

# Is Electoral Fairness Economically Efficient?

Imagine if Canada had a different method of electing its political representatives, or a different system of political governance, in place of the electoral and political system it has. Would there be any political and economic effects from alternative electoral and governance systems?<sup>1</sup>

## Types of Parliamentary government

There are two major forms of parliamentary organization: majoritarian and consensual.<sup>2</sup> Majoritarian government is normally characterized by a one-party executive, executive dominance over the legislature, two dominant political parties, and an electoral system disproportional to the popular vote (Lijphart, 1994).<sup>3</sup> It is designed to “create exclusive, strong, decisive, and accountable parties and executives that are said to pro-

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Federal Party	Seats Won	Percent of Total	Votes Received	Percent of Total
Liberal	155	51.5	4,994,277	38.5
Reform	60	19.9	2,513,080	19.4
Bloc Quebecois	44	14.6	1,385,821	10.7
New Democrats	21	7.0	1,434,509	11.0
Progressive Conservative	20	6.6	2,446,705	18.8
Other*	1	0.3	211,482	1.8

\* A number of political parties including the Canadian Action Party, the Marxist-Leninist Party, the Green Party, Independents, and non-affiliated voters are all included in the “Other” category.  
Source: Elections Canada (1998), *Official Voting Results of the 36th General Election, 1997*. Available on the Internet at [www.elections.ca](http://www.elections.ca).

duce more responsible public policies” (Crepaz, 1996). Countries that have majoritarian government include Canada, Australia, and the United Kingdom.

Consensual government is generally characterized by multi-party coalition executives, executive-legislative balance, multiple parties, and more or less proportional representation (Lijphart, 1994).<sup>4</sup> Consensual government is “designed to facilitate inclusion and provide access, accommodation, and

consensus among different political actors” (Crepaz, 1996). Countries that maintain typical consensual systems of government include Finland, the Netherlands, and Switzerland.

## Electoral systems

There are a number of different systems by which countries elect political representatives. The two most frequently employed are plurality (first-past-the-post) and proportional representation (PR).

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Plurality is most often associated with majoritarian government. Plurality refers to first-past-the-post election systems (as seen in Canada, the United States, and the UK) wherein seats are allocated to candidates obtaining the largest share of votes in a particular district.

On the other hand, PR allocates political representation according to the percentage of votes received by a party on a municipal, regional, or national level.<sup>5</sup> The allocation of political representatives is, therefore, much more proportional to the party's popular vote than is the case under plurality.

### **The political effects of different electoral systems**

The general effect of the first-past-the-post system of electing political representatives is to exaggerate the popular election results. For instance, in the 1997 Canadian federal election, the Liberal Party garnered 51.5 percent of the available seats with only 38.5 percent of the popular vote (see table 1). In fact, the most recent Canadian federal election result would have been startlingly different if Canada had used PR as opposed to first-past-the-post.

Table 1 illustrates some of the effects PR could have had on the outcome of the 1997 election. For instance, with the assistance of any other party garnering a mere 0.3 percent of the popular vote, it is entirely possible that a coalition between the Reform Party (19.4% popular vote) and the Progressive Conservative Party (18.8% popular vote) would have been formed to establish a minority government.<sup>6</sup> There

would have been subsequent pressure on the federal Liberal Party (38.5% popular vote) to form a coalition with the New Democrats (11.0% popular vote) and another party commanding at least 0.5 percent of the popular vote. Put another way, the dynamics and compromises required to form a government would be very much different under PR than those existing today under first-past-the-post.

Another interesting effect of the first-past-the-post system in a multi-party environment is that it rewards geographically concentrated voting. For instance, the federal Progressive Conservative (PC) Party ranked third in popular votes but fifth in seats received. The discrepancy between seats and popular votes arose because the PC's votes were much more geographically dispersed than either the separatist Bloc Quebecois or the Western Canada-centred Reform Party.

Another example of the effect of concentrated voting is illustrated by the disparity between the performance of the Bloc Quebecois, which ran solely in the province of Quebec, and the federal New Democratic Party. Nationally, the NDP received 0.3 percentage points more in popular votes than the Bloc Quebecois, but elected less than half as many MPs.

The system of government and the method by which citizens elect their representatives clearly affect political outcomes. But do different political and electoral systems influence economic outcomes?

