

Forthcoming GOVERNANCE

(1/31/00)

VETO PLAYERS AND INSTITUTIONAL ANALYSIS

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\* I would like to thank the Academic Senate of UCLA for research support, and Chiache Chang and Chris Jensen for research assistance. Barry Ames, Miriam Golden, Simon Hug, Macartan Humphreys, and Peter Lange provided many useful comments.

## VETO PLAYERS AND INSTITUTIONAL ANALYSIS

The veto players theory can be used to analyze all political systems regardless of regime (presidential or parliamentary), party system (one-, two- or multi-party), and type of parliament (unicameral or multicameral). This paper develops the veto players theory to account for a series of important political phenomena: the difference between majoritarian and supermajoritarian institutions; the importance of absenteeism, or of political marginalization; the importance of agenda control and referendums; the reasons for government stability (parliamentary systems) and regime stability (presidential systems); the reasons for independence of bureaucracies, and judicial independence. All these phenomena are analyzed in a coherent way, on the basis of the same framework. Empirical evidence from existing literature corroborating the theory is provided.

## VETO PLAYERS AND INSTITUTIONAL ANALYSIS

Political systems differ widely in several dimensions. Some of them are democratic and some are not. Within democracies, some of them have a popularly elected President, and some do not. Some of them have a bicameral legislature, while others have a unicameral one. I could go on multiplying the differences: two or multiple parties, independent and strong or weak bureaucracies and/or judiciaries, etc..

Political scientists have confronted these differences by creating typologies of phenomena. For example, they classify regimes as Presidential or Parliamentary (adding sometimes semi-presidential ones as an intermediate or as a distinct category) (Linz, Horowitz, Duverger). Similarly, they classify party systems as two party or multiparty systems (Duverger), or using more elaborate categories (Sartori).

Some years ago I introduced the veto players framework (Tsebelis 1995a, b) in order to compare across different systems and put an end to the proliferation of parallel debates that occurs when political scientists compare political systems along a single dimension.<sup>1</sup> My idea was to start from the final policy outcome of any political game. If different characteristics of political systems are significant it must be because of the effects they have on policy outcomes. Every new policy outcome is a departure from a previous policy outcome or as we will say in the remainder of this article, from a status quo. For the status quo to change, a certain number of individual or collective decisionmakers has to agree to this change. For example, in order to change legislation in Greece, the Parliament, which is a collective player, has to vote in favor of a new law. In contrast, to change legislation in the United States, the House, the Senate, and the President (two collective players and one individual player) have to agree. Alternatively, qualified (2/3) majorities in the House and the Senate can overrule any disagreement with the president.

Veto players are individual or collective decisionmakers whose agreement is required for the change of the status quo. On the basis of this definition, I was able to

identify veto players in different political systems and generate expectations concerning any particular combination of institutional characteristics, like unicameral multiparty presidential (Guatemala), to bicameral two-party presidential (USA), to unicameral multiparty parliamentary (Greece), to bicameral two-party parliamentary (Australia).

Further elaboration of the veto players theory can be found in Tsebelis (1995a, b) and an empirical application on labor legislation in Europe in Tsebelis (1999). In the body of this paper I will summarize some of the previous findings and further the analysis to cover a series of rules I did not address in the past. These rules cover decision by qualified majorities, agenda control, referendums, as well as the consequences of veto players on other institutions (bureaucracies, judiciary). More specifically, the analysis proceeds as follows: Section I presents some of the previous findings under majority rule, and explains the difference between a majoritarian and a veto players framework. Section II discusses how to count veto players in the presence of multiple institutional and partisan structures. In this section I address questions like: is the Congress of the United States one or two veto players if the same party controls both chambers? What difference does it make if a socialist party is added in a socialdemocratic/communist coalition? Section III addresses the problem of qualified majorities. The issue is very important in considering the overruling of presidential vetoes as well as in bicameral negotiations. Section IV addresses the question of who controls the agenda of legislative change. On the basis of the analysis, we will be able to make further comparisons between Presidential and parliamentary regimes, as well as discuss questions generated by the legislative role of referendums. Finally, Section V addresses more general questions of the interaction of veto players with other characteristics of a political system (bureaucracies, judiciary) as well as policy effects of veto players, and presents empirical work that corroborates the expectations generated by the theory.

## I. VETO PLAYERS AND MAJORITARIANISM

In the remainder of this article, with the exception of section V, I will focus on one important dependent variable: how easy it is to change the status quo under different institutional arrangements. I focus on this variable for two reasons: First, because other social scientists have argued that it is important. For some (mainly political scientists), the variable is called responsiveness of the political system. The argument is that political systems ought to be able to adapt to new conditions, and therefore change existing policies when the situation requires it. For others (mainly economists), the political system ought to be able to credibly commit that it will not alter the rules of the game and interfere in the arrangements that private actors are making. The first are interested in policy change, the second want “rules rather than discretion.” I want to underline here that this is a sufficient reason for me to go on with the analysis, because it indicates that I am engaging a vast stream of literature. However, the second reason is even more important: As I will demonstrate in the last part of this essay, the capacity of the political system to change the status quo has significant effects on other characteristics of the system, like independence of the judiciary, and power of bureaucracies, government or regime stability. If the political system cannot produce change, the government or the regime may have to be replaced, or judges or bureaucrats may step into the political vacuum and legislate themselves.

Two more preliminary points. First, while most of the literature on policy change and policy stability has a serious normative component, I do not wish to follow suite. In fact, my normative argument is that sometimes policy stability is desirable, and others, policy change is necessary. The point of view crucially depends on the position of the status quo. If the observer likes (dislikes) the status quo, the she dislikes (likes) change, and likes (dislikes) policy stability. It seems trivial, but I have been surprised by how often people ignore this tautology. The second is that institutions are sticky and as I will demonstrate they are located in one particular point of the continuum of stability and

change. Institutions that permit change may also lead to the replacement of a desirable status quo, and institutions that promote stability will make the change of even an undesirable status quo difficult. For example, as I will argue below, the American constitution promotes policy stability and if one likes this constitution (as most Americans do) it makes no sense to blame the Congress and the President because very little is happening in the policy arena. With these preliminaries out of the way, let us move to the study of policy stability of different political systems.

Consider a two-dimensional policy space and a simplified parliament composed of 5 parties with 20% of the seats each. Consider also that the parties are unified (all representatives have the same preferences, so each party has a single ideal point). Finally, consider that the parties have Euclidean preferences, that is, among any two points they prefer the one closest to their ideal point, which would result to them being indifferent between two points that are equidistant from their ideal point (circular indifference curves). Consider also the status quo located in the position indicated in Figure 1.

INSERT FIGURE 1 HERE

Under the conditions described in the above paragraph, we can identify the set of points that can defeat the status quo by majority rule, the majority winset of the status quo. If we call the set of parties 1-5 (deciding by majority rule in this case) a collective veto player, the winset of the status quo is the set of points that this collective veto player prefers over the status quo. This winset of the status quo can be identified by the intersection of any three of the five circles (indifference curves) that go through the status quo. In the Figure I have shaded all such points. The size of this area is a proxy for the capacity of a political system to promote change. Indeed, if the majority winset of the status quo is empty, there is no possibility for change. If the majority winset is large, then, there are many candidates for change, and even if some of them are excluded for some exogenous reason, many more remain as viable candidates. The shape of the majority winset of the status quo is irregular, but it can be inscribed in a much simpler curve.

Ferejohn et al (1984) identified a centrally located circle (in multiple dimensions, hypersphere) inside each collective player which they called the "yolk".<sup>2</sup> The size  $r$  of the radius of the yolk is usually very small, and in general it decreases with the number of individual voters with distinct positions (Koehler 1990). If one calls  $C$  the center of the yolk of a collective actor and  $d$  the distance of the status quo (SQ) from  $C$ , the winset of SQ for this actor is included in a sphere of center  $C$  and radius  $d+2r$ .

There are two important points that can be underlined from the above analysis. The first is that on the basis of the above reasoning we can replace (in fact, approximate because we are using a circle that includes  $W(SQ)$ ) collective decisionmakers who decide under majority rule like parliaments or parties by single idealized decisionmakers. Instead of thinking about the House of Representatives in the US Congress, we can think of a fictitious point centrally located (center of the yolk), and instead of identifying 435 indifference curves for all the representatives, we can draw one circle and we will know that the majority winset of the status quo will be located within this circle. In fact, the situation turns out to be extremely felicitous, because as the number of representatives increases on the average, the circle that contains the majority winset of the status quo shrinks to the circle with center  $C$  going through the status quo (that is there is a perfect match between the collective and the idealized individual player).

#### INSERT FIGURE 2 HERE

Figure 2 provides a reasonable approximation of the American political system. The House and the Senate are replaced by their fictitious representatives (centrally located among the ideal points of the real ones), and the indifference curves of these representatives are drawn. The reader can verify that if  $H$  and  $S$  were individual veto players no change of the status quo would be possible (SQ is located in the Pareto set of the three veto players). Because  $S$  and  $H$  are collective veto players, some incremental changes of the status quo may be possible, even though SQ is in the PHS triangle.<sup>3</sup> This

very simple picture would explain why the ambitious Clinton healthcare plan failed, while small changes were subsequently possible.

The second important point is that we can compare what could happen in the opportunistic parliament of Figure 1 where coalitions were made and broken all the time, with a more stable parliament, where a government of parties 1, 2, and 3 was selected and it had a stable majority to support it. In this case, parties 1, 2, and 3 would have been the veto players (each one of them is necessary for the majority) and the outcome would have been located in a much smaller area, the intersection of circles through 1, 2, and 3 (heavily shaded area).

In other words, when we move from the first situation when all three party coalitions were possible to the second when only one is possible, the majority winset of the status quo shrinks. In veto players terminology, we are moving from one collective veto player to three individual ones, and the possibility for change is reduced.

Let me again use a real life political example to drive home this point. In 1987 the countries participating in the European Union signed the “Single European Act” which among other things introduced a qualified majority voting in the Council of Ministers (the Union’s decisive legislative institution). While qualified majority voting was theoretically permitted before, it was not in effect because an agreement (Luxembourg compromise) had made decisionmaking by unanimity the norm in the Council of Ministers. As a result of the new rules, hundreds of pieces of legislation were introduced, and the single market was completed in Europe within five years. The example discusses qualified majorities instead of simple majorities, but the main point is that Europe passes from a situation of multiple veto players (every government is a veto player under unanimity rule) to a single collective veto player, and possibilities for change materialized.

Let me recapitulate the major points made in this section. Veto players are individual or collective actors whose agreement is necessary for a change of the status quo. Veto players can be used for the analysis of policy stability in different political



systems as follows: First, as the number of veto players of a political system increase, policy stability increases. Second, the analysis based on individual veto players can be extended on collective veto players deciding by majority rule. In that case, we replace the collective veto player by a fictitious individual, and use the indifference curves of that individual as a proxy for the winset of the collective player. The difference between a parliament that decides by (any possible) majority and one where a stable majority of  $n$  members always prevails, is that the first is a collective veto player (none of the individual members is a veto player since none is necessary for a majority), while the second is a combination of  $n$  veto players (all  $n$  players are necessary for the majority). As a result, the SQ in a parliament with a stable political majority is more difficult to change than in a parliament where different coalitions are possible.

