CHAPTER 15

EFFECTIVE GOVERNMENT AND POLICY-MAKING: DOES CONSENSUS DEMOCRACY MAKE A DIFFERENCE?

n this chapter and the next I deal with the "so what?" question: Does the difference between majoritarian and consensus democracy make a difference for the operation of democracy, especially for how well democracy works? The conventional wisdom-which is often stated in terms of the relative advantages of PR versus plurality and majority elections but which can be extended to the broader contrast between consensus and majoritarian democracy along the executives-parties dimension-is that there is a trade-off between the quality and the effectiveness of democratic government. On one hand, the conventional wisdom concedes that PR and consensus democracy may provide more accurate representation and, in particular, better minority representation and protection of minority interests, as well as broader participation in decision-making. On the other hand, the conventional wisdom maintains that the one-party majority governments typically produced by plurality elections are more decisive and hence more effective policy-makers. This view is reflected in the well-known adage that "representative government must not only represent, it must also govern" (Beer 1998, 25)- with its clear implication that representativeness comes at the expense of effective government.

Conventional wisdom has long been widely accepted without adequate empirical examination, perhaps because its logic appears to be so strong that no test was thought to be needed. For instance, I have already called attention (in Chapter 5) to Lowell's (1896) assertion that it is a self-evident "axiom" that one-party majority cabinets are needed for effective policy-making. The first part of the conventional wisdom, which concerns democratic quality, is discussed in the next chapter. In this chapter I critically examine the second part, which posits a link between majoritarian democracy and effective decision-making. I use three sets of indicators of government performance. The first and most important of these consists of the Worldwide Governance Indicators, based on expert assessments of six dimensions of good governance in a large number of countries, including all thirty-six of our democracies, from 1996 on. Second, I use the traditional measures of macroeconomic management-especially economic growth, control of inflation, and control of unemployment—as indicators of effective policy-making. My third set consists of indicators of the control of violence. My main focus will be on the effect of the executives-parties dimension of consensus democracy on government performance, and unless indicated otherwise, any statements about consensus democracy in most of the remainder of this chapter will refer to this first dimension. At the end of the chapter, I shall also discuss the effects of the federalist dimension of consensus democracy; this will be a brief discussion because its effects are uniformly minimal and hence not worth reporting in any detail.

HYPOTHESES AND PRELIMINARY EVIDENCE

The theoretical basis for Lowell's axiom is certainly not implausible: concentrating political power in the hands of a narrow majority can promote unified, decisive leadership and hence coherent policies and fast decision-making. But there are several counterarguments. Majoritarian governments may be able to make decisions faster than consensus government, but fast decisions are not necessarily wise decisions. In fact, the opposite may be more valid, as many political theorists—notably the venerable authors of the *Federalist Papers* (Hamilton, Jay, and Madison 1788)—have long argued. The introduction in Britain in the 1980s of the so-called poll tax, a local government tax, is a clear example of a policy, now universally acknowledged to have been disastrous, that was the product of fast decision-making; in all probability, the poll tax would never have been introduced had it been more carefully, and more slowly, debated (Butler, Adonis, and Travers 1994).

Moreover, the supposedly coherent policies produced by majoritarian governments may be negated by the alternation of these governments; this alternation from left to right and vice versa may entail sharp changes in economic policy that are too frequent and too abrupt. In particular, S. E. Finer (1975) has forcefully argued that successful macroeconomic management requires not so much a strong hand as a steady one and that proportional representation and coalition governments are better able to provide steady, centrist policy-making. Policies supported by a broad consensus are also more likely to be carried out successfully and to remain on course than policies imposed by a "decisive" government against the wishes of important sectors of society. Furthermore, in contrast to PR, single-member district elections can be expected to lead to a greater concern with obtaining government resources for individual districts "at the rest of the country's expense, or protectionist measures for their cornerstone industries" than with policies that encourage nationwide economic growth (Knutsen 2011, 84). Finally, for maintaining civil peace in divided societies, conciliation and compromise-policies that require the greatest possible inclusion of contending groups in the decision-making process-are probably much more important than making snap decisions. These counterarguments appear to be at least slightly stronger than the argument in favor of majoritarian government that is based narrowly on the speed and coherence of decision-making.