### **A trade-off between representation and effective economic policy?**

Traditionally, the relationship between majoritarian and consensual government—and by extension between PR and plurality—was viewed as a trade-off. Consensual government and PR electoral systems were seen as more accurately representing the electorate, particularly minority groups, although this improved representation was achieved at the cost of a reduction in government effectiveness. Conversely, majoritarian government and plurality electoral systems were seen as able to achieve relatively effective government at the expense of electoral representation.

But in the mid-1970s, existence of the trade-off was disputed. A.T. Baylis (1989) was one of the first scholars to assess types of government according to both political and economic performance. His conclusions were stark: political regimes characterized by executive power-sharing maintained higher levels of gross national product (per capita) and lower unemployment rates. Furthermore, as other scholars have pointed out, regimes characterized by power-sharing outperformed other types of regimes based on political variables such as protests, riots, political strikes, armed attacks, and political deaths. In addition, there was “strong evidence that the more consensual the constitutional structure is, the more favourable will be the macroeconomic outcomes” (Crepaz, 1996).

## Do different political systems produce different economic outcomes?

Data compiled by the Organisation for Economic Cooperation and Development (OECD) is ambiguous regarding the hypothesis that different electoral systems and types of government produce different economic outcomes. Using eight economic variables (real GDP growth, government outlays, government receipts, total average annual growth of both outlays and receipts, unemployment, inflation, and economic freedom) we tested the relationship between economic outcomes, types of government, and electoral systems between 1983 and 2000. Table 2 shows the results of the analysis. Of the five categories listed in table 2, parliamentary-plurality and parliamentary-PR have been discussed extensively above. Countries with hybrid governance systems are those that incorporate both parliamentary and presidential

systems of government. Such countries include Austria, Ireland, Portugal and France. Note that only France is categorized as a hybrid-plurality, and only the US is a presidential-plurality.

### Economic growth

Countries maintaining first-past-the-post election methods record higher levels of growth in real Gross Domestic Product (GDP) over the period covered. For example, parliamentary-plurality countries record average real GDP growth of 3.0 percent while hybrid-plurality countries experienced 2.9 percent average real GDP growth. The rates recorded by PR countries are much lower: 2.7 percent and 2.1 percent for parliamentary-PR and hybrid-PR respectively.

It is also interesting to note that the presidential-plurality country, namely the US, outperformed all other categories in terms of average real GDP growth with a rate of 3.4 percent.

## Government outlays and receipts

Examining government outlays and receipts suggests that electoral systems affect economic outcomes while systems of governance may not. Countries with PR electoral systems generally have more interventionist governments. Parliamentary-PR and hybrid-PR countries recorded much higher levels of government—48.7 and 51.6, respectively, in outlays, and 52.0 and 48.5, respectively, in receipts. Plurality countries (parliamentary, hybrid, and presidential) scored much lower on the size of government, indicating some type of relationship between the system of election and the subsequent size of government.

This is important since it may partially explain the real GDP growth results examined previously. If, indeed, PR election systems lead to larger government, then it would be expected that, given the relationship between economic

**Table 2: Electoral Systems and Economic Outcomes (1983-2000)**

Classification	Average Annual Real GDP Growth	Outlays (% of GDP)	Average Annual Growth of Outlays as a % of GDP	Receipts (% of GDP)	Average Annual Growth of Receipts as a % of GDP	Average Unemployment Rate	Average Annual Change in Prices	Average Economic Freedom Score
Parliamentary-Plurality	3.0	40.0	-0.6	37.8	0.3	8.8	5.4	7.9
Parliamentary-PR	2.7	48.7	-0.5	52.0	0.0	8.1	4.8	7.7
Hybrid-Plurality	2.9	44.7	-0.5	40.9	0.4	7.7	6.2	7.1
Hybrid-PR*	2.1	51.6	0.1	48.5	0.3	10.4	4.9	7.2
Presidential-Plurality**	3.4	32.9	-0.7	29.5	0.5	5.9	4.4	8.6

Source: OECD Economic Outlook (December 1999).

\*Hybrid-PR refers to France. \*\*Presidential-Plurality refers to the United States.



## COVER *story*

growth and the size of government, those countries would experience lower rates of real GDP growth.<sup>7</sup>

Again, it is interesting to note that the presidential-plurality country (US) recorded a much smaller government in terms of both outlays (32.9 percent of GDP) and receipts (29.5 percent).

