

CHAPTER 1: INDIVIDUAL VETO PLAYERS

In this chapter I define the fundamental concepts I use in the remainder of this book, in particular *veto players* and *policy stability*. I will demonstrate the connections between these two concepts by using simple Euclidean spatial models. In what follows I make extensive use of the motto: “a picture is worth a thousand words,” so the chapter is short and picture dense. All the propositions included in this chapter are intuitive (counterintuitive results are moved to later chapters), so the reader can check the argument with her intuitions while becoming familiar with the mode of exposition.

The chapter presents and discusses some assumptions and definitions first, and then moves to a series of propositions relating the number and the distance of veto players with policy stability. In essence, the argument presented in sections 2 and 3 is that the larger the distance among and the number of veto players, the more difficult it is to change the status quo. The last section introduces sequence of moves into the picture, and makes the argument that the first mover (the agenda setter) has a significant advantage. However this advantage diminishes as policy stability increases, that is, as the number of veto players and the distances among them increase.

1. Veto players and Policy stability.

The fundamental concept I will use in this book is that of *veto player*. Veto players are individual or collective actors whose agreement is necessary for a change of the status quo. From the definition follows that a change in the status quo requires a unanimous decision of all veto players.

The constitution of a country can assign the status of veto player to different individual or collective actors. If veto players are generated by the constitution they will be called institutional

veto players. For example, the constitution of the US specifies that legislation requires the approval by the President, the House, and the Senate (I ignore veto overrule for the time being). This means that these three actors (one individual and two collective) are the institutional veto players in the US.

Analyzing the political game inside institutional veto players may produce more accurate insights. If veto players are generated by the political game they will be called partisan veto players. For example, it may be that inside the US House different majorities are possible in which case the House cannot be reduced any further as a veto player. Alternatively, it may be that the US House is controlled by a single cohesive party, and the only successful pieces of legislation are the ones supported by this party. In this case, while the House is the institutional veto player, closer examination indicates that the majority party is the real (partisan) veto player. Similarly in Italy while legislation can be generated by the approval of both chambers of the legislature (the House and the Senate are two institutional veto players) closer examination indicates that legislation that is approved by the parties composing the government coalition passes both chambers. So, closer examination of the political game in Italy leads to the conclusion that the partisan veto players are the parties composing the government coalition. We will return to this point in Chapter 2.

This chapter focuses on the study of individual veto players, while the study of collective veto players is delegated to Chapter 2. I will represent each individual veto player by his ideal point in an n -dimensional policy space. In addition, I will assume that each veto player has circular indifference curves, that is, that he is indifferent between alternatives that have the same distance from his ideal point. Figure 1.1 presents a two-dimensional space (think of dimensions 1 and 2 as the size of the budget for social security and defense respectively). In these two

dimensions a veto player (1) prefers the combination indicated by the location of point 1. The Figure also represents 4 points P, X, Y, and Z in different locations. 1 is indifferent between points X and Y, but he prefers P to either of them. He also prefers either of them to Z. Indeed the circle with center 1 and radius 1X (from now on $(1, 1X)$) or, as we will say “the indifference curve that goes through X” goes also through Y, while point P is located inside the circle and point Z is located outside.

INSERT FIGURE 1.1

Both assumptions include several simplifications. For example, an individual actor may be interested in only one dimension instead of two or more. For example, in a redistributive issue an actor may be interested in maximizing his share, and be completely indifferent to who else is getting how much. In addition, circular indifference curves indicate the same intensity of preferences in each issue. If these assumptions do not hold, the statements having to do with the ideological distances among veto players have to be reevaluated. However, the statements that depend simply on the number of veto players hold regardless of the shape of indifference curves. From now on, I will represent a veto player by a point (say A), the status quo by another (SQ), and A will prefer anything inside the circle (A, ASQ) to the status quo.

INSERT FIGURE 1.2

I will now define two more concepts, to be used throughout this book. The first is the winset of the status quo ($W(SQ)$): it is the set of outcomes that can defeat the status quo. Think of the status quo as the currently existing policy. Then, the winset of the status quo is the set of policies that can replace the existing one.¹¹ The second concept is the core: the set of points with empty winset, that is, the points that cannot be defeated by any other point if we apply the

¹¹ In parts III and IV we will discuss more interesting and productive ways to conceptualize the concept of status quo, but we do not need them for the time being.

decisionmaking rule. I will usually refer to the core along with the decisionmaking rule that produces it. For example, if I discuss the “unanimity core” I will be referring to the set of points that cannot be defeated if the decision is taken by unanimity. An alternative name for “unanimity core” that I may use subsequently is “Paret set.” In Figure 1.2, I present a system with three veto players A, B and C and two different positions of the status quo: SQ1 and SQ2 (I selected the points to minimize the number of circles I need to draw and simplify the graphic). I remind the reader that all decisions are made by unanimity (since A, B, and C are veto players).

In order to identify the winset of SQ1 ($W(SQ1)$) one draws the indifference curves of A, B, and C that pass through SQ1, and identifies their intersection. I have hatched this intersection in Figure 1.2. A similar operation indicates that $W(SQ2)=?$, or that SQ2 belongs to the unanimity core of the three veto players system. It is easy to verify that $W(SQ2)=?$ as long as SQ2 is located inside the triangle ABC.¹² So, the unanimity core is the entire triangle ABC as shaded in the Figure.

I will use both the smallness of the winset of SQ and the size of the unanimity core as indicators of *policy stability*. In section 3, I will demonstrate formally that these two indicators are almost equivalent (Proposition 1.3). Here, however, I will provide arguments in favor of each one of them independently.

In all the propositions that follow when I say “the winset in case A is smaller than the winset in case B,” I will mean that the winset in case A is a subset of the winset in case B so that there are no misunderstandings with respect to the shapes of different winsets (one can be more elongated than another but have a smaller surface). Similarly, if I say “the winset shrinks” I will

¹² If, however, SQ2 is located outside the triangle ABC, then it can be defeated by its projection on the closest side, so, its winset is not empty.

mean that under new conditions it becomes a subset of what it was before. I will define *policy stability* of a system as the difficulty of significant change of the status quo.