The empirical evidence is mixed. Peter Katzenstein (1985) and Ronald Rogowski (1987) have shown that small countries adopted PR and corporatist practices to compensate for the disadvantages of their small size in international trade; that is, these consensus elements served as sources of strength instead of weakness. In their classic studies of the macroeconomic effects of electoral systems, Richard Rose (1992) and Francis G. Castles (1994) find no significant differences in economic growth, inflation, and unemployment between PR and non-PR systems among the industrialized democracies. Nouriel Roubini and Jeffrey D. Sachs (1989) do find a clear connection between multiparty coalition government and governments with a short average tenure-both characteristic of consensus democracy-on one hand and large budget deficits on the other; their methods and conclusions, however, have been challenged by Stephen A. Borrelli and Terry A. Royed (1995) and by Sung Deuk Hahm, Mark S. Kamlet, and David C. Mowery (1996). In a later study of the effects of electoral systems in eighty-five democracies in the 1990s, Torsten Persson and Guido Tabellini (2003, 270-76) find that PR leads to larger budget deficits than non-PR rules, but they report only ambiguous results for government effectiveness, economic growth, and corruption.

In a series of articles, Markus M. L. Crepaz and his collaborators (Crepaz 1996, Crepaz and Birchfield 2000, Crepaz and Moser 2004) find that, in the member countries of the Organization for Economic Development and Cooperation, consensual institutions have significantly favorable effects on inflation, unemployment, and the ability to handle the pressures exerted on national economics by economic globalization—but neutral effects on economic growth. In the first edition of this book (Lijphart 1999, 264– 69), I also found that consensus democracies have a better record on inflation and a slightly better record on unemployment but only mixed results for economic growth. Edeltraud Roller (2005, 233–37) finds positive, but small and statistically insignificant, results for consensus democracy in all three of these indicators of economic performance. Last, in contrast with all of the above findings concerning mixed or neutral effects on economic growth, Carl Henrik Knutsen's (2011, 89) large-scale study covering more than a hundred countries from the nineteenth century on finds that PR systems produce higher growth and hence "generate more prosperity" than non-PR systems; this effect is highly significant, and Knutsen calls it "astonishingly robust."

With regard to the control of violence, G. Bingham Powell (1982) finds that "representational" democracies—similar to what I call consensus democracies—have a better record than majoritarian systems. Two other large-scale statistical analyses confirm the positive effects in this regard of power-sharing institutions: Ted Robert Gurr's (1993) ambitious "global view of ethnopolitical conflicts"—to quote his book's subtitle—and Wolf Linder and André Bächtiger's (2005) comparative study of the relative success of democratization and conflict avoidance in sixty-two African and Asian countries.

The above tests all had to do with macroeconomic management and the control of violence. These are good performance indicators because they involve crucial functions of government and because precise quantitative data are available, but as I shall discuss shortly, they also have several shortcomings and should be treated with caution. Superior measures are provided by the Worldwide Governance Indicators (WGI), produced by three scholars at the Brookings Institution and the World Bank: Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi (2010). These measures-available for most of the countries in the world, including our thirty-six democracies—are aggregate expert evaluations of the performance of governments, drawn from a variety of survey institutes, think-tanks, nongovernmental organizations, and international organizations. They are much broader than the conventional macroeconomic indicators and cover six dimensions of governance, five of which are relevant for the subject of effective policy-making in this chapter: government effectiveness, regulatory quality, rule of law, control of corruption, and political stability and absence of violence; the sixth dimension, which the authors call "voice and accountability," is an excellent measure of democratic quality that I shall use in the next chapter. The WGI project was started in 1996, and updated datasets were released in 1998, 2000, and annually since 2002.

One problem with regard to the traditional macroeconomic and violence measures is that economic success and the maintenance of civil peace are not solely determined by government policy. As far as British macroeconomic policy is concerned, for instance, Rose (1992, 11) points out that "many influences upon the economy are outside the control of the government . . . Decisions taken independently of government by British investors, industrialists, consumers and workers can frustrate the intention of the government of the day. In an open international economy, Britain is increasingly influenced too by decisions taken in Japan, Washington, New York, Brussels, or Frankfurt." Rose's point should obviously not be exaggerated: the fact that governments are not in full control does not mean that they have no control at all. When the economy performs well-when economic growth is high and inflation, unemployment, and budget deficits are lowgovernments routinely claim credit for this happy state of affairs. And voters are known to reward government parties in good economic times and to punish them when the economy is in poor shape.

