The Political Economy of Public Policy

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Electoral Rules & Policy Outcomes

Electoral Rules Matter!

Imagine a situation with two parties A & B and 99 voters. A has 55 supporters and B 44

In a single-district system (like in Downs) A wins.

Now consider a multi-members system with first pat the post rule. Imagine there are three electoral districts, each of equal population size (33 votes).

In district 1 A has 23 votes and B 10 votes. A wins the MP

In districts 2 and 3 A has 16 votes and B 17: B wins this 2 MPs.

$\Rightarrow$B is now the majority in parliament (or majority of electoral vote)

If we consider office-seeking politicians and A and B are issues rather than parties (say, spending in education vs spending in pensions) than the two parties will converge on A in a single-district system and on B in a multi-district system.

- So far we only analysed simple majority rule in a national electoral district (Downsian model). Useful benchmark but reply democracies display a vast diversity in constitutional arrangements

- The rules of the game affect the outcome. Electoral rules often debated

- Reforms are rare. Recently: Italy, New Zealand, Japan. The issue is often discussed in the UK.

- "Suppose we find mappings, by theoretical and empirical work, between political institutions and policy choices. What do we make of such results? Can we use them to make normative recommendations for institutional reform?" [Persson & Tabellini]. This is the agenda for today.

- Focus on two characteristics of constitutions: electoral rules (how power is acwuired) and form of government (how power can be used)

ELECTORAL RULES

- *Electoral formula*: translates votes into seats. **Plurality** vs **Proportional** representation

- *District magnitude:* polar cases are **single-member districts** (UK) and **national district** (Israel)

- *Ballot structure*: **open list** vs **closed list**

These three characteristics are often correlated

Persson&Tabellini classify electoral systems into two broad groups, called "majoritarian" and "proportional"

FORMS OF GOVERNMENT

Main distinction: **Presidential** vs **Parliamentary** system

- *Separation of powers.* Who can make, amend of veto the policy proposals? Are these powers allocated to diffent offices or to a single office?Presidential systems usually have more separation of powers

- Example:compare the US and the Italian budget processes

- *Confidence requirement:* Presidents receive their mandate directly from the citizens - no need for confidence. Cabinets in parliamentary systems need the support of a majority of the legislature.

IMPLICATIONS FOR PUBLIC POLICY

We focus on three types of outcomes:

- Overall size of the public sector

- Composition of spending. In particular:

1) Public goods and spending that benefit broad groups of citizens

2) Targeted spending: benefits narrow groups of citizens (also: pork-barrel)

- Accountability of public officials: corruption and rent-seeking

Majoritarian single-member districts vs Proportional representation

- Larger governments under proportional systems (need to form coalitions)

- Targeting of marginal districts $\Rightarrow$ more targeted benefits and less provision of public goods. Example: three districts of equal magnitude, 3 parties

$$
\begin{aligned}
1 &: R(55\%) - C(20\%) - L(25\%) \\
2 &: R(40\%) - C(20\%) - L(40\%) \\
3 &: R(25\%) - C(20\%) - L(55\%) \\
Aggregate &: R(40\%) - C(20\%) - L(40\%)
\end{aligned}
$$

- This tendency can be reinforced by small district magnitude

- Less rent is appropriated by politicians under majority rule, because voter choose among politicians (individual reputations) rather than parties (reputation is a public good)

Presidential vs parliamentary system

- Parliamentary systems typically run by coalitions where single parties have large bargaining power$\Rightarrow$larger governments (Note: the UK does not fit this case)

- Parliamentary systems induce stable majority of legislators. No need for this in presidential systems where legislators are more independent. More targeted spending under presidential systems, more public goods under parliamentary systems

- Confidence requirement and less separation of powers induce "legislative cohesion" and therefore less check and balances: more rent extraction under parliamentary than under presidential systems. Also larger governments.

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Table A1 Electoral rules and forms of government in the 1990s