The definition of unanimity core logically leads to the conclusion that its size is a proxy for policy stability. Indeed, a bigger unanimity core produces a larger set of points that cannot be changed. For the time being, let us note that the argument for the smallness of the winset appears more complicated. I use the smallness of the winset of the status quo as a proxy for policy stability for the following reasons: 1). The more points (i.e. policy proposals) that can defeat the status quo, the more susceptible to change is the status quo; 2). The bigger the winset of the status quo is, the more likely it is that some subset of it will satisfy some additional external constraints. 3). If there are transaction costs in changing the status quo, then players will not undertake a change that leads to a policy that is only slightly different, which means that the status quo will remain; 4). Even without transaction costs, if players undertake a change, a small winset of the status quo means that the change will be incremental. In other words, a small winset of the status quo precludes major policy changes. Each of these reasons is sufficient to justify the use of the smallness of the winset of the status quo as a proxy for policy stability.

The two proxies for policy stability are complementary for different positions of the status quo. When the status quo is far away from all veto players, its winset is large (policy stability is low). As the status quo approaches one of the veto players policy stability increases (since the winset of the status quo includes only the points that this veto player prefers over the status quo). Moving the status quo even further and locating it among the veto players may completely eliminate the winset of the status quo (as the case of SQ2 in Figure 1.3 indicates).

The above discussion indicates that policy stability crucially depends on the position of the status quo. However, of particular interest are propositions that are independent of the

position of the status quo for two reasons. First, in political science analyses it is not always easy to start by locating the status quo. For example, when a healthcare bill is introduced, one does not know what the status quo was until after the bill was voted. Indeed a series of provisions having to do with mental health, for example, are included or not in the status quo depending on whether they were included in the bill itself.¹³

Second, political analysis that is dependent on the position of the status quo has necessarily an extremely contingent and volatile character (exactly as the status quo that it depends on). The analysis of the above legislation may become an extremely difficult enterprise (particularly if one considers this legislation over time). It is not my position that such an analysis is superfluous or irrelevant (quite the opposite). But (I for) one would like to see whether some comparative statements could be made independently of the position of the status quo, whether statements that are characteristic of a political system and not of the status quo are possible.¹⁴

In the remainder of this chapter I will focus on the other factors that affect policy stability. In section 2, I will carry the analysis in two complementary parts: the case where the winset of SQ is non-empty, and the case that it is empty (that is, when SQ is located inside the unanimity core). In section 3, I will demonstrate the high correlation of the two approaches.

INSERT FIGURE 1.3

II. Number of veto players and policy stability.

1. Winset of status quo is non-empty. Figure 1.3 replicates Figure 1.2 and adds one more veto player: D. It is easy to see by comparison of the two Figures that the winset of SQ1

¹³ An alternative approach would consider a policy space of extremely high dimensionality, and consider the status quo as the outcome generated by all existing legislation and the departures caused by any particular bill. Then we ignore the dimensions that have not been affected by the change. In my opinion this is a much more complicated procedure.

shrinks with the addition of D as a veto player. Indeed, D vetoes some of the points that were acceptable by veto players A, B, and C. This is the generic case. Under special spatial conditions the addition of a veto player may not affect the outcome. For reasons of economy of space I will not present another figure here, but the reader can make the following mental experiment: if D is located on the BSQ line between B and SQ so that the circle around D is included inside the circle around B, the addition of D as a veto player would not influence the size of the winset of SQ1.¹⁵ I could continue the process of adding veto players, and watch the winset of the status quo shrinking or remaining the same (i.e. “not expanding”) with every new veto player. It is possible that as the process of adding veto players unfolds at some point the winset of the status quo becomes empty, that is, there is no longer a point that can defeat the status quo. This would have been the case if D were located in an area so that SQ1 were surrounded by veto players. We will deal with this case in the next few paragraphs. Here let me summarize the result of the analysis so far. *If the winset of the status quo exists, its size decreases or remains the same with the addition of new veto players.*

2. Winset of status quo is empty. Let us now focus on SQ2 in Figure 1.3. It presents the case where the winset of the status quo with three veto players is empty. Given that $W(SQ2)=\emptyset$, the size of $W(SQ)$ is not going to change no matter how many veto player one adds. However, the addition of D as one more veto player has another interesting result: it expands the unanimity core. The reader can verify that the unanimity core now is the whole area ABCD. Again, it is not necessary that an additional veto player expands the unanimity core. It is possible that it leaves the size of the unanimity core the same, as would have been the case if D were located inside the

¹⁴ I will discuss the very concept of “status quo” that is omnipresent in formal models and so elusive in empirical studies in chapter 9 as the foundation of my analysis of government stability.

¹⁵ We will take up the point of when additional veto players “count”, that is, affect the size of the winset of the status quo in the next section.

triangle ABC. We will deal with this case in the next section. For the time being, the conclusion of this paragraph is the following. *If there is a unanimity core, its size decreases or remains the same with the addition of new veto players.*

Combining the conclusions of the previous paragraphs leads to the following proposition:

PROPOSITION 1.1: *The addition of a new veto player increases policy stability or leaves it the same (either by decreasing the size of the winset of the status quo, or by increasing the size of the unanimity core, or by leaving both the same).*

The comparative statics supported by the Proposition 1.1 are very restrictive. Note that I am speaking for the addition of a new veto player. The phrasing implies that the other veto players will remain the same in the comparison. For example, it would be an inappropriate application of Proposition 1.1 to consider that if we eliminate one particular veto player and add two more the result would be an increase in policy stability. It would be equally inappropriate to compare two different systems, one with 3 veto players and one with 4 veto players, and conclude that the second produces more policy stability than the first. So, while Proposition 1.1 permits over time comparisons of the same political system, it does not most of the time permit us to compare across systems.

The following proposition, which I will call “numerical criterion”, increases on simplicity but reduces the accuracy of Proposition 1.1. The reason is that it ignores the cases where adding a veto player makes no difference on policy stability.

NUMERICAL CRITERION: *The addition of a new veto player increases policy stability (either by decreasing the size of the winset of the status quo, or by increasing the size of the unanimity core).*

The “numerical criterion” has the same restrictions for comparative statics as Proposition 1.1. In addition, it may lead to wrong expectations because a new veto player does not always increase policy stability. I am underlying this point from the beginning, because as we will see in the empirical chapters, frequently empirical research uses the numerical criterion either to produce expectations or to test them. The propositions presented in the next section relax some of the above restrictions.

III. Quasi-equivalence and Absorption Rules, Distances among veto players, and Policy Stability.

This section deals with the question under what conditions adding a veto player affects (increases) policy stability. If it does not, I will say that the new veto player is “absorbed” by the existing ones, which gives the title “absorption rule” to this section. As an interesting byproduct of the analysis we will see that the two different proxies for policy stability (the size of the unanimity core and the size of the winset) are almost equivalent, as well as under what conditions altering distances among veto players affect policy stability.