Rose's argument, however, does point up the need to take these other influences into account as much as possible. To the extent that they are identifiable and measurable variables, they should be controlled for in the statistical analyses. For economic performance, the level of economic development is such a potentially important explanatory variable. For the control of violence, the degree of societal division should be controlled for, because deep divisions make the maintenance of public order and peace more difficult. A third variable whose influence must be checked is population size, if only because our democracies differ widely in this respect. It may also be hypothesized that large countries face greater problems of public order than smaller ones. In other respects, it is not clear whether size is a favorable or an unfavorable factor. Large countries obviously have greater power in international relations, which they can use, for instance, to gain economic benefits for their citizens. And yet, greater international influence also means more responsibility and hence higher expenses, especially for military purposes.

Fortuitous events may also affect economic success, such as the good luck experienced by Britain and Norway when they discovered oil in the North Sea. The effects of such fortuitous events as well as external influences that cannot be clearly identified and controlled for can be minimized when economic performance is examined over a long period and for many countries. These two desiderata are frequently in conflict: extending the period of analvsis often means that some countries have to be excluded. Therefore, in the analysis below, I usually report the results for different periods, different sets of countries, and different types of data in order to provide as complete and robust a test of the hypotheses as possible. Finally, in testing the influence of the type of democracy on the economic performance variables, I limit the potential disturbing impact of external forces by excluding the five smallest democracies with populations of less than half a million-the Bahamas, Barbados, Iceland, Luxembourg, and Malta-from the analysis because these small countries are obviously extremely vulnerable to international influences.

CONSENSUS DEMOCRACY AND EFFECTIVE DECISION-MAKING

Because the theoretical arguments and the empirical evidence reviewed in the previous section are mixed but give at least a slight edge to consensus democracy, my working hypothesis is that consensus democracy produces better results—but without the expectation that the differences will be very strong and significant. All four of the tables in this chapter and in Chapter 16 present multivariate analyses of the effect of consensus democracy on a series of performance variables with controls for the effects of the level of economic development (measured by the human development index, presented in Table 4.3) and population size (which needs to be logged because of the extreme differences in the population sizes of our thirty-six democracies). Moreover, in Table 15.2, which deals with indicators of violence, the degree of societal division is an additional control variable.

Table 15.1 shows the effect of consensus democracy on four of the Worldwide Governance Indicators plus an additional measure of corruption and five groups of macroeconomic variables. The independent variable is the degree of consensus democracy on the executives-parties dimension; because all of the WGI and economic variables are for the 1980s or later, the consensus variable used is the degree of consensus democracy in the period 1981–2010. The estimated regression coefficient is the increase or decrease in the dependent variable for each unit increase in the independent variable-in our case, each increase by one standard deviation of consensus democracy. Because the range in the degrees of consensus democracy is close to four standard deviations (see Figure 14.1), the distance between the "average" consensus democracy and the "average" majoritarian democracy is about two standard deviations. Therefore, in answer to the question, "How much difference does consensus democracy make?" the reply can be-roughly-twice the value of the estimated regression coefficient. For instance, based on the eighth row of Table 15.1, the effect of consensus democracy on the consumer price index is approximately twice the regression coefficient of -1.477 percent, or almost 3 percent less inflation than majoritarian democracy. The statistical significance of the correlations depends on the absolute t-values, shown in the second column, and the numbers of cases, shown in the third column. Whether the correlations are significant is indicated by asterisks; three levels of significance are reported, including the least demanding 10 percent level.

Lijphart, A. (2012). Patterns of democracy. Yale University Press. Created from oxford on 2022-07-22 12:00:36.

TABLE 15.1

Multivariate regression analyses of the effect of consensus democracy (executives-parties dimension) on seventeen government performance variables, with controls for the effects of the level of economic development and logged population size, and with extreme outliers removed

