

Studies in Public Choice

*Series Editor:* Randall G. Holcombe

Thomas König  
George Tsebelis  
Marc Debus *Editors*

# Reform Processes and Policy Change

Veto Players and Decision-Making in  
Modern Democracies

 Springer

Thomas König • George Tsebelis • Marc Debus  
Editors

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Veto Players and Decision-Making in Modern Democracies



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# Studies in Public Choice

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# **Part I**

## **Introduction**



# Chapter 1

## Veto Player Theory and Policy Change: An Introduction

George Tsebelis

Some months ago I had the honor to be invited to Mannheim for a conference organized by Thomas Koenig and Marc Debus. The subject matter was “Reform Processes and Policy Change,” and the organizers thought that my book *Veto Players* would be a good starting point for their study. I thought that the conference was an excellent idea, particularly since the reputation of Mannheim on policy studies is outstanding. Little did I know that this would be only a first step, because they now have received an interdisciplinary multimillion grant from the German Government (SFB 884) to “Political Economy of Reforms” (<http://reforms.uni-mannheim.de/english/startpage/index.html>).

I was excited to see the work of a number of colleagues on topics and methods related to my own research. I think I speak not only about myself, but about most of them when I say that I (we) came out of these meetings knowing and understanding a lot more about a series of topics related to the political economy of institutions and policymaking. This is why the organizers and I decided to bring this work to the attention of the scholarly public. I am contributing the introduction to this edited volume, and the organizers (along with their individual contributions) will draw the conclusions.

This Introduction will address issues raised both in *Veto Players* and in the works of the participants of that conference. The reader will be able to study this book without having read *Veto Players* previously and will be able to understand that, besides the common interests in substance and methodology which the authors of this book share, and aside from the appreciation of each other’s work and contribution, we also have disagreements. And it is the combination of appreciation and disagreement that is essential to the growth of knowledge. We read each other’s work and are fascinated by it, but we express our disagreements openly and sincerely, trying to persuade each other about the validity of our arguments, and argue that our expectations are corroborated by the data.

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This introduction has two parts: the first introduces the reader to elements of *Veto Players* that will be addressed by the subsequent chapters; the second points out the differences between the specific chapters and the original book. These differences range from disagreements in some auxiliary assumptions that lead to different conclusions, to the significance and applicability of the model to different phenomena, to the methods applied in the chapters, to evaluating the preferences of actors, to estimating the accuracy of predictions, etc.

## Arguments Made in *Veto Players*

This book connects political institutions to policy outcomes. Focussing on policy outcomes is important because the impact of public policies on the life of citizens is overwhelming. If we think about it, the most important events in our life (besides significant developments in the immediate family like deaths, births of children, etc.) are decisions made within the political system to expand or contract healthcare, or unemployment benefits, or educational privileges, or taxes etc.

While individual citizens are interested in specific policies, and have strong preferences in one dimension (like tax reduction) or another (such as education), the way one can address all of these potential changes in a systematic comparative way is to assess the possibility of changing the status quo policy (no matter what the status quo is). This is the goal of *Veto Players*. Most of the propositions developed in the book regard the impact of particular institutional settings on “policy stability,” that is, the difficulty of making a significant change to the status quo. The book argues that policy stability is the effect of a constellation of “veto players” (vp): individual or collective actors whose agreement is necessary for the change of the status quo.

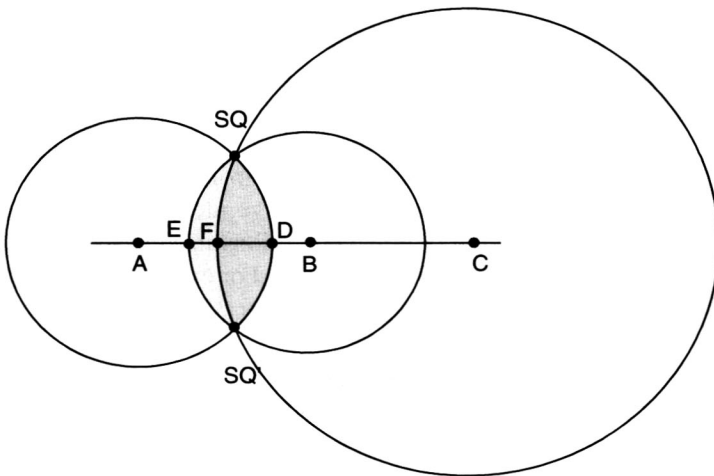
From these two definitions, a series of propositions follows, some of them known through folk knowledge for millennia. One analytical truth connecting veto players with policy stability is that as the number of vp increases, policy stability does not decrease (a change of the status quo does not become easier, though it may not become more difficult). I call this proposition an analytical truth—because it is the consequence of the definition of the terms alone—and it is logically inconceivable that it will be otherwise, no matter what additional assumptions one would make. For example, if a veto player decides to veto some of the policies that others accept for changes to the status quo, then the player’s existence will make the change to the status quo more difficult, while if s(he) agrees with everything that the others agree to, this player’s addition will not change anything in terms of policy outcomes. What is not possible under any set of conditions is to add a veto player and make changes in the status quo easier.