INSERT FIGURE 1.4

1. Quasi-equivalence and Absorption Rules. I will present the argument in a single dimension first for reasons of simplicity. Consider the situation presented in Figure 1.4. Three individuals (they are not veto players yet) are located on the same straight line, the status quo is anywhere in an n -dimensional space (a two dimensional space is sufficient to depict the situation). In the remainder of this section I will index the different winsets by the veto players, not by the position of the status quo, because my findings will hold of any possible position of the status quo.

Figure 1.4 presents the indifference curves of the three actors A, B, and C. Labels D, E, and F are the intersections of the indifference curves of A, B, and C with the line AC. Consider first that actors A and B (but not C) are veto players, and identify the winset of the status quo

($W(AB)$). Add C to the set of veto players, that is, endow C with the power to veto outcomes he does not like. It is easy to see that the winset of the status quo shrinks to $W(ABC)$ (going through points D and F). In this case adding a veto player increased the policy stability of the system.

Now let's follow a different time path and assume that the initial veto players are A and C. The winset of the status quo is $W(AC)$ (going through D and F). Adding B as a veto player does not affect its size. In other words, $W(ABC)=W(AC)$.

Why was policymaking restricted in the first case but not in the second? The reason is that if B is located between A and C, then F is located between E and D.¹⁶ In other words, it is impossible for A and C to have joint preferences over the status quo that B will not share.

One can reach similar conclusions with respect to the unanimity core: adding B to veto players A and C does not affect the unanimity core of the system (which is the segment AC), while adding C to A and B expands the unanimity core from AB to AC.

In fact, the two conditions are equivalent: when a new veto player is added inside the segment connecting existing veto players (their unanimity core), it does not affect the winset of the status quo, and when it does not affect the winset of the status quo (for any position of SQ), it is located inside the segment defined by the existing veto players (their unanimity core). Indeed, the only way that the three indifference curves will pass from the same two points (SQ and SQ') is that the three points A, B and C will be on the same straight line.

INSERT FIGURE 1.5

These arguments can be generalized in any number of dimensions. Figure 1.5 presents a two-dimensional example. To the three initial veto players A, B, and C a fourth one D is added. If D's ideal point is located inside the unanimity core of A, B and C (the triangle ABC) then D

¹⁶ It is easy to see from the triangle SQBC that the sum of two sides is longer than the third, so $BC+BSQ>CSQ$. It is also true that $BSQ=BE$ and $CSQ=CF$. Replacing it we get $BC+BE>CF$, or $CE>CF$, or F is located between E and D.

has no effect on the unanimity core or the winset of A, B, and C, regardless of the position of the status quo. If, on the other hand, D is outside the unanimity core of A, B, and C, it both expands the unanimity core and restricts the winset of the status quo (at least for some SQ positions).

PROPOSITION 1.2 (absorption rule): *If a new veto player D is added within the unanimity core of any set of previously existing veto players, D has no effect on policy stability.*

Proof: (by contradiction). Suppose that a new veto player D belongs to the unanimity core of a system of veto players S and for some SQ it affects the size of the status quo. On the basis of Proposition 1.1 in this case the winset of the status quo shrinks. The previous propositions imply that there is a point X that all veto players in S prefer over the status quo, but D 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 veto players in S are located on one side of this hyperplane, while D is located on the other, consequently, D is not in the unanimity core of S.¹⁷

Proposition 1.2 is essentially what distinguishes between the verbally awkward accuracy of Proposition 1.1 and the approximate simplicity of the numerical criterion. It explains under what conditions an additional veto player is going to make a difference, or is going to be absorbed. This proposition is going to make significant difference in empirical applications, because it identifies which veto players count. One important point has to be made here: the whole analysis is carried out under the assumption that there are no transaction costs in the interaction of different veto players. The reason that I make this assumption is that it is difficult to find any way to operationalize such costs across countries, and time. However, this does not mean that such costs do not exist. If one relaxes the assumption of no transaction costs, even an absorbed veto player would add difficulty in changing the status quo.

Figure 1.5 can help us also understand the relationship between the two criteria of policy stability we have adopted. We have already seen on the basis of the absorption rule that adding a veto player inside the unanimity core of others does not affect the winset of the status quo. Now we will see that the reverse is also true (that if we add a veto player and we do not reduce the size of the winset for any position of the status quo, the new veto player is located inside the unanimity core of the previous ones). As a result, the two criteria of policy stability are almost equivalent.

PROPOSITION 1.3 (quasi-equivalence rule): *For any set of existing veto players S the necessary and sufficient condition for a new veto player D not to affect the winset of any SQ is that D is located in the unanimity core of S .*

Proof. The proof of the absorption rule is also the proof of necessity. For sufficiency suppose that D does not belong in the unanimity core of S . I will show that there are some positions of SQ for which the winset of SQ is reduced if one adds D as a veto player. Consider a hyperplane H separating S and D , and select a point SQ on the side of D . Consider the projection SQ' of SQ on H , and extend the line to a point X so that $SQX = 2SQSQ'$ (X is the symmetric of SQ with respect to H). By construction, all veto players in S prefer X to SQ , but D prefers SQ to X , so $W(SQ)$ shrinks with the addition of D . QED

I call Proposition 1.3 the quasi-equivalence rule because it demonstrates that the two criteria of policy stability we used are almost equivalent: if adding a veto player does not increase the size of the core, it will not reduce the size of the winset of any status quo either. Similarly, if adding a veto player does not reduce the size of $W(SQ)$ for any SQ , it will not increase the size of the core either. However, Proposition 1.3 does not imply that for any position of SQ increasing the core decreases $W(SQ)$. The reason is that the two criteria of policy stability

¹⁷ I thank Macartan Humphreys for this elegant proof that is much shorter than mine.

that we used have one important difference: the size of the core does not depend on the position of the status quo, while the winset of the status quo (by definition) does. As a consequence of Proposition 1.3, even if the size of the winset of the status quo did not seem as convincing a criterion of policy stability as the size of the unanimity core in the introduction to this part, now we know that the two are highly correlated.

2. Distances among veto players and policy stability. The goal of this section is to derive propositions involving the distances among veto players that are independent of the position of the status quo. In Figure 1.4 we demonstrated that adding B as a veto player has no effect, while adding C has consequences. Now we can shift the argument and consider a scenario where we *move* veto players instead of adding them. If we have only two veto players A and B and we move the ideal point of the second from B to C, then the winset of the status quo will shrink (no matter where the status quo is) and the unanimity core will expand, so policy stability will increase. In this case increasing the distance of two veto players (while staying on the same straight line) increases policy stability regardless of the position of the status quo.