Performance variables	Estimated regression coefficient	Absolute t-value	Countries (N)
Government effectiveness (1996–2009)	0.123**	1.749	36
Regulatory quality (1996–2009)	0.066	1.074	36
Rule of law (1996–2009)	0.152**	1.972	36
Control of corruption (1996–2009)	0.182**	1.919	36
Corruption perceptions index (2010)	0.477**	1.813	35
GDP per capita growth (1981–2009)	0.074	0.461	28
GDP per capita growth (1991–2009)	-0.151	0.793	31
Consumer price index (1981–2009)	-1.477**	2.434	26
GDP deflator (1981–2009)	-1.497**	2.208	27
Consumer price index (1991–2009)	-1.483***	2.552	30
GDP deflator (1991–2009)	-1.401***	2.485	30
Unemployment (1981–2009)	-1.792**	1.931	20
Unemployment (1991–2009)	-0.802	1.216	29
Budget balance (2000–2008)	0.351	0.608	22
Budget balance (2003–2007)	0.477	0.954	28
Heritage Foundation freedom index (2009–10)	0.418	0.381	36
Fraser Institute freedom index (2008)	0.004	0.049	36

* Statistically significant at the 10 percent level (one-tailed test)

** Statistically significant at the 5 percent level (one-tailed test)

*** Statistically significant at the 1 percent level (one-tailed test)

Source: Based on data in Kaufmann, Kraay, and Mastruzzi 2010; Transparency International 2010; World Bank 2011; Miller and Holmes 2011, 6–10; Gwartney, Hall, and Lawson 2010, 7

The four WGI measures at the top of the table are on a scale ranging from -2.5 to +2.5. The country scores are averages of the scores assigned to each country in the eleven datasets produced between 1996 and 2009. Not surprisingly, our long-term democracies receive mainly positive scores, but there are still significant differences among them. The first performance variable, government effectiveness, is a composite measure of the quality of public services, the quality of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Regulatory quality measures the government's ability to formulate and implement sound policies and regulations that promote private sector development. Rule of law is a self-explanatory term; it specifically includes the quality of property rights, the police, and the courts, as well as the risk of crime. Control of corruption comprises not only the degree to which public power is used for private gain, including both petty and grand forms of corruption, but also the "capture" of the state by elites and private interests (Kaufmann, Kraay, and Mastruzzi 2010). Consensus democracy has a favorable effect on government performance in all four areas, and the correlations are strong and statistically significant at the 5 percent level in three of them. The link with regulatory quality is weak and not statistically significant even at the 10 percent level, but still positive. To give a few examples of country scores on government effectiveness, the most important of the four WGI indicators, only Argentina (-0.08) and India (-0.05) have negative, but barely negative, scores; the highest scores are Denmark's (2.10), Finland's (2.07), and Switzerland's (1.97); the median value is 1.50, and the two countries closest to the median are France (1.59) and Spain (1.40). Based on the estimated regression coefficient of 0.123, the average consensus democracy scores approximately 0.25 points higher than the average majoritarian democracy after the level of development and population size have been taken into account.

The fifth item in this group of performance variables is an ad-

Lijphart, A. (2012). Patterns of democracy. Yale University Press. Created from oxford on 2022-07-22 12:00:36.

ditional measure of the control of corruption: Transparency International's (2010) corruption perceptions index, measured on a ten-point scale on which 10 indicates perfect control of corruption and zero the most corrupt system—available for all of our countries except the Bahamas. Of the other thirty-five democracies, the best performers are Denmark and New Zealand with scores of 9.3; the poorest performers are Argentina (2.9), India and Jamaica (3.3), and Greece (3.5). The correlation with consensus democracy is approximately as strong and at the same level of statistical significance as that of the WGI measure of the control of corruption. The 0.477 regression coefficient indicates that the average consensus democracy is rated almost a whole point higher than the average majoritarian system on the ten-point scale. Corruption could plausibly be hypothesized to be more prevalent in consensus than in majoritarian democracies on the assumption that the consensus systems' tendency to compromise and "dealmaking" might foster corrupt practices. Both the WGI's and Transparency International's data demonstrate that the opposite is true.

At this point, it is worth emphasizing again that the effects of consensus democracy on the performance variables shown in Table 15.1 are the effects after the influence of the level of economic development and population size have been taken into account. The very strong impact of the level of development on four of the sets of performance variables in the table deserves additional emphasis. When consensus democracy and the two control variables are simultaneously entered into the equations, the effect of the level of development on the WGI indicators (as well as the Transparency International index), economic growth, inflation, and economic freedom is uniformly significant at the 1 percent level: the more developed countries score significantly higher on the WGI indicators and have much better records on inflation and unemployment, but the less developed countries have considerably higher rates of economic growth. The influence of population size is much smaller and statistically significant (at the 5 percent level) only with regard to inflation, with the

smaller countries experiencing higher inflation rates. The effect of the two control variables on unemployment and budget deficits is small and not statistically significant. Taken together, however, these findings clearly demonstrate how necessary it is to use the two control variables, particularly the level of economic development.