## II HOW DO WE COUNT VETO PLAYERS?

Let us first identify what counts as a veto player. If the constitution identifies some individual or collective actors that need to agree for a change of the status quo, these obviously are veto players. The legislature (one or two chambers) and the independent executive are such players in presidential systems. But what happens in parliamentary systems, where the executive is selected by the Parliament? The dynamics of a Parliamentary system require the agreement of one (Westminster systems) or more (coalition governments) parties for the modification of the status quo. Each one of these parties will decide by a majority of their parliamentary group, consequently, each one of these parties is a (collective) veto player. Here we assume stable majorities, because otherwise we would be talking about a single collective veto player, the Parliament (see previous section).

So, the collective entities that are potential veto players are chambers and presidents (institutional actors) and parties (partisan actors). I have deliberately focused

on institutional and partisan actors that exist in every democratic system, and ignored other potential candidates like courts (in case there is a constitutional review) or specific individuals (influential ministers, possibly army officials) that may or may not exist in particular political systems. I will return to this point in the final section of this article. How are we going to identify all of these players in the presence of real complications of existing political systems? What happens for example, if there is a bicameral system with a stable majority in one chamber and a different majority in the other like it has been the case in Germany for a good part of the last twenty years? Or, what happens if there is a stable government but the President of the Republic has veto power like the President of Portugal or the French President with respect to government decrees?

In this case, we start by the institutional players, and if we know that within one of them not all majorities are possible but only one of them occurs, we substitute this collective institutional player by the (collective) partisan players that compose the stable majority. For example, in Figure 1, if besides the Parliament composed of the five players there was a President with veto power, and if parties 1, 2 and 3 had a stable coalition, then we would have to add the President as a veto player, along with parties 1, 2, and 3. Similarly in Germany, we would start with the two parties that constitute the majority in the Lower House, and if a third party were required for a majority in the upper house, we would add this party as a veto player. And in the cases that the President has a veto power like in Portugal or in France (decrees) we would add one veto player to the required number for a stable parliamentary majority.

Adding one veto player may have significant effects on the size of the winset of the status quo. In fact, it may make it empty. If, for example, in Figure 2 the House and the Senate were individual players, adding the President as a veto player makes the status quo undefeatable. So, we have to learn to assess the impact of different additional veto players. For example, during the cohabitation period in France under President Mitterrand, the right wing majority tried to pass government ordinances and failed

because the President refused to sign. This forced the majority to introduce the same bills as laws in Parliament, eliminating the President's veto (in our terminology, reducing the number of veto players).<sup>4</sup> In Figure 2 eliminating the President (P) enables veto players H and S to modify significantly the status quo. The question of the impact of different veto players is the subject of the remainder of this section.

#### INSERT FIGURE 3 HERE

In previous work (Tsebelis (1995a, b)) I have argued that as the ideological distance among veto players increases, policy stability increases, that is, the winset of the status quo shrinks. Here I want to generalize this proposition. Consider three parties 1, 2, and 3 located in the same line in a two dimensional policy space, and the location of the status quo. It is easy to see that if parties 1 and 2 are veto players, the winset of the status quo is larger than if parties 1 and 3 are the veto players. In other words, as the ideological distance of veto players increases (the distance between 1 and 3 compared to the distance between 1 and 2) the winset of the status quo shrinks. But the same argument can be used to demonstrate that if 1 and 3 are the veto players, endowing 2 with veto powers does not affect the set of possible outcomes. In other words, 2 is a mute veto player when 1 and 3 are veto players. The argument is true for any 2 located between 1 and 3. We will say that 2 is "absorbed" as a veto player by 1 and 3. In fact, if 1 and 3 are veto players, adding any number of points between them as additional veto players does not affect the winset of the status quo. All these veto players are absorbed by 1 and 3. (Tsebelis 1999)

#### INSERT FIGURE 4

This is a generalizable property in any number of dimensions: if a vp belongs in the Pareto set of a set of others (like player 4 in Figure 4), he is absorbed. We can prove this point by contradiction: Suppose that a new vp A belongs in the Pareto set of a system of vps S and that A is not absorbed. The previous proposition implies that there is a point X that all vps in S prefer over the status quo, but A prefers SQ over X. Call X' the middle of the segment of SQX and draw through X' the hyperplane that is perpendicular to SQX.

By construction all the vps in  $S$  are located on one side of this hyperplane, while  $A$  is located on the other, consequently,  $A$  is not in the Pareto set of  $S$ .<sup>5</sup>

So, adding the President of the Republic as a veto player in France makes no difference when the President belongs to the same parliamentary majority, but makes a big difference when he comes from a different majority. Consequently, from a political point of view there is no significant difference between an ordinance and a law when the President and the Parliament have the same political majority (because the President is absorbed as a veto player); there is a major difference when the President does not belong to the same political majority (the President is not absorbed as a veto player). This is the veto players' explanation for the conflict of Mitterrand with the right wing majority presented in page 10.

While the application of these rules seems to be very clear-cut in the French case, this is not the same for the American case. The major reason is that legislative coalitions in the US are not as stable as political coalitions in France. However, in the counterfactual case that there would be homogeneous and disciplined parties in the US, the rules would apply equally straightforwardly: if one party had the majority in all three VPs, then the absorption rule would indicate a single veto player. If one party controls only two of the three VPs then the absorption rule indicates two veto players. In the more realistic case where legislative majorities are not stable, the US is a three-veto players case with variable (over time) distances of the three veto players. In cases where all three players are controlled by the same majority (like the 1993-94 period) the three veto players are close together (but not identical) while in cases where different parties control different chambers the distances increase (Tsebelis and Lin 1998). All this discussion ignores institutional complications like filibuster in the Senate and veto override by both houses. We will address these issues in the next section.

The above discussion concludes the rules of counting veto players. The process works as a three-step procedure: 1. Identify and count institutional players. 2. Replace

institutional players by multiple partisan players if there are stable majorities. 3. Apply the absorption rule and eliminate redundant VPs.<sup>6</sup> While these rules cover the overwhelming majority of cases, they do not exhaust all the possibilities. One major exception is the existence of qualified majority rules.

### III. QUALIFIED MAJORITIES AND EQUIVALENTS

In section I we saw that if a collective player is deciding by majority rule it can be replaced by a fictitious unified player who is located at the center of the yolk of the collective player. However, the indifference curves of this fictitious individual player are  $2r$  wider than the indifference curves of an individual player (where  $r$  is the radius of the yolk). This difference reflects the possibility of different majority coalitions. As a result of the possibility of many majority coalitions inside each collective VP we saw that the American political system can produce incremental changes even if the status quo is located inside the triangle PHS (Figure 2), while if the Senate and the House were single players any point inside the triangle PHS would have been invulnerable.

What happens if decisions of collective veto players are not made by simple majority but by qualified majority? In the appendix I calculate the qualified majority winset of the status quo. The major political conclusions are the following. First, as the required qualified majority threshold increases, the winset of the status quo shrinks. Second, unlike the majority winset of the status quo, which is almost never empty, the qualified majority winset of the status quo may be empty. Third, extremely important for the size of the qualified majority winset of the status quo (if it exists) is the  $q$ -cohesion of the collective player. In one dimension  $q$ -cohesion would be the distance between the median voter and the  $q$ -pivot (two different measures one to the right and one to the left of the median). In multiple dimensions one can think of  $q$ -cohesion as the distance between the center of the yolk ( $C$ ) of a collective player and a fictitious  $q$ -pivot of that

player (Q, the voter that would make or brake a q-majority to defeat the status quo; again this distance varies as a function of the direction of SQ with respect to C). The higher the q-cohesion of a player (the smaller the distance CQ), the bigger is the q-majority winset of the status quo.

When collective veto players are deciding by qualified majorities, all these calculations are necessary in order to identify the location of the winset of the status quo. For example, this is the case for the Council of Ministers of the EU, for the override of a presidential veto in the US, for legislatures with respect to constitutional issues (Belgium), or for the lower chamber to overrule the upper in some countries (Chile, Argentina). However, what is not obvious is that the qualified majority calculations are necessary for some additional cases, which I will call: “qualified majority equivalents”. Let me discuss such cases.

1. Filibuster. While the American Senate formally makes decisions by simple majority of its members, the possibility of filibuster modifies the situation significantly. If a Senator decides to filibuster a bill, the only possibility to end his efforts is a 3/5 vote of the Senate. Consequently, 40 Senators can prevent legislation from being adopted. For any significant legislation to pass the United States Senate, an agreement of the minority party is required (unless this party does not control 40 seats). In other words, the American Senate is a qualified majority (or supermajoritarian) institution. Let us see what difference this “detail” makes.

In the “divided government” literature in American politics some researchers (Sundquist 1988, Fiorina 1992) have argued that divided government will cause a reduction in significant legislation. The argument is very similar to the one proposed here, because divided government means that two of the veto players have significantly different preferences. However, empirical evidence collected by Mayhew (1991) on significant laws does not corroborate the divided government expectation.<sup>7</sup> Mayhew finds that there is no significant difference in legislation between periods of unified and divided

government. Does this finding falsify the veto players theory presented here? The difference between Mayhew's findings and veto players theory can be accounted for if we understand that in the American political system one of the veto players (the Senate) is supermajoritarian. Let me clarify the difference that a supermajoritarian institution makes to the veto players argument. Because of the cloture rule, for every important bill, a minority of 40 senators can block the vote on the floor of the Senate. Consequently, in order for a significant bill to pass, the required support is 60 votes (qualified majority) not 50 (simple majority). It so happens, that historical cases of the minority party controlling less than 40 seats do not exist after 1979 (the three fifths rule was introduced in 1975), consequently all significant bills have to pass through the Senate with some level of bipartisan support. This means that divided government is built-in in US institutions not because of the requirement that all three veto players agree on a particular change of the status quo, but because of the filibuster rule which essentially prevents partisan legislation from passing the Senate. How about bipartisan legislation? Such legislation will pass the Senate (and the House) and is unlikely to be vetoed by the President of either party. In the unlikely occasion that a President vetoes such legislation, the two chambers are likely to have the two-thirds majority required to override the presidential veto. Thus, the supermajoritarian nature of decisionmaking in the Senate explains the peculiarity of US results and places them in comparative perspective. This is the argument that Jones (1998) makes in explaining Mayhew's findings and he adds a finding of his own: that partisan support of a bill in the House, is a major indicator of whether a bill will survive the legislative process. Both findings are consistent with the analysis presented here.

2. Absolute majorities and abstentions. Sometimes, constitutional requirements specify an absolute majority of the members of a Parliament. For example, the European Parliament has to propose amendments by the absolute majority of its members in certain legislative procedures. Similarly, the French National Assembly can pass a vote of no-confidence only by the absolute majority of its members. The German chancellor is

invested (and replaced) by an absolute majority of the members of the Bundestag. If all the members of a legislative body are present and nobody abstains, then an absolute majority and a simple majority coincide. If, however, there are absentee members, or if certain members abstain from the vote, then, the absolute majority requirement is equivalent with a qualified majority of the members who participate in the vote.

Consider that the percentage of “yes” votes is  $y$ , the percentage of abstentions and/or absentee votes is  $a$ , and the remainder  $(1-y-a)$  is “no” votes. An absolute majority requirement translates to  $y > (1/2)/(1-a)$ . This relationship gives the following “qualified majority threshold equivalents.” If 50% of MEPs are absentees, unanimity of votes is required for an amendment to pass. If 33.3% are away at the moment of the vote, the required threshold is  $3/4$ . If 25% of them are absent, a decision requires  $2/3$  of the present MEPs, etc.