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Country	maj	pres	Country	maj	pres	Country	maj	pres	Country	maj	pres
Argentina	0	1	Finland	0	0	Netherlands	0	0	Trinidad&Tob	1	0
Australia	1	0	France	1	0	New Zealand	1	0	Turkey	0	0
Austria	0	0	Gambia	1	1	Nicaragua	0	1	USA	1	1
Bahamas	1	0	Germany	0	0	Norway	0	0	Uganda	1	1
Bangladesh	1	0	Ghana	1	1	Papua N Guinea	1	0	UK	1	0
Barbados	1	0	Greece	0	0	Pakistan	1	1	Ukraine	1	0
Belarus	1	1	Guatemala	0	1	Paraguay	0	1	Uruguay	0	1
Belgium	0	0	Honduras	0	1	Peru	0	1	Venezuela	0	1
Belize	1	0	Hungary	0	0	Philippines	1	1	Zambia	1	1
Bolivia	0	1	Iceland	0	0	Poland	0	0	Zimbabwe	1	1
Botswana	1	0	India	1	0	Portugal	0	0			
Brazil	0	1	Ireland	0	0	Romania	0	0			
Bulgaria	0	0	Israel	0	0	Russia	0	1			
Canada	1	0	Italy	0	0	Senegal	0	0			
Chile	1	1	Jamaica	1	0	Singapore	1	0			
Colombia	0	1	Japan	1	0	Slovak Rep	0	0			
Costa Rica	0	1	Latvia	0	0	South Africa	0	0			
Cyprus	0	1	Luxembourg	0	0	South Korea	0	1			
Czech Rep.	0	0	Malawi	1	1	Spain	0	0			
Denmark	0	0	Malaysia	1	0	Sri Lanka	0	1			
Dominican Rep	0	1	Malta	0	0	St.Vin&Gren	1	0			
Ecuador	0	1	Mauritius	1	0	Sweden	0	0			
El Salvador	0	1	Mexico	0	1	Switzerland	0	1			
Estonia	0	0	Namibia	0	1	Taiwan	0	0			
Fiji	0	0	Nepal	1	0	Thailand	1	0			

Classifications follow criteria described in the text: exclusive reliance on plurality rule in (lower house) legislative elections are coded *maj* =1, other countries *maj* = 0; countries in which the executive is not accountable to the legislature through a confidence procedure are coded *pres* = 1, others *pres* =0 (see Persson and Tabellini, 2003 for a discussion of borderline cases). For Fiji, Japan, New Zealand, the Philippines and Ukraine, which all reformed their electoral rules in the mid 1990s leading to a change in *maj*, the pre-reform classification is used.
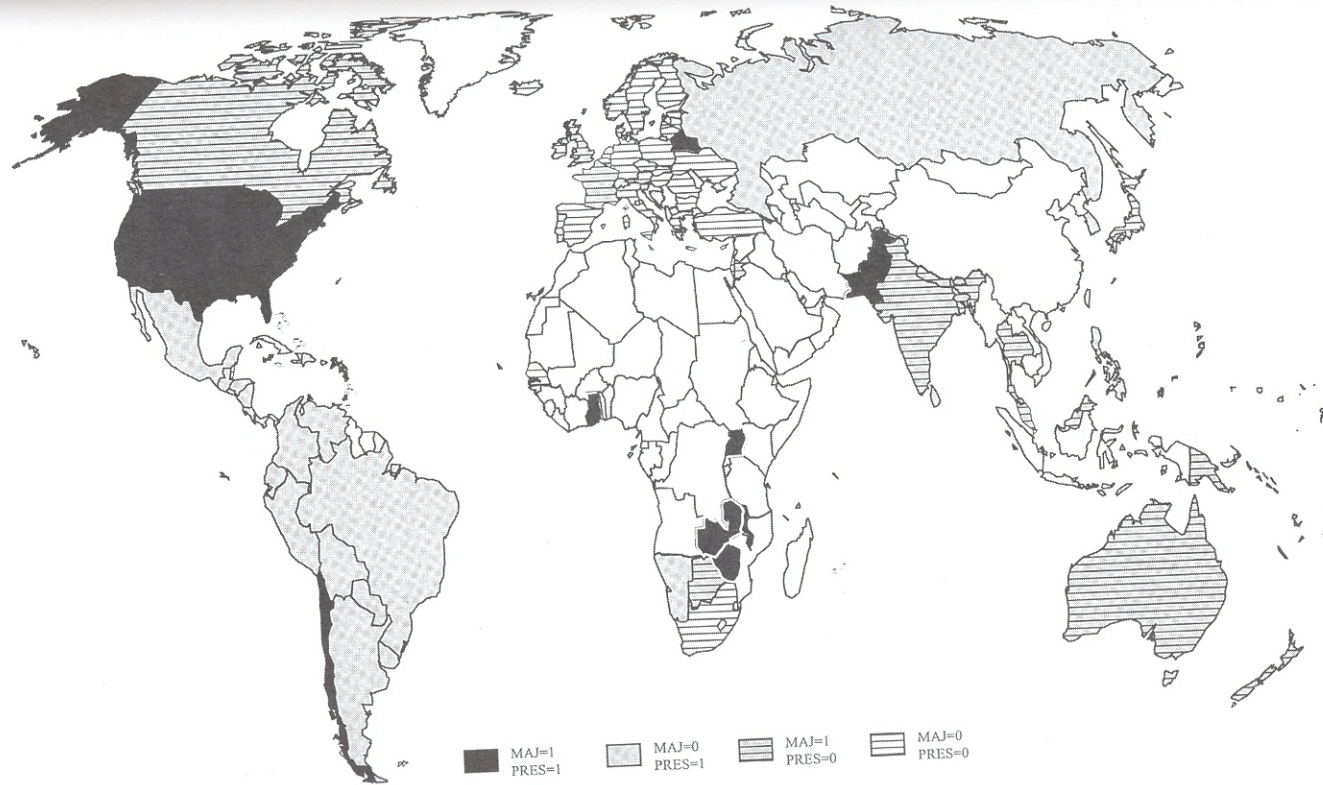
| MAJ=1 PRES=1 | MAJ=0 PRES=1 | MAJ=1 PRES=0 | MAJ=0 PRES=0 |

