

Dictators, Democrats, and Government Performance

In an African Country

Chapter 4:

A Multi-Regime Analysis of

Preferences, Political Institutions, and Performance

INTRODUCTION

Previous chapters presented an empirical problem by revealing fluctuations in Nigeria's government performance. Chapter 2 lays out the vicissitudes of this performance along three measures and illustrates how they do not follow an obvious trend. Chapter 3 argues that regime type also does little to explain the puzzle. What then explains variation in government performance in Nigeria over time?

This chapter and the next develop a theory that links the number of policy actors to government performance. I describe in this chapter how bargaining among individual and collective actors impacts policy outputs. These "veto players" use their leverage to extract particularistic payoffs or to bargain over public goods. Government performance suffers when policy depends on agreement among too many players. Most models only apply veto players to democracies and only consider their effects on policy stability. I build on literature that extends the theory to different regime types and other policy outcomes. I then argue that veto players account for variation in the measures of performance used throughout this study: the level of "pork," the delivery of public goods, and the efficiency of government spending on pork.

I begin this chapter by explaining the basic principles behind veto players including distinctions between individual and collective veto players, and between institutional and partisan veto players. I outline broad agreement in the literature about how the number of actors, their internal cohesion, and the divergence of their preferences impact the stability of the status quo policy. By introducing transaction costs associated with influencing policy, I then modify a basic rule which governs how to count veto players. The second section examines informal institutions as a problem that arises when

extending veto player models to non-democracies. I resolve this issue with generalizable assumptions about the relationship between political institutions and societal interests. I also defend the proposition that governance is inherently collective by deconstructing cases that present evidence to the contrary. I outline three reasons why dictators do not rule alone and summarize how this introduces a major source of variation among authoritarian regimes. The third section explains the feasibility of moving from a veto player model that focuses on policy stability to one that can predict other outcomes. I highlight empirical studies that point to similar consequences of veto players and legislative coalitions on policy outputs. Then I formulate a hypothesis and three empirical tests.

The link between the number of veto players and policy performance is important because it poses a difficult dilemma for Nigeria. On the one hand, political institutions that promote inclusion are arguably necessary to reduce social tensions and ensure that policy making is representative of the country's diversity. On the other hand, by creating new players or altering the cohesion of existing ones, these practices adversely affect government performance. The next chapter will elaborate on this dilemma by placing Nigeria's politics in the context of its social heterogeneity. By exacerbating bargaining problems, inclusive political institutions create incentives for the "morselization" of policy and undermine the delivery of public goods.

POLITICAL PREFERENCES WITH VETOES

Tsebelis and others have developed the concept of "veto players" to compare institutional frameworks in which actors with distinct preferences compete to maintain or change policy. By exploring the relationship between different decision rules and two

basic types of players, this conceptual framework has been used to explain a range of outcomes from economic growth to the rule of law. This section defines veto players and describes some broad differences between individual and collective actors. I then identify three causal propositions, generally shared by veto player studies which concern the number of veto players, the cohesion of these players, and the divergence of their preferences. The final sub-section describes the rule governing how to distinguish among players' preferences. Even though the introduction of transaction costs alters this rule, I argue that the underlying integrity of the three causal propositions remains intact.

Veto Typology

According to a common definition, veto players are “individual or collective actors whose agreement is required for a change of the status quo” (Tsebelis 1995, 289-325). Veto player models incorporate different kinds of decision rules and allow for distinctions among actors such as those who can set the policy agenda and those who cannot. The theoretical framework also incorporates both individual and collective political actors, as well as differences in preferences.

The term “veto” implies that the consent of various actors is necessary for the approval of new policies.¹ According to the theory and terminology of veto players developed by Tsebelis, *individual* veto players are those who are unencumbered by internal decision making rules either because either this authority is exercised through one person or the preferences of the players are monolithic. Individual players include political actors such as presidents and most autocrats. More commonly, veto players are

¹ Despite the resemblance, “veto players” should therefore not be conflated with the constitutional authority of many presidents to veto proposed legislation.

collective. This means that in order to exercise authority they must first satisfy an internal decision making rule such as simple or qualified majority. Political parties and legislative chambers are examples of collective players although the label applies equally to other organizations such as military councils. Significantly, when veto players consist of multiple individuals with the same preferences, they are treated as individual veto players because they behave as individuals. However organizations that satisfy these criteria are very rare because they must either decide by unanimity or their majorities must be monolithic (as in a communist system).

