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## Political Systems, Veto Players, and the Politics of Reform Revisited

1. Another Seemingly Trivial Question related to Reforms: Why do some countries reform so little?
2. A Recapitulation of Lesson 10: The Political Economy of Reform Delay
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### Recapitulation of Lesson 10

Fernandez-Rodrik: Reform Inactivity

Assumptions

Reforms have a strong redistributive effect

→ winners and losers

→ individuals know whether they win or lose

- majority of voters are winners (by assumption),
- but that is unknown to the voters

payoffs:

do nothing: 0

successful reform

(reform and majority of voters is winners: 1

unsuccessful reform

(reform and majority of voters is winners: -1)

## Alesina and Drazen: War of Attrition

Assumptions:

- reforms are beneficial to all voters (by assumption)
- there are two groups of voters: a and b
- one group has to bear the burden of reform
- the gains per individual exceed the costs

Why does this constellation lead to delay and possibly reform inactivity?

What makes Political Systems Different?

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## **What makes Political Systems Different?**

- Electoral System (Majoritarian vs. Proportional)

Consequence 1: The Number of Parties

Consequence 2: Coalition Governments

Consequence 3: MoP discipline?

- Additional Complications: 5% hurdles
- Plurality Rule versus Double Ballot rule
  
- Parliamentarism versus Presidentialism
  
- Federalism/Bicameralism
  
- Referenda (issue voting of electorate, Switzerland, California, Euro, European Constitution,...)
  
- Constitutional Rules/ Constitutional Courts

In addition:

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- Independent Central Bank
  
- last time we discussed army, interest groups, ...

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## **Constitutions and Reforms**

- Electoral System

Reforms are easier to implement in majoritarian systems.

- Additional Complications: 5% hurdles

Impact on reforms unknown. (Suggestions?)

- Plurality Rule versus Double Ballot rule

no impact on reform, perhaps more reforms in plurality systems since success of radical candidates is more likely

- Parliamentarism versus Presidentialism

Reforms in parliamentary systems less easy.  
(what are the underlying assumptions?)

- Federalism/Bicameralism

Bicameral systems largely reduce probability of reforms.

- Referenda (issue voting of electorate, Switzerland, California, Euro, European Constitution,...)

Referenda reduce probability of reforms.

## – Constitutional Rules/ Constitutional Courts

Constitutional Courts reduce probability of reform.  
(At times, courts demand reforms).

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### **George Tsebelis**

In summarizing the advantages of his approach,  
Tsebelis explicates:

”This article does not replicate the pairwise structure (...) separating regime type (...), legislature type (...), and party system. In fact, I will show that it may be misleading to examine these factors in isolation.”  
(Tsebelis 1995: 292)

### **Opinions?**

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### **Actors**

The veto player framework is a set of interrelated assumptions, generalizations, coding rules and

definitions. In brief, a veto player is a political entity that has the right (or the power) to veto political reform proposals of the dominant faction in government: smaller parties in coalition governments (ibid: 310), presidents in presidential systems (ibid: 305), second chambers (ibid: 306), constitutional courts (ibid: 307), referenda (ibid: 307), sometimes the military, interest groups, and independent central banks (ibid: 307-08). Tsebelis is quite clear in stating that the number of veto players depends on the analyzed policy in a given country rather than on the country alone.  
(based on BJPoIS article)

## **Assumptions**

Veto players are assumed to have policy preferences which are assumed to be identical to the preferences of the political party controlling a veto player. Actors maximize their utility by simply accepting policy proposals which are closer to their most preferred policy than the status and the veto proposal that move away from the most preferred policy.

→ Classical Assumptions of Spatial Models

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## **Propositions**

Proposition 1: As the number of veto players who are required to agree for the movement of the status quo

increases, the winset of the status quo does not increase.  
(Tsebelis 1995: 297)

Proposition 2: As the distance of players who are required to agree for a movement of the status quo increases along the same line, the winset of the status quo does not increase. (Tsebelis 1995: 298)

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### Introduction to Spatial Models