Similarly, in Figure 1.5, adding D had no effect on stability. In other words, the system of the veto players ABC produces higher policy stability than the system ABD. So, if we had only three veto players A,B, and a third and we moved that third veto player from point C to point D the policy stability of the system decreases regardless of the location of the status quo. We can generalize these arguments as follows:

PROPOSITION 1.4: *If A_i and B_i are two sets of veto players, and all B_i are included inside the unanimity core of the set A_i , then the winset of A_i is included in the winset of B_i for every possible status quo and vice versa.*

Proof: Consider two sets of veto players A_i and B_i , so that all of B_i are included inside the unanimity core of A_i . In that case, on the basis of Proposition 1.2 each one of the B_i would have been absorbed by the veto players in A_i . As a result, the intersection of winsets of all A_i is a

subset of the winset of each B_i , which means that the intersection of winsets of all A_i is a subset of the intersection of winsets of all B_i . QED.

INSERT FIGURE 1.6

Figure 1.6 provides a graphic representation of the proposition when A_i is a system of three veto players, and B_i is a system of 5 veto players included in the unanimity core of A_i . Note that despite the higher number of veto players in system B, the winset of any point SQ with respect to the veto player system A (indicated by $W(A)$ in the Figure) is contained inside the winset with respect to veto player system B (indicated by $W(B)$), so, policy stability in system A is higher. In fact, we can move B_1 further “out” until it coincides with A_1 , then move B_2 to A_2 , and then B_3 to A_3 . The policy stability of the system B_i increases with each move (since the unanimity core expands). In the new system B_4 and B_5 are absorbed as veto players.

Proposition 1.4 is the most general statement about veto players in multidimensional spaces in this book. It permits comparisons across political systems, provided that we are discussing about the same range of positions of the status quo. Let me explain this point more in detail. All the arguments I have made hold, regardless of the position of the status quo, but once the status quo is selected it is supposed to remain fixed. Until now, I have not compared policy stability of different systems for different positions of the status quo. An example may be appropriate here. It is a reasonable inference from Proposition 1.4 to expect the policy stability of a system including communist, socialist and liberal parties to be higher than the policy stability of a coalition of social democratic and liberal parties. However, this proposition would not involve different positions of the status quo. If the status quo in the first case happens to be very far away from the ideal points of all three parties, while the status quo in the second is located between the positions of the coalition partners, then the first system may produce a significant change in the status quo, the second will produce no change. To be more concrete, policy stability does not imply that the first coalition will be unable to respond to an explosion in a

nuclear energy plant by mobilizing the army if necessary. It is only with respect to similar positions of the status quo that the comparative statics statements make sense.

None of the four propositions I presented so far identifies the policy position that defeats the status quo. It is possible that the winset of the status quo is large and yet, the position that is selected to be compared with it (and defeat it) is located close to it. It is inappropriate to conclude from any of the four propositions that in a particular case because the winset of the status quo is large the new policy will be far away from it. The correct conclusion is that when the winset of the status quo is small the policy adopted will be close to it. In other words, each one of the propositions above should be read as presenting a necessary but not sufficient condition for proximity of the new policy with the status quo: if the new policy is away from the status quo it means that the winset was large, but if it is close it does not mean that the winset was small. Similarly, if we are inside the unanimity core there will be no policy change, but if there is no policy change we are not necessarily inside the unanimity core.

The points made in the previous paragraph are extremely important for empirical analyses. Let us call SQ and SQ' the status quo and its replacement. Propositions 1.1-1.4 indicate the following: When the winset of the status quo is small the distance between SQ and SQ' which is represented by $|SQ-SQ'|$ will be small. When the winset of SQ is large $|SQ-SQ'|$ can be either small or large. Aggregating across many cases will therefore present the following picture. On the average, large winsets will present bigger $|SQ-SQ'|$ than small winsets. In addition, large winsets will present higher variance of $|SQ-SQ'|$ than small winsets.

INSERT FIGURE 1.7

Figure 1.7 presents the relation between the size of the winset and the distance $|SQ-SQ'|$. Assuming that all possible distances are equally plausible¹⁸ leads to two predictions. First, that on average, the distance $|SQ-SQ'|$ will increase with the size of the winset of the status quo; and

¹⁸ This is a questionable assumption, but one is needed here and I find nothing better to replace it.

second, the variance of $|SQ-SQ'|$ will also increase with the (same) size of the winset of the status quo.

Because of the high variance of $|SQ-SQ'|$ when the winset of the status quo is large the statistical significance of a simple correlation between size of winset and $|SQ-SQ'|$ will be low because of heteroskedasticity. However, the appropriate way of testing the relationship between the size of the winset and $|SQ-SQ'|$ is not a simple correlation or regression, but a double test that includes the bivariate regression and also the residuals of this regression.¹⁹

After discussing Propositions 1.1-1.4 and the way they should be tested empirically we need to focus on one important issue completely omitted so far: the question of sequence.

IV. Sequence of moves.

So far we have been treating veto players in a symmetric way. All of them were equally important for us. As a result we only identified the set of feasible solutions: the winset of the status quo. However, in political systems (the analysis of which, do not forget, is our goal) certain political actors make proposals to others who can accept or reject them. If we consider such sequences of moves we can narrow down significantly the predictions of our models. However, in order to be able to narrow down the outcomes we will need to know not only the précised identity but also the preferences of the agenda setter. As we will see these requirements are quite restrictive.²⁰ This section aims at finding out what difference it makes if one veto player proposes and another accepts or rejects.

INSERT FIGURE 1.8

Figure 1.8 presents the simplest possible case: two veto players. Given that both of them try to achieve their ideal point, or as close as possible to it, if veto player A makes an offer to B,

¹⁹ In fact, this is a much more general idea. Many relationships presented in comparative politics and in international relations are necessary but not sufficient conditions (think of B. Moor's "no bourgeois no democracy"). The appropriate test for such theories is not a simple regression, but a double test, that includes heteroskedasticity of residuals.

