

Bottom-up and Performance-Protected
Representative Democracy
with Schumpeterian Political Elite Selection

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ABSTRACT

In this paper (at the present stage a collection of slides by and large) we argue against pure majority voting (MV) systems (as missing fundamental acceptance) and also against bastard systems as in Germany where a 50% MV is mixed into a proportional voting (PV) system.

We do this on the basis of a reflection of Schumpeter's theory of Socialism and Democracy and its implications for elite formation on the economic as well as the political level.

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As against this background we formulate a pure PV system which basically is as capable to generate governments which are capable to act (if some restrictions – or minimum requirements – are imposed) as a pure MV system where often only two parties get into the possession of all parliamentary seats. Moreover, such a system is also purely bottom-up in nature, much more than the present German one, it exhibits Schumpeterian political competition, it preserves the state orientation of the composition of the Bundestag, needs no complicated Math to achieve this, by integrating respected authorities with a public standing and can be made evolutionary stable by generating and activating proper citizenship.

We view this construction as an ideal, like a building that is first build in the head (using paper of course) of the architect, before comparisons with the actual status quo of a given society can be made and possible compromises between the ideal and the status wuo can be reflected.

Keywords: Majority Voting, Proportional Voting, Agile Governments, Personal Political Competition, Federal Orientation, Unelected Authorities, Evolutionary Stability

1 Topics:

- Schumpeter's (1942) Critique of Classical Democracy Theory
- Schumpeter's Reflections on Majority Voting for the Establishment of Governments which are capable to act
- Schumpeter: 'Bourgeois Elites' under 'Competitive Socialism'
- Problems of Majority Voting Systems
- Democracy and History: A Short Classification
- (West-)Germany after 1949: A Fifty Percent Polluted Proportional Voting System
- German Voting Reform 2012 with a Pinch-Bar: Towards an XXL-Bundestag Design
- German 'Proportional' Voting Reassessed: A Stable Design for a Hurdle-Protected Representative Party Seats Allocation Rule and Seat Assignment System
- \mathcal{E} -Democracy and \mathcal{E} -(In-)Transparency

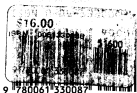
JOSEPH A. SCHUMPETER

CAPITALISM, SOCIALISM AND DEMOCRACY

"A highly sophisticated interpretation of entrepreneur capitalism, one that is filled with challenges for those who believe that monopolistic practices constitute a long-run sabotage of the functioning of the system, or that we have entered a new period of permanently depressed rates of private capital formation. . . . Schumpeter's work constitutes, as a whole, a bold attempt to integrate economic theory with economic history in a synthesis in terms of which the mechanics of the capitalistic process may be outlined with reference to historical time. His theoretical position, of course, raises many difficulties, but there can be no question of its fundamental importance in throwing a clearer light upon the operations of an enterprise economy, and in setting up numerous objectives for future empirical research. . . . Professor Schumpeter has written a provocative book, rich in style and knowledge, and certain to prevent the stagnation controversy from becoming as sterile as Ricardianism in its later phases."—*The American Economic Review*

"This book is notable in more than one respect. The author, a leading theorist in the field of pure economics, here cuts loose and gathers into the sweep of his analysis psychological, cultural, historical and political considerations which the pure economist is conventionally supposed to shun or to be incapable of handling. The result is a book as meaty and deep-probing as it is broad in its survey of the cultural forces which determine the evolution of institutions, particularly of economic systems. . . . On the whole, this is a 'must' book."—*Political Science Quarterly*

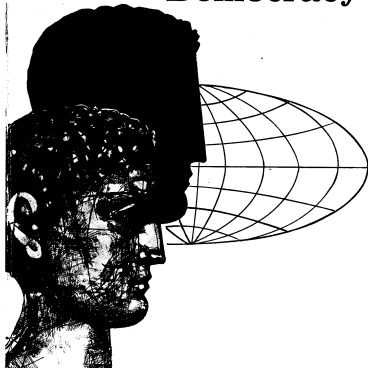
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Schumpeter CAPITALISM, SOCIALISM and DEMOCRACY

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Joseph A. Schumpeter **Capitalism, Socialism and Democracy**



Schumpeter on ineffective 'Classical Democracy'

Switzerland is the best example. There is so little to quarrel about in a world of peasants which, excepting hotels and banks, contains no great capitalist industry, and the problems of public policy are so simple and so stable that an overwhelming majority can be expected to understand them and to agree about them. But if we can conclude that in such cases the classical doctrine approximates reality we have to add immediately that it does so not because it describes an effective mechanism of political decision but only because there are no great decisions to be made.