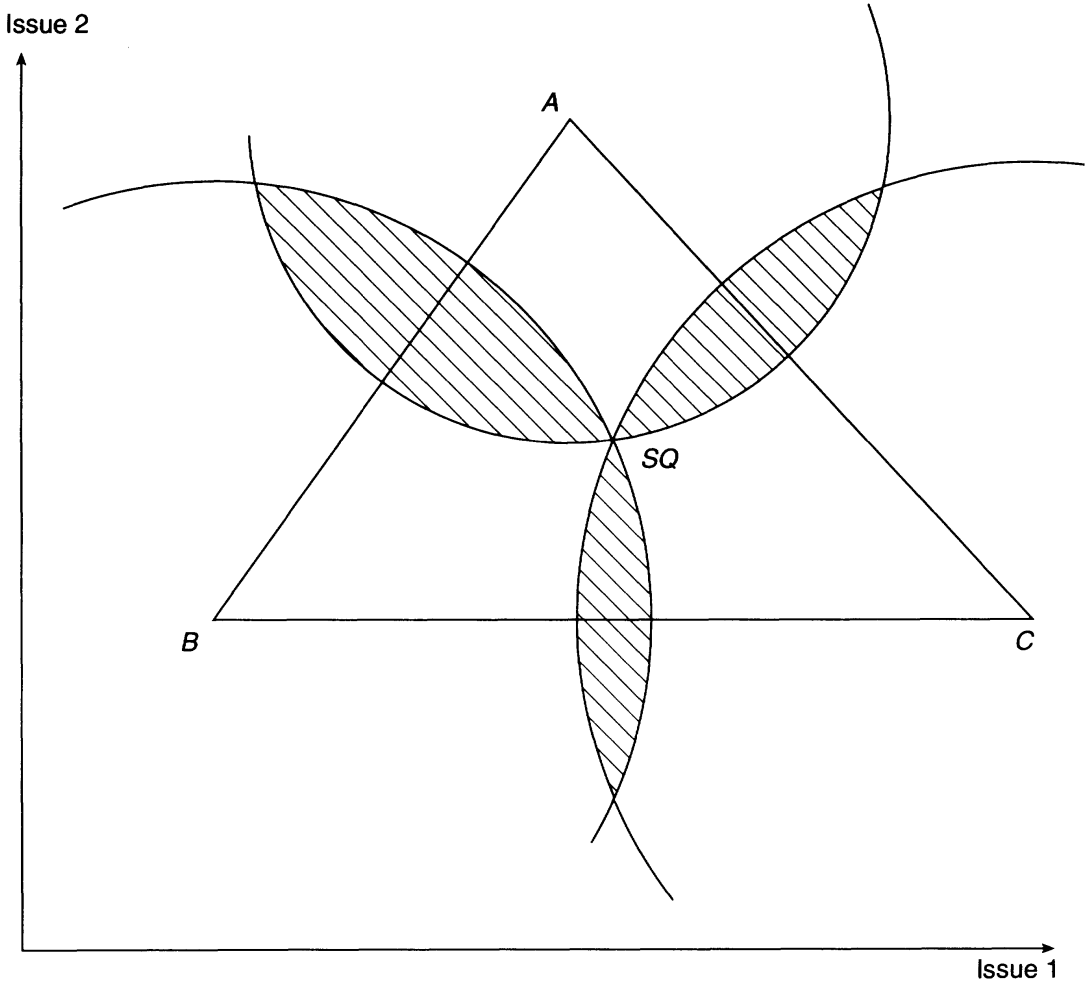
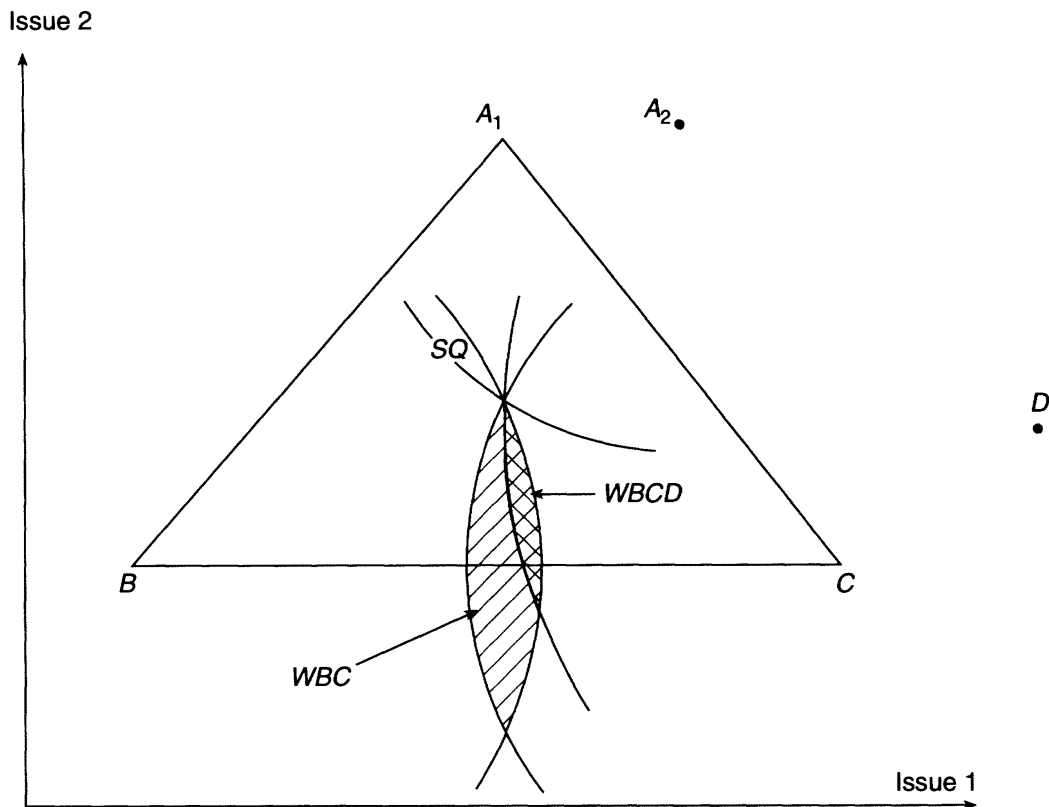


