One of the fastest growing areas of research on electoral systems has been on the effects of electoral systems on policy outcomes. Research has looked at the effect of electoral systems on a wide range of policies, including: public spending, regulations that affect consumer prices, public deficits and debt, tariffs and subsidies, and the balance between broad and geographically-targeted public goods.

Redistribution: Governing Coalitions, Voter Leverage, and Rents

A debate about the effect of electoral systems on redistributive policy outcomes has raged between Iversen and Soskice (and Cusack) on one side, and Rogowski (with various co-authors) on the other. Meanwhile Persson and Tabellini (and Roland) have offered combinations and alternative permutations of arguments from both sides (Iversen and Soskice 2006, 2009, 2010; Cusack, Iversen and Soskice 2007, 2010; Rogowski and Kayser 2002; Chang, Kayser and Rogowski 2008; Linzer and Rogowski 2008; Chang, Kayser, Linzer and Rogowski 2011; Persson and Tabellini 1999; Persson and Tabellini 2003; Persson, Roland and Tabellini 2007).¹ For Iversen and Soskice, redistribution primarily takes the form of taxation and transfers from richer to poorer groups, whereas for Rogowski et.al. the vehicles of redistribution are regulatory and trade policies that favor the narrow interests of producer groups, but raise prices for everyone.² For Persson and Tabellini, redistribution takes the form of rents extracted

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¹ See also Vernby (2007), which relies on vote-elasticity, a la Rogowski et.al. to explain different motivations for union behavior under SMD versus PR.
² The contrast is particularly stark between Iversen and Soskice’s 2006 analysis of reduction in income inequality from before to after taxes and government transfers and Chang and Rogowski’s (2008) analysis of price and exchange rate ratios. In subsequent work, Iverson and Soskice (2009) broaden
by politicians, in the form of fiscal transfers and regulatory protection for favored groups. The logics of the arguments are as follows.

Iverson and Soskice (2006, 2009) start with a three-class model of society: with low (L), middle (M), and high (H) income citizens. Governments have three options: (A) no redistribution; (B) moderate redistribution, from H to M and L; or (C) radical redistribution, from H and M to L. L prefers C to B to A, M prefers B to A to C, and H prefers A to B to C. The electoral system shapes policy outcomes by influencing which parties exist and which governments form. Proportional representation (PR) systems lead to one party representing each of group (L, M, and H) and coalition governments either between LM or MH. M is the pivotal player and can decide which government forms. M’s first choice is to coalesce with L to pursue a policy that redistributes from H to M and L. As a result, PR systems lead to moderate levels of redistribution (e.g. high levels of public spending).

Single member district (SMD) systems, meanwhile, lead to two parties: LM and MH. M is split between the parties, and is hence weaker than the other group within the respective party. As a result, M cannot guarantee that its partner will not seize control of policy and pursue its own first preference: policy C (radical redistribution) in the case of LM, or policy A (no redistribution) in the case of MH. Unable to guarantee itself policy B, and preferring A to C, M’s voters prefer to ally with group H under SMD competition. The consequence is lower levels of economic redistribution in SMD systems compared to PR systems. Note that the argument hinges on SMD competition yielding a policy outcome that deviates from the median group’s preference whereas PR competition allows the median group to determine policy.

In contrast, Rogowski and Kayser (2002) focus on how electoral rules shape the relationship between the proportion of votes parties receive and the proportion of seats they win. Because vote swings between parties lead to disproportionately larger seat swings under SMD than under PR, the value of the marginal vote is higher under SMD. As a result, parties pay closer attention to the median voter in SMD systems, while politicians in PR systems are more likely to be “captured” by producer interests that deviate from median voter preferences.\(^3\)

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their analysis of redistribution to include regulatory policies that affect wages, education and vocational training – all of which can be expected to affect relative prices.

\(^3\) According to Rogowski et.al. (2011) producers are those who derived their livelihoods from industries where production costs and market positions (including the labor market) are shaped by government regulatory policies. Consumers are all others. Producers influence politicians with both votes and money, whereas consumers wield only votes. Producers, therefore, may always exercise leverage above their population share of the electorate, but the relative influence of consumers corresponds to the relative influence of each marginal vote on partisan fortunes. Higher vote-seat elasticity (under SMD), therefore, increases the influence of consumers on policy.
The level of consumer prices is the main policy manifestation of the differing electoral incentives in SMD versus PR. Consumers make up the larger share of the electorate, and thus include the median voter, who prefers policies that yield lower consumer prices. Such policies include lower import tariffs, a lighter regulatory footprint, and more competition among producers. Producers are a smaller group than consumers, and prefer policies that yield higher consumer prices (and so, producer rents), such as import duties, regulatory standards that protect favored sectors, industrial subsidies and industrial concentration. If politicians in SMD systems are more keenly attuned to consumers than are politicians in PR systems, then consumer prices should be lower in the former and higher in the later. The empirical evidence supports this proposition.

Persson and Tabellini (1999, 2003) develop a similar logic to Rogowski et.al., embracing the seat-vote elasticity premise to argue that competition between politicians and parties is stiffer under SMD than PR, and therefore that politicians will be more responsive to voters in SMD systems. This not only relates to the policies politicians deliver to secure their re-election (the primary focus of Rogowski et al.), but also the policies politicians pursue to promote their own personal interests, such as seeking political rents and engaging in corruption. The policy consequences, they suggest, are that SMD systems lead to less public goods, but also lower rents for politicians than PR systems (cf. Blume et al. 2005).

Building on this argument, Persson, Roland and Tabellini (2007) contend that electoral rules also have indirect policy consequences, via their impact on party and government formation. This would appear to put Persson, Roland, and Tabellini on the same page as Iversen and Soskice (2006), but whereas Iversen and Soskice’s focus on spatial coalitions between parties and groups, Persson, Roland, and Tabellini (2007) focus on accountability and efficiency. Specifically, SMD systems lead to fewer parties, which makes single-party government more likely, clarifying government accountability and yielding more efficient policies. In contrast, PR systems lead to more parties and incentives for each party in a coalition government to spend money on its own supporters while free riding on the accountability deficit implied by lower clarity of responsibility.

These authors derive opposing inferences about policy outcomes from the same sets of electoral rules in part because they define narrow and broad interests differently. All might agree that PR rules are more likely than SMDs to yield labor market regulations that boost industrial wages and compensation, but Iversen and Soskice interpret this outcome as redistribution from citizens in the “narrow” (richer) category to those in the “broad” (poorer)
category, whereas Rogowski et al. see the same policies as redistributing from “broad” (consumer) to “narrow” (producer) interests, and Persson et al. see political and economic rents. But Persson, Roland, and Tabellini (2007) also suggest a way to reconcile Iversen and Soskice with Rogowski et al. Median voters may favor both moderate redistribution via taxation and transfer (per Iversen and Soskice) and low consumer prices (per Rogowski et al.), and PR systems may tend to produce cabinets with pivotal parties closer to the median voter than do SMD systems (Huber and Powell 1994; Powell and Vanberg 2000). In the operation of coalition government, however, the pivotal centrist party may be better able to deliver on its fiscal promises of moderate redistribution than on its commitment to refrain from regulatory policy that drives up consumer prices, owing precisely to the spending dynamics and the common pool resource problems that Persson and Tabellini et al. emphasize.

Several other authors support the claim that PR encourages more progressive redistribution of wealth than does SMD (e.g. Birchfield & Crepaz 1998; Crepaz 1998; Verardi 2005; Kang & Powell 2010). Alesina, Glaeser and Sacerdote (2001) qualify this claim, maintaining that whereas PR may encourage redistribution in advanced (i.e. OECD) democracies, there is little evidence of this effect in developing countries. One explanation may be that the Iversen and Soskice result of progressive redistribution hangs on the logic of government formation in a parliamentary system with party competition along a single, left-right, dimension. Under presidentialism or less well-ordered ideological competition among parties, both of which are prevalent in less developed regions, the PR-progressivity logic may not apply. A related line of argument, by Amat and Wibbels (2009), suggests low redistribution under PR in environments where parties have not developed ideological foundations.

Finally, as with all research based largely on cross-national comparisons, there is the persistent question of identifying causal effects, and specifically the extent to which electoral systems drive policy interventions that affect redistribution, as opposed to the distribution of economic resources driving electoral system choice. Cusack, Iversen and Soskice (2007, 2010) acknowledge that the choice of the electoral system might be endogenous, since high local economic coordination appears to have facilitated the adoption of inclusive, PR electoral rules in many European contexts in the early twentieth century. Countries with traditionally low economic policy coordination and adversarial relations between employers and craft-based unions tended to choose SMD systems. In contrast, countries with high economic coordination and common interest of employers and industrial unions tended to choose PR.
Geography: District Magnitude and Policy Incentives

Narrow and broad interests can also be conceived geographically rather than socially. From this perspective, the design of electoral systems shapes whether politicians have incentives to deliver local or regional/national public goods. The key distinction here is between SMD systems and the rest, perhaps with a further distinction among PR systems according to district magnitude. SMD elections privilege more narrow geographic interests than do PR election because SMDs mean the geographical scope of each district must necessarily be smaller (Chang 2008; Evans 2009; Kono 2009; Kim 2010; Rickard 2010). For example, Funk and Gathmann (2010) find that PR leads to spending on broader public goods, like education, rather than targeted goods, like roads and agricultural subsidies. Looking at individual legislators, Gagliarducci, Nannicini and Naticchioni (2011) find that during Italy’s use of a mixed electoral system, SMD-elected members supported geographically-targeted spending projects more than PR-elected members did.

Research in international political economy has mirrored that on public spending, with protectionist trade policies in the role of budget largess. Several scholars claim that SMDs encourage high tariffs because small districts encourage protection of narrow interests (Evans 2009, Roelfsema 2004; Willman 2005).4 Kim (2010) finds that politicians in SMD systems tend to restrict mergers and acquisitions more than those in PR systems, arguing that the reason is that SMD representatives are more inclined to protect firms in their home districts that might be adversely affected by M&As. Moving in a slightly different direction, Vernby (2007) argues that strikes are more common in SMD systems than in PR systems, and diminish under PR as district magnitude grows. His explanation is that unions recognize that strikes are more electorally-costly to incumbents under SMD, where vote-seat elasticity is greater, and so deploy that strategy more readily.

However, political competitiveness varies across districts, within both SMD and PR systems. A more subtle extension of the general argument that SMD elections encourage narrowly targeted policy benefits posits that the effect of electoral system is conditional on district level characteristics – for example the geographical concentration of voters with shared interests. The logic rests on the marginal bang-for-the-buck politicians get from distributing resources in pursuit of votes. Thus, in SMD systems, narrow interests – for example, in subsidies for a particular industry – are more likely to be privileged in policy when voters who

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4 Kono (2009) suggests an interaction effect, in that small geographical constituencies (i.e. SMD) produce more protectionism when intra-industry trade is high.
share that interest are geographically concentrated, whereas the distribution of such benefits is unrelated to geographical concentration in PR systems (Rickard 2012a and 2012b). Rickard (2010) also finds that violations of GATT/WTO agreements (which favor narrow sectoral interests) tend to be more frequent in SMD countries than in PR countries.

There is, however, an additional condition implicit in this account – district-level competitiveness. Politicians only want to lavish additional goods, like subsidies, on a geographically concentrated voting bloc when that bloc is pivotal. If a group of voters with a shared interest is geographically concentrated, but those districts are either already safely in the government's column or are unwinnable, then policy benefits should be targeted elsewhere. This logic implies a compound conditionality (Electoral System * Geographical Concentration * District-Level Competitiveness) to the effect of electoral system on the geographical concentration of benefits. There is some suggestive evidence in favor of such a relationship. McGillivray (1997) advances the case that, under SMD systems, protectionism is targeted at geographically concentrated industries located in electorally marginal districts. Neugart (2005) also argues that under SMD systems, worker protection tends to be narrowly targeted at voters in pivotal districts, whereas PR systems encourage policies with broader protection against unemployment because parties need to take the employment risks of all voters into account (cf. Dickson 2009).

**Ideological Breadth/Narrowness: Targeted Versus Universal Appeals**

Finally, ideology is an alternative conception of narrowness or breadth of appeal. Park and Jensen (2007), for example, argue that the low thresholds for representation that characterize inclusive PR systems encourage parties organized around appeals to narrow constituencies, which in turn produce high levels of agricultural subsidies and protectionism. McGillivray (2003) argues that the dispersion of stock prices among firms in different industries is an indicator of the degree to which governments favor some economic sectors over others, and shows that dispersion is generally higher under PR than SMD systems, suggesting more policy favoritism under PR than SMD (cf. Rickard 2009).°

An extension of this logic posits a conditional effect of ballot structure on district magnitude, whereby intra-party competition in high-magnitude districts encourages candidates

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° McGillivray (2003) also finds that stock price dispersion responds more quickly to electoral shifts, and to exogenous economic shocks, under SMD than PR systems.
to appeal to highly specific (i.e. narrow) groups of voters for personal support (Carey and Shugart 1995). In high-magnitude districts, which tend to be large and highly populated, these targeted benefits might be geographically specific, but they need not be, and policies targeted by sector or industry, demographic criteria, or partisanship are equally feasible. Crisp, Jensen, et.al. (2010) and Hankla (2006) both present evidence that, under PR, stronger incentives to cultivate a personal vote (as, for example, in open-list or transferable vote systems) encourage protectionism through particularistic subsidies and regulations for targeted industries. Bagashka (2012) argues that electoral rules that allow for personal votes discouraged market-oriented reforms in post-communist countries. Naoi and Krauss (2009) demonstrate that pre-reform Japan’s SNTV system, which privileged personal vote-seeking in multi-member districts encouraged lobbying by locally-oriented interest groups and organizations with strong ties to individual legislators, whereas the shift to a mixed-member electoral system diminished the policy concessions, in the form of subsidies and regulatory protection for these specialized groups. Ehrlich (2007) also argues that the more government access points are available to lobbyists, the more protectionism we should observe, and further that the more electoral districts there are (for example, under SMD), or the lower the party discipline (for example, under open-list PR), the more access points are available to lobbyists. Thus, protectionism should be greater either under SMD elections or under PR systems that allow personal votes, but lower under closed-list PR.

Research on Italy has also suggests that incentives to cultivate personal votes in open-list PR systems encourage targeted infrastructure spending (Franchino and Mainenti 2011). Golden and Picci (2008) maintain that where incentives to cultivate personal votes encourage narrowly targeted spending projects, senior legislators in the governing coalition tend to be advantaged in obtaining such projects. Meanwhile, Golden and Chang (2007) show that, under open list elections in Italy, waste and corruption in public works spending was greatest in the high-magnitude districts where competition for personal votes was the most intense.

Electoral Systems, the Fiscal Commons, and Economic Growth

Last but not least, scholarship in political economy has reached beyond examination of targeted benefits to advance even broader claims about the relationship between electoral systems and macroeconomic performance. Since the work of Persson and Tabellini in the late 1990s, there has been growing support, mainly by economists, for the claim that SMD systems produce lower government spending, public deficits, and rent-seeking than PR systems (e.g. Grilli,

The theoretical claims, however, have not gone unchallenged in the empirical literature. Milesi-Ferretti, Perotti and Rostagno (2002) concur that more proportional systems lead to higher spending in OECD countries, but find no evidence of a difference in Latin America. Akitoby and Stratmann (2008), meanwhile, present evidence that, contrary to Persson and Tabellini, SMD elections produce higher government spending than PR elections, and more penalization of governments by financial markets via higher bond yield spreads.

In work echoing that on targeted benefits, some scholars have distinguished the fiscal incentives generated by strong incentives for personal vote-seeking within PR systems. Under Brazil’s open-list elections, for example, Ames (1995) finds that high-magnitude PR with intra-party competition fosters particularistic spending. With a broader comparative perspective, Hallerberg and Marier (2004) find that budget procedures that strengthen the executive’s authority produce lower deficits where the electoral system for legislators generates strong incentives for personal votes, but yield no impact where legislators’ incentives for personal votes are low (for example under closed-list PR). And Martin and Thomas (2007) find that higher district magnitudes tend to produce more public goods provision when elections are party-centered (for example, under closed-lists), but lower overall spending and focused on particularistic goods when elections are candidate-centered (for example, under open-lists).

Other research tested similar propositions by exploiting variations within mixed-member systems. Martin and Thames (2006) find that mixed-member parallel systems produce lower overall spending than mixed-member compensatory systems (which more closely approximate PR), and that spending is higher in parallel systems the greater the share of seats that are allocated by PR.

Widening the lens even further, a number of scholars advance arguments about the effects of electoral system on the motivations and the capacities of politicians to manage the economy. Here again, the hypotheses as well as the evidence are mixed. Knutsen (2011) argues that PR encourages policies that pursue broader public goods than SMD, and so produce more economic growth in the long-run. Bejar and Mukherjee (2011) argue that SMD elections produce more volatility in government spending policies and growth rates than PR systems, because single-party governments are more inclined and better positioned to engage
in pro-cyclical spending. Pursuing a related theme, Bortolotti and Pinotti (2008) argue that majoritarian systems expedite privatization reforms because single-party governments are more decisive and face fewer veto points. Bernhard and Leblang (1999) and Eichengreen and Leblang (2003) argue that SMD elections encourage floating exchange rates because single-party governments value the associated policy flexibility, whereas the coalition governments more prevalent under PR encourage fixed exchange rates as a commitment measure to resolve policy disputes among parties, and as a means for coalition partners to monitor the Finance Ministry.

Finally, in a familiar move that distinguishes among PR systems according to the incentives to cultivate personal votes, Wright (2010) argues that foreign aid stimulates economic growth in countries with closed-lists but depresses growth in countries with systems of preference voting, because aid is channeled toward spending on broad-based public goods in the former but narrowly-targeted projects in the latter.

**Conclusion and Avenues for Future Research**

Research on the effect of electoral systems on policy outcomes is at a relatively early stage compared to the decades of work on the impact of electoral systems on the party system, the relationship between vote and seats in parliaments, and the number of parties in government, and so on. Nevertheless, a lot of progress has been made in a very short time. There are now some reasonably clear empirical regularities in terms of the effect of the two main types of electoral systems – majoritarian and proportional – on some major economic policies. In particular, whereas PR systems tend to produce higher public spending, majoritarian systems tend to produce lower public deficits and lower consumer prices. Furthermore, at a lower level of aggregation, SMD systems tend to produce policies targeted at pivotal voters in marginal districts, whereas PR systems tend to produce general public goods.

Also, the causal mechanisms behind the connection between electoral systems and these (and other) policy outcomes are not yet fully understood. First, it remains unclear whether the electoral system effects are direct – as a result of different socio-geographic campaigning incentives for parties and politicians under the different electoral systems - or indirect, as a result of the processes of government formation and operation (such as the difference between single-party government and coalition government). Second, only a small number of countries have switched between a majoritarian and a PR system since the 1950s. This means that most
of the key empirical results are based on cross-country rather than cross-time variations. The problem with relying on cross-country variation is that it is difficult to identify the effect of electoral systems independently from other factors that vary across countries, such as parties, governments, other political institutions, and voters’ preferences. Electoral systems are also endogenous to political factors that vary across countries, such as the number of parties and the conflictual or consensual nature of societal relations.

Recognizing these challenges, researchers have begun to look at within country variations. For example, several scholars have looked at mixed-member electoral systems, where politicians in the same country at the same time are elected by either SMD or PR rules. This has allowed researchers to identify the types of policies the two sets of politicians seek. Extrapolating from this micro-level behavior to macro policy outcomes, such as public spending or trade tariffs, is not straightforward. Nevertheless, we believe more can be learned, at both an empirical and a theoretical level, by focusing on the policy effects of changes in electoral rules within countries over time, such as changes in district magnitude or switches from closed-list to open-list PR.
Policy Consequences of Electoral Rules: Bibliography