The remainder of Table 15.1 reports the effect of consensus democracy on five sets of macroeconomic performance variables. For per capita economic growth, inflation, and unemployment, the results are given for two periods: the longer period 1981-2009 without Argentina, Uruguay, and Korea, which joined our set of democracies only in the 1980s, and the shorter 1991-2009 time span, which does include these three countries. Except for the freedom indexes (at the bottom of the table), all of the data are drawn from the World Bank's (2011) dataset. I dealt with the problem of missing data for particular countries and years by including all countries with no more than two years of missing data but excluding those with three or more missing data points. For the analysis of the effect of consensus democracy on economic growth, all countries could be included: twenty-eight in the 1981-2009 period (that is, thirty-six minus Argentina, Uruguay, Korea, and the five ministates that I deliberately excluded, as explained earlier) and thirty-one in the 1991-2009 period. The table shows that the effect of consensus democracy on economic growth is weak and statistically insignificant in both periods. The negative effect in the second period is stronger than the positive effect in the first, but the regression coefficient of -0.151 indicates that it involves only about 0.3 percent higher annual growth for the majoritarian democracies.

Average annual inflation levels are again reported for the two different periods and slightly different sets of countries, and also in terms of two measures: the GDP deflator and the consumer price index. The consumer price index is the more widely used measure, but the GDP deflator is the more comprehensive index because it measures inflation in the entire economy instead of merely consumer items; the two measures, however, are usually not far apart. In the period from 1981 to 2009, Israel is an extreme outlier as a result of its hyperinflation between 1981 and 1985 almost 400 percent in 1984!—and Uruguay is a similar, although not as extreme, outlier because of its higher than 100 percent inflation levels in 1990–91. When these two outliers are removed from the analysis, the results show strong and significant favorable effects (at the 5 and 1 percent levels) of consensus democracy in both periods and measured by both measures of inflation.¹ The four estimated regression coefficients are remarkably close to each other. They indicate that the average consensus democracy had between 2.8 and 3.0 percentage points lower inflation than the average majoritarian democracy.

The results for unemployment are based on fewer countries because of missing data for several of them, especially in the 1981–2009 period. For the shorter period, the only missing cases are Botswana and India (and, of course, the deliberately excluded five ministates). The consensus democracies have the better record on controlling unemployment in both periods, but only significantly so (at the 5 percent level) in the longer period. The problem of missing data is even more serious with regard to budget balances. Because budget control is not appreciably affected by international influences, I included the five small countries in this part of the analysis. Even so, I had to limit the analysis to two periods after 2000: a longer period (2000-2008) for only twentytwo countries and a shorter period (2003-7) for twenty-eight countries. In both periods, Norway is an extreme outlier and had to be removed: while most countries tend to have budget deficits or modest budget surpluses, Norway had hefty average surpluses of more than 14 percent in both periods. The consensus democracies have a better record of managing their budgets, but not to a statistically significant degree.

1. Germany is not included in the analysis of the consumer price index for 1981–2009 because of missing data in the 1980s.

Finally, Table 15.1 reports the effect of consensus democracy on two measures of economic freedom-not because economic freedom itself is an appropriate indicator of macroeconomic performance but because many economists believe that long-term economic growth depends on it. The two indexes were independently developed by scholars at the Heritage Foundation in Washington, DC, and the Fraser Institute in Vancouver, Canada, and they are available for 2009-10 and 2008, respectively, for all of our thirty-six democracies (Miller and Holmes 2011, Gwartney, Hall, and Lawson 2010). A plausible hypothesis would be that, because majoritarian democracies are more competitive and adversarial in their orientation than consensus democracies, they would also score higher on economic freedom. That hypothesis is disconfirmed by the results shown in Table 15.1, although in both cases the link between consensus democracy and economic freedom is minimal. The estimated regression coefficient for the Fraser Institute's index is very small partly because it uses a ten-point scale (instead of the Heritage Foundation's hundredpoint scale), but even so, the effect of consensus democracy, though positive, is miniscule.