Fig. 1. Winset of status quo with three players in two dimensions

Assumptions:

Both dimensions equally important and – more importantly – substitution elasticity identical for all actors.

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Status quo cannot be changed even if  $A_1$  moves to  $A_2$ . If  $A_1$  is replaced by  $D$ , then the status quo can be replaced by any point in the  $WBCD$  area.

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## Tsebelis “Proof” of Proposition 1

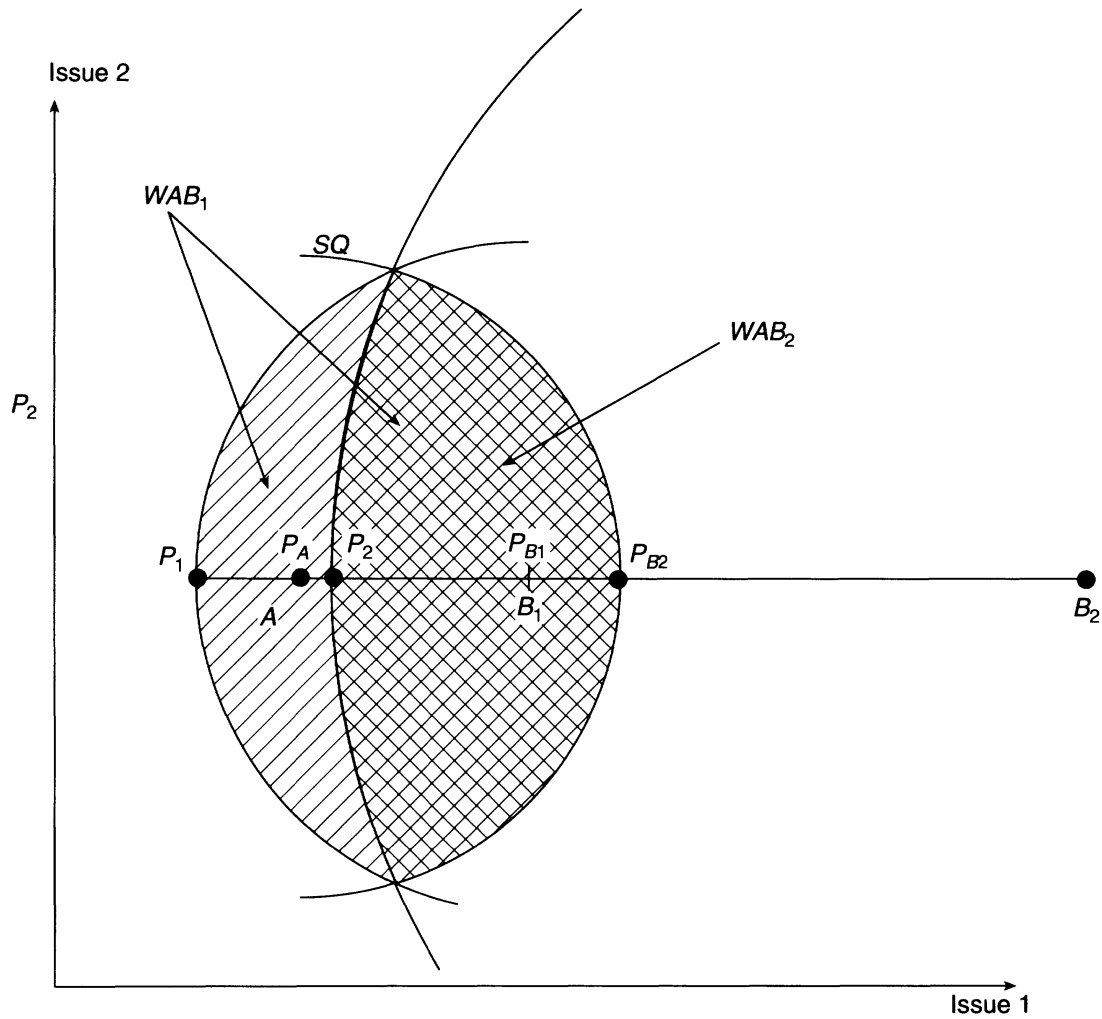
The argument behind Proposition 1 is simple: the winset of the status quo of  $n + 1$  players is a subset of the winset of the status quo of  $n$  players. For this reason, adding one or more veto players will never increase the size of the winset of the status quo.