The results for the average annual growth of outlays and receipts indicated very little difference between either government or electoral systems.

### Unemployment

The results for unemployment vary greatly; there is no obvious relationship between either the type of government or the electoral system and the rate of unemployment. Once again, however, the US (presidential-plurality system) maintains a substantially lower average unemployment rate compared to other countries.

### Economic freedom

We also tested The Fraser Institute's pioneering work on economic freedom<sup>8</sup> against types of government and electoral systems. There seems to be a relationship between levels of economic freedom and the system of government, but not between the type of electoral system.

The economic freedom index scores of both plurality and PR parliamentary systems differ by only 0.2 points. Similarly, the index scores for hybrid systems differ by just 0.1 percentage point. However, the difference between parlia-

mentary and hybrid forms of government ranges between 0.5 and 0.8 points.

Again, the US continues its superior performance. It maintains a 0.7 point advantage over the next highest ranking category of countries, parliamentary-plurality (7.9).

### Why is the United States unique?

Perhaps the most interesting finding is the relative performance of the United States. As noted earlier, the United States maintains unique electoral and political systems. Arguably, it constitutes its own category of political system and, therefore, makes substantive analytical comparisons quite difficult. However, the positive economic and political effects of the American-style presidential system that can be inferred from this data is clearly an area in need of additional research.

Is the US's relative affluence a consequence of a constitutional system of government which explicitly limits the government's size and scope and which, through the separation of powers among the executive, legislative, and judicial branches of government, intentionally tangles the passage of legislation, thereby minimizing the opportunity for government involvement in the economic affairs of the nation?

Or, more elusively, is American affluence an evolutionary by-product of a social culture that inherently favours private economic solutions over public ones, that more enthusiastically rewards success, and that views

technology-driven economic change as both inevitable and desirable—and largely, if imperfectly, transmits these values through its political culture?

### Conclusion

Further and more refined analysis of the political and economic effects of particular electoral systems and models of governance should be encouraged to better assess respective systemic outcomes. Only by continuing this research will we ascertain whether or not a trade-off really exists between governance, electoral fairness, and economic outcomes.

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## Notes

<sup>1</sup>The following article is based on a paper submitted to Simon Fraser University by Jason Clemens, one of the co-authors, as part of his on-going studies.

<sup>2</sup>Presidential systems incorporate aspects of both majoritarianism and consensualism. For further information on presidential systems of democracy see: J. Linz (1992). "The Perils of Presidentialism" in A. Lijphart (ed) *Parliamentary vs Presidential Government* and S. Mainwaring and M. Shugart (1997). "Juan Linz, Presidentialism, and Democracy" *Comparative Politics* 29.

<sup>3</sup>For further information see: A. Lijphart (1984), *Democracies*, ch 1: The Westminster Model of Democracy.

<sup>4</sup>For further information see: A. Lijphart (1984), *Democracies*, ch 2: The Consensus Model of Democracy.

<sup>5</sup>It is important to note that there are myriad variations on the basic concept of electing representatives in accordance with the percentage of the popular vote received rather than according to which candidate received the most votes in a particular district.

<sup>6</sup>A Progressive Conservative-Reform coalition would have required the support of one of the six "Other" parties in order to establish a coalition minority government.

<sup>7</sup>See William Mackness (1998), *Canadian Public Spending: The Case for Smaller More Efficient Government*, The Fraser Institute; P. Grossman (1998), Government and economic growth: A non linear relationship, *Public Choice*; E. Peden (1989), "Government Size, Productivity, and Economic Growth: The Post-war Experience, *Public Choice*; G. Scully (1991), *Tax Rates, Tax Revenues and Economic Growth*, NCPA Policy Report No. 98, National Center for Policy Analysis, Dallas, Texas; V. Tanzi and L. Schuknecht (1995), *Growth of Government and the Reform of the State in Industrial Countries*, IMF Working Paper 130, Washington, DC; and V. Tanzi and L. Schuknecht (1997), "Can Smaller Government Secure Economic and Social Well-Being?" in Herbert Grubel, ed., *How to Spend the Fiscal Dividend: What is the Optimal Size of Government?* The Fraser Institute.

<sup>8</sup>See, for example, James Gwartney and Robert Lawson with Dexter Samida, *Economic Freedom of the World, 2000 Annual Report*, Vancouver: The Fraser Institute, 2000. ∞