Since the absolute majority requirement translates into a qualified majority equivalent threshold in the European Parliament, this institution is sometimes unable to introduce amendments desirable to a (simple) majority of its members. In an institution where absentee rates are high (MEPs have to be in Strasbourg for plenary sessions, in Brussels for committee work and in their constituencies some of the time, not to mention that some nationalities permit second occupations like mayors of cities) an absolute majority can become a really insurmountable threshold. This is the reason why the leadership of the European Parliament has concentrated floor votes on Wednesdays, and made the fight against absenteeism a top priority.

3. Unwilling or undesirable allies and simple majorities. In the French IV Republic (1945-1958), in the height of the cold war, governments often made the statement that if the Communist party voted in their favor they would not count the Communist votes. A statement of that form is equivalent with taking a percentage of votes away from the “yes” column and moving it to abstentions. Again, we are talking about qualified majority equivalence. Alternatively, some parties may refuse to support



any possible government. They are known in the literature as “anti-system parties.” The mere existence of such parties transforms simple majority requirements to qualified majorities. Let me explain this point with reference to Figure 5.

#### INSERT FIGURE 5 HERE

Figure 5 adds one player (6) to the 5 parties of Figure 1 and replicates the positions of parties and status quo that we saw in Figure 1. When discussing Figure 1 we pointed out the difference between the winset of the status quo when all majority coalitions are possible, and when only one (1, 2, and 3) is possible. Now we will address the intermediate case, when we know that party 6 is an antisystem party and will vote “no” against any legislation (proposal to change the status quo). If party 6 always votes no, then the simple majority requirement of  $4/6$  is translated to qualified majority of  $4/5$  (four of the remaining five parties have to agree). In Figure 5, I locate the area where the winset of the status quo is included. The reader can verify by comparing figures 1 and 5 that this qualified majority equivalence substantially decreases the winset of the status quo. In fact, it may make any change of the status quo impossible. Modeling the collective veto player in this case requires the techniques developed in this section, not the simple majorities that we used in section 1.

Modeling some Latin American legislatures may require this technique of qualified majority equivalence. The reason is that Latin American parties are more disciplined than US parties, but less than European parties, and consequently, winning coalitions may exclude some parties (who never support prevailing policies) but use different parties each time. In this case the analyst has to exclude the parties that never participate in majorities and see how the remaining parties form qualified majorities in order to produce the required votes.

To conclude, while qualified majorities per se are not a very frequent requirement, knowledge of the political reality prevailing inside different institutions or political

systems, may lead the researcher to use qualified majority equivalents, and the analysis introduced in this section to model particular institutions or political systems.

The previous analysis identifies completely the bounds of the winset of the status quo under all possible constitutional and political configurations. However, it ignores constitutional and political rules imposing sequence in players' decisions. The next section addresses the issue of sequence.

#### IV AGENDA CONTROL

The sequence of moves in legislation narrows down the location of the final outcome. Because, as I will show below, if one of the veto players selects among the many possible outcomes (controls the agenda) and the others approve or disapprove the selection, then, knowing the preferences of the agenda setter leads us to the identification of the outcome. In addition, the sequence of moves in combination with other characteristics of the system may lead to significant alterations of the number and or the identity of veto players. The remainder of this section is organized as follows: First, I discuss the importance of agenda setting for individual and collective veto players. Second, I apply the findings in a comparison of presidential and parliamentary regimes. Third, I turn to rules regulating the interaction between chambers in a bicameral legislature. Fourth, I discuss the issue of referendums, and point out that understanding referendums requires understanding of "who asks the question?"

#### INSERT FIGURE 6

1. The significance of agenda control. Let us start with the simple case of two individual veto players, and the status quo as depicted in Figure 6. For what we said so far, the winset of the status quo is located in the shaded area generated by two circles with centers A and B going through the status quo. If we know nothing more about how these two veto players are going to decide, we cannot make any additional prediction about which point in the shaded area will be selected. But what if we know the sequence of

moves? What if we know for example that player A will make a take it or leave it offer to player B? In this case the outcome would be point P (A) in Figure 6. Conversely, if individual veto player B made an offer to individual veto player A the offer would be located at point P (B). Points P (A) and P (B) are the points that the players who make the offer prefer over anything else that the other player is willing to accept. We can see that the player that makes the offer (the agenda setter) has the possibility of selecting out of many possible outcomes the one that she prefers the most. This result indicates that there is a significant advantage of agenda setting in politics.

How are these results altered if we are talking about collective decisionmakers deciding by majority rule? Fortunately (for the remainder of this article) not very much. We have already demonstrated that the majority winset of the status quo for each collective player is a circle with center A and B respectively and radius slightly bigger than the distance SQA and SQB. So, no big change in the overall picture. But what about the point that collective player A will select inside the winset of player B (assuming that A makes the offer)? What is the most preferred point of a collective player? This could be a complicated issue.

It is well known (since Condorcet, and certainly since Arrow (1951)) that majority rule can produce cycles, so that it is feasible for a collective player to prefer by one majority outcome X over outcome Y, by another majority outcome Y over outcome Z and by a third majority outcome Z over outcome X. In other words, a collective player has no clearly defined preferences by majority rule. So, if A is a committee and B is the floor, what would the committee recommendation be?

The result comes as a combination of several findings in the social choice literature. First, Thomas Schwartz (1990) has identified the concept of “tournament equilibrium” which is the smallest possible set where the outcome will be located under cooperative decisionmaking when recontracting is possible. In simpler terms, if agreements among individual players are enforceable, and if different players can make as

many agreements as they want, until they agree on an outcome, this outcome will be located inside the “tournament equilibrium” set. Schwartz has shown that the tournament equilibrium is a subset of the “uncovered set” (Miller (1980), Shepsle and Weingast (1984)) that is, the set of points that cannot be defeated both directly and indirectly by any other point. Richard McKelvey has identified the boundaries of the uncovered set in an  $n$ -dimensional policy space: it is a hypersphere (in two dimensions a circle) with radius  $4r$  (where  $r$  is the radius of the yolk). However, his analysis requires that all points in space are available for comparisons. In our case, only the points inside the winset of the status quo for player B are the candidates, so McKelvey’s analysis is not directly applicable. George Tsebelis and Jeannette Money (1997) have solved this specific problem, where only points of the set  $W(B)$  (winset of B) are permissible for comparisons. Indeed, committee A would not consider any other points, because they would not be accepted by the floor B. Tsebelis and Money located the “induced on  $W(B)$  uncovered set.” It is located “in the neighborhood” that a single player would make an offer. That is, if A is a collective player, and if in its internal decisionmaking agreements are enforceable, the proposal will be in the area of  $P(A)$ .

In the first three parts we saw that the fundamental simplification was possible: we could replace collective decisionmakers by individual ones and calculate the intersection of their winsets. Now we see that this fundamental simplification survives the introduction of sequence. Consequently, in the remainder of this section we will use individual players in order to investigate questions of agenda control, knowing that this simplification does not affect significantly the calculations or the results. Let us move to real collective decisionmakers.

2. Presidential and Parliamentary systems. Who is the agenda setter in a presidential system? This is a question that has to be answered for each country and sometimes the answer may vary by issue area. However, by and large in presidential systems it is the Congress that makes a take it or leave it offer to the President. Generally,

the President can accept that offer or veto the bill, in which case some qualified majority can overrule the veto. Tsebelis and Lin (forthcoming) have solved this game of veto and veto override for the American political system. Cameron (forthcoming) has addressed the same issue in the context of repeated games. Here we will consider the simpler game of the Congress making an offer within the presidential winset of the status quo.<sup>8</sup> In this simplified game the Congress is the agenda setter, and the President accepts or rejects the proposal.

Since in Presidential systems Congress is the agenda setter, it follows that it has a significant power to determine the legislative result. In contrast, the President has to confine himself in accepting or vetoing congressional proposals. This argument that the Congress is the agenda setter and the result that the Congress has the upper hand in the legislative interaction may come as a surprise to students of American politics. Textbooks speak about the powers of the president to set the agenda in public debates, and the very term “Presidential system” suggests that the President is very powerful. The terminology in both cases is confusing. I am speaking about a very precise function of Congress that it elaborates legislation, it can modify it at will, and present the President with a fait accompli: the bill as comes out of a conference committee and approved by both chambers. I am not speaking about the attention that media are paying to presidential initiatives. An example may drive the point home: After Hillary Clinton presented her draft of healthcare legislation (on behalf of her husband) the draft of the bill was passed to different congressional committees, and the changes contemplated there were so numerous and contradictory that the whole project was abandoned. This indicates that after two years of drafting legislation, as soon as the project reached Congress there was no draft to begin with. As for the argument that “Presidential system” means power to the President, while presidents have significant powers in terms of foreign policy, commanding the armed forces, and issuing executive orders, the fact that they are always

asking for line item veto power indicates that their legislative influence is significantly lower than Congress'.

Let us move on the other side of the Atlantic and study parliamentary systems. In a parliamentary system, it is the government that introduces legislation in the Parliament. Doering (1995 a, b, and c) has studied extensively the institutional provisions that enable governments to control the agenda. But the bottom line of the interaction between government and parliament in a parliamentary system is that while the parliament in theory can amend a government bill and alter it significantly, the government has significant positional and institutional advantages (see Tsebelis 1995b and Huber 1996), so that the final outcome will be located very close to the government proposal. Consequently, for all practical purposes the government has agenda setting powers in a parliamentary system. The whole debate about the decline of parliaments going on for at least a century reflects this loss of control over the parliamentary agenda.

Another difference between the two systems would be that the legislature and the executive are independently elected in Presidential systems, and consequently may represent different constituencies, but the executive is selected by the legislature in parliamentary systems, so government and parliament represent by definition the same coalition. In terms of veto players, the distance between THE LEGISLATURE? legislative and executive may be significant in Presidential systems but it is zero in Parliamentary systems, and the Parliament as a veto player is absorbed at least if the government has a majority in Parliament. If the government has no stable majority in Parliament (minority government), still the fact that the government parties participate in any parliamentary majority makes the intersection of preferences of the government parties the envelope of the location of the winset of the status quo.

In the case of an oversized coalition, many parties participate in government but not all of them are necessary in any particular vote. I have made the argument in the past that although not numerically necessary, parties are politically necessary for the coalition,

and consequently some parties in government cannot overlook the fact that others disagree with a policy, just because they do not need the votes in some particular occasion. This argument states that all government partners are veto players regardless of whether they are needed in some particular vote. However, occasionally it may be the case that a government party disagrees with some policy without wanting to cause a government crisis. In this case, this particular party is not a veto player, since its agreement for a change of the status quo is not necessary, neither arithmetically, nor politically. Tsebelis (1999) has found that the negative relationship between veto players and the number of significant pieces of legislation is significantly stronger for minimum winning coalitions than for other types of government.

To conclude, on the basis of agenda setting we identified two significant differences between presidential and parliamentary regimes: presidential regimes offer agenda control to the Parliament, while parliamentary regimes offer agenda control to the government. In presidential regimes the executive is elected independently from the legislature, and consequently the executive and legislature are veto players, while in a parliamentary regime the government is formed endogenously (from the Parliament). The combination of endogenous government formation and agenda control by the government absorbs other parliamentary veto players. This statement does not cover other institutional veto players like an independently elected President with the power to veto (Portugal) or opposing majorities in an upper house who has the power to veto (Germany).

