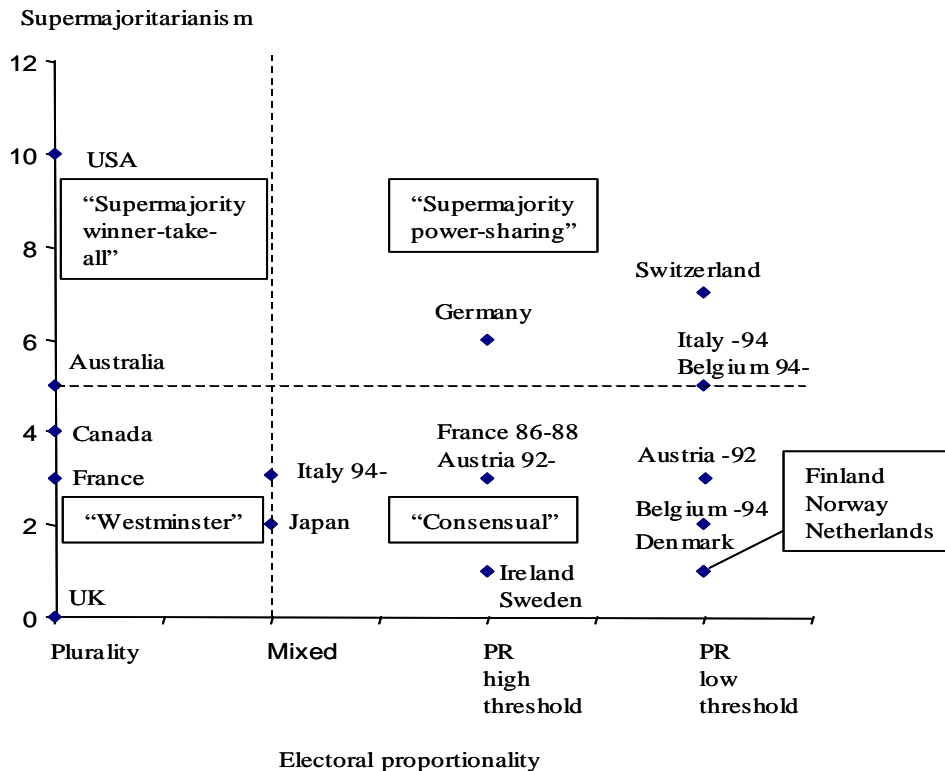
Table 2 compares how our measure and other measures of consensual democracy correlate together. Unsurprisingly, the various measures of the electoral system (electoral system proportionality, Lijphart's executives-parties dimension and Birchfield and Crepaz's collective veto points) are all strongly correlated with one another, as are the measures of supermajoritarianism and federalism (supermajoritarianism, Lijphart's federal-unitary dimension, Birchfield and Crepaz's competitive veto points and Huber et al.'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' (2001: 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 1981-91) 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.

Table 2 – Correlation between measures of consensual democracy

	Proportionality	Lijphart dim 1	Crepaz collective veto points	Supermajoritarianism	Lijphart dim 2	Crepaz competitive veto points	Huber et al Constitutional checks	Tsebelis qualitative veto points	Tsebelis numerical veto points
Proportionality	1.00								
Lijphart dim 1	0.83	1.000							
Crepaz collective veto points	0.47	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				
Crepaz competitive veto points	0.222	0.148	-0.266	0.794	0.881	1.000			
Huber et al Constitutional checks	-0.127	-0.004	-0.506	0.795	0.662	0.830	1.000		
Tsebelis qualitative veto points	0.693	0.827	0.499	0.445	0.448	0.318	0.147	1.000	
Tsebelis numerical veto points	0.533	0.795	0.520	0.377	0.109	0.181	0.136	0.790	1.000

Figure 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, 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 "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 Italy probably should be classified in the supermajoritarian group.) The "Westminster" model combines winner-take-all elections with a relatively unchecked majority rule parliament. Apart from the UK, France and Canada and to some degree Australia 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 US 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 is Australia and perhaps Canada, due to their high degree of federalism. (Whereas there is a clear division between proportional representation, mixed systems and plurality elections, a system can have more or fewer supermajoritarian features, so the choice of the dividing line is somewhat arbitrary.)