The other important distinction concerns the source of a veto player's authority. When it is generated by constitutions or other formal rules of the polity, Tsebelis labels these players *institutional*. The House of Representatives in the United States provides an example because all legislative proposals must pass through it before they can become law. It is also important to note that myriad majorities are possible on any given issue within the House because of the multiplicity of preferences.

However the situation is entirely different in an organization where essentially only one majority is possible. In such a case it would be incorrect to locate veto authority inside the institution since only one subset of preferences within it decides when to exercise the veto. Defining collective players through a static set of institutions would fail to capture where political power is actually exercised. When politics within an institutional player generate a controlling set of preferences, these are *partisan* veto players. In a parliamentary system with a tightly disciplined majority party, it would be a mistake to simply say that the parliament or the lower chamber holds an institutional veto since only the majority party can effectively exercise the veto. Alternatively, if no party

holds a majority and passing legislation depends on a coalition, then each party in the coalition has a partisan veto. This means that these parties must agree in order to change the status quo policy.

Partisan veto players are significant because many collective actors fall into this category while others should be excluded. For example, the presidents of Mexico, Honduras and Ecuador lack the formal power to veto budget legislation (Mainwaring and Shugart 1997). Decisions to pass legislation must emerge instead from within the majority party. When the president is head of that same party, she may be able to exercise a partisan veto even though “veto” powers (in the traditional Madisonian sense of the term) are absent from the constitution.

Causal Propositions

From the above set of concepts, studies converge on three general propositions: First, increasing the number of veto players makes it more difficult to change the status quo because more preferences must be taken into account and each one of these players exercises leverage over the policy bargaining process. This situation is referred to as policy stability or “resoluteness” (Cox and McCubbins 2001, 21-63). Resoluteness is beneficial if the state faces a credible commitment problem and policies risk fluctuation, as is the case in many new democracies. Adding veto players produces checks on the arbitrary exercise of authority (Keefer and Stasavage 2003, 407-20). A large number of veto players is a disadvantage if interests are entrenched and new policies are necessary (Schiavon 2000). In this instance government “decisiveness,” meaning an ability to change the status quo, is desirable for the innovation and adaptability it permits (Haggard and McCubbins 2001). A balance must be struck: “having more than one veto player

helps to reduce the likelihood of policy volatility, but there is some point of inflexion after which additional veto players become unwelcome, serving only to increase the likelihood of policy rigidity” (MacIntyre 2001, 88).

Second, observations about the number of veto players depend on the internal cohesion of the collective players involved. Because these actors cannot unequivocally choose the outcome they prefer, their preferences appear ambiguous to observers. Under a majority decision rule, preferences are intransitive and multiple majorities are possible. As a result, Tsebelis claims that policy stability decreases when veto players are collective since it may actually be easier for each of them to arrive at a decision independently. This changes if collective players prioritize preferred outcomes from a set of alternatives that do not overlap with other players’ preferences. Qualified majorities also impact the cohesion of a collective player: as the threshold increases from plurality toward unanimity, policy stability increases or at least stays the same.

Third, the degree to which preferences differ also affects the ability to change the status quo. Bargaining among distinct players with radically different preferences increases the likelihood of paralysis because it becomes more difficult to compromise (Tsebelis 1995, 289-325; Treisman 2000, 837-56). This is easy to visualize with a spatial model of bargaining in which policy actors are at opposing ends of a continuum. In a single dimension, the positions of actors with very different preferences polarize the political space. Veto players theory has improved upon these approaches by modeling politics as multi-dimensional phenomena.² Spatial distance in such models helps

² Single dimension spatial models anticipate bargaining until equilibrium. Winning coalitions converge on moderate views on a single issue, illustrated by single-peaked a median (Downs 1957). Every status quo

determine which policy preferences should be treated as distinct. The next sub-section explains the “absorption rule” which governs such distinctions. It also identifies transaction costs as a factor that modifies the absorption rule.