Hence, despite the fact that Presidential systems are called presidential (implying power to the President) and parliamentary systems are called parliamentary (implying power to the parliament), there is a significant difference when we consider that the power of agenda setting is that this power is attributed to the supposedly weak actor, empowering them with significant impact over legislation. My analysis would mean that legislation in Parliamentary and presidential systems would have the characteristics of the corresponding agenda setter. For example, in presidential systems since the Congress

elaborates legislation, if parties cannot control their members and each one of them requires specific benefits to go to his/her constituency in order to sign off on a bill, legislation will look like pork barrel. On the other hand, in parliamentary systems if different parties come to substantive compromises and are able to impose these on their members, legislation will have this characteristic of compromise across big social groups represented by different parties. For example, secular parties will combine forces to push education legislation through the Parliament.

3. Agenda control in Bicameralism. In bicameral systems, each chamber examines a bill, and comes to its own preferred solution. The differences between the positions of the two chambers have to be reconciled, and if both chambers have veto power the bill has to be voted in identical terms by both in order to become law. The usual way of resolution of differences is the “navette”<sup>9</sup> system according to which a bill shuttles from one chamber to the other until they agree or until some other method of resolving differences (conference committee, one of the houses overrules the other by simple or absolute or qualified majority, dissolution of chambers and election) is applied (Tsebelis and Money (1997)). Tsebelis and Money present models and produce empirical evidence indicating that all these institutional details have an impact on the final outcome. Their institutional analysis assumes that the two chambers as well as the parties within each chamber are “impatient” that is, they prefer a deal today rather than tomorrow. They produce empirical evidence indicating that real political actors do care about concluding legislative deals fast. The reader should consult that book if she is interested in the effects of impatience. Here I will ignore this factor at the expense of losing the possibility of identifying exactly the effects of different institutions as well as the specific location of the outcome of bicameral bargaining. The relationship between the analysis here and the conclusion of Bicameralism is a difference in scope rather than in substance.

Let me use an example: One major conclusion of Bicameralism is that second chambers make a difference in legislation even when the party composition of the two



chambers is identical and even if one of them has no veto powers, but only the power to delay. Tsebelis and Money (1997) produce examples where upper chambers without veto power like the House of Lords in the UK were able to abort legislation, just by delaying passage until the election in which case the whole issue was abandoned. If second houses can delay legislation and if time is valuable, lower houses would have to make concessions in order to obtain timely agreement. The framework I use here cannot account for these phenomena. For the current analysis the House of Lords cannot affect legislation. However, in a broad comparative perspective, the influence of the House of Lords is significantly smaller than say the German Bundesrat regarding legislation over which it has veto power. These caveats aside, let us focus on the impact of sequence on legislation.

Since we ignore impatience of players, we have to ignore second chamber without veto power, and for the others the fundamental question becomes: according to the rules, in the last round of the navette system which chamber (if any) makes the offer to the other? Let us focus on specific cases to explain these differences.

In the European Union there have been different procedures to produce legislation. Here I will focus on the last two procedural rounds: the cooperation procedure introduced by the Single European Act (1987) and the codecision I procedure introduced by Maastricht (1991). In a very simplified way (one can see Tsebelis 1994 and 1997 for the complications, Scully (1997) for objections, and Tsebelis and Garret (1997) for a rebuttal), the popularly elected European Parliament (EP) and the national government appointed Council of Ministers have to agree on legislation. However, in the last round of cooperation the EP makes a proposal to the Council, while in codecision I the Council makes a take it or leave it proposal to the EP. It follows (in a very simplified way) that the EP is the agenda setter in the cooperation procedure and the Council in codecision I with the corresponding difference in the expected results as we analyzed in the first part of this section.

Usually, when both chambers have veto power, they form a conference committee to iron out the differences. This conference committee submits a proposal for legislation that has to be voted up or down by both chambers. This is the case in Germany, in the US (for major legislation), in Japan, and in the European Union (according to a third procedure we did not mention before: codecision II introduced by the Treaty of Amsterdam). According to our analysis, the agenda setter is the conference committee who has to make a proposal within the winset of both chambers. Since the conference committee is the agenda setter its composition and its decisionmaking rule (simple majority (Germany) or concurrent majorities of both chambers (US), or qualified majority (Japan) or qualified majorities of both chambers (EU; codecision II)) are of paramount importance in identifying the expected result. The rules introduced before about how to count veto players and how to take into account qualified majorities apply now within the conference committee itself.

4. Referendums. Referendums are an alternative procedure (as opposed to use of the legislature) of legislating and consequently changing the status quo. A duly selected question is introduced for the population to answer by a simple yes or no. Obviously, this procedure has significant costs over ordinary legislation, but for the moment we will ignore this complication and discuss how it affects the results at the end of this section.

According to what we have said, the identity of the player who asks the question is of paramount importance. We will examine the two extreme cases of agenda control by one veto player, and agenda control by popular initiative. However, actual referendums may have quite complicated rules of sharing agenda control. For instance, the legislature may adopt legislation before a popular initiative or referendum (shifting the status quo), or may propose its own bill on the ballot etc. We will ignore all these complications, and focus on the two extreme cases.<sup>10</sup>

First, let us assume that it is one particular ex ante identifiable individual or collective actor such as the President (with or without veto power in the normal

legislative process) or one of the chamber of a legislature. In this case, the mere possibility of a referendum (which as a direct expression of popular will overrules all contradicting legislation) is a way of canceling the alternative legislative system. The player that can control the agenda will use the threat of a referendum or an actual referendum (if threats are not enough) to overrule any decision of the normal legislative channels. Consequently, what matters in this case is the player who controls the agenda, the position of the population, and the location of the status quo. Since the population in general is composed by several million people, the winset of the status quo will be approximated by a circle going around the center of its yolk and through the status quo (the radius of the yolk for a big population tends to zero as we said above). Consequently, from this circle, the agenda setter can select the point (for an individual agenda setter like a president) or the set of points (for a collective agenda setter like a legislature) that they most prefer which will be approved by the population.

The simplifications in the described procedure are obvious. I assumed that we know the preferences of the public and that there are no costs for the referendum procedure itself. Because there are costs, referendums will be used only in cases where the normal procedure would produce results significantly different for the agenda setter, and because the agenda setter is not fully informed about the positions of the public sometimes referendums will fail (will produce “no” as the answer) as De Gaulle discovered to his chagrin in 1969.

Let us now turn to the case of popular initiative referendums. “Popular initiative” means that different groups compete for the right to be the agenda setter. As we saw before, being the agenda setter in a referendum means in principle that you can select any outcome in the circle representing the winset of the median voter. If the status quo is not particularly liked, this will make for a pretty big circle. There would be many groups desiring to control the agenda. These groups would have to compete with each other, and there are rules as to who can compete and who succeeds in the process. There are also

rules as to what happens if groups with different preferences are able to place questions on the ballot, and the process produces conflicting answers (as is possible, since different majorities may prefer different solutions to the status quo).

The above analysis indicates the significance of rules attributing agenda control rights. If the agenda is controlled by extremist groups, the outcomes of referendums over time can be unsatisfactory. If, conversely, the agenda setters are located close to the yolk of the population, their proposals will be close to this point, and over time (assuming stability of popular preferences) the results will be stable. I do not know the rules of placing questions on the ballot in different countries or states. Let me however describe two different processes that are likely to produce very different outcomes. In both cases, a question can be placed on the ballot if a sufficient number of signatures are selected in support of an initiative. In order for these signatures to be selected there are two substantive ingredients: money and volunteers. A process that permits hiring employees to collect signatures invites rich candidates for agenda setters. If these people or groups are willing to spend significant amounts of money to alter the status quo they must be located away from it, in fact, on the other side than the center of the yolk of the public. Over time the result would be oscillation of legislation from one extreme to the other. A process that relies on volunteers exclusively reduces the dangers of political extremism since only questions about which a significant percentage of the population feels strongly would be placed on the ballot. Of course on polarized issues this process runs the risk of having two extreme proposals on the ballot (let's say one pro-life and one pro-choice), but given the assumed distribution of preferences in the public I do not see what would reduce the risk of confrontation.

To conclude, who controls the agenda on referendums is extremely significant. In the above discussion we considered only two extreme cases, and in the case of popular initiative we ignored the capacity of existing veto players to influence the agenda. In both cases the population decides, and the outcome will be located in a circle with the center

of the population's yolk and radius the distance of the status quo from the center of the yolk. However, if the agenda setter is an ex ante identifiable player it cancels the normally existing veto players and selects on the basis of his own preferences. If the agenda setter is determined endogenously (through the competition of different groups to place an issue on the ballot), the outcome will approximate the center of the yolk of the population depending on the rules of selection of admissible questions.

This section concludes the discussion of how one can apply the veto players framework in order to understand policy changes as a function of the institutional rules of the game, the preferences of different actors and the location of the status quo. In particular, while in my previous work I restricted the analysis only on individual actors and collective actors deciding by majority rule, here I introduced all other forms of decisionmaking, like qualified majorities, qualified majority equivalents, sequence of moves and referendums. Also, I was able to provide a general form of the absorption rule, that is the conditions (relating to the preferences of the actors) under which a formal veto player does not add anything in the analysis and can safely be dropped. Now I want to generalize the implications that a model about policy stability has for the analysis of political systems.

## V VETO PLAYERS AND POLITICS

In this last section of the paper, I will discuss the wider implications of the veto players framework, the empirical evidence that provides credibility to this framework, as well as the advantages of the veto players lens for political analysis.

1. Implications. The veto players theory is a framework for the analysis of the effects of political institutions. According to my analysis, veto players per se do not produce any particular political results. They just slow down or facilitate policy changes. For the most part, policy results change because of which among the veto players controls the agenda and which are reduced to passive approval. But even the knowledge

of sequence of moves does not permit a researcher to predict the possible outcome of legislation (and consequently policy change) unless the researcher knows two additional elements: the preferences of the different actors involved, and the position of the status quo. Let me discuss these two points one at a time.

The preferences of different actors are necessary in order to see whether these actors (regardless of institutional structure) have an interest in changing the status quo or not. For example, if the preferences of the different veto players surround the status quo (the status quo is in the Pareto set of the veto players), whether they are close to it, or far away from it, no change or only incremental change is possible (depending on whether the veto players are individual or collective). If the preference of one of the veto players is located close to the status quo only incremental changes are possible. If the preferences of all veto players are far apart and in the same direction relative to the status quo, then significant changes are possible.

It is possible that several of the above statements (or even all of them) are true in the same country at the same time, but for different issue areas. For example, a government coalition may have similar positions on social policy, but not on religion or on education. For example, social democratic and Christian democratic parties would agree in pension reform, but not on (religious or secular) education. One would expect such coalitions to produce many significant pieces of legislation on social policy if the status quo is away from their ideal points, and not produce legislation on education regardless of where the status quo is.

Let me now discuss the position of the status quo. It is possible that the location of the status quo is identifiable a priori. For example, if there is a legislative provision in a country that in the absence of a voted budget the amounts allocated in the previous year's budget are reallocated in the current year, then, the status quo for any particular year is the previous year's allocation. This is exactly the approach that Bawn (forthcoming) adopts

in her paper measuring the changes of allocations of resources in the German budget (see discussion below).