Figure 1 – Constitutional types in the OECD

Supermajoritarianism

12 —

10 — USA

"Supermajority winner-take-all"   "Supermajority power-sharing"

8 —   Switzerland

Germany   Italy -94 / Belgium 94-

6 —

Australia

4 — Canada   France 86-88 / Austria 92-   Austria -92

France   Italy 94-   Finland / Norway / Netherlands

2 — "Westminster"   Japan   "Consensual"   Belgium -94 / Denmark

Ireland / Sweden

UK

0 —

Plurality   Mixed   PR high threshold   PR low threshold

Electoral proportionality

It should be noted that the way several countries are classified changed during the 1990s. For the 1992 election Austria adopted a 4% threshold where previously there was none. France adopted proportional representation for the 1988 election, but immediately returned to a plurality run-off system. In 1994 Japan moved from single non-transferable 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 ethno-linguistic 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 importantly, 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 decision to meet EMU convergence criteria may be at least as much the result of these changes, as it was the result of electoral system change.

The Effects of Consensual Democracy

There is a great deal of recent literature on the economic and policy effects of consensual democracy, and of electoral systems in general. Here, however, we concentrate on policy stability. This 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. Henisz (2004) argues that more checks and balances lead to less policy volatility. 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 government 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.

Tsebelis (2002) tests the proposition that the number of veto players leads to policy stability. Unfortunately both his measures of policy stability are extremely problematic. The first measure, based on Doering (1995) is the number of significant laws on working time and working conditions in the period 1981-91. Apart from the concern about the generalizability of conclusions from one policy area, it is far from clear that the amount of actual change in "the law" is at all related to the number of laws passed. Tsebelis deals with this problem in part by correcting for Sweden (where every amendment is counted as a law) and by only considering "significant" laws to correct for legislative inflation. However, the judgment of which laws are significant are made by legal scholars, not by economists or political scientists. Indeed an economist might well

suggest that labor policy is often impacted far more by social security rules and business regulation that by labor law per se. There is no attempt to validate the measure of legal change by correlating it with outcomes in the real economy such as changes in working hours, female participation or part-time work. In addition to validating Doering's measure, changes in these variables may actually be better measures of change in labor market conditions.

Tsebelis' other measure of policy change is the Euclidean distance between the vectors of government spending in ten categories between consecutive years, based on work with Eric Chang (2001). As a measure of policy change, this has considerable potential as it measures changes in the allocation of hard resources, as opposed to legislative gestures. However, Tsebelis uses the expenditure in each category as a percentage of total government spending. If government doubles spending in every category, this counts as no change. Interestingly, Tsebelis does not use the distance measure to test the effect of the number of veto points, but only variables such as government alternation and the ideological cohesion of the governing coalition. In this paper we explore this question.

A simple first measure of stability is variation in total government spending as a percentage of GDP, 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 of government retrenchment (for example, Pierson 1994) argues that government spending is far more difficult to cut that to increase, because the beneficiaries of programs form a concentrated group. If such groups have access to veto points, they will be able 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 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 majority rule) have high government spending (an average of 44% of GDP), but also a high standard deviation and a high standard deviation in annual changes. The "Westminster" systems and the "supermajority winner-take-all countries" have on average lower expenditure, 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 brackets 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% of GDP) is correct, then the mean

expenditure of the "supermajority power sharing" countries would be almost identical to that of the "consensual" countries.