The Costs of Political Exchange

Effective application of veto player theory depends on a clear set of criteria for counting players and thus deciding which preferences count. The absorption rule states that if two actors share substantially similar preferences, meaning they are close to each other in terms of policy distance, then the addition of new players does not impact policy stability (Tsebelis 1995, 289-325). This rule governs what constitutes a distinct preference. It eliminates from analysis actors whose consent is not necessary because their preferences substantially resemble those of other players. In game theoretic terms the ideal point of a new player is contained within the unanimity core of an existing player.

The absorption rule assumes the absence of transaction costs in exchanges. Tsebelis concedes that this assumption is merely a necessary evil that arises due to the difficulty of operationalizing such costs across contexts (Tsebelis 2002, 29). Since the present study involves a multi-unit qualitative analysis of one country rather than a cross-national comparison, we can abandon this assumption. North shows that political transactions and market exchanges alike involve costs (North 1990). Cox and McCubbins incorporate transaction costs as an inevitable and often substantial

can therefore be defeated by some conceivable coalition. Riker challenges this by modeling a multi-dimensional policy space; equilibrium solutions do not exist since the opposition is always trying to defeat the status quo. While this would seem to complicate veto player models, Tsebelis maintains identification of distinct preferences is not problematic when the dependent variable, such as policy stability, measures incremental change (Tsebelis 2002, 51).

consequence of bargaining among veto players who demand particularistic policies (Cox and McCubbins 2001, 21-63). Organizations such as political parties may internalize these costs but in doing so they face collective action problems. Olson argues that such problems can only be resolved through coercion or select incentives (Olson 1965). But even in this view, coercion has costs as do the select incentives that political actors receive as payments in return for cooperation. Thus there are sound theoretical reasons to include transaction costs, especially if we have adequate empirical information about the policy process and preferences.

Incorporating transaction costs has important effects on veto players but none of these effects do any violence to the model's underlying causal logic. One consequence is that marginal changes in the status quo are rarely worthwhile (Tsebelis 2002, 22). When marginal changes do occur this is attributable to the comparatively low transaction costs of players willing to cooperate, as when their ideal preferences are similar. A more significant result of including transaction costs is that "even an absorbed player would add difficulty in changing the status quo" because she still could cause chaos in the policy process (Tsebelis 2002, 29). For example, a party in an oversized parliamentary coalition may not be necessary to meet the decision rule's threshold but its threat to resign could nevertheless undermine the government. Thus even though the coalition members could pass legislation without this party they do not want to risk having to reform the government (Tsebelis 2002, 93-96). This is a nontrivial point because oversized coalitions, which include more parties than are necessary to constitute a majority, are not uncommon. In one sample of 32 countries between 1945 and 1996, they occur in 21

percent of all cabinets (Lijphart 1999, 98).³ This modified transaction cost assumption is also consistent with an interpretation of self-interest that accommodates ambition rather than temporally-bound gains such as a single policy success. In this view, even if two players have similar preferences they cannot hold the same office at the same time and do not share the same career path.

A model that incorporates transaction costs threatens the parsimony of the veto player framework. After all, who really is relevant to policy making and how should one count the number of players? Cox and McCubbins maintain that “a veto actor must be an actor, not just any collection of officeholders.” This means that the actor offers an “organizational basis” for reducing transaction costs associated with collective action. In addition, they say the veto actor must actually have a veto (Cox and McCubbins 2001, 24-25). Yet the analysis of oversized coalitions demonstrates that political actors who can generate transaction costs may be also relevant. Even though these actors lack the “numerical” leverage to exercise a veto (by preventing the coalition from meeting the decision threshold), Tsebelis argues there is a “political” logic to accommodating their preferences (Tsebelis 2002, p. 96). They may still provoke a political crisis even if they cannot defeat the status quo.⁴ While it is difficult to ascertain their motives for doing so in cross-national studies, my qualitative analysis of cases mitigates this problem.

³ Riker’s coalition theory argues that coalitions bargain to a minimal size, including only as many members as are necessary to assure winning (Riker 1962). This under-predicts oversized coalitions (Laver and Schofield 1998) and over-predicts the number of minimal winning coalitions. In post-communist Eastern Europe for example, the historical reputation of parties limited the possible winning combinations (Grzymala-Busse 2001, 85-104).