The results of these tests of the effect of consensus democracy on sound government and decision-making can be summarized as follows: on sixteen of the seventeen measures, consensus democracy has the better record, and these favorable effects are statistically significant for nine of the sixteen measures; majoritarian democracies have a better record on only one measure (per capita growth in 1991–2009) but not to a statistically significant degree. The overall evidence is therefore in favor of the consensus democracies—and disconfirms the conventional wisdom that majoritarian governments are the superior decision-makers.

CONSENSUS DEMOCRACY AND THE CONTROL OF VIOLENCE

The five performance variables shown in Table 15.2 are measures of violence and the control of violence. The first two are expert assessments of the incidence and likelihood of various forms of violence by the Worldwide Governance Indicators project and the International Country Risk Guide (ICRG). The WGI measure of political stability and absence of violence captures perceptions of the likelihood that the government will be destabilized by unconstitutional or violent means, including terrorism (Kaufmann, Kraay, and Mastruzzi 2010). It uses the same scale of -2.5 to +2.5 as the WGI indicators discussed in the previous section. The ICRG index, available for the years 1990 to 2004, has three components: civil war or coup threat, terrorism and political violence, and civil disorder. Each component is worth four points, and the combined index ranges from 12, indicating very low risk, to zero, indicating very high risk. India and Israel are extreme outliers on both measures. They are given strongly negative scores on the WGI index (-0.89 and -1.07, respectively), much lower than the only other negative scores for Argentina (-0.09) and Jamaica (-0.23). The empirical range on this variable is rather narrow with the top performers, Luxembourg (1.42) and Iceland (1.41), rated well below the maximum of 2.5 points. On the ICRG scale, India and Israel are given 7.44 and 6.58 points, respectively, while most of the other countries have scores higher than nine (PRS Group 2004).

The top two rows of Table 15.2 show the effect of consensus democracy on these two indicators of control of violence with the standard controls for the effects of level of development and population size and the degree of societal division as a third control. Societal division is measured on a three-point scale based on the threefold classification of our thirty-six democracies as plural, semiplural, or nonplural societies (see Table 4.3). The level of development is again a strong and positive explanatory variable at the 1 percent level of statistical significance. Population size exerts an almost equally strong influence: smaller countries are less likely to experience violence than larger ones. Rather surprisingly, the degree of societal division is not an influential variable. Because India and Israel are extreme outliers, they were removed from the analysis. An additional reason for excluding

TABLE 15.2

Multivariate regression analyses of the effect of consensus democracy (executives-parties dimension) on five indicators of violence, with controls for the effects of the level of economic development, logged population size, and degree of societal division, and with extreme outliers removed

Performance variables	Estimated regression coefficient	Absolute t-value	Countries (N)
Political stability and	0.189***	3.360	34
absence of violence			
(1996–2009)			
Internal conflict risk	0.346**	2.097	32
(1990–2004)			
Weighted domestic conflict	-105.0*	1.611	30
index (1981–2009)			
Weighted domestic conflict	-119.7**	2.177	33
index (1990–2009)			
Deaths from domestic	-2.357**	1.728	33
terrorism (1985–2010)			

* Statistically significant at the 10 percent level (one-tailed test)

** Statistically significant at the 5 percent level (one-tailed test)

*** Statistically significant at the 1 percent level (one-tailed test)

Source: Based on data in Kaufmann, Kraay, and Mastruzzi 2010; PRS Group 2004; Banks, 2010: and GTD Team 2010

Israel is the difficulty of separating domestic from international violence in this country.

With the three controls in place and with the two outliers removed, Table 15.2 shows that in the other thirty-four countries thirty-two in the second row because the ICRG data do not cover the Bahamas and Mauritius—consensus democracy is very strongly correlated with a lower degree of violence: at the 1 percent level of significance for the WGI indicator of political stability and absence of violence and at the 5 percent level for the ICRG measure of internal conflict risk. Based on the estimated regression coefficients, the position of the average consensus democracy on the WGI scale is almost 0.4 points higher than that of the average majoritarian democracy, and almost 0.7 points higher on the ICRG scale.

The next two performance variables shown in Table 15.2 are indices from the Arthur S. Banks (2010) Cross-National Time-Series Data Archive. The domestic conflict index is a weighted measure of conflict events like revolutions, guerrilla warfare, assassinations, and riots, with the more serious events receiving greater weight. These data are available for every year since 1981, and Table 15.1 shows the averages for two periods: 1981-2009 without Argentina, Uruguay, and Korea, and 1990-2009 with these three countries included. Because the number of conflicts is likely to be higher in larger than in smaller countries, it would appear to make sense to use conflicts per, for instance, one million people instead of the raw numbers of conflicts. I use this approach in the next chapter with regard to imprisonment rates: the number of prisoners per 100,000 inhabitants instead of the total number of persons in prisons. This is obviously the correct way of counting individual events, but for group or collective events like riots and violent demonstrations it does not work well. For example, India has experienced a high degree of violent conflict, but its average annual conflict score per million population during 1980–2009 is only 4.26, the sixth lowest score among the thirty-three countries; the similar score per million population for the United States (0.88) is the second lowest; peaceful Iceland (28.21) has the ninth highest score! These numbers are clearly deceptive, and I therefore decided to use the original conflict numbers, to remove the extreme outliers from the analysis, and, of course, to control for the logged population sizes. In addition to India and Israel, the United Kingdom is an outlier on these data. An even better reason for excluding the United Kingdom is

that its high numbers are largely the result of the special problem of Northern Ireland. For the analysis of deaths from terrorist attacks, based on data in the Global Terrorism Database (GTD Team 2010), I excluded the same three countries.

The results are shown in the bottom three rows of Table 15.2. To a statistically significant degree, consensus democracy is associated with fewer violent events. In all three cases, the only strongly influential control variable (at the 1 percent level of significance) is population size: larger countries are more conflict-prone than small countries. Because of the inherent problems of dealing with group conflict data, these results should be treated with caution. The evidence based on the WGI and ICRG data in the top two rows of the table, which actually also show a stronger effect of consensus democracy, should be accorded greater weight.

THE EFFECTS OF THE FEDERALIST DIMENSION OF CONSENSUS DEMOCRACY

In this chapter I have concentrated so far on the consequences of the executives-parties dimension of consensus democracy. These are the effects that the conventional wisdom addresses and posits to be unfavorable. The conventional wisdom does not concern itself explicitly with the federal-unitary dimension, but its logic applies to this second dimension as well. Federalism, second chambers, rigid constitutions, strong judicial review, and independent central banks can all be assumed to inhibit the decisiveness, speed, and coherence of the central government's policy making compared with unitary systems, unicameralism, flexible constitutions, weak judicial review, and weak central banks. For this reason, I repeated the twenty-two regression analyses reported in Tables 15.1 and 15.2 but now with consensus democracy on the federal-unitary dimension as the independent variable—with the same controls and with the same outliers removed from the analysis. With one minor exception, all of the relationships are extremely weak and statistically insignificant. Consensus-federalist democracy does have a slight edge over majoritarianism. In particular, it has a positive effect on five of the six most important variables, the WGI and ICRG indices; its only negative is on the WGI indicator of regulatory quality. Moreover, the positive effect on internal conflict risk is statistically significant but only at the 10 percent level. With regard to the remaining variables, the results are mixed: the ratio of favorable to unfavorable effects is nine to seven. To repeat, however, the effects are so weak that they do not allow any substantive conclusions in favor of one or the other type of democracy.

The findings of this chapter warrant three conclusions. First, on balance, consensus democracies-on the executives-parties dimension-have a better performance record than majoritarian democracies, especially when performance is measured by the five Worldwide Governance Indicators and the ICRG domestic conflict risk assessment and also with regard to inflation; majoritarian democracies do not even have a slightly better record on any of the performance variables except economic growth. Second, however, the favorable effects on unemployment, budget balance, and economic freedom are relatively weak. Hence it is debatable whether the empirical evidence permits the definitive conclusion that consensus democracies are generally the better decision-makers and better policy-makers than majoritarian systems. Therefore, third, the most important conclusion of this chapter is negative: majoritarian democracies are clearly not superior to consensus democracies in providing good governance, managing the economy, and maintaining civil peace. This means that the second part of the conventional wisdom does not-or not yet-need to be completely reversed: it is not conclusively proven that consensus democracies are actually better at all aspects of governing. What is proven beyond any doubt, however, is that the second part of the conventional wisdom is clearly wrong in claiming that majoritarian democracies are the better governors. The first part of the conventional wisdom, which concedes that consensus democracies are better at representing, is the subject of the next chapter.