²⁰ For example, we will see in Chapter 4 that in parliamentary systems governments control the agenda, however, we do not know who within government is the agenda setter. In fact, different researchers have hypothesized different actors (prime minister, finance minister, minister, bargaining among different actors, proportional weights etc).

he will select out of the whole winset the point PA , which is closest to him. Similarly, if B makes an offer to A he will select point PB . It is easy to verify that there is a significant advantage to making proposals. In fact, the player who makes proposals will consider the winset of all the other veto players as his constraint, and select among all the points contained in this winset the one that he prefers. This is the advantage of the agenda setter, identified for the first time formally by McKelvey (1976).²¹

PROPOSITION 1.5: *The veto player who sets the agenda has a considerable advantage: he can consider the winset of the others as his constraint, and select from it the outcome he prefers.*

Proposition 1.5 makes clear that the analysis of the previous three sections is valid even if one knows the sequence of moves and includes sequence in the analysis: one can subtract the agenda setter from the set of veto players, calculate the winset of the remainder and then identify the point closest to the agenda setter.

As a consequence of Proposition 1.5 a single veto player has no constraints and can select any point within his indifference curve. As another consequence, as the size of the winset of the status quo shrinks (either because there are more veto players or because their distances increase) the importance of agenda setting is reduced. In the limit case where the status quo is inside the unanimity core (that is, when there is no possibility of change) it does not matter at all who controls the agenda. I will single out these two corollaries because we will make use of the first in the discussion of single party governments in Chapter 3 (both democratic and non-democratic), and of the second in the discussion of the relationship between governments and parliaments in parliamentary systems in Chapter 4.

COROLLARY 1.5.1: *A single veto player is also the agenda setter and has no constraints in the selection of outcomes.*

²¹ But as we said already, the idea of agenda setting advantage can be traced back to Livy.

COROLLARY 1.5.2: The significance of agenda setting declines as policy stability increases.

INSERT FIGURE 1.9

Figure 1.9 provides a graphic representation of corollary 1.5.2 that we will use frequently in the book. Consider first the set of two veto players A and B, and the status quo SQ. The winset of the status quo is shaded and if B is the agenda setter he will select the point B' that is as close to his ideal point as possible. Now add C as another veto player in the system. The winset of the status quo shrinks (the heavily shaded area), and if B continues to be the agenda setter, he has to select the point that he prefers inside this smaller winset. It is clear that the new outcome B'' will be at least as far away from B as point B' was.²²

This entire discussion makes two important assumptions. First, that all veto players have been taken into account. We will discuss how to count veto players in different countries in the second part. However, we will be considering only institutional or partisan players. If a case can be made that the army, the bureaucracy, or some interest group are veto players in a certain country their preferences should be included in the analysis. Similarly, if in a certain policy area foreign actors can play an important role and exclude possible outcomes (IMF on financial policies of developing countries) these players should be also included in the set of veto players. Failure to include all veto players, miss-specifies the size of $W(SQ)$, although the outcome is still within the (mistakenly) hypothesized $W(SQ)$.

Second, the ideal points of all veto players are well known by all of them (as well as by the observer). It excludes any uncertainty for one veto player about the ideal point of another, and consequently any strategic misrepresentation of preferences. If the assumptions of this chapter were met one would observe all the time successful proposals by agenda setters being accepted by the other veto players. If this second assumption is not met, then proposals may fail

²² In an empirical study of German bicameralism Braeuninger and König (1999) find that the agenda setting powers of the German government declines when legislation has to be approved by the upper chamber (Bundesrat).

and the policymaking process may start all over again. However, we will see in the second part that real institutions have provisions for the exchange of information among veto players.

5. Conclusions

This account completes in broad strokes all the theory in the book. veto players are actors whose agreement is necessary for a change in the status quo. Policy stability is the term that expresses the difficulty for a significant change of the status quo. Policy stability increases in general with the number of veto players and with their distances (but see Propositions 1.1-1.4 for more accurate predictions). The empirical test of these predictions requires not a simple regression, but also tests of the variance of the distance between old and new policies. The veto player who controls the agenda setting process has a significant redistributive advantage: he can select the point he prefers from the whole winset of the others (Proposition 1.5). However, this advantage declines as a function of the policy stability of the system (Corollary 1.5.2) that is, with the number of veto players and their distances from each other.

From now on we will be dotting the "i"s and crossing the "t"s. And we start from introducing the first significant dose of realism into these simple models: does this analysis apply to collective veto players, since the constitutions of different countries do not speak of veto players but of collective actors like Parliaments, parties, committees etc?