Another analytic truth concerns the ideological distances of veto players. What is required for this proposition are two different assumptions: First, common knowledge of the location of the different veto players in the policy space, and second, that they exercise their veto only on the basis of their policy preferences, not on the basis of other considerations (say electoral goals, appeal to their constituency, etc.). If a vp

is located in the Pareto set (the set of outcomes that makes no actor worse off than the status quo) of the rest of the vp, (s)he will be “absorbed” (i.e., will not exercise veto powers). As I show in the original book, there is no position accepted by all other veto players that will not be approved by this particular one if (s)he is located within the Pareto set of the others. I argue that in this case, the absorbed player will not count as an additional vp. A trivial application of this statement is that if there are two vp with identical preferences, they will act as though they were a single vp, because they will always agree on any policy change. Another application is that if the policy positions of three vps are on the same straight line, then the one in the middle is absorbed and, as a result, what matters is the distance between the two extreme vps, not the location of the one in between. Again, as a consequence, in a one-dimensional setting of vps, the *only* thing that matters is their “range” (the distance of the two most extreme vps), not their number. Given the analytic status of this proposition, if some empirical study finds that the number of vp matters and not the range, the *only* possible inference is that the single dimensional assumption is not a reasonable approximation of reality in the case under study.

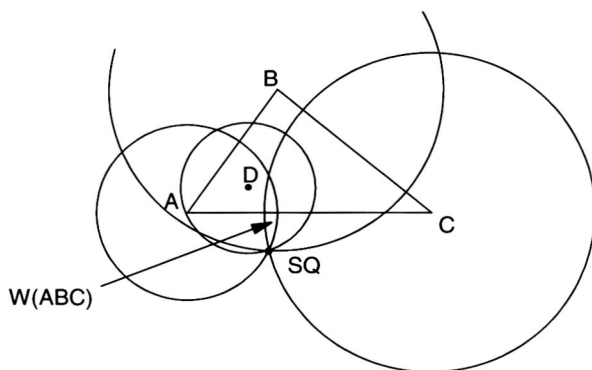
Figure 1.1 gives a graphic representation of the argument above. Veto player B is located between A and C, and there is nothing that A and C can agree to (the intersection of their preferences is the thin lens in the picture) that B would disagree to (his/her preferences over the status quo include this thin lens). It is easy to verify that as long as B is located between A and C, this statement will be true. The reader can experiment by herself and verify that if B is not on the line AC, there will always be some parts on the lens that are not preferred by B to the status quo.

A last empirical application is in two dimensions: if a vp is located inside the triangle generated by three others, (s)he will be absorbed. Again, if under these conditions an empirical application finds that this particular vp exercises a veto it is because one of the initial assumptions is violated: either the vp exercises veto on



**Fig. 1.1** Winset of VPs A and C is contained within Winset of VPs A and B (B is absorbed)

**Fig. 1.2** Winset of VPs A, B, and C is contained in Winset of D (D is absorbed)



the basis of motives other than policy preferences (say electoral considerations) or s(he) is not located inside the triangle of the three others (say s(he) is outside the plane generated by them).

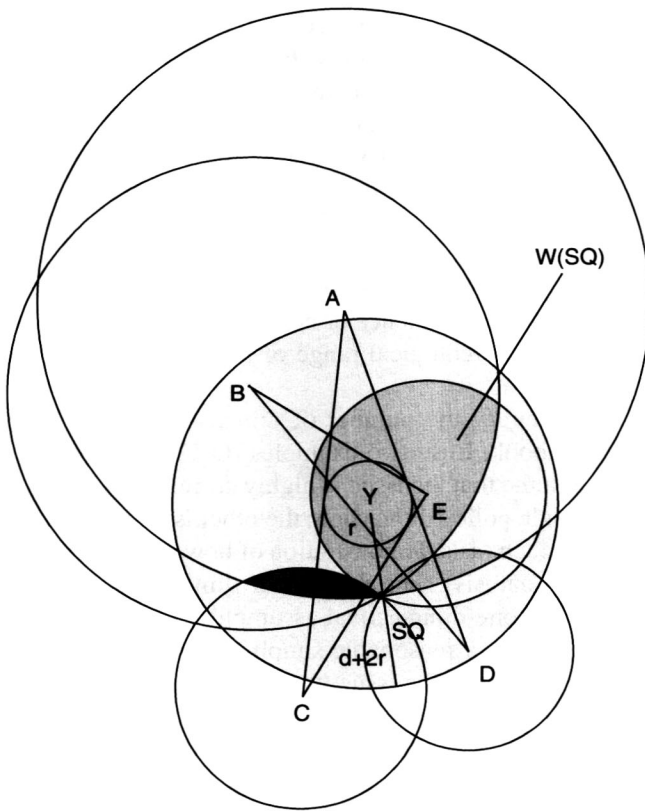
Figure 1.2 gives the graphic representation of the argument. D is a veto player located in the triangle created by the positions of vp A, B, and C. Consequently, anything that A, B, and C prefer to the status quo (the area  $W(ABC)$  in the picture) is preferred by D to the status quo. Again, the proposition will not be true if D is located outside the triangle (or outside the plane).

