# Does consensus democracy reduce social inequality?

**Introduction**

A consensus democracy is a democratic system with majority rule as its minimum requirement, has methods of dispersing and limiting powers in its mechanism (Lijphart 2012, 2), and has traits Lijphart argues makes democracies "kinder and gentler," borrowing from the words of President Bush (New York Times, August 19, 1988, A14). In this essay, I focus on three key aspects of social inequality Lijphart assessed: gender equality, economic equality and democratic equality. I choose to leave out voter turnout and similar measures as it has low internal validity due to the presence of many confounding variables (Chau, 2017).

I find that consensus democracies indirectly reduce gender inequality. I run a multivariate regression model controlling for the Gini coefficient, and find a strong relationship between economic equality and gender equality. However, I also find significant positive correlation between consensus democracies and economic equality. This points to consensus democracies exerting an *indirect effect* on gender equality through increasing economic equality.

I then show, by repeating Lijphart's analysis but focusing on a single variable in detail, that consensus democracies lead to increased democratic equality.

Finally, I present some criticisms regarding my methodology and data used. They are time-level heterogeneity, reverse causality and case selection bias.

**Theoretical Argument**

While Taagepera (1994) claims that "what we know about women's representation should also be applicable to racial minorities," I do not agree. This is because women are present everywhere so large measures are able to reflect their well being. Specifically, they are economic minorities so it is expected that gender equality improves in line with economic equality. The challenges and disparities ethnic and racial minorities face, however, is beyond what economic measures can capture. These can include systematic biases regarding their opportunities, or the way they are perceived socially. On the other hand, gender inequality may equally be a product of a different set of biases, for instance religious beliefs, therefore it cannot be used as a proxy measurement for ethnic minority representation.

I echo Lijphart's argument that consensus democracies will improve democratic and economic equality, owing to two main reasons. Firstly, consensus democracies provide better

governance and decision-making than majoritarian democracies, despite Lowell's assertion that one-party majority cabinets are needed for effective policy making (Lowell, 1896). Good governance cultivates a positive environment for citizens to become actively involved in democratic decision making as they can envision their voices and demands being acted upon. It also leads to economic stability, allowing the nation to generate wealth and apply them in redistributive programs that provide more opportunities for the marginalised, thus reducing economic inequality. Lijphart's assertion is also backed by empirical evidence, unlike Lowell: Lijphart's regressions showed that consensus democracies performed significantly better than majoritarian democracies in sixteen out of seventeen measures of effective governance (Lijphart 2012, 268). Given that Lijphart has proven his statement rather than proposing it as a self-evident axiom as Lowell did, I believe I am justified in using Lijphart's findings as the basis for my argument.

Secondly, "an established two-party system cannot easily accommodate as many issue dimensions as a multi-party system," (Lijphart 2012, 76) because in two-party majoritarian systems, the divide is often based on a single large issue; a multi-party system can reflect and incorporate more subtle social disparities in society. Consensus democracies have a larger effective number of parties, so more societal disparities can be realised and solved.

Among the social disparities aforementioned are often the differences underlying existing economic inequality. Having a system that acknowledges the relevant issues and enables them to be thoroughly debated on can play a key role in mitigating the larger problem of economic inequality. Furthermore, the increased diversity in debate itself is a healthy sign in reducing democratic equality as a greater selection of views are represented.

In my analysis, I look at the empirical evidence to assess whether consensus democracies reduce social inequality when indirect effects are accounted for.

**Empirical Analysis**

I focus primarily on the executive-parties dimension as it better highlights the difference between consensus and majoritarian democracies (Lijphart 2012, 240). The executive-parties dimension consists of the following measures:

(1) Concentration of executive power
(2) Executive-legislative relationships
(3) Number of parties
(4) Proportional or majoritarian and disproportional representation in electoral systems
(5) Pluralist or coordinated interest group systems

I specifically used the data from 1981-2010 in my analysis because all the countries analysed were continuously democratic in the majority of this period.