Table 3 – Variation in Total Government Expenditure for Different Constitution Types

	Winner-take-all	Proportional
Supermajority	"Supermajority winner-take-all" Mean: 34.59 Standard deviation: 4.24 SD annual change: 1.23	"Supermajority power-sharing" Mean: 37.93 (42.22) Standard deviation: 4.87 (5.24) SD annual change: 1.33 (1.48)
Majority-rule	"Westminster" Mean: 35.79 Standard deviation: 4.70 SD annual change: 1.11	"Consensus" Mean: 44.04 Standard deviation: 7.01 SD annual change: 1.92

Figures in parentheses exclude Switzerland (see text)

Figure 2 charts the evolution of public expenditure in Germany, the Netherlands and the USA. 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% of GDP, had reduced this to 52.4% 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 USA 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, what also seems to be the case is that they are also 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 system 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 amongst all the parties.

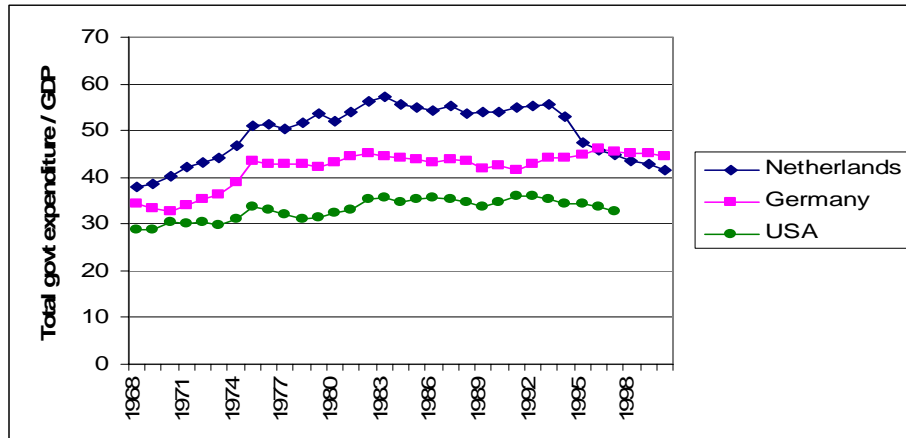**Figure 2 – Total Government Expenditure in Germany, the Netherlands and the USA**

Table 4 gives the results of regressing electoral system proportionality and the supermajoritarianism index on the standard deviation of 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% level (1-tail 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 5 regresses Tsebelis' two measures of the number of veto points on the same dependent variable. The coefficients have the opposite sign to that predicted by Tsebelis theory, with a higher number of veto points produce more deviation in expenditure. However, the results are not statistically significant. This is to be expected, as Tsebelis concept of veto points conflates two variables (proportionality and supermajoritarianism) that work in opposite directions.

Table 4 – Regression of constitutional type on deviation in total government expenditure

Dependent variable:	Deviation in expenditure/GDP			
Adjusted R^2 = 0.287	N = 18			
Effect	Coefficient	Std Error	t	P(1 Tail)
Constant	5.766	1.008	5.717	0.000
Electoral system proportionality	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			
Adjusted R^2 = 0.394	N = 18			
Effect	Coefficient	Std Error	t	P(1 Tail)
Constant	1.536	0.225	6.833	0.000
Electoral system proportionality	0.155	0.077	2.018	0.0361
Supermajoritarianism	-0.083	0.037	-2.234	0.0205

Table 5 – Regression of Tsebelis veto points on deviation in total government expenditure

Dependent variable:	Deviation in expenditure/GDP			
Adjusted R^2 = 0.027	N = 12			
Effect	Coefficient	Std Error	t	P(1 Tail)
Constant	3.816	2.409	1.584	0.072
Tsebelis veto points	1.067	0.933	1.143	0.140
Dependent variable	Deviation in change in expenditure/GDP			
Adjusted R^2 = 0.000	N = 12			
Effect	Coefficient	Std Error	t	P(1 Tail)
Constant	1.364	0.600	2.275	0.023
Tsebelis veto points	0.135	0.232	0.582	0.2865

Following Chang and Tsebelis (2001), we can also consider government spending as a vector. The IMF Government Finance Statistic Yearbook gives central government spending broken down into 10 functional categories (general, public order, defense, education, health, social, housing, cultural, economic and other). For most OECD countries this data is available for approximately the last 30 years. There are many conceivable ways to use this data to measure stability, and to extract patterns of change. However, here we simply follow Chang and Tsebelis in considering the Euclidean distance between the vectors representing each year's spending for a country. Unlike Chang and Tsebelis, however, we normalize the vectors by gdp, not by total government spending. As argued above, changes in the total amount of government spending (that is a transfer of income from individuals to the state) interest us every bit as much as the reallocation of spending within the government budget.