(Schumpeter, 1942, 267).

Schumpeter's theory of democracy (majority voting for the creation of governments that are capable to act)

Suppose we reverse the roles of these two elements and make the deciding of issues by the electorate secondary to the election of the men who are to do the deciding. To put it differently, we now take the view that the role of the people is to produce a government, or else an intermediate body which in turn will produce a national executive' or government. And we define: the democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote.

(Schumpeter, 1942, 269/270).

Comment: This quotation in particular stresses the possibility of a hierarchical generation of political elites, where for example international super-elites are elected by national elites.


Schumpeter on capitalist elites in his model of a Western type of 'Competitive' Socialism'

In capitalist society, social recognition of performance or social prestige carries a strongly economic connotation both because pecuniary gain is the typical index of success, according to capitalist standards, and because most of the paraphernalia of social prestige – in particular, that most subtle of all economic goods, Social Distance – have to be bought. ... (However, PF) the prestige motive, more than any other, can be molded by simple reconditioning: *Successful performers may conceivably be satisfied nearly as well with the privilege – if granted with judicious economy – of being allowed to stick a penny stamp on their trousers as they are by receiving a million a year.* (Schumpeter, 1942, 208).

Current concepts for the study of elites (Fabian Goldbeck)

Elites³ are minorities within an organization (or even a whole society) who exercise significant influence inside this organization and, potentially, beyond. They reach this influential position by specific prerequisites such as economic resources, qualifications, achievements or personal relationships. To maintain their position elites need to visualize and to successfully justify it in a way valued by the non-elite people. Finally, elite members have to maintain their position over a certain period of time to the effect that others can and have to take them into account.

Comment: We stress here the Schumpeterian claim for a needed reversal in the decision making process within democracies, compared to the Classical View on Democracy, whereby a theory of elite formation becomes an irrefutable matter.

³http://www.google.de/search?sourceid=navclient&ie=UTF-8&rlz=1T4FTSG_eDE451DE452&q=functional+elites 

One may object against Schumpeter's majority voting bias: This is not democracy (Webpage: Fair Vote Canada)

Does Canada actually have representative democracy? In the 2008 federal election:⁴

- 940,000 voters supporting the Green Party elected no one, while fewer Conservative voters in Alberta alone elected 27 Conservative MPs.
- In the prairie provinces, Conservatives received roughly twice the votes of the Liberals and NDP combined, but took seven times as many seats.
- Similar to the last election, a quarter-million Conservative voters in Toronto elected no one and neither did Conservative voters in Montreal.
- New Democrats: The NDP attracted 1.1 million more votes than the Bloc, but the voting system gave the Bloc 49 seats, the NDP 37.

⁴[http : //www.fairvote.ca/en/problem](http://www.fairvote.ca/en/problem)

From democracy in history towards representative party-based democracy with bottom-up elections of party elites and governments of workable design.

- Aristocracy (House of Lords, until 1832)
- Ancient Greece and Rome: Polycracies; France before 1945, Switzerland before 1971: Androcracies; South-Africa before 1994, USA before MLK: Asprocracies
- Democracy, in larger countries necessarily of Schumpeterian type, universal suffrage:⁵ England / France (majority voting, since 1928 / 1945); Germany / Switzerland (proportional voting, 1949 / 1971)
- **Facade-Democracies on the rise** (Habermas, **Der Standard**, AT, 25.5.12). In our view: Politocracy (AT), Pluto(tele)cracy (US), Arnarchocracy (IT), Nepocracy (GR), Putincracy (RU), Monocracy (CN).
- Rather: Activating democracy with representative proportional voting (in distinction to Schumpeter), bottom-up selection of Schumpeterian Political Entrepreneurs, challenger principle, top 10% candidates and '2/3%'-protected party-platforms, \mathcal{E} -parliament (in-)transparency, efficiency hurdles to get governments capable of acting.

