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Introduction

New forms of democratic decision-making such as direct democracy spread worldwide. They are seen as complements to representative democracy and expected to cure some of current democratic malaises, e.g. growing economic inequality (Norris 2011; Geissel/Newton 2012). Democracy has been traditionally considered as a political system enforcing equality, i.e. leading to more equal income, wealth and education. Over the last decades this seems to be no longer the case and socioeconomic inequality increased in many democracies (Bartels 2008; Piketty 2014). Can direct democratic reforms inhibit this development?

Regarding the impacts of direct democratic instruments on economic inequality, scholars make two contradicting assumptions. On one hand, they assume that direct democracy decreases economic inequality. It guarantees responsiveness of the political system towards the majority of the citizens and provides them with the opportunity to act as a counterpoint to potentially corrupt political elites (Matsusaka 2004; Kriesi 2008; Budge 2012). Also, direct democracy is believed to benefit 'the people' in general, as voters are expected to prefer policies that profit broader ranges of society to policies that only advantage privileged groups.

On the other hand, direct democracy could lead to more economic inequality, since well-paid and educated citizens can afford bigger campaigns and participate more often in referenda than less-privileged (Merkel 2015). When well-off citizens vote according to their interests, the less-privileged might be worse off than before. Both argumentations appear convincing. To shed light on this debate we will look at the relationship between direct democracy and economic inequality empirically.

The conceptual background of our study is a 'target-oriented' concept of democracy. It is based on the assumption that the main characteristic of democracy is not the selection of representatives out of competing candidates or parties, but the fulfillment of so-called 'targets of democracy'. Those targets are collective, legitimate will-formation and decision-making generating a 'reasonable' amount of socioeconomic

equality. Departing from this concept, we analyze which democratic instruments and procedures fulfill which targets of democracy. In this paper we ask: If we agree upon socio-economic equality being a target of democracy, does direct democracy help to reach it?

Previous research results: rare and mixed

Up to now, there is only limited empirical evidence on the effect of direct democracy on economic inequality. Most studies compare (federal) states with different degrees of direct democratic options, mainly cantons in Switzerland and states in the USA. These studies analyze whether and to what extent equality differs between these (federal) states. This approach is based on the assumption that the presence or absence of direct democratic options explains these differences (Lutz/Hug 2006; Berry 2015). Other scholars compare the impacts of direct democracy on policies, which most likely influence economic equality, like tax and fiscal policies or social, educational, welfare and health policies (Wagschal/Obinger 2000; Freitag/Vatter 2006; Moser/Obinger 2007; Vatter 2007; Hug 2011; Kriesi 2012).

Studies on Swiss cantons and US states showed that federal states with (more extensive) direct democratic options invest less in social spending and redistribution of wealth than states with less or no direct democracy (Moser/Obinger 2007; Berry 2009; Matsusaka 2004; Freitag/Vatter 2006). However, at least in Switzerland, these policy differences did not influence the actual level of income equality (Feld/Fischer/Kirchgässner 2010). Cantons with less direct democratic options are not 'more equal' compared to more direct democratic cantons.

This said, there are several gaps in the literature regarding direct democracy and economic inequality. First, most studies are limited to Switzerland and the USA, which make generalizations impossible. Exceptions comparing a larger number of countries are rare (Blume/Voigt 2012; Blume/Müller/Voigt 2009). Second, most of the studies focus on direct democratic options. But in our view, it is also important to consider how these options are used in practice, because some legally existing options might have never been used, e.g. because of high thresholds. Options for and use of direct democracy do have indeed different effects (Altman 2015; Gherghina 2017). Examining the effects of direct democracy on equality requires to pay attention also to

the actual use. Last but not least, the study by Blume and Voigt (2012) hints to the possibility of different effects of different instruments (citizens' initiatives, top down referenda, mandatory referenda) on economic equality. Up to now, those instruments are seldom analyzed separately.

Closing the gaps: our past, present and future work on the issue

As a first step towards closing those research gaps and answering our research question, we analyzed the relation between options for and use of direct democracy on economic equality (Gini coefficient) around the world (2015). Additionally, we scrutinized whether different direct democratic instruments provide different impacts on equality. Which argumentation proves to be right?

Direct democracy correlates positive with equality, even when you take into account other important control variables like quality of democracy, education, GDP/capita and use of technology. The options for certain procedures alone don't make a difference, only the combination of options and use has a positive impact (Altman Index, Altman 2015). This strengthens our point that it is decisive to look at the actual use of direct democratic instruments instead of only at their existence in law (options).

The influence of direct democracy on economic equality is stronger in OECD states than in non-OECD countries, i.e. the option for and use of direct democracy increase economic equality to a greater degree in stable democracies with stable economies. Regarding the effects of different direct democratic instruments, the empirical evidence is mixed and does not provide a clear picture.

Conclusion

Our study was one of the first attempts to scrutinize the relationship between direct democracy and equality world-wide. It shows that people who claim that direct democracy is always promoting inequality do not tell the whole story. Direct democracy correlates with more equality when you look at a broader range of countries – contrary to findings on Switzerland and the USA.

However, there are several caveats and flaws of our study that should be worked upon. Different indices for measuring direct democracy as well as for measuring economic

inequality could be used, not just the Altman-Index and the Gini coefficient. The causalities and mechanisms behind our empirical findings need to be investigated in more detail. There is also a number of additional control variables that could be taken into account; and the time frame should be broadened.

To get an overarching impression of the effect of direct democratic instruments on equality, it is not enough to compare countries, states or cantons with different direct democratic options. Instead, we argue that the actual outcomes of popular votes around the world need to be analyzed before formulating generalizable findings. Therefore, we are currently working on a project on the impacts of direct democracy (options as well as use) on equality, funded by the German Research Foundation. We incorporate not only socioeconomic, but also legal and political equality as well as equality in relationships. The results will hopefully enable us to make profound judgements about whether the existence and use of different direct democratic instruments influences equality.

Another academic duty is to analyze the effects of other democratic innovations, e.g. electoral reforms, dialog-oriented procedures or online participation, on economic equality. Maybe some of them perform better than direct democracy in achieving equality? Is there a possibility to merge different democratic procedures like a model kit and take the best of every method? So, a lot remains to be done in the analysis of the effect of democratic innovations on economic inequality. But as claims for more democratic innovations are raised all around the world, the question of their effects deserves further investigation.

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