Table 6 – Average Annual Change in 10 Category Vector of Government Expenditure, Normalized by GDP

	Winner-take-all	Proportional
Supermajority	"Supermajority winner-take-all" Mean: 0.0069 Standard deviation: 0.000269	"Supermajority power-sharing" Mean: 0.0075 Standard deviation: 0.0016
Majority-rule	"Westminster" Mean: 0.0112 Standard deviation: 0.0026	"Consensus" Mean: 0.0138 Standard deviation: 0.0032

The results are similar, but not identical to those we observe for aggregate government spending. Supermajoritarian systems (whether proportional or winner-take-all) have less variation in their patterns of government spending. Consensual systems have most variation. However, the difference between consensual systems and Westminster systems is slight. This suggests that there may be considerable instability in spending patterns in some of the Westminster systems that is not reflected in changes in

the overall size of the budget. That is to say, there may be a greater degree of reallocation within the budget than is the case with consensual systems. This, however, requires further study.

      We can also regress the average Euclidean distance in the spending vectors against the constitutional variables and Tsebelis' veto points measure. The results are similar to those with aggregate spending. Supermajoritarianism is the strongest predictor lack of change. Electoral proportionality does not have a statistically significant effect, but its coefficient is in the expected direction. Tsebelis veto point measure does not have a statistically significant effect.

Table 7 – Regression of Constitutional Types and Tsebelis Veto Players on Average Change in Vector of Spending

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Dependent Variable: Average Change in Vector of Spending
Coefficients:
                               Estimate Std. Error t value Pr(>|t|)
(Intercept)                   0.0135111  0.0015360   8.797  7.8e-07 ***
Electoral proportionality     0.0004631  0.0005244   0.883  0.39327
Supermajoritarianism         -0.0009320  0.0002494  -3.737  0.00249 **
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.002493 on 13 degrees of freedom
Multiple R-Squared: 0.6084,     Adjusted R-squared: 0.5481
F-statistic:  10.1 on 2 and 13 DF,  p-value: 0.002257