⁴ In particular, Strøm – like Cox and McCubbins – counsels against counting preferences as veto gates just because they differ. He argues that “a credible veto player must have both opportunity and motive.” Partisan players in parliamentary government may lack opportunity while institutional players may lack motive (Strom 2000, 261-89). Tsebelis responds that “demonstrable opportunity” either sets an

Summary

The first observation that emerges from this discussion is that across a broad range of dependent variables, studies arrive at similar conclusions about the causal effects of the number, distance, and internal cohesion of veto players. A second observation is that political exchanges generate transaction costs. This affects the absorption rule by requiring us to count some additional preferences as distinct and relevant. A third, related observation is that players who cannot effectively exercise a veto (because their vote might not be necessary to meet the decision threshold) can still impact bargaining. In many ways these observations suggest that veto player theory easily lends itself to an analysis across regimes. For example, it is significant that the theory allows for some actors without a formal veto to impose costs on the bargaining process. Yet a number of problems arise when extending the model to authoritarian regimes. The next section outlines these challenges and describes how scholars have addressed them.

A MULTI-REGIME MODEL

Incorporating non-democratic regimes into the theory presents new complications. Since extra-constitutional behavior and informal rules may be the norms of politics under authoritarian regimes, identifying and comparing institutions is more difficult. Yet scholars have effectively addressed this challenge in contexts as diverse as China (Shirk 1993), the Soviet Union (Roeder 1993), and east Asia (MacIntyre 2001, 81-122) by incorporating bureaucratic centers of power and observed political behavior as a guide to informal rules and institutions. From this point, Tsebelis says the practical task

unreasonably high standard for data requiring a case-by-case basis, or ends up being equivalent to participating in government in the first place (Tsebelis 2002, 87).

of identifying the preferences and vetoes in authoritarian regimes involves careful scrutiny of each regime (Tsebelis 2002, 78).

This section focuses on collective governance. I address whether, why, and how governance is inherently collective, responding to each of these issues. I begin by establishing the necessary prior asserted by Tsebelis that even autocrats cannot rule alone. I support this proposition with evidence from non-obvious authoritarian cases. I then outline three reasons why dictators reach out to other political actors. Each rationale, drawn from accumulated knowledge about non-democratic regimes, is discussed comparatively and makes reference to Nigerian cases. Next, I describe how existing studies demonstrate that a key task in applying the veto player model across regimes is to identify alternative centers of power. As both MacIntyre and Roeder reveal, this is the principal variation among authoritarian regimes and it tells us much about the relationship between institutions and competing interests.

Whether and Why Governance is Collective

In extending this theory to authoritarian regimes, Tsebelis writes “while non-democratic regimes are generally considered to be single veto player regimes, close analysis may reveal the existence of multiple veto players” (Tsebelis 2002, 90). This proposition is illustrated by two case studies – Chile and Iraq – that are least likely to support Tsebelis’ intuition.⁵ These cases are consistent with studies of the Soviet Union and China that uncover evidence of collective governance and “reciprocal accountability” through multiple “tiers” of officials (Shirk 1993; Roeder 1993).

⁵ King et al. argue that “crucial case studies” (Eckstein 1975, 79-135) are not useful for testing hypotheses because too much causal inference relies on a few causal variables. But inference is improved by pairing separate and independent case studies. In this way case studies can play a valuable role in theory building (King, Keohane and others 1994).

In Chile, Pinochet's regime was long considered a quintessential case of a successful concentration of power by a dictator. The regime's rules specified that the military junta had legislative powers defined in the constitution and all decisions by the junta required unanimous agreement. This effectively gave Pinochet a veto and his ruthless disciplining of junta members kept rebellious military service chiefs in check (Valenzuela 1991, 21-71). Later interpretations of Chile's authoritarian years paint a more nuanced picture in which the complexity of decision making emerges with competing centers of power. The consensus decision rule was in fact a compromise in response to protests by the navy and air force to Pinochet's centralization of power. Pluralism within the junta and decision making rules that required input from the other service chiefs created constraints on Pinochet's rule (Barros 2003, 188-222).

Saddam Hussein's Iraq provides an even more compelling "least likely" case than Chile. American intelligence reported in 1991 that "Saddam makes all key decisions in Iraq; he appears to have been a solitary decisionmaker most of his life." Power was centralized within the Ba'th Party and the Revolutionary Command Council but it extended to a broader network of