FIGURE 1.1
Circular indifference curves of a veto player

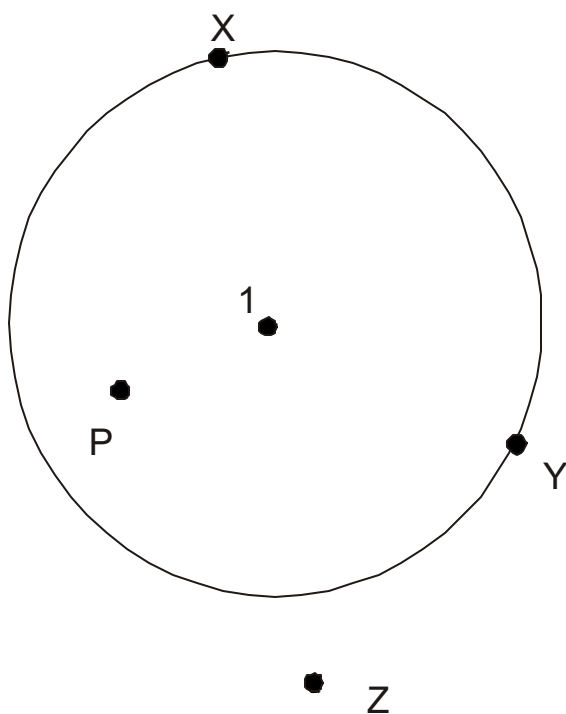


FIGURE 1.2
Winset and core of a system with three veto players

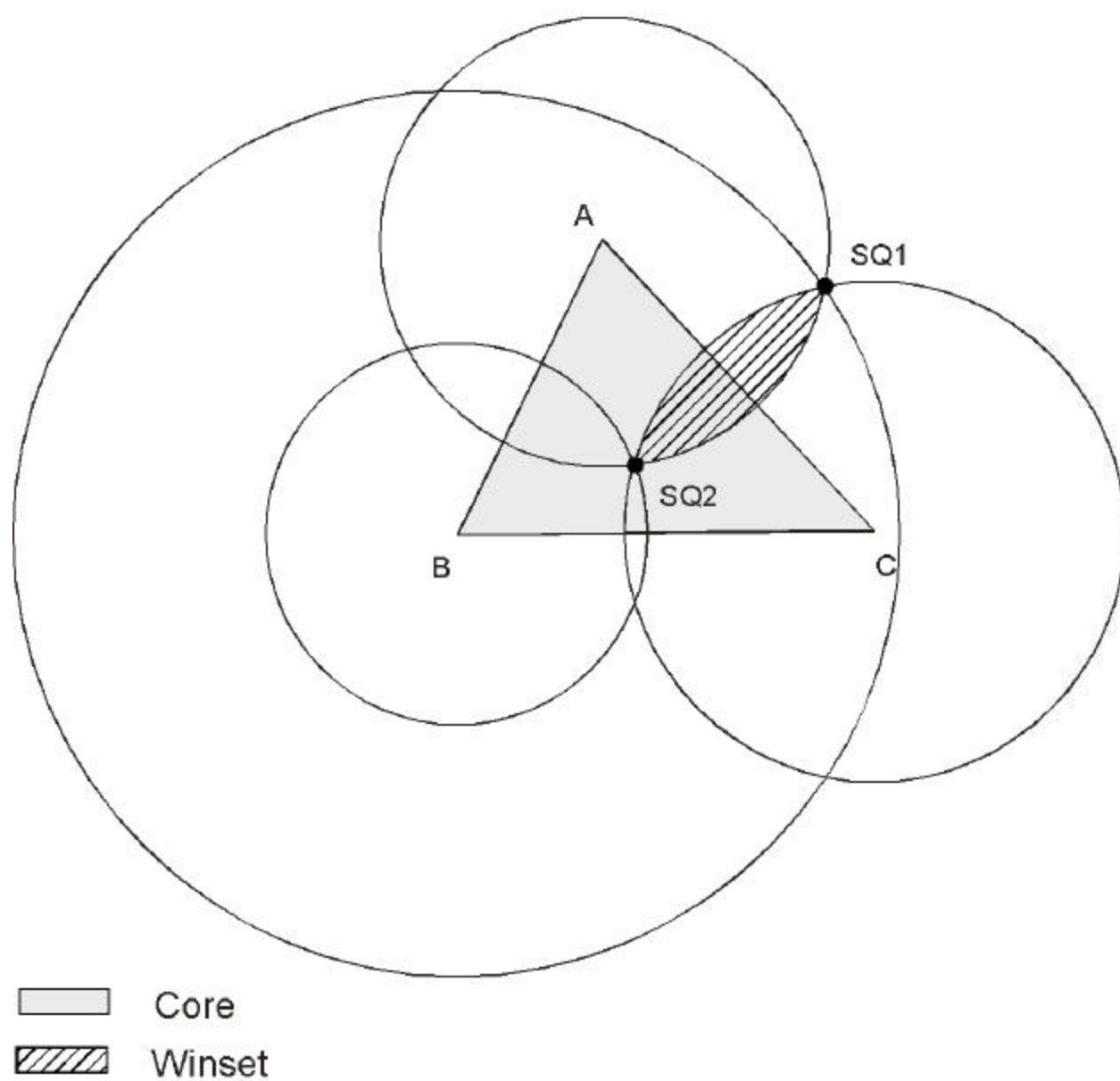


FIGURE 1.3
Winset and core of a system with four veto players

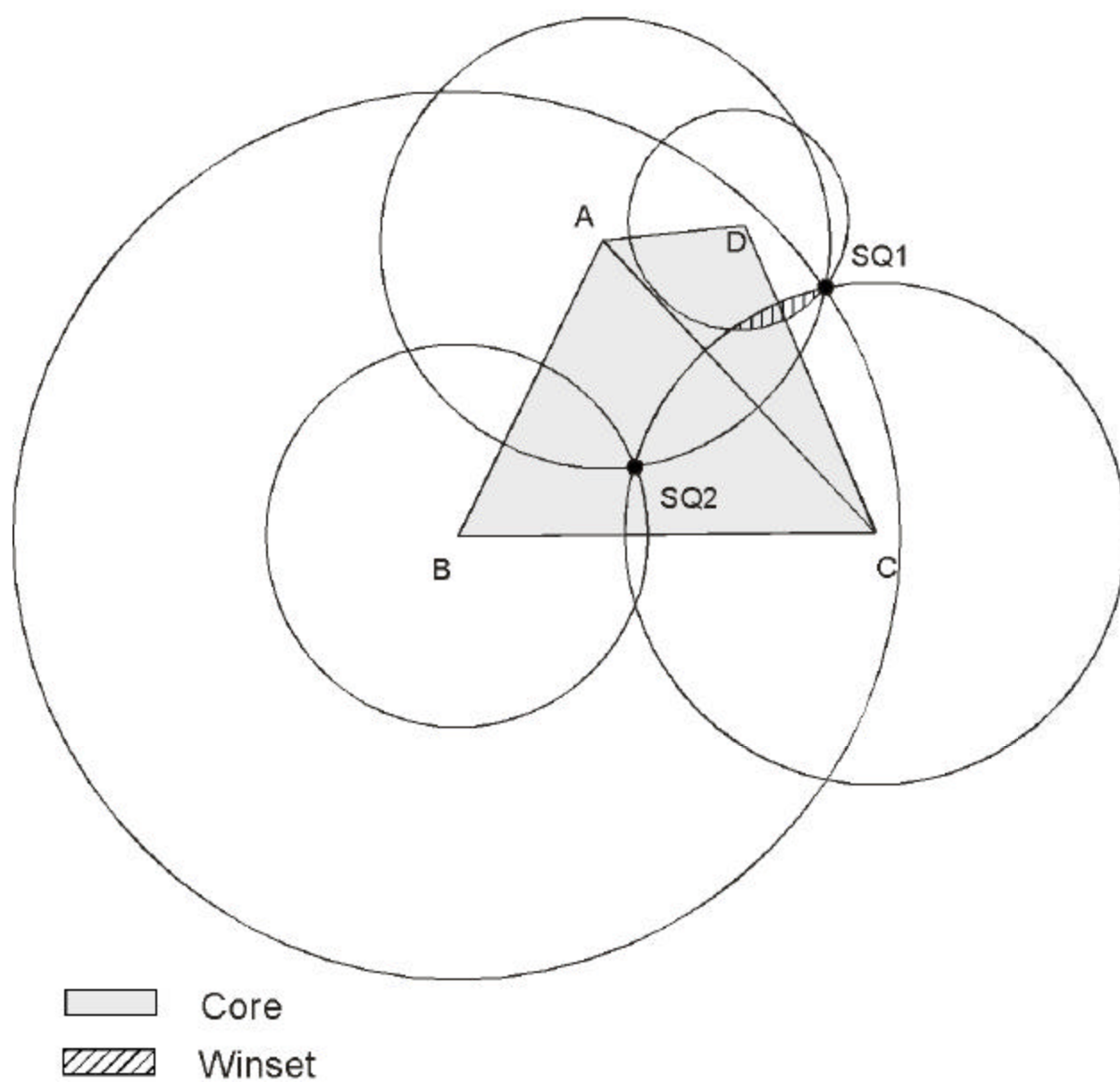


FIGURE 1.5

Winset of VPs A, B and C is contained in winset of D
(D is absorbed)