Dependent Variable: Average Change in Vector of Spending
Coefficients:
                               Estimate Std. Error t value Pr(>|t|)
(Intercept)                   0.0132212  0.0043086   3.069   0.0134 *
Tsebelis Veto Players        -0.0004477  0.0016959  -0.264   0.7977
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.003687 on 9 degrees of freedom
Multiple R-Squared: 0.007684,   Adjusted R-squared: -0.1026
F-statistic: 0.06969 on 1 and 9 DF,  p-value: 0.7977
```

      Many other claims are made about the effects of consensual democracy. Lijphart (1999), for example, claims that consensual democracy (operationalized by the executive-parties scale) is associated with a host of desirable outcomes that make for a "kinder, gentler democracy", such as greater participation, more women's rights and more environmental protection. 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. 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, and 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.

The one outcome that has received most attention is income equality. Lijphart (1999) shows that this tends to be lower in consensual democracies. Birchfield and Crepaz 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.

A starting point for understanding why proportional elections reduce inequality is the insight that the median voter is not poor. If winner-take-all elections force parties to play to the median voter, then redistribution will be focused on the middle class. Under proportional election, however, the poor can elect some representatives, and they can use their legislative weight to bargain for some redistribution, possibly "selling" their support on issues that other parties are more intensely interested in. The problem with this explanation is that under winner-take-all elections, losing parties can raise new issues and create multidimensional competition. In this case the median voter theorem no longer applies, and redistribution to the poor might be part of a winning platform. Miller (1981) shows that in a multidimensional voting game with no core we would expect the outcome to come from the same "uncovered set" with two party competition as we would with bargaining with an open amendment process.

There have been numerous models proposed recently to account for the difference in redistribution between countries with proportional and winner-take-all elections. Austen-Smith (2000) explains this phenomenon with a model whereby parties in single-member district elections compete for the median voter, whereas the three parties assumed under proportional representation represent employers, employees and the unemployed, with people choosing their employment status in response to government policy. The intuition of the model is that the employee's party is concerned about the interests of employees, not about who chooses to become an employee, and thus will choose higher wages (more equality) but higher (voluntary) unemployment. The problem with this model for explaining the consensual democracies is that it assumes a trade-off between equality and employment. Empirically such a trade-off does not seem to exist. The consensual democracies tend to have very high labor force participation, and the countries in Europe with not only the highest unemployment, but also the lowest labor force participation (such as France, Germany and Italy) are comparatively inegalitarian by European standards.

Iversen and Soskice (2002) argue that the greater equality of countries with proportional elections can be explained by the fact that proportional elections are more likely to produce left governments, and left governments are more likely to promote redistribution. Both these statements seem to be true. However, having long-run domination does not appear to be a necessary condition for the growth of a highly

redistributive welfare state. For example, the Netherlands has only intermittently had left party participation in government, but has income equality comparable to the Nordic countries. Furthermore Iversen and Soskice's empirically results seem highly dependent on the Scandinavian cases, which are, after all, the only cases where there has been long-run control by left parties.

Persson and Tabellini (1999) produce a model that explains the greater inequality of countries with single-member district elections in terms on effect of the districts. In a two party election divided into districts, in order to win a party has to win the median district. If the districts are representative of the population as a whole, then this competition is just a microcosm of the national election. However, if the districts are homogenous in terms of the interests of the voters (in particular, the economic class interests of their voters) then parties can ignore large parts of the electorate who are either in safe or hopeless districts. Instead they just need to concentrate on the median district, which the authors assume is middle class. Thus transfers will be targeted at this group. This model is plausible and elegant, and can be tested against empirical data, examining whether marginal districts are homogenous with regard to preferences and economic status. My preliminary analysis of the 2002 British National Election Survey, however, suggests that, in the UK at least, marginal districts are quite representative of the distribution of preferences nationally.

Finally 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.

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 law-making stage, although there are a few cases, such as Switzerland, that are quite supermajoritarian. 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 furthermore any coalition can be undercut by an alternative coalition. Following Miller (1983) the instability of majority rule actually assists in consensual decision-making.

Contrary to the veto points literature and Tsebelis (2002) in particular, it appears that consensual democracies are extremely flexible in terms of policy. Tsebelis argues that countries that have a large number of parties in government have a large number of veto players, and thus should experience policy stability and deadlock. However, I have argued that this logic is flawed, in that under majority rule no player has a veto unless they have a majority of the legislative seat. Furthermore empirically the consensual democracies appear flexible. If we measure flexibility in terms of the ability to change the size of government, then consensual democracies are more flexible than both democracies with single-member districts and democracies with supermajoritarian checks and balances. In particular, the consensual democracies have been far more able to reduce the size of the state (albeit often from a high starting point) than other forms of democracy. Of course, given that the consensual democracies are all small, open economies, there is a great premium of economic flexibility from an economic point of view.

The consensual democracy literature portrays the consensual democracies as a different kind of democracy. However, the typical institutions of consensual democracy (proportional representation at the electoral stage, majority rule at the decision-making stage) are those dictated by the most basic democratic principles. The principle of political equality (operationalized as the requirement that all voters and all alternatives are treated equally) eliminates all the commonly used alternatives to these institutions. Furthermore, proportional representation and majority rule have desirable qualities in terms of protecting minorities and promoting democratic deliberation. Far from being a new form, the institutions of consensual democracy are the most basic type of democratic institutions. Rather than inventing a new species of democracy, it would be better to refer to it simply as "simple democracy".

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