“I use the size of the winset of the status quo as a proxy for stability. There are several reasons for this. First, the more points (i.e. policy proposals) that can beat the status quo, the more susceptible to change is the status quo. Secondly, the bigger the winset of the status quo is, the more likely it is that some subset of it will satisfy some external constraints. Thirdly, if there are transaction costs in changing the winset of the status quo, then players will not undertake a change that leads to a policy which is only slightly different (...). Fourthly, even without transaction costs, if players undertake a change, a small winset of the status quo means that that the change will be incremental.” (Tsebelis 1995: 295)

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Tsebelis “Proof” of Proposition 2



$$WAB_2 \subset WAB_1 \text{ iff } B_1 \text{ is between } B_2 \text{ and } A$$

Fig. 3. Change of status quo as a function of the distance of individual decision makers

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## Empirical Tests of Tsebelis

Typically do not

consider and gather the preferences of actors

ignore issue-specific differences in veto rights

## Test Proposition 1:

“As the number of veto players increases, the likelihood of reforms declines.”

In the order of publication date: Mark Hallerberg and Scott Basinger, 1998, ‘Internationalization and Changes in Tax Policy in OECD Countries. The Importance of Domestic Veto Players’, *Comparative Political Studies* 31, 321-352; Kathleen Bawn, 1998, ‘Money and Majorities in the Federal Republic of Germany. Evidence for a Veto Players Model of Government Spending’, *American Journal of Political Science* 43, 707-736; George Tsebelis, 1999, ‘Veto Players and Law Production in Parliamentary Democracies. An Empirical Analysis’, *American Political Science Review* 93, 591-608; Mark Hallerberg, 2002, ‘Veto Players and the Choice of Monetary Institutions’, *International Organization* 56, 775-802; Philip Keefer and David Stasavage, 2003, ‘The Limits of Delegation. Veto Players, Central Bank Independence, and the Credibility of Monetary Policy’, *American Political Science Review* 97, 407-423; Josephine Andrews and Gabriella Montinola, 2004, ‘Veto Players and the Rule of Law in Emerging Democracies’, *Comparative Political Studies* 37, 55-87; Daniel J. Minnich, 2005, ‘Veto Players, Electoral Incentives and International Commitments. The Impact of Domestic Institutions on Intergovernmental Organization Membership’, *European Journal of Political Research* 44, 295-325; Robert F. O’Reilly, 2005, ‘Veto Points, Veto Players, and International Trade Policy’, *Comparative Political Studies* 38, 652-675.