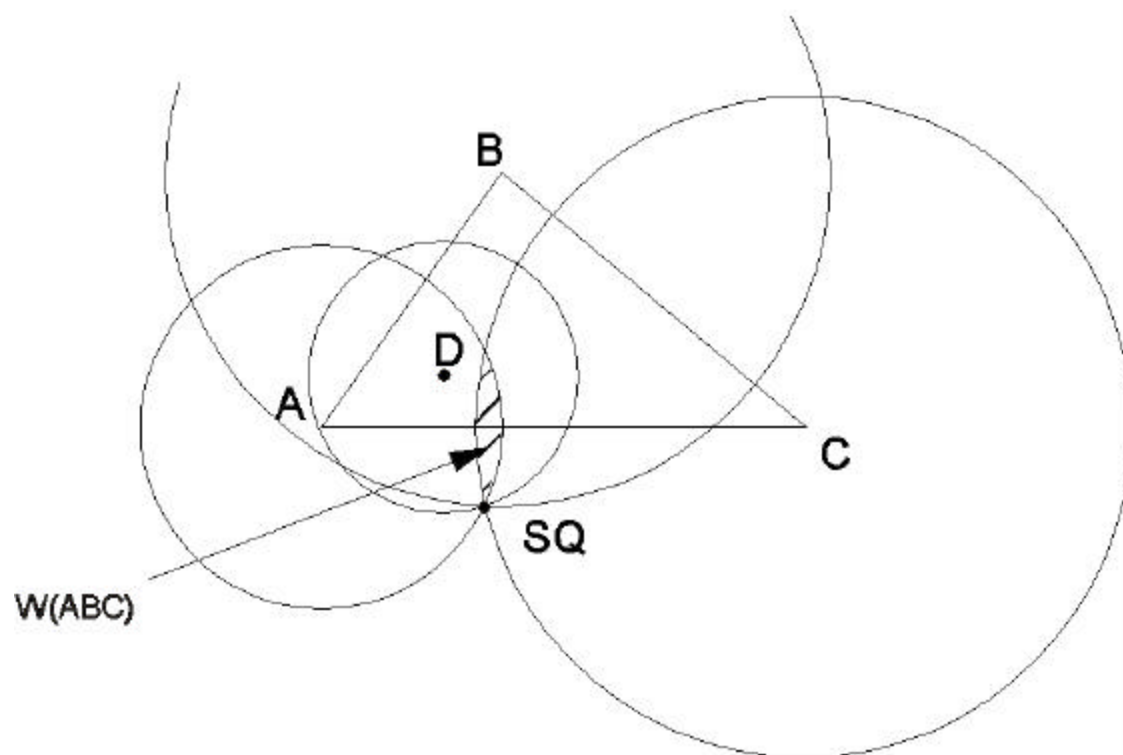


FIGURE 1.6

Veto players A1-A3 produce more policy stability than B1-B5
(no matter where the status quo is)