Alternatively, the status quo may not be identifiable a priori. For example, a law on health and safety of workers may affect the social rights of workers (if for example it expands healthcare on issues of mental health), the conditions of work in the working place (if it specified different standards or different burden of proof for accidents), worker's compensation, leave and/or pay of pregnant women, etc. Each one of these issues may have been included in a different law; in addition, each one of these laws, may have included additional provisions and may have been adopted by a different government. In this case, what the status quo is, depends on what is contained in the new law. In this case, it is difficult to make predictions about the exact location of the status quo or the new bill, although retroactively we can explain what happened. But predictions are not altogether impossible. If one knows the number and location of different veto players, one can aggregate for all possible positions of the status quo, and offer an "on the average" expectation. If for example, the location of veto players spans across the political spectrum, changes from any status quo are impossible, unless the status quo represents an anachronistic situation, that is, unless all veto players want a change in the same direction. This "on the average" expectation as a function of institutional structures is adopted by Tsebelis (1999) in his analysis of labor legislation in Europe (see discussion below). This paper provides the rules of how to generate such "on the average" expectations. Let us now move to the implications of the veto players theory.

The veto players theory expects policy stability (impossibility of significant change of the status quo) to be caused by many veto players, by big ideological distances among them, by high qualified majority thresholds (or equivalents) in any collective veto player. This is a short hand description, because as the absorption rule has demonstrated, it is possible to add veto players without affecting the size of the winset of the status quo. I will use the term "many veto players" to indicate any combination of the above

conditions. Obviously, the more of these conditions obtain, the more the characterization “many” is strengthened, and the results are clear-cut (policy stability increases).

My argument connecting veto players with policy stability is distinct from the standard argument in political economy connecting veto players with government deficits, or inflation (Roubini and Sachs 1989, McCubbins 1991, Alt and Lowry 1994). The argument that connects veto players with specific deficit policies is a variation of the standard prisoner’s dilemma game, where more players find it difficult to coordinate and reach the socially undesirable equilibrium. My argument is that the winset of the status quo will be small and countries with many veto players will engage in only incremental policy changes. It would be better to see where each one of these two arguments leads in terms of inflation or deficit: the collective action argument connects many veto players with high inflation or high deficits. My argument expects such countries to have higher levels of policy inertia. Consequently, if some country with many veto players happened to have low inflation or low deficits (in the past) it will continue to do so. Let us take such a case: Switzerland. This country is a falsifying instance of the prisoner’s dilemma game, but a corroborating instance of my theory.

Why care so much about policy stability? Because it is in turn linked with a series of other political phenomena. As a result of policy stability (that is, the inability to adapt to exogenous shocks), coalition governments with many veto players and big ideological distances, or in parliaments with qualified majority equivalents (anti-system parties) will be short lived. A similar argument can be made about regime stability in presidential systems. Because the regime cannot adapt to sudden changes of the status quo, it may fall. In addition, if a government is unable to produce significant laws (policy stability), the judiciary will step in and play a more important role in countries with many coalition governments than in countries with single-party governments. Furthermore, bureaucracies will be more independent during coalition periods than during single-party governments. Figure 6 presents all these arguments in a summary way.



INSERT FIGURE 7 HERE.

Figure 7 presents the full-fledged version of the theory: veto players affect policy stability, which in turn affects significant characteristics of the political system: government or regime survival, independence of bureaucracies, and independence of the judiciary.

Let us take this last relationship between many veto players and independence of the judiciary and investigate it further. Courts issue interpretations of statutes or of the constitution. If a Court makes constitutional interpretations, then it has to be considered another veto player. The political system has to find out whether some particular change of the status quo will cause the Court to invalidate based on its interpretation of the constitution, and avoid such changes. An interesting example was the French Constitutional Court during the shifts of parliamentary majorities from left to right. During this period, the Court was exercising a moderating influence to both political coalitions, and the parliamentary majorities ended up including the Court's exact wording in particular laws so that the Court would not invalidate their decisions (Stone 1992).

If however courts make statutory interpretations, then they can be overruled by legislative majorities (if such majorities exist, as we will discuss below). It may be the case that the Court itself decides whether it will base its decision on the constitution (making it extremely difficult for the political system to overrule it) or to some particular law (inviting thus the political system to change the status quo if it dislikes the interpretation). Such decisions from the judiciary take into consideration not only short but also long term consequences. If a Court uses the constitution all the time in handing down its decisions it essentially invalidates the political system, and a reevaluation of the court's role may be forthcoming. Consequently, in areas with dense judiciary interpretations of the constitution, one may want to include the court as an additional veto player.

If the court is not a veto player, then it's freedom to interpret statutes increases as the number of veto players increases. The political system itself is incapable of modifying a status quo located on the Pareto set of the veto players (by definition at least one of the veto players will disagree with such a modification). Consequently, the Court may interpret statutes any way it wants within the Pareto set of the veto players, without any fear of being overruled. Let me use the examples of the USA and the EU to illustrate this point. The most important political transformations in American politics since the Second World War have been introduced by the Supreme Court. Indeed, the Court decided on school desegregation first, and the Court decided on women's reproductive rights and the right to privacy. How were such important transformations through the judiciary possible? Because the American political system has many veto players, and consequently important political decisions cannot be made easily. Consequently, the Court can (if it chooses) step into the political void and essentially legislate without fear of being overruled.

The situation in the EU was similar. From the sixties until the mid eighties, the legislative decisions required<sup>11</sup> unanimity of the countries members. As a result, the political system was unable to take significant decisions, and European integration was pushed through by the European Court of Justice, which handed down its most important decisions. From the mid-eighties on, qualified majority replaced unanimity in the EU, and the role of the ECJ declined.

A similar argument can be made about bureaucracies. Many veto players create space for bureaucrats to play their principals against each other.<sup>12</sup> Consequently, in systems with many veto players bureaucrats have more freedom to interpret the law. This argument has been advanced by Hammond and Knott (1996). Moe (1993), and Moe and Caldwell (forthcoming) on the other hand, start from similar premises, and reach apparently opposed conclusions. They compare presidential and parliamentary regimes, using the UK and the US as archetypal systems, and argue that parliamentary regimes will

have fewer bureaucratic rules and more independent bureaucracies than presidential regimes, who will have extremely detailed laws and procedures reducing the autonomy of bureaucrats.

The contradiction is more apparent than real: Single veto players do not need detailed descriptions of bureaucratic procedures written into laws. The party in power can decide how the bureaucracy is going to work, and for the bureaucracy, there is no difference whether it is written in the law or in a ministerial decision. In addition, crystallizing procedures into laws for the next government makes no sense, because the new government can easily write new laws, or issue new ministerial instructions. So, single veto players will not need to restrict bureaucracies through legal procedures.

Multiple veto players on the other hand, will try to crystallize the balance of forces at the time they write a law in order to restrict bureaucracies as much as they can. How restrictive the procedures will be depends on the level of agreement among these veto players. For example, their disagreements may be not only political, but also institutional and procedural. In this case, if there is a law it will be quite general, giving leeway to the bureaucrats. For this reason, existence of multiple veto players does not guarantee detailed procedural descriptions written into the laws.

In conclusion, the reason that the veto players' theory increases significantly our understanding of politics is not only that it explains policy stability, but that from policy stability a series of other important characteristics of a political system follow. The role of the judiciary, the role of bureaucracies, and government or regime stability are connected with the veto players of a political system in the ways depicted by Figure 6, and analyzed in this section.

2. Empirical corroboration of veto players. Empirical research has already corroborated most of these predictions both with respect to policy stability and with respect to the other politically relevant variables discussed above. With regard to policy stability, Kathleen Bawn (forthcoming) in an elegant article on government spending in

Germany, categorizes issues as pro-SPD and pro-CDU/CSU and demonstrates that participation of the SPD in the Grand Coalition in 1966 had as a consequence a significant increase in pro-SPD spending, but that this spending remained constant in 1969, despite the fact that the SPD became the main party in a coalition government with the FDP. This finding is consistent with both Bawn's hypothesis that the FDP seeks to reduce spending and the veto players theory. Similarly, Mark Hallerberg and Scott Basinger (forthcoming), in an empirical article on one significant area of legislation -- the reduction of business and highest-income personal taxation in advanced industrialized countries, 1986-1990 -- discovered that tax reduction was more decisive in countries with single-party governments (whether of the right or of the left). Amie Kreppel (1997) found legislative output in Italy negatively correlated with the number of parties in government. George Tsebelis (1999) has identified "significant" bills related to labor in sixteen European countries. He demonstrated that the number of significant bills are inversely correlated to the ideological distance of the different veto players (coalition partners, Presidents with veto power, upper house with veto power and different composition than the lower one). The relationship remains statistically significant when one controls for government duration and for the ideological distance between the current and the previous government (alternation).

Robert Franzese (1996), in a thorough analysis of budget deficits in advanced industrialized countries, identified that countries with many veto players are locked into the same deficit pattern (i.e., the ones with high debt have high deficit (like Italy), while the ones with low debt have low deficit (like Switzerland)). On the other side of the coin, countries with single-party governments (whether majority or minority) can move away from pre-existing patterns (i.e., they have high or low deficit, regardless of the level of their debt). Daniel Treisman found a similar pattern with respect to inflation and federalism. In the 87 countries he examines in the seventies and eighties period, federal countries (i.e. countries with many veto players) lock in patterns of inflation the following

way: advanced industrialized countries have low inflation, but developing countries have high inflation. His explanation is: "In some (mostly developed) countries, federal structure helped to "lock in" the depoliticized monetary policy and low inflation of the early post-war years. In other (mostly developing) countries, it locked in the politicized monetary policy and deficit spending that collective action problems fostered." Both Franzese's and Treisman's findings can be considered as crucial experiments between the veto players theory presented here, and the prisoners' dilemma version of the argument presented by other authors. Both papers corroborate the arguments presented here, and falsify the veto players as prisoner's dilemma theory.

Finally, most of the chapters and certainly the introduction and conclusions of Do Institutions Matter? (Weaver and Rockman 1993) claim that countries with multiparty parliamentary systems respond to exogenous shocks in a way similar to countries with presidential systems. This finding is also consistent with the veto players theory.

With respect to other variables, Paul Warwick (1994), applying state-of-the-art techniques, has found that the ideological distance between government partners has a negative effect on the duration of government coalitions in parliamentary democracies. When he includes both government and parliament variables in the same regression, it turns out that only the government characteristics (ideological distances of government partners) mattered. Nicos Alivizatos (1995) studied the importance of the judiciary and found that the most active judges are in the countries with many veto players. Similarly, Jenna Bednar, John Ferejohn, and Geoffrey Garrett (1996) found that the European Court of Justice reduced its activism after the introduction of qualified majority voting in the Council (which reduces the number of veto players in European institutions). Examining one particular bureaucracy (the German Bundesbank), Susanne Lohmann (forthcoming) found that bureaucratic independence increases during periods of opposing majorities in the Upper and Lower Houses (Bundestag and Bundesrat) of the German parliament.

Consequently, preliminary evidence exists connecting policy stability with the other important structural variables exactly the way Figure 6 indicates.