These propositions are mentioned here because they are discussed in some of the chapters of this book. They do not exhaust the implications of the theory of veto players, but, as I said, this chapter is not a summary of the book but of the parts of the veto players theory that are relevant to what follows.

Another part of the veto players book that will be discussed is the counting rules of vps. The first step in mapping the vp constellation of a country (a necessary step in assessing the impact of political institutions on policy outcomes) is to establish the number and identity of its institutional veto players by determining how many institutions are required to agree for a new policy to be adopted (stipulated within the constitution of the country). For example, in the United States, there are a minimum of three institutions whose agreement is needed (President, House, and Senate), in Germany most of the time two need to consent (Bundestag and Bundesrat), while just one institution must agree to policy changes in France (National Assembly) and the UK (House of Commons).<sup>1</sup> Once we have identified the institutional vp of a country, we can focus on the political conditions inside each institutional that determines the partisan veto players of the system. For example, if a stable coalition prevails inside a legislature, then the parties members of this coalition are the vp. Figure 1.3 illustrates this argument.

Think of a legislature composed of five parties where three of them are required to form a majority. Suppose that it is a parliamentary system with cohesive parties, and three of them are in government (say A, B, and C). In this case, one can

<sup>1</sup> I will omit here a discussion of constitutional courts as vps (see Tsebelis 2002).



**Fig. 1.3** Circle ( $Y, d + 2r$ ) contains the Winsset of the status quo of collective VP (ABCDE)

predict the outcomes that can replace the status quo quite accurately: it is the heavily shaded lens in Fig. 1.3. If, however, parties can form multiple coalitions, then there are a number of coalitions that can form to replace the status quo, and the prediction cannot be very accurate. Policy outcomes could lie within any one of the three lenses that are lightly or heavily shaded. Tsebelis (2002) demonstrates that this irregular shape can be included inside a circle (with centre  $Y$  and radius  $d + 2r$  in the figure), so that one can think of this parliament as a collective vp and approximate its preferences. If parties are cohesive but different majorities prevail in each chamber of a bicameral legislature, then one would have to include the required parties for concurrent majorities in both chambers. For example, in Germany in 2004, there was a majority coalition of the Social Democrats and the Greens in the Bundestag, but the addition of the Christian Democratic Party was necessary to achieve a majority in the Bundesrat, as a result there were three veto players in Germany.<sup>2</sup>

<sup>2</sup> Actually the situation is slightly more complicated because for some laws the Bundesrat does not have veto power, which will mean that for these laws, the only veto players are the Social Democrats and the Greens, while in the most significant legislation, the agreement of the Bundesrat is required.



It is not enough, however, to simply count the number of partisan vp (parties required to achieve a simple majority) within the institutional vp: we must also pay attention to significant additional details of the political system. For example, it is necessary to determine the decision-making rule inside each institutional vp as this determines who the partisan vp are (as the vote required to adopt a that proposal increases the number of partisan vp may also increase as additional actors are necessary to meet the voting threshold).<sup>3</sup>

Measuring the number of veto players is relatively easy: one has to identify institutional vp, and then open each of them (see who the partisan vp are as a function of the decision-making rule, the existence or not of stable coalitions, and the cohesion of parties). Assessing the ideological range of the particular vp constellation is a more challenging matter.

First, one has to identify the number of dimensions of the underlying policy space. In the original book, I use two examples (in Chaps. 7 and 8): one on labor legislation where I assume that the issue is highly correlated with the left–right axis, so I use this as the single policy dimension; the other is on the budget where I use a two-dimensional approach (as a demonstration of how one can increase the number of dimensions in the analysis). The number of dimensions is usually ignored in empirical studies, and a one-dimensional assumption is adopted without adequate concern about whether it is a reasonable simplification of the phenomenon that is studied. The more complicated the issue, the more appropriate is the adoption of a multidimensional model.

Second, one has to select a dataset from which to extract ideological positions. There are three methods that have been used in the past: expert survey assessments that do not introduce very much variation over time, the manifesto project that assesses policy positions of parties in each election, and, more recently, computerized programs that are based on any documents the researcher would like to analyze. Several of the chapters in this book deal with the issues of measuring the underlying policy space, so the reader will be immersed in this methodology below, and throughout the book.

This is a summary of the issues relevant to veto players and policy stability. However, there are implications of veto players for the formation of coalitions and for structural characteristics of countries, like the importance of bureaucracies and the judiciary. Since coalitions are studied and discussed in several chapters, let me present a summary of the veto players approach to coalitions.

Given that both range and number of vp affect policy stability, the expectation is that whenever a country is faced with a significant exogenous shock (like an increase in oil prices, a financial meltdown, or prolonged social strife around a particular issue such as unemployment, healthcare, or education), a government with multiple distinct vp will not be able to produce policies to overcome the crisis, and consequently (in a parliamentary system) will have to resign, and be replaced by another coalition government. There are two implications of this analysis (though only the

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<sup>3</sup> For the details of analyzing institutions that decide by qualified majority, see Tsebelis (2002).