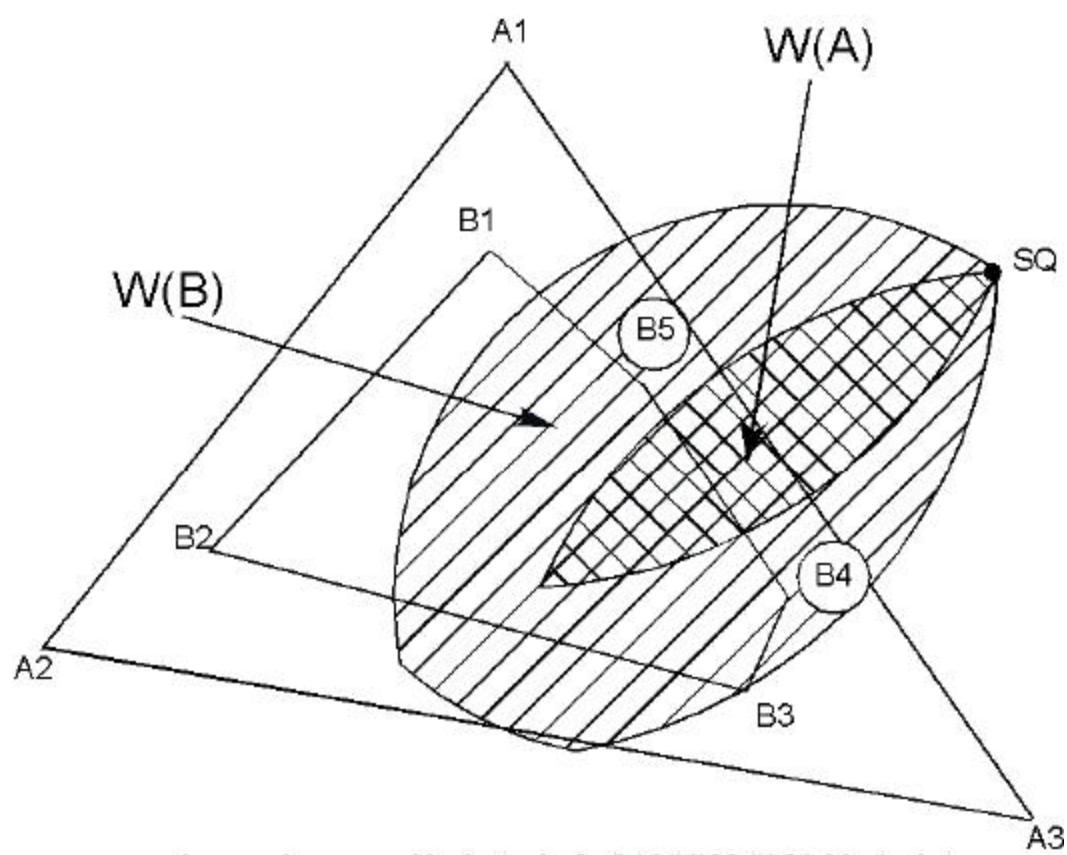


FIGURE 1.7

Distance of new policy from status quo as a function of size of $W(SQ)$

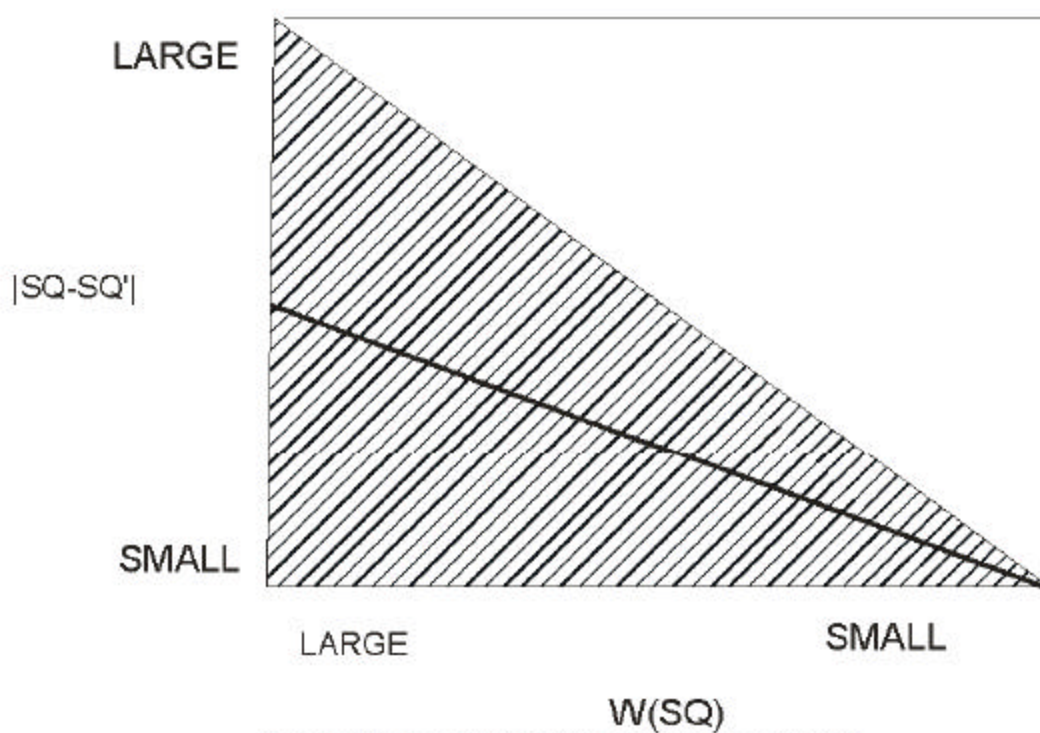
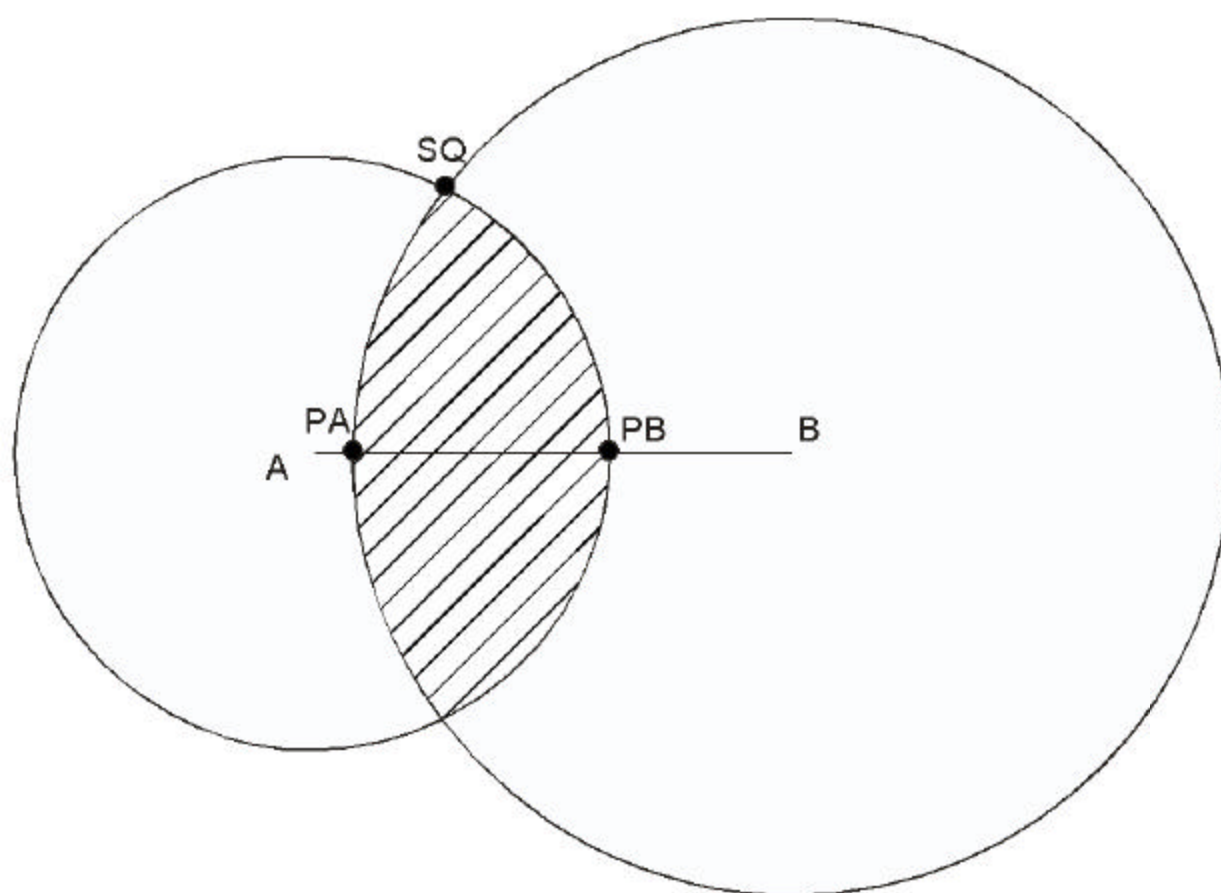


FIGURE 1.8
Significance of Agenda Setting



Location of winning proposal when the agenda is controlled by A (PA) or B (PB)

FIGURE 1.9
Addition of VP C reduces the importance of agenda setting by VP B
(proposal moves from B' to B'')