3. Veto players and constitutional design. Veto players are more or less stable features of a political system. Institutional veto players are usually determined in the constitution of a country, and while partisan veto players can change number, the overall picture is one of relative stability. For example, in the UK there is always one veto player, in the United States always three (although their ideological distance from each other may vary), Italy has many (although the exact number may change), Germany two or three (depending on whether the Bundesrat is controlled by the same majority as the Bundestag), etc. The result of this relative stability is that in a given country while it is possible to see changes in the number or the distance of veto players, these changes are usually (but not always) at the margins. Political systems have a relative stability in their veto players structure.

That previous analysis indicates that the properties associated with many or few veto players (starting with policy stability and moving to government or regime stability and judicial and bureaucratic independence) are more or less stable too. And while it is possible that a political system may need decisiveness in one area (say foreign policy) and stability in another (say the economy), or in the same area over different periods of time (decisiveness in periods of institutional reform, stability afterwards) these “needs” cannot be accommodated by the same veto players structures. There are two solutions. The first requires the recognition that institutions are selected in the long run, and consequently, they ought to be stable even if in the short run they function suboptimally. For example, as we said before, the American constitution was consciously designed for policy stability, and consequently, as long as the situations that this stability is undesired (and called “gridlock”) are not very frequent, political players and the public will have to put up with it. This first solution is of paramount importance with respect to constitutional design. Institutions are persistent, and as we showed, they either promote stability and the

credibility of commitments, or they have the potential for change. The people who design institutions ought to keep this in mind, and not try to achieve both stability and change at the same time.

The second solution requires compartmentalization of the institutions. While the overall picture of the political system is one of many veto players, in areas where decisiveness is required *ex ante*, the institutional design may require only one veto player. This is the case of monetary policy in the US: it has been delegated to an independent agency instead of requiring the agreement of three veto players like ordinary legislation. Conversely, while the general structure is shaped as a single veto player system, political actors may multiply the veto players in an area where policy stability is required. For example, in Scandinavian countries decisions regarding salary structures are made through peak association bargaining involving employers, employees, and government, instead of government alone (or the market alone). If one wants to analyze decisionmaking in such a compartmentalized jurisdiction, the relevant structure ought to be the one prevailing in this jurisdiction, not the general institutional structure of the country.

In conclusion, the veto players theory is currently able to analyze and generate expectations on any particular political system or combination of systems. In addition, it generates significantly different predictions from other middle range theories. Finally, it has so far been corroborated to the areas to which it has been applied. All these factors point to the direction of further testing in new areas.

## APPENDIX

The goal is to identify the smallest circle that contains the winset under qualified majority rule. Consider a collective veto player with  $n$  members, and let  $q$  be the minimum number of votes required to defeat the status quo. I define a  $q$ -divider  $D(q, SQ)$  any line connecting 2 of the  $n$  points that leaves a  $q$ -majority on it and one side of it. Of all the  $q$ -dividers I call relevant the ones that leave  $q$ -majorities on the opposite side of the status quo.<sup>13</sup> If all the relevant  $q$ -dividers intersect the line CSQ between  $C$  and  $SQ$  we can identify a circle including the winset of  $SQ$ . If one of them intersects the extension of the CSQ segment, while the qualified majority winset of the status quo is a subset of the simple majority winset of the status quo, we cannot identify a circle that contains it smaller than the  $(C, d+2r)$  circle of section 2.

Of all the relevant  $q$ -dividers, (all of them intersecting the segment CSQ) consider the one that intersects the line the furthest away from  $SQ$ . I will call this  $q$ -divider the most distant relevant  $q$ -divider with respect to status quo, and denote it as  $D^*(q, SQ)$ . I call the intersection of CSQ and the most distant relevant  $q$ -divider the quasi-pivot  $u$ .

### INSERT FIGURE A

*Theorem:* When the qualified majority winset of  $SQ$  ( $WQ(SQ)$ ) exists, and when all relevant  $q$ -dividers intersect the segment CSQ,  $WQ(SQ)$  is included in a circle with center  $u$  and radius  $\|u-SQ\|$ .

*Proof.* By the definition of relevant  $q$ -divider,  $SQ$  cannot be beaten by any point beyond its reflection through  $D^*(q, SQ)$ . Call  $SQ'$  the symmetric point of  $SQ$  with respect to  $D^*(q, SQ)$ , and  $SQ^*$  the orthogonal projection of  $SQ$  on  $D^*(q, SQ)$ . Since  $D^*(q, SQ)$  is perpendicular to line  $SQSQ'$  and  $\|SQ^*-SQ\| = \|SQ'-SQ^*\|$ , it follows that  $\|u-SQ\| = \|u-SQ'\|$ . Since all  $q$ -dividers intersect  $L(C, SQ)$  on the line segment between  $u$  and  $SQ$ , the reflection of any  $SQ$  through these  $q$ -dividers must be included in the sphere as stated. QED.





Circle  $(C, d+2r)$  contains winset of status quo of collec

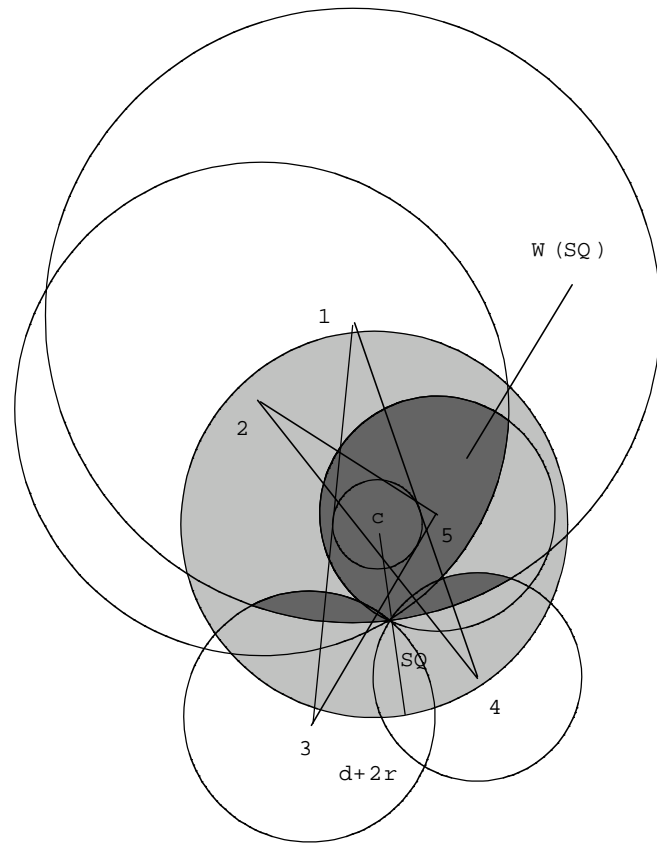


FIGURE 2

POSSIBILITY OF INCREMENTAL CHANGE WHEN TWO VPS ARE COLLECTIVE (US)

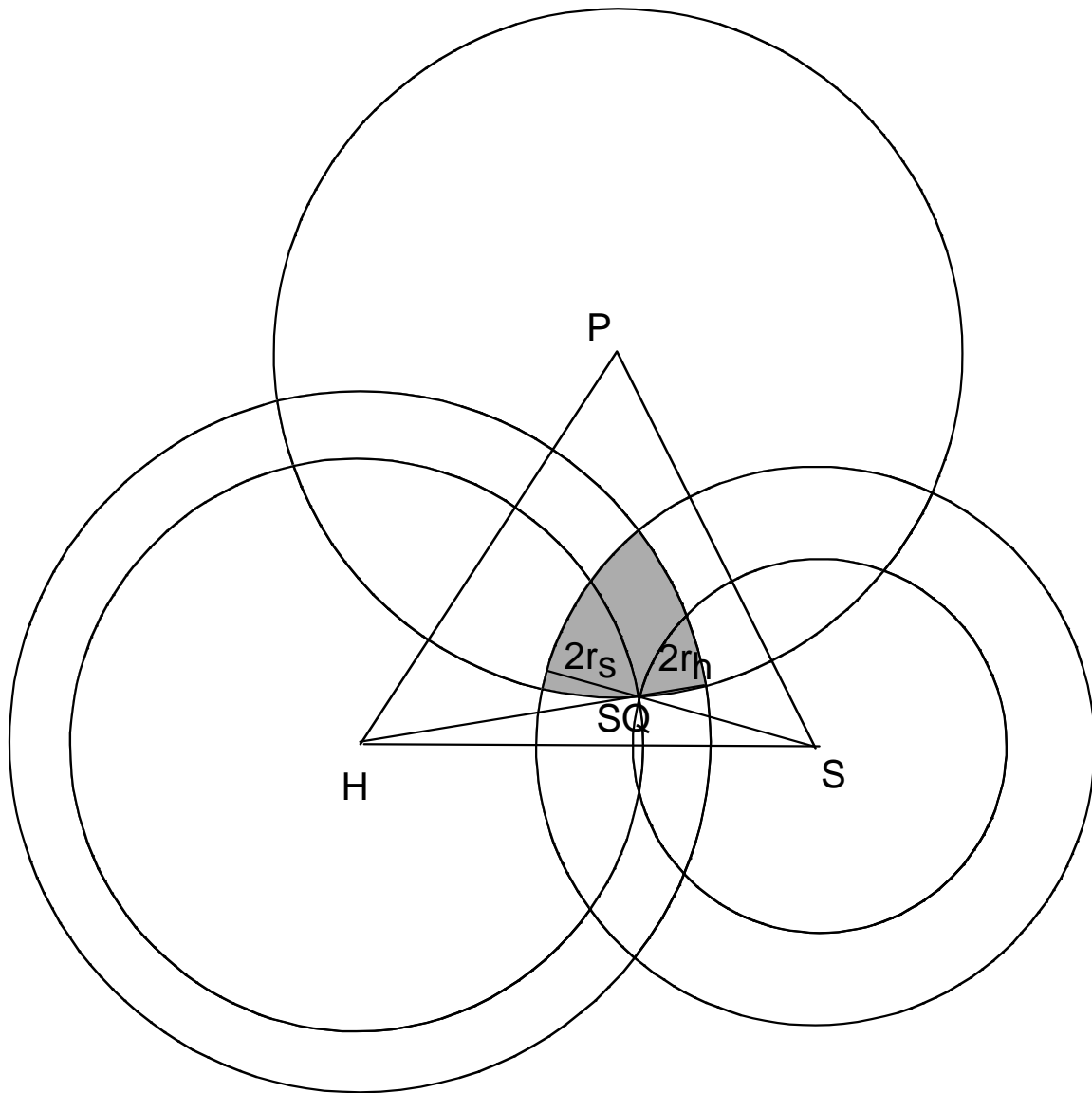
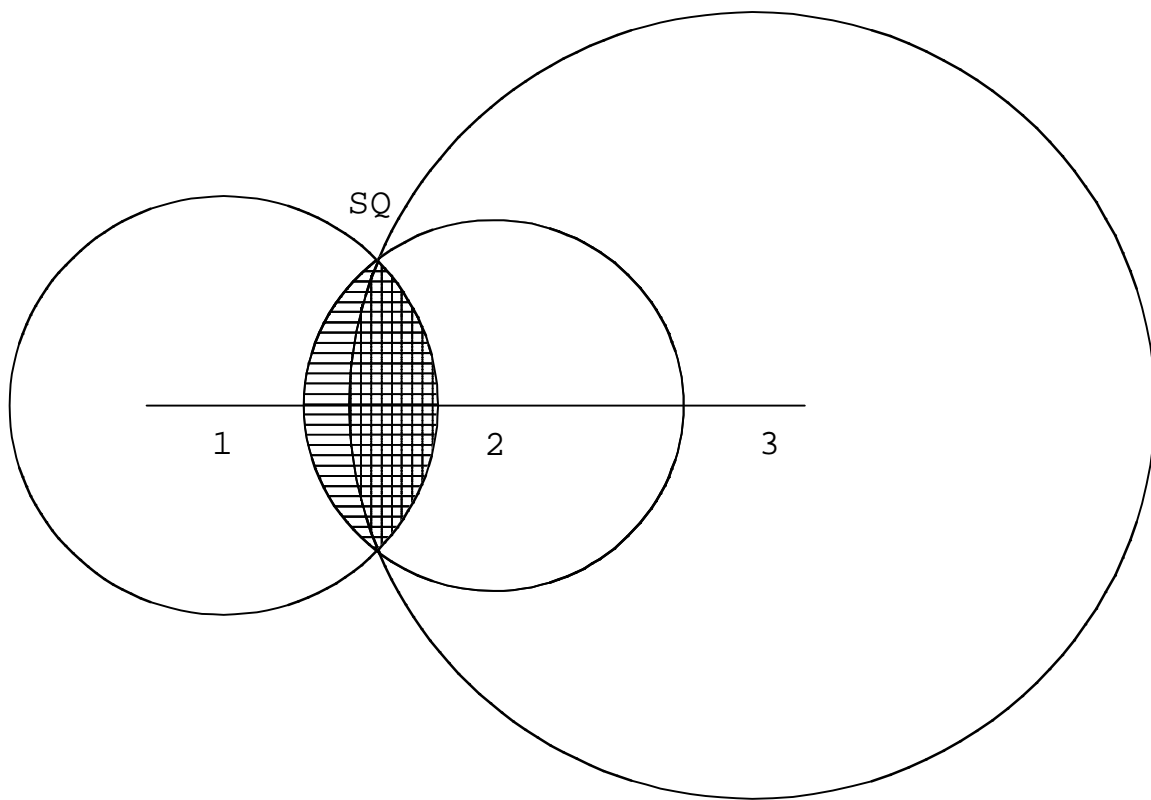