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## Proposition 1 is WRONG

Unfortunately, the infamous proposition 1 of Tsebelis BJPoIS article is wrong – or to be more precise, it is correct only under very restrictive additional assumptions.

Consider the following distribution of parties 1-4 across a single policy dimension:



Figure 1: A Distribution of Partisan Preferences

*Scenario 1: Assume that p1 and p2 form a coalition. Since their preferences are located on the two sides of the status quo, they are not able to agree on a reform.*

Scenario 2: Assume that  $p_2, p_3, p_4$  form a coalition. In this case, the bold section of the x-axes is the pareto set.

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Veto Player Approaches dumps unlike concepts into one Variable...

Such a contract between coalition parties does not eliminate political conflicts. However, issue linkage may significantly increase the room for manoeuvre. Figure 2 provides an obvious and straightforward example.

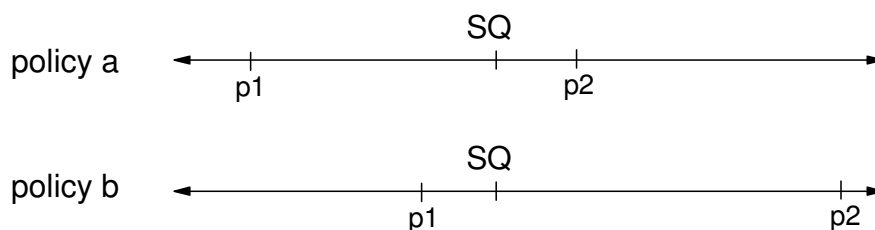


Figure 2a: Deadlock in two dimensions...

Now assume for a) simplicity, b) consistency with Tsebelis and without c) (much)<sup>1</sup> loss of generality that these two dimensions are orthogonal to each other.

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<sup>1</sup> As the two dimensions become more and more collinear, the winset becomes smaller and eventually vanishes.

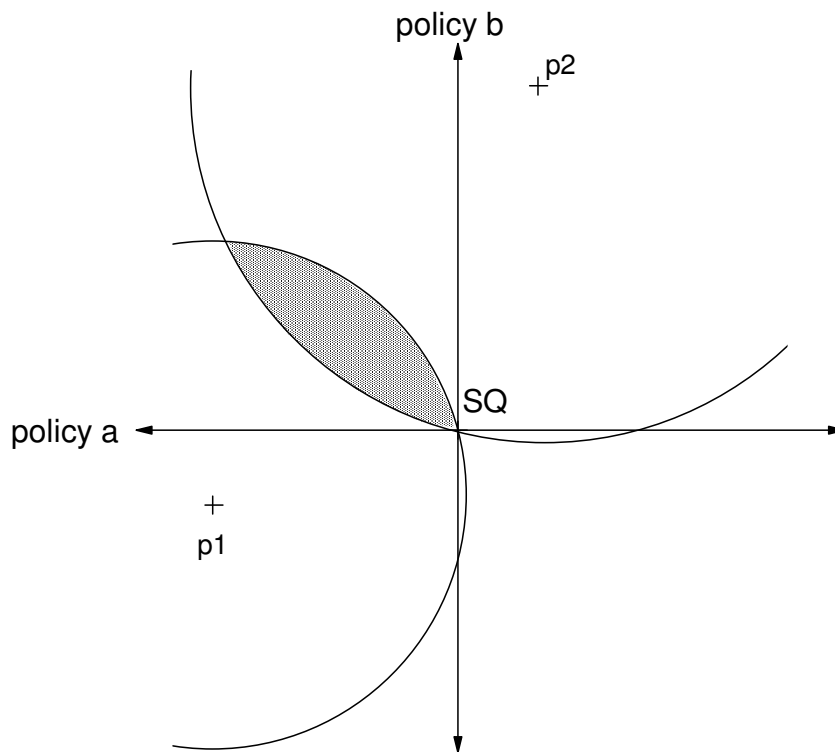


Figure 2b: ... may disappear if actors link issues

Note that figure 2b is consistent with figure 2a. That issue-linkage can improve the prospects for cooperation has since long been known (LITERATURE) and is not worth additional proofs.

Why does this matter?

Because different veto player use these strategies with different probabilities.

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## Conclusion

With proposition 1 being wrong, the veto player approach does not allow to derive hypotheses without having to conduct research on the preferences of actors.

Even then the approach remains dubious as different veto players have different strategies available.

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