Der Standard, AT, 19.5.12:⁶ **Umfrage zeigt Mehrheit für "Umsturz."**

⁵separation of powers, human rights, freedom of opinion tacitly assumed.

⁶caused by factional feudalism?

A descriptive approach of the theory of democracy: basic constituent parts of actual democracies, which still include plutocracy, but not putincracy

- ① change of government without bloodshed
- ② human rights bill
- ③ division of powers, also including the media
- ④ free party formation
- ⑤ universal suffrage

from which we now go on to the actual performance of the German Universal Suffrage System and the distortions and asymmetries it can give rise to. Against this background we then construct an ideal proportional voting system, we call mark 'D'.

Past franchise mark 'D' (Germany): a stylized limit-case

Elections '2009': Christian Democrats C 35% Z, Liberals L 15% Z, Opposition O 50% Z, everything rounded. A game with uniform choice of either E or Z for C and L gives as pay-off structure' (600 regular S(eats), with 300 **D**(irect) ones):⁷

Strategy C/L	C: Z=E	C: Z=L
L: E=Z	210D+90notD of 600S	150D+300notD of 750S
L: E=C	300D+90notD of 690S	300D+300notD of 900S

	C: Z=E	C: Z=L
L: E=Z	50% of all Seats	60% of all Seats
L: E=C	56,5% of all Seats	66,6% of all Seats

Franchise reform 2012: overhang **and** compensation mandates.
'blow-up' strategy: induce people to give constituency votes to the largest party (then the only bottom-up party), is MAXIMIZING SEATS (income), but not changing the relative size of elected parties. Elections 2013 (2009): 4 (24) overhang and 28 (more than 70) compensation mandates.

⁷E=constituency vote, Z=party vote.

Criteria for a reform of the German mixed proportional single hurdle-protected voting system

- ① **purely proportional** determination of the number of party seats (Z-vote) (Proporz Voting, **Acceptance Criterion I**).⁸
- ② **purely bottom-up** election of the political elites from the set of all party candidates, with Federal E-vote seat assignment (Majorz Voting, **Acceptance Criterion II**).
- ③ **'invasion' by newcomers** (challengers) on the constituency level with aspects of 'evolutionary stability' (Schumpeterian 'Creative Destruction', **Acceptance Criterion III**)
- ④ At most 5 parties, the 5 largest, plus 5% threshold (preselected through **Primary Elections**), predetermined top 12 list (2 % of votes) preset by current party faction (as basis for the Schumpeterian **Government Efficiency Criterion**)
- ⑤ **Unelected mandates** due to overhang percentages caused by the Federal seat allocation structure (**Transparency Criterion**)

⁸ See also Nohlen (2009, 5.7), also with respect to the following

Reconstructing 'D'-Democracy (by a normative approach): bottom-up proportional voting ($\geq 5\%$, 5 largest parties)

- 1 No direct mandates as in the FRG, but 300 constituencies with 2 parliament seats and thus 2 candidates per party, with constituency-voting (E) and party-voting (Z)⁹
- 2 Primary election of 2 candidates through the party-members for each constituency (from two old and two new competitors)
- 3 Schumpeterian political competition, where successful political investment is rewarded (with medium-term horizon)
- 4 Veto-right of the party against the decisions on the constituency level in case of constitutional misgivings
- 5 Role of Z (party-vote) as before, with to at most five pre-elected Parties (j) with the percentages $p_j\% - 2\%$, deducting the top 12 and renormalized to 100%, giving the percentages for the country-wide allocation of the total of 600 seats (or less if comma positions cannot be allocated)

⁹ see also Behnke (2007, 207ff.) for a related proposal, which however preserves Direct Mandates and who argues with probabilities concerning the implied Overhang-Mandates

A bottom-up 'unpolluted' proportional voting system: cCompleting stage I of the normative 'D'-approach:

- 1 Result of stage I: $S_j = 6p_j$ total seats for at most 5 parties which are allocated to the 16 federal states according to the percentages achieved by each party relative to the votes it received country-wide
- 2 Items behind the decimal points (≤ 16) are summed for each party and used to round up the state seats of the party to natural numbers, beginning from the lowest number and moving upward until this rounding is no longer possible
- 3 Remaining decimals per party are summed over all elected parties (≤ 5 in number) and give a natural number (≤ 5). These mandates are given as seats (without voting right) to well-respected cross-bench authorities¹⁰ selected by the representatives of the office of the Federal President

¹⁰ See Keane (2011): 'Unelected Representatives Can Enrich Democracy'. 

A bottom-up proportional voting system, stage II: steps towards \mathcal{E} -democracy and \mathcal{E} -(in-)transparency

- 1 Stage II (\mathcal{E} -Voting, conducted online, or exceptionally by postal vote), after the results of the Z-Votes are known: voters in each constituency can select 2 Candidates out of the whole range of candidates of this constituency (≤ 10)
- 2 The seats of each party in each of the 16 States (determined above) are assigned to the state candidates of the party in descending order of the overall constituency \mathcal{E} -percentages achieved by the candidates of each party until the number of these party seats is exhausted.

This is the bottom-up element under pure proportional voting made possible through vote splitting (mixed proportional voting) and an \mathcal{E} -vote which is not used for direct mandates through majority voting anymore.

- 3 On the federal level: voters can give + or - votes to two candidates on the national level, thereby moving them up or down in the lists determined above.

Some Math: the 'Visible Hand' of representative voting:

Let $s_{jk} = \frac{V_{jk}}{V_j}$ the (valid) votes for party j in state k relative to their country-wide votes V_j and $S_{jk} = s_{jk}S_j$ the number of seats given to state k by party j out of their pool $S_j = 6(100\frac{V_j}{V} - 2)$. with V the number of total valid votes. The number $S_k = \sum_j S_{jk}$ is therefore the number of seats of the Bundestag allocated to state k . By the choice of $S=600$ we have in the above calculations that 1% of votes is equivalent to six seats in parliament. This gives for the total number of seats of state k in Bundestag:

$$S_k = \sum_j S_{jk} = \sum_j \frac{V_{jk}}{V_j} S_j = \sum_j \frac{V_{jk}}{V} S = \frac{V_k}{V} S$$

This differs from the traditional choice $S_k = 600 \frac{V_k^{pot}}{V^{pot}}$ which is the the relative number of potential voters and it implies that the party-focused seat allocation rule of the elected parties maximizes the performance of a state in the Bundestag if, ceteris paribus, the voter turnout of state k is increased (neglecting decimal points).

Representative Democracy: much more than just the 'capable to act' result of majority voting systems

- 1 **purely proportional** choice of at most 5 parties by the Z-vote
- 2 **bottom-up** elections of the political elites through vote-splitting and the E-vote
- 3 federal- or state-oriented distribution of parliament seats on the party-level (also applicable to the EU-parliament!)
- 4 creative destruction and evolution through Schumpeterian political entrepreneurs
- 5 **capable to act** through the (only) in Primaries given restrictions: 5% hurdle, 5 party limit
- 6 'Evolutionary Stable' through core program protection, preset top 12, additional state-level controls, and the citizenship implications of this type of democracy
- 7 no need for 'incomprehensible' math, but up to 4 selected representatives in order to get **transparency** in the selection problem caused by decimal-points
- 8 selected representatives do enrich democracy!

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Abbreviations:

- 1 E = Erststimme = First Vote on the German Ballot
- 2 \mathcal{E} = Erststimme = Electronic Analogue
- 3 Z = Zweitstimme = Second Vote on the German Ballot
- 4 C = Christian Democrats, L = FDP = Liberals
- 5 D=Direct, S=Seats
- 6 MV Majority Voting (Majorz)
- 7 PV Proportional Voting (Proporz)
- 8 AT, CN, etc.: Austria, China, etc. the country-specific email extension (exception: USA)
- 9 MLK Martin Luther King