FIGURE 3

Winset of VPs 1 and 3 is contained within winset of VPs 1 and 2  
(2 is absorbed)



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Winset of VPs 1, 2, and 3 is contained in winset
(4 is aborbed)
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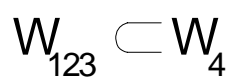


FIGURE 5

A simple majority is transformed into qualified majority  
(VP 6 does not participate in coalitions)

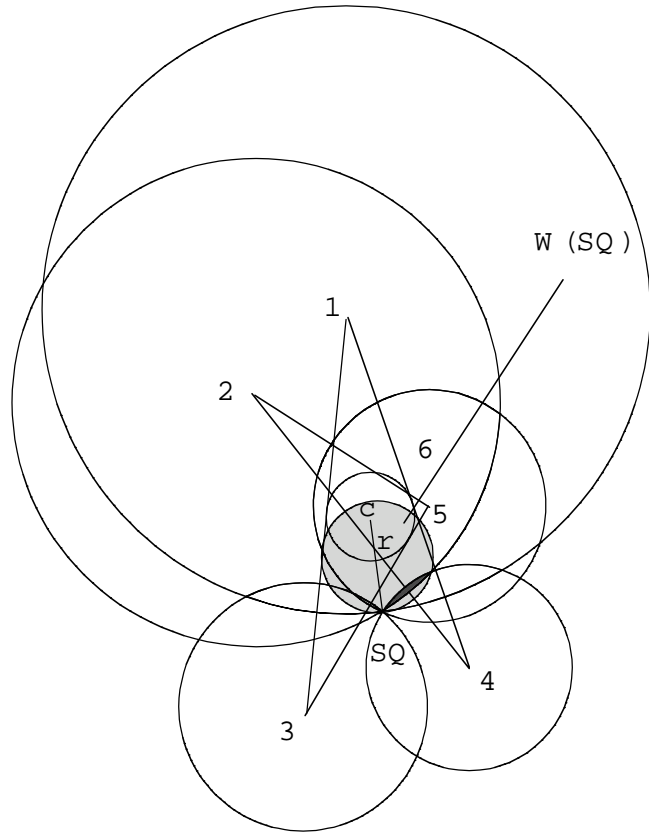


FIGURE 6

$P(A)$  is the outcome if A controls the agenda;  $P(B)$  if B does

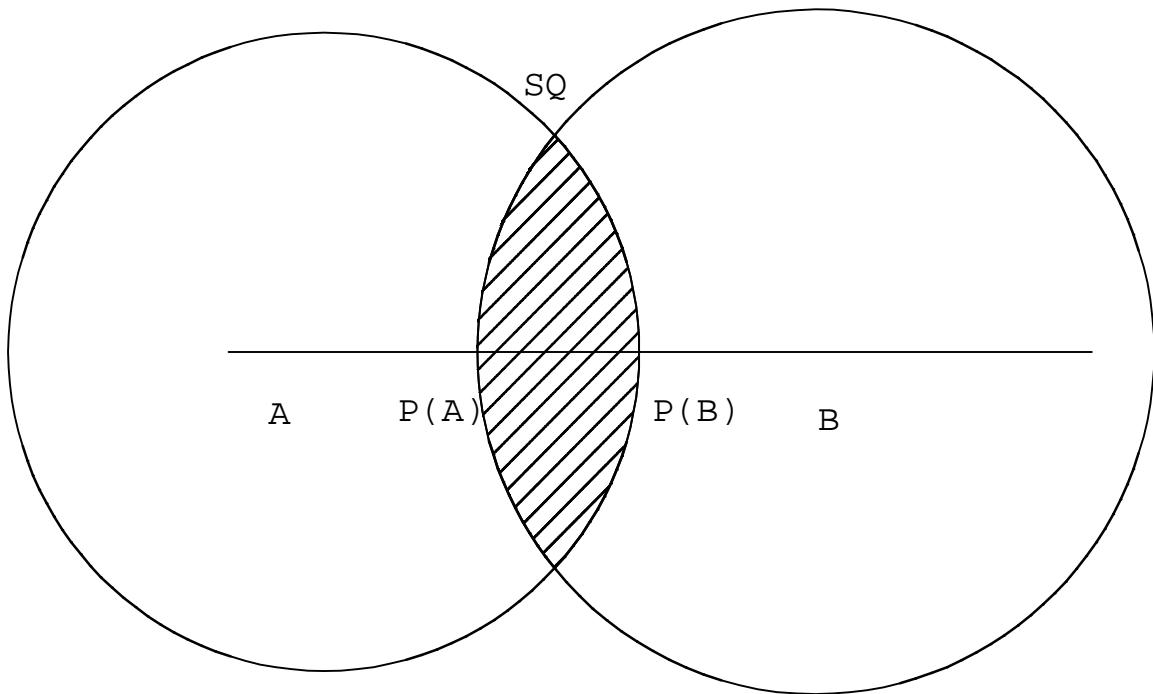


FIGURE 7

Effects of many VPs

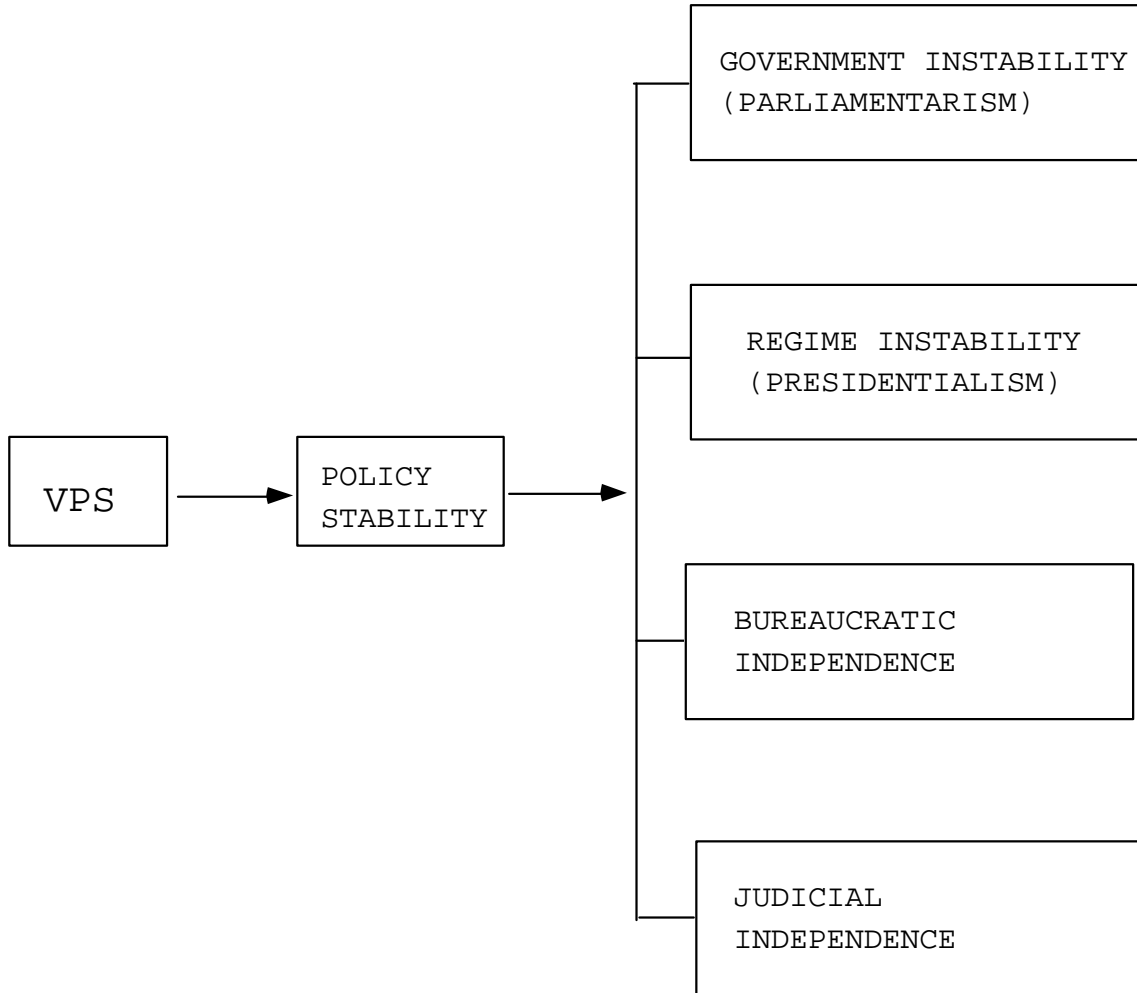
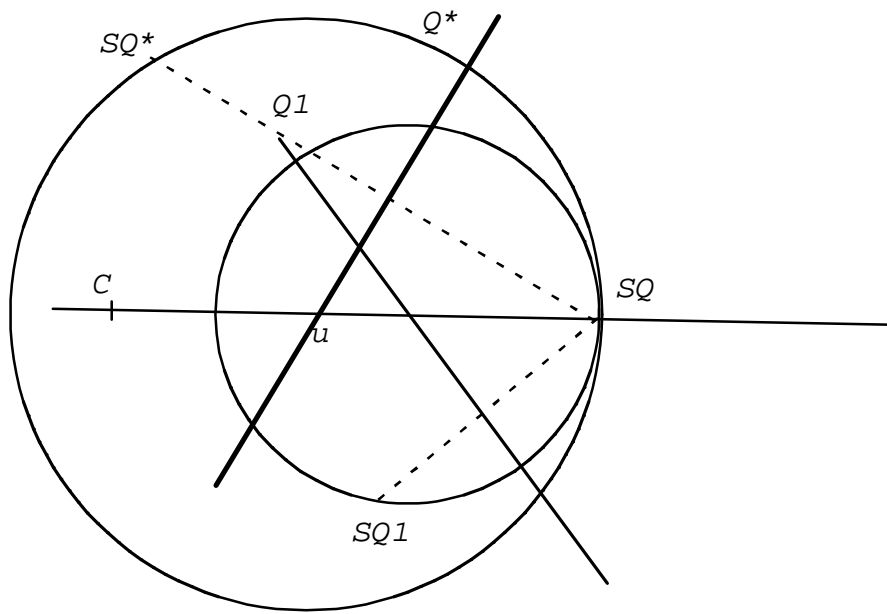




FIGURE A



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FIGURE 2

POSSIBILITY OF INCREMENTAL CHANGE WHEN TWO VPS ARE COLLECTIVE (US)

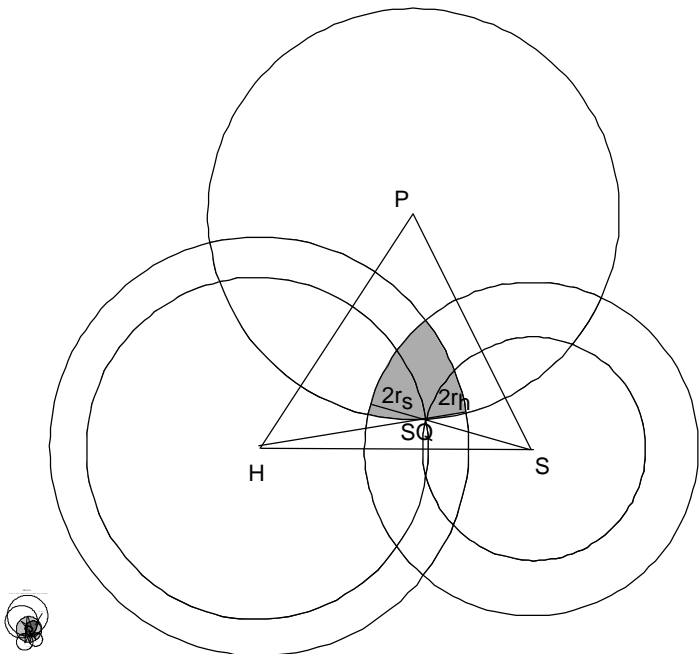


FIGURE 3

Winset of VPs 1 and 3 is contained within winset of VPs 1 and 2  
(2 is absorbed)

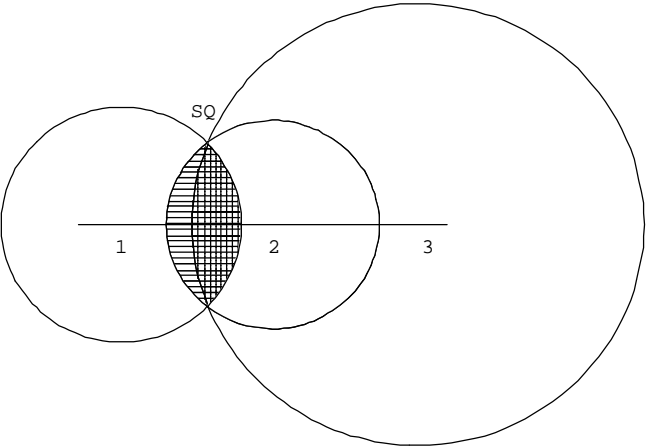
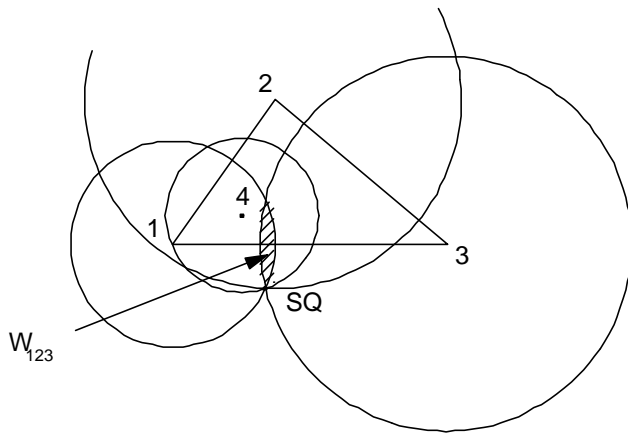


FIGURE 4

Winset of VPs 1, 2, and 3 is contained in winse  
(4 is aborbed)



$$W_{123} \subset W_4$$



FIGURE 6

P(A) is the outcome if A controls the agenda; P(B) if B does

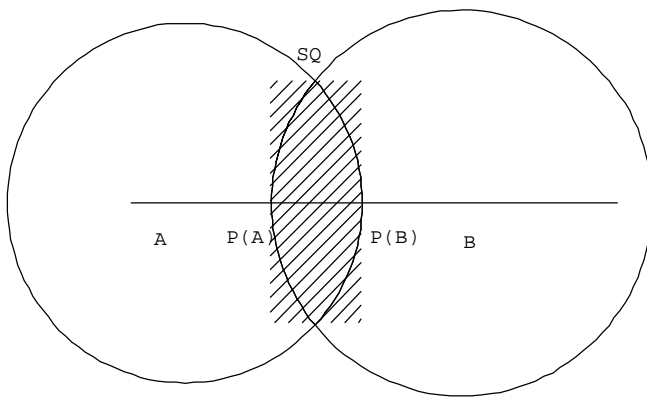


FIGURE 7  
Effects of many VPs

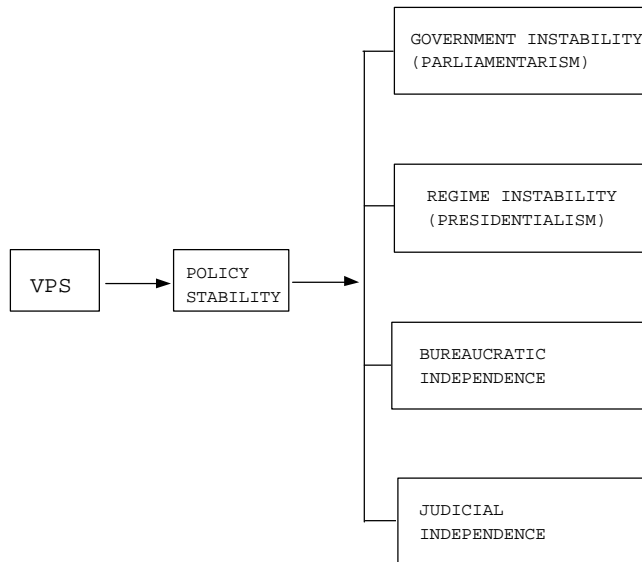
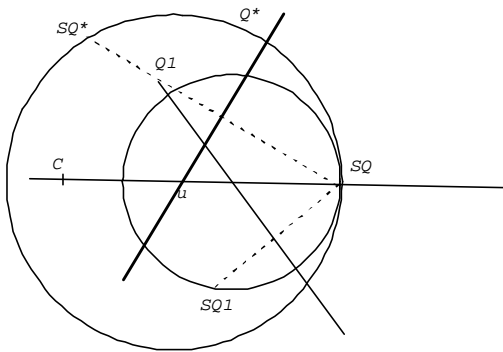


FIGURE A



## NOTES

<sup>1</sup> One can trace veto players arguments as far back as Montesqueu and the founders of the American constitution. However, one article has to be singled out for presenting the first coherent analysis of most of the phenomena I am addressing here: Hammond and Miller's (1987) "The Core of the Constitution." Hammond and Miller analyze a two-dimensional space and calculate the size of the "core," that is, the set of outcomes that cannot be defeated. My analysis conceptually expands on their work, because the core does not exist when policy spaces are multidimensional.

<sup>2</sup>The yolk is defined as the smallest sphere that intersects all median hyperplanes. Hyperplanes are planes in more than two dimensions. A median hyperplane is a hyperplane that divides the individual voters into two groups so that a majority of voters are on the hyperplane or on one side of it, and a majority of voters are on it or on the other

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side of it. For a more complete discussion, see Ferejohn et al. (1984). For a non-technical discussion of the *yolk* and the calculation of winsets see Miller et al. (1989).

<sup>3</sup> But it is also possible that the winset of the status quo is empty in this case, because the circles I have drawn contain  $W(SQ)$  (so, there some points inside them that do not belong  $W(SQ)$ ).

<sup>4</sup> The President presides over the government in France. As a result he has veto over ordinances (pieces of legislation produced by the government), but not over laws (pieces of legislation produced by the Parliament).

<sup>5</sup> I thank Macartan Humphreys for this elegant proof which is much shorter than mine.

<sup>6</sup> The absorption rule I present here is a significant generalization over the one in Tsebelis (1995a) where only identical veto players were considered absorbed. For example, a veto player located between two others was not absorbed according to Tsebelis 1995a.

<sup>7</sup> For a debate on the Mayhew dataset, see Kelly 1993 and Mayhew 1995. Sarah Binder (1998) has collected a better dataset which includes not only the actual number of significant laws (as the nominator), but the potential number of such laws as the denominator) and finds that divided government reduces the percentage of significant laws.

<sup>8</sup> This representation does not cover all presidential systems. For example, in Chile the President has very significant agenda setting powers (Londregan, forthcoming) and in some Latin American countries the President may have some agenda setting over the budget.

<sup>9</sup> Shuttle in French

<sup>10</sup> For a detailed discussion of such rules and their consequences see Simon Hug (1998).

<sup>11</sup> In fact, unanimity was not a formal requirement, but since the Luxembourg compromise (1966) unanimity became the norm of European decisionmaking.

<sup>12</sup> Both the arguments about bureaucrats and about the judiciary provide necessary but not sufficient conditions: many veto players provide the space for independence; it does not follow that judges or bureaucrats will make use of it. When one considers many countries and long periods of time, countries with many veto players judges and bureaucrats will have both higher average of independent decisions and higher variance too. For a similar argument concerning veto players and significant legislation see Tsebelis (1998).

<sup>13</sup> The dividers that have a  $q$ -majority on the same side with the status quo are not relevant, because  $SQ$  will be either inside or outside the Pareto set of this  $q$ -majority. In the first case it cannot be defeated by this  $q$ -majority, in the second, another  $q$ -divider will be relevant. This definition excludes the possibility of  $q$ -dividers having majorities on both sides as would be the case with a qualified majority of two out of three players, three out of five players etc. In these cases one is renaming the simple majority to qualified majority. In the case were  $q$ -dividers have qualified majorities on both sides, the qualified majority winset of the status quo is identical with the winset of the status quo of the previous section. (For a generalization of the proof in any number of dimensions see Tsebelis and Lin 1998).