Figure 4.1
Electoral rules and forms of government, 1998.

Table 1 Constitutions, policy outcomes and covariates:
Cross sectional data for 85 countries 1990-98

	(1)	(2)	(3)	(4)	(5)	(6)
	maj=1	*maj=0*	*p*(1,2)	*pres=1*	*pres=0*	*p*(3,4)
cgexp	25.6	30.8	0.03	22.2	33.3	0.00
	(8.2)	(11.3)		(7.2)	(10.0)	
ssw	4.7	10.1	0.00	4.8	9.9	0.00
	(5.4)	(6.6)		(4.6)	(7.0)	
lyp	8.1	8.6	0.04	7.9	8.7	0.00
	(1.2)	(0.8)		(0.9)	(0.9)	
trade	83.7	75.6	0.44	62.5	89.1	0.01
	(59.9)	(37.5)		(27.5)	(54.2)	
prop65	6.7	9.6	0.01	5.6	10.3	0.00
	(4.4)	(4.9)		(3.5)	(4.8)	
age	0.22	0.20	0.77	0.16	0.24	0.09
	(0.25)	(0.20)		(0.23)	(0.21)	
gastil	2.7	2.3	0.08	3.1	2.0	0.00
	(1.4)	(1.1)		(1.2)	(1.1)	

Mean values by constitutional rules; standard deviations in brackets
p(x,y) is the probability of falsely rejecting equal means across groups corresponding to columns
 x and y, under the assumption of equal variances.

Table 2
Size of government and constitutions
OLS estimates

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dep. var.	cgexp	cgexp	cgexp	cgrev	cgexp	cgexp	cgexp
pres	-6.04	-5.22		-5.07	-8.23	-3.36	-7.87
	(1.97)***	(1.95)***		(2.46)**	(2.81)***	(3.85)	(2.69)***
maj	-3.27	-4.99		-2.42	-4.42	-2.34	-3.79
	(1.73)*	(1.85)***		(1.75)	(2.36)*	(3.04)	(2.60)
propres			-6.47				
			(2.74)**				
majpar			-6.15				
			(2.88)**				
majpres			-9.79				
			(2.69)***				
Continent	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Colonies	No	Yes	Yes	Yes	Yes	Yes	Yes
Sample	90s,	90s,	90s,	90s,	90s,	60-90s,	90s,obs
	default	default	default	default	gastil<3.5	default	as(6)
Obs.	80	80	80	76	62	60	60
Adj.R2	0.58	0.64	0.64	0.59	0.63	0.56	0.65

Robust standard errors in parentheses
* significant at 10%; ** significant at 5%; *** significant at 1%
All regressions include standard controls: lyp, gastil, age trade, prop65, prop1564, federal, oecd

Table 4
Composition of government and constitutions
OLS estimates

Dep. var.	(1) ssw	(2) ssw	(3) ssw	(4) ssw	(5) ssw
pres	-1.70		-4.35	-2.30	-1.41
	(1.30)		(1.82)**	(1.50)	(1.97)
maj	-1.64		-1.94	-0.97	-1.18
	(1.21)		(1.70)	(1.35)	(1.29)
propres		-2.26			
		(1.64)			
majpar		-2.14			
		(1.63)			
majpres		-3.08			
		(2.30)			
Continents & Colonies	Yes	Yes	Yes	Yes	Yes
Sample	90s, default	90s, default	90s, narrow	90s, part of 60-panel	60-90s, broad
Obs.	69	69	56	54	59
Adj. R2	0.75	0.75	0.74	0.78	0.80

Robust standard errors in parentheses
* significant at 10%; ** significant at 5%; *** significant at 1%
All regressions include standard controls:
lyp, prop65, prop1564, gastil, age, trade, federal, oecd