**Executive-Parties Dimension and Gender Equality**

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | Gender Inequality Index (2008) | | | |
| | (1) | (2) | (3) | (4) |
| Executive-Parties Dimension (1981-2010) | -3.585*** | -3.267*** | -2.657** | -0.091 |
| | (1.079) | (1.177) | (1.263) | (1.930) |
| Women's Cabinet Representation (2008) | | 0.008 | -0.0002 | 0.004 |
| | | (0.012) | (0.013) | (0.014) |
| Women's Parliament Representation (2010) | | | 0.022 | 0.020 |
| | | | (0.018) | (0.020) |
| Gini Coefficient (2000) | | | | -0.057* |
| | | | | (0.031) |
| Constant | 1.306*** | 0.967 | 0.423 | 1.514 |
| | (0.409) | (0.632) | (0.762) | (1.004) |
| Observations | 35 | 35 | 35 | 30 |
| $R^2$ | 0.251 | 0.262 | 0.298 | 0.369 |
| Adjusted $R^2$ | 0.228 | 0.216 | 0.230 | 0.268 |
| Residual Std. Error | 0.867 (df = 33) | 0.874 (df = 32) | 0.866 (df = 31) | 0.876 (df = 25) |
| F Statistic | 11.043*** (df = 1; 33) | 5.687*** (df = 2; 32) | 4.387** (df = 3; 31) | 3.660** (df = 4; 25) |
| *Note:* | | | | *p<0.1; **p<0.05; ***p<0.01 |

The first aspect of a democracy I examined is gender inequality. I ran a multivariate regression of the executive-parties dimension against the gender equality index and found a negative relationship significant to 1%. I examined women's representation in cabinet and parliament as confounders, since having women in positions of power may be influential on how females are perceived. I found little effect with women's cabinet representation, but parliamentary representation accounted partially for the relationship, bringing it down to only 5% significance level.

Upon introducing the Gini coefficient as a control, however, the significance of the relationship between the executive-parties dimension of a consensus democracy and the gender inequality index is removed. This shows that gender inequality more tied to economic inequality than being represented in positions of power or being a consensus democracy.

I subsequently examined the relationship between the consensus democracies and economic equality is done by looking at three key measures. The first measure I used is the Gini coefficient,

calculated by the area that lies between the line of equality and the Lorenz curve as a portion of the total area under the line of equality, to give a value between 0% and 100% where the higher the coefficient, the more unequal that country is. I also investigated two additional measures to confirm Lijphart's theory – the 90/10 and 80/20 ratios. The 90/10 ratio measures the average income of the richest 10%, or those at the 90th percentile to the poorest 10%. The 80/20 ratio measures the average income of the richest 20% to the poorest 20%.

**Executive-Parties Dimension and Economic Inequality**

| | Dependent variable: | | |
|---|---|---|---|
| | Gini Coefficient (2000) | 90/10 Ratio (2000) | 80/20 Ratio (2000) |
| | (1) | (2) | (3) |
| Executive-Parties Dimension (1981-2010) | -4.540[***] | -4.269[***] | -1.979[***] |
| | (1.267) | (1.318) | (0.603) |
| Constant | 36.024[***] | 13.000[***] | 7.229[***] |
| | (1.279) | (1.330) | (0.608) |
| Observations | 30 | 30 | 30 |
| $R^2$ | 0.314 | 0.273 | 0.278 |
| Adjusted $R^2$ | 0.290 | 0.247 | 0.252 |
| Residual Std. Error (df = 28) | 6.993 | 7.270 | 3.324 |
| F Statistic (df = 1; 28) | 12.832[***] | 10.497[***] | 10.783[***] |

*Note:* $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$



Consensus Democracies Versus Gini Coefficient
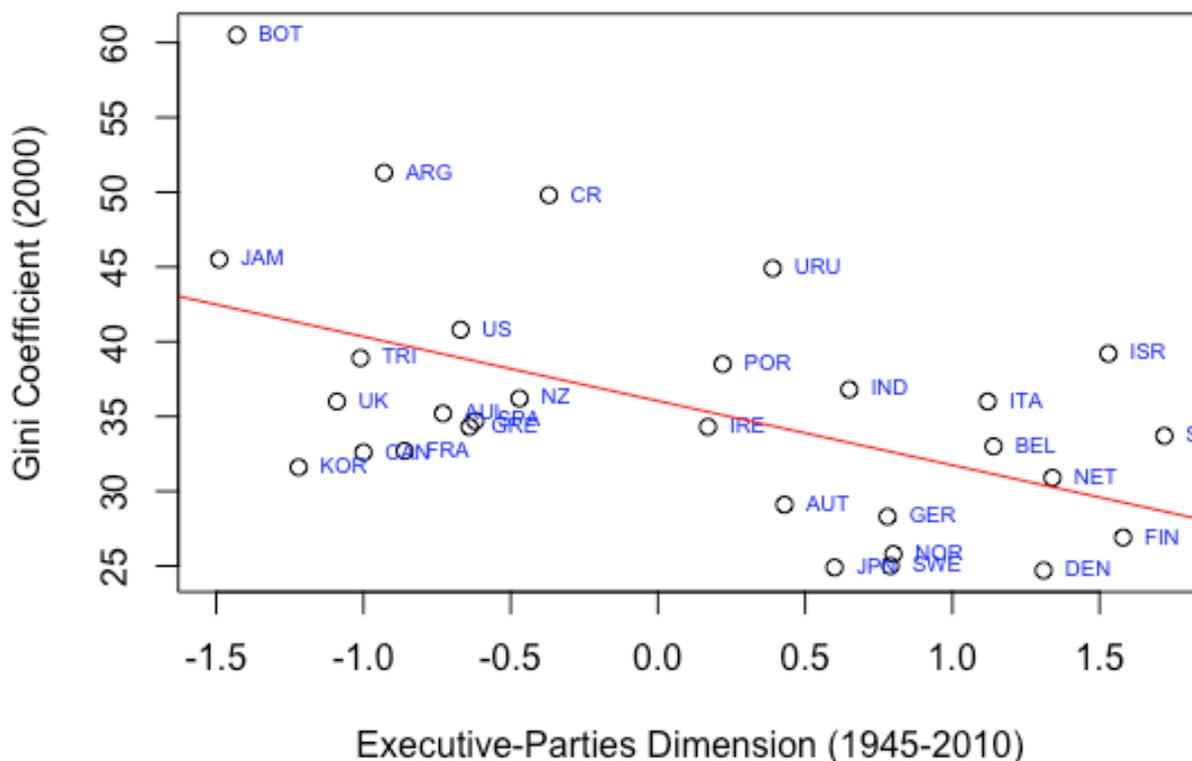
**Consensus Democracies Versus 90/10 Ratio**

90/10 Ratio (2000)

Executive-Parties Dimension (1945-2010)



**Consensus Democracies Versus 80/20 Ratio**
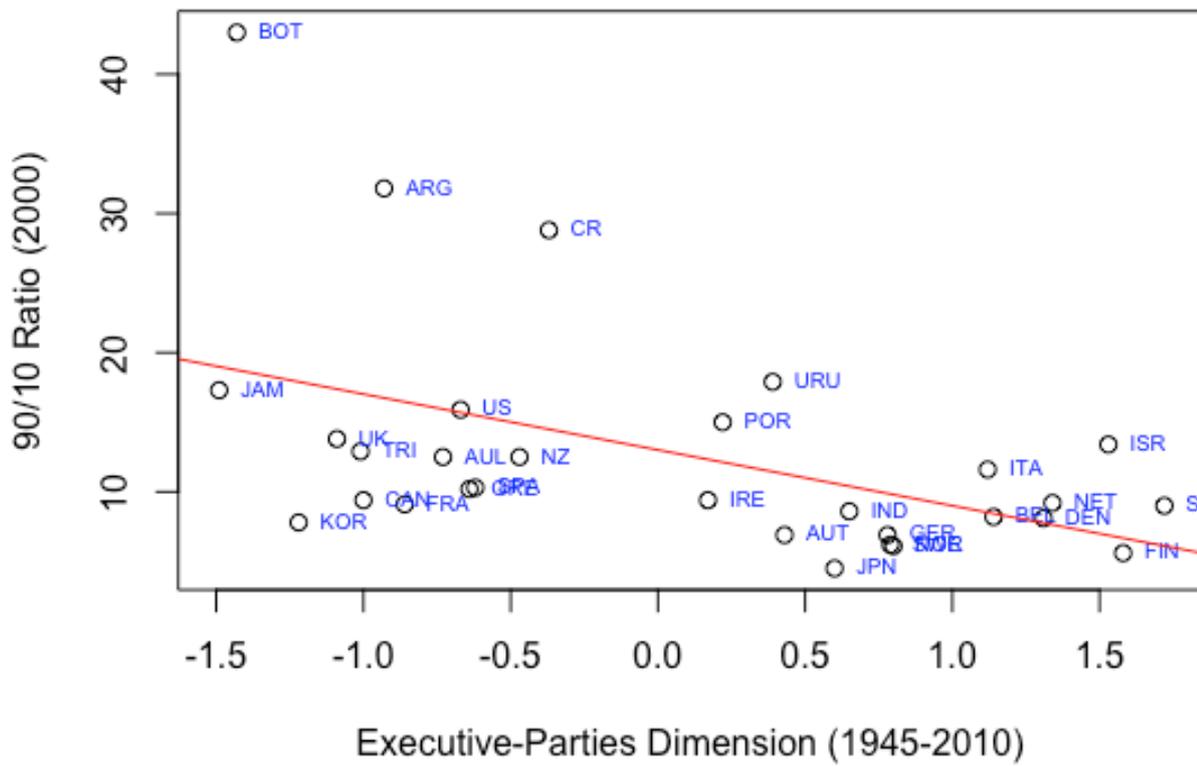
80/20 Ratio (2000)

Executive-Parties Dimension (1945-2010)
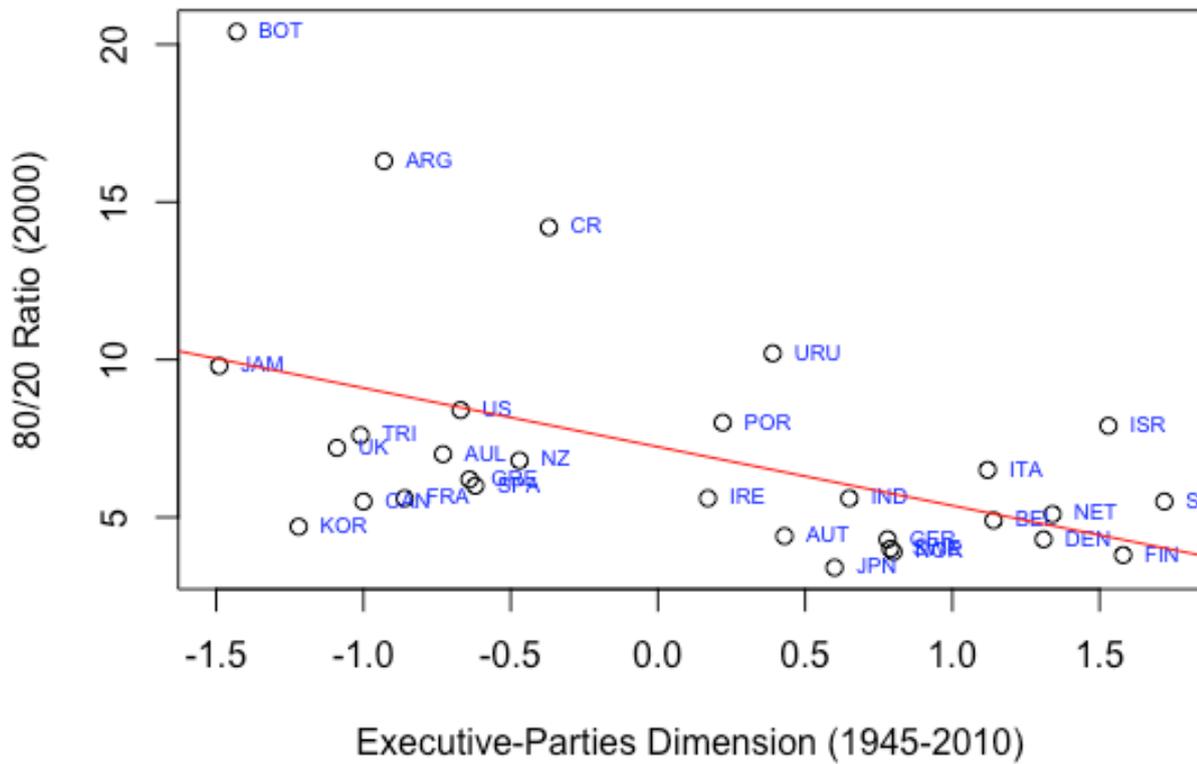
I found Botswana to be an outlier as Lijphart did (Lijphart 2012, 283), although for all three measures, I found a negative correlation between the executive-parties dimension and economic inequality to the 1% significance level. The overall trend of my findings suggest that consensus democracies is correlated to economic inequality.

Given that consensus democracies lead to improved economic equality, which in turn reduces gender inequality, it is reasonable to mark gender equality as an indirect benefit of improved economic equality instead.

**Executive-Parties Dimension and Democratic Equality**

| | *Dependent variable:* | | |
|---|---|---|---|
| | EIU Democracy Index | | |
| | (1) | (2) | (3) |
| Executive-Parties Dimension (1981-2010) | 0.596[***] | 0.587[**] | 0.630[**] |
| | (0.193) | (0.247) | (0.251) |
| GDP per capita growth (1981-2009) | | -0.007 | -0.088 |
| | | (0.196) | (0.214) |
| Population in thousands (2009) | | | 0.00000 |
| | | | (0.00000) |
| Constant | -4.940[***] | -4.781[**] | -5.047[**] |
| | (1.634) | (2.202) | (2.223) |
| Observations | 34 | 28 | 28 |
| $R^2$ | 0.229 | 0.192 | 0.222 |
| Adjusted $R^2$ | 0.205 | 0.127 | 0.125 |
| Residual Std. Error | 0.872 (df = 32) | 0.939 (df = 25) | 0.941 (df = 24) |
| F Statistic | 9.499[***] (df = 1; 32) | 2.969[*] (df = 2; 25) | 2.283 (df = 3; 24) |

*Note:*        [*]$p<0.1$; [**]$p<0.05$; [***]$p<0.01$

The third aspect of social inequality in a democracy I explored is democratic inequality. I closely examined Lijphart's analysis of democratic equality as measured by the EIU Democracy Index, which is split into five categories taking into account electoral process and pluralism, the functioning of the government, political participation, political culture and civil liberties (EIU Democracy Index 2018, 48-60). I did this by running a multivariate regression model between the executive-parties dimension and the EIU democracy index, similarly controlling for the country's economic stance, which I measured using GDP per capita growth, and the population size.

I found that the GDP per capita growth level had little effect while the population size had negligible impact. Overall, the results showed a positive relationship to 5% significance level between consensus democracies, measured by the executive-parties dimension and the EIU democracy index, supporting Lijphart's theory.

**Evaluation**

A strength my analysis carries is that it explores many possible confounders through the use of the multivariate regression model. This improves the validity of my argument as I have shown by elimination of other confounding variables whether or not there is an explicit relationship between the executive-parties dimension and that variable. That said, a limitation I faced is the data available; I was only able to test for confounders using the variables Lijphart used in his 2012 paper. This essay can be improved by importing data from other researchers to test a greater selection of variables.

My analysis also avoids the pitfalls of conflating social inequality with gender inequality, which would reduce the external validity in my findings, and is more robust as a result. Additionally, as I pointed out in my theoretical argument, we cannot infer the state of ethnoracial inequality in a country from the gender inequality present.

Despite this, it is possible that my analysis suffers from reverse causality. Perhaps women may have a more consensus mindset. If so, a democracy may be more consensus owing to increased women representation as a result of reduced gender inequality rather than the other way around. To clarify the issue, a regression may be run between the psychological factors that constitute a consensus mindset and women to identify any potential relationships.

Another shortcoming I carry as a result of using Lijphart's data, and could not eliminate due to technical limitations, is time-level heterogeneity. Excluding the executive-parties dimension and the GDP per capita growth, all other variables I incorporated in my analysis were measured in a single year. This means that it fails to capture the overall trend for these democracies or the possible fluctuations in the value. For instance, the values for the Gini coefficient I used was taken in 2000, the peak of the dot-com boom. As Lieu suggests, the values may not hold in a recession, therefore the relationships I explored may not hold true (Lieu, 2018, 2). This reduces the validity of my analysis.

Furthermore, in the analysis of the impact of consensus democracies on democratic equality, I chose to examine closely only the EIU Democracy Index, which, while relatively broad, carries its

own methodological flaws. The index is calculated by ranking 60 indicators on a scale of 0 to 10, finding the average, which is then adjusted based further on a number of factors, including whether national elections are free and fair. If the ranking in that category is 0-0.5, a further 0.5-1 point may is deducted from the index in the relevant category (EIU Democracy Index 2018, 48). The first criterion of freedom is subjective because while it may not require a fee, the opportunity cost of skipping work to attend the election may be so large it is effectively not free. The second criterion is also problematic because as an external agency, local governments may be able to manipulate what EIU researchers observe, so the measure may lack validity. To lower the possible case selection bias and improve the reliability of my findings, I should look at more diverse measures, for example voice and accountability figures.

**Conclusion**

In this essay I broke down social inequality into three key aspects: they are gender inequality, economic inequality and democratic inequality. I explored these aspects by providing a theoretical argument for each and backed it up with empirical analysis, using techniques such as but not limited to multivariate regression. I then evaluated the strengths and weaknesses of my analysis.

I found that gender equality is not improved by virtue of the country being a consensus democracy, but rather due to its reduced economic inequality. This contradiction to Lijphart's claim is backed by the disappearing significance of the relationship between the executive-parties dimension of a consensus democracy and the gender inequality index once the Gini coefficient, a measure of economic inequality, has been controlled for. My claim against Taagapera can be investigated further by finding the correlation between racial inequality and racial inequality – a possibility for future research.

Despite this, Lijphart's suggestion that consensus democracies reduce democratic and economic inequality. I found relationships between the relationship between consensus democracies and the indicators of economic inequalities to be negative and significant to 1%, while the executive-parties dimension and the EIU Democracy Index to be significant to 5%. So, it could be said that although a causal relationship between consensus democracies is not supported, there is a correlation between the two by virtue of improved economic equality.

The empirical analysis provided shows that two out of the three aspects of social inequality analysed are improved by consensus democracies directly, while the third an indirect positive byproduct. Therefore, I conclude that consensus democracies do reduce social inequality, although not directly as Lijphart's research claims.

Word count: 2039

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**APPENDIX:**

**#Import data**

data <- read.csv("http://andy.egge.rs/data/L.csv")

**#Consensus Democracies and Gender Equality**

mod6_exec_gen <- lm(data$exec_parties_1981_2010 ~ data$gender_inequality_index_2008)

mod6_ctrl_cab <- lm(data$exec_parties_1981_2010 ~ data$gender_inequality_index_2008 +

data$womens_cabinet_representation_2008)

```
mod6_ctrl_cabpar <- lm(data$exec_parties_1981_2010 ~ data$gender_inequality_index_2008 +
data$womens_cabinet_representation_2008 + data$womens_parl_representation_2010)
mod6_ctrl_cabpargini <- lm(data$exec_parties_1981_2010 ~ data$gender_inequality_index_2008
+ data$womens_cabinet_representation_2008 + data$womens_parl_representation_2010 +
data$gini_ca_2000)


stargazer(mod6_exec_gen, mod6_ctrl_cab, mod6_ctrl_cabpar, mod6_ctrl_cabpargini,
        title = "Executive-Parties Dimension and Gender Equality",
        dep.var.labels = c("Gender Inequality Index (2008)"),
        covariate.labels = c("Executive-Parties Dimension (1981-2010)", "Women's Cabinet
Representation (2008)", "Women's Parliament Representation (2010)", "Gini Coefficient (2000)"),
        type = "text", out = "ConsensusGenderEqual.html")
```

**#Executive-Parties and Economic Equality**
```
mod3_exec_gini <- lm(data$gini_ca_2000 ~ data$exec_parties_1981_2010)
mod3_exec_1010 <- lm(data$ratio_10_10_ca_2000 ~ data$exec_parties_1981_2010)
mod3_exec_2020 <- lm(data$ratio_20_20_ca_2000 ~ data$exec_parties_1981_2010)


stargazer(mod3_exec_gini, mod3_exec_1010, mod3_exec_2020,
        title = "Executive-Parties Dimension and Economic Inequality",
        dep.var.labels = c("Gini Coefficient (2000)", "90/10 Ratio (2000)", "80/20 Ratio (2000)"),
        covariate.labels = c("Executive-Parties Dimension (1981-2010)"),
        type="text", out = "ConsensusEconEqual.html")


plot (data$exec_parties_1945_2010, data$gini_ca_2000,
    main = "Consensus Democracies Versus Gini Coefficient",
    xlab = "Executive-Parties Dimension (1945-2010)",
    ylab = "Gini Coefficient (2000)")
text(data$exec_parties_1945_2010, data$gini_ca_2000, data$country, cex = 0.6, pos = 4, col =
"blue")
abline(lm(data$gini_ca_2000 ~ data$exec_parties_1945_2010), col= "red")


plot (data$exec_parties_1945_2010, data$ratio_10_10_ca_2000,
    main = "Consensus Democracies Versus 90/10 Ratio",
    xlab = "Executive-Parties Dimension (1945-2010)",
    ylab = "90/10 Ratio (2000)")
```

```r
text(data$exec_parties_1945_2010, data$ratio_10_10_ca_2000, data$country, cex = 0.6, pos = 4,
col = "blue")
abline(lm(data$ratio_10_10_ca_2000 ~ data$exec_parties_1945_2010), col= "red")


plot (data$exec_parties_1945_2010, data$ratio_20_20_ca_2000,
     main = "Consensus Democracies Versus 80/20 Ratio",
     xlab = "Executive-Parties Dimension (1945-2010)",
     ylab = "80/20 Ratio (2000)")
text(data$exec_parties_1945_2010, data$ratio_20_20_ca_2000, data$country, cex = 0.6, pos = 4,
col = "blue")
abline(lm(data$ratio_20_20_ca_2000 ~ data$exec_parties_1945_2010), col= "red")
```

**#Executive-Parties and Democratic Equality Controlling for GDP and Population**

```r
mod1_exec_eiu <- lm(data$exec_parties_1981_2010 ~ data$eiu_democracy_index_2006_2010)
mod1_ctrl_gdp <- lm(data$exec_parties_1981_2010 ~ data$eiu_democracy_index_2006_2010 +
data$gdp_per_cap_growth_1981_2009)
mod1_ctrl_gdppop <- lm(data$exec_parties_1981_2010 ~ data$eiu_democracy_index_2006_2010
+ data$gdp_per_cap_growth_1981_2009 + data$pop_in_thousands_2009)


stargazer(mod1_exec_eiu, mod1_ctrl_gdp, mod1_ctrl_gdppop,
     title = "Executive-Parties Dimension and Democratic Equality",
     dep.var.labels = c("EIU Democracy Index"),
     covariate.labels = c("Executive-Parties Dimension (1981-2010)", "GDP per capita growth
(1981-2009)", "Population in thousands (2009)"),
     type = "text", out = "ConsensusDemocEqual.html")
```