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### **Political Systems and their Economic Outcomes**

Advanced Democracy refers to the development of political and economic rights guaranteed to a civil society to a greater extent than the democratic revolutions of the 18<sup>th</sup> and 19<sup>th</sup> centuries. Each author examines the role that democratic institutions had in developing political systems, and finds different causal relationships between political institutions and economic outcomes. In some arguments economic outcomes are argued as a necessary requisite, and in others the inverse is the case.

#### **Early Democracy**

Alexis de Tocqueville depicts the transition of other types of government to democratic regimes from his perspective in 1835. Finding that the commoners were gaining more liberties and freedoms, while elites and nobility were losing hegemonic control over institutions, Tocqueville finds that democratic movements in the west provided more economic liberties for marginalized parts of the general public sphere. But ultimately, more economic freedoms allowed for the development of empowering political institutions leading to the growth of a middle class. Starting in 11<sup>th</sup> century, early democratic movements reduced the distances between classes, or wealth disparities. And, it was the gradual shrinking of the gap between elites and the rest of society that lead to economic development and growth. Advanced democratic institutions are notably wealthy because the middle class has a clear ability express their interests in governance. Establishing clearly defined economic property rights is a major factor which allowed for the complex systems with democratic characteristics.

#### **Dictatorships and Non-democracies**

Dictatorships and other non-democracies have the inverse economic effects of democracies. Additionally, Seymour Lipset describes that average wealth, the degree of industrialization, and education all increased when economic rights are guaranteed – a factor not often present in non-

democracies. Similar to Alexis de Tocqueville, Lipset finds that a specific causal relationship pertains firstly securing clearly defined property rights for citizens, and secondly developing democratic institutions from the influence that citizens gain in the wealth that they generate from their property rights. Whereas key exceptions exist in France, Italy, the Netherlands, and other European countries, wealthy countries are less likely to have the existence of communist parties and socialist parties.

Moderate changes also decrease the likelihood of inequality according to Lipset.

### **The Relationship between Electoral Systems**

Maurice Duverger finds that simple majority single-ballot systems favor two-party systems, and that PR systems favor multiple parties; this impact is relevant to both democracies and advanced democracies mainly because states with different party systems have potentially vastly different outcomes. Parties that favor economic quality will perform differently in each system. Duverger suggests that political institutions are a vital foundational component to the formation of economic institutions. And without political institutions, economic institutions will not allow for growth. Electoral systems encourage different types of representation, and the specific type of representation will also impact the possibility economic growth.

To expand on the concepts of Duverger, the relationship between the type of representation and the economic decision-making clearly has a casual relationship. In agreement with Duverger, Jorbern Iversen and David Soskice find that the political institutions are necessary components towards generating economic growth. For example, non-democracies tend to redistribute government spending less than democracies due to the incentive structures not favoring redistributive practices. But more importantly, Iversen and Soskice find that democracies with proportional representation tend to have more redistributive properties because the middle class can check the upper classes through their governing representatives. But in democratic regimes that are simple majority systems, the middle class can not check the upper classes as effectively. In both systems, the middle class attempts to elect parties

that favors the interests of the middle class, and the electoral system changes the incentive structure and the ability to elect parties that actually favor middle class interests.

### **Sheltering Classes**

Globalization actually increases the success of government policies that peruse redistributive policies because globalization also allows groups to recognize inequalities and economic disparities. The Economist article suggests that governments that protect redistributive policies will also be reelected. Because national governments are primary actors in guaranteeing ability for the middle and lower classes a voice, the article argues that states should be protected. Particular forms of taxation implemented by governments encourages the development of societies. The Economist supports the case that states are the only actors that can continue to shelter the middle and lower classes, and that eliminating taxation could possibly lead to unpredictable or disastrous outcomes. Thus, the Economist finds that it is not possible to decrease the amount or degree of taxation.

Margarita Estévez-Abe describes the relationship between welfare states and workforces. Political systems which form a social welfare safety net for workers are more likely to increase their skilled labor workforce. States that focus less on social welfare decrease the likelihood for skilled labor, and instead are more likely to have workforces with transferable skills. States must actively decide on policy that encourages the skill set that best suits their economic and political conditions. For example, the United States would not function in the same manner if its population was hyper-specialized similar to that of Scandinavia. States must consider the educational and welfare institutions that support a highly specialized or highly transferable skill set of a population, and the type of population must be complemented by the institutional arrangements.

I think all the authors would agree that successful institutions are significant in developing thriving societies. While disagreement is common among whether economic or political institutions are more important, societies respond differently depending on the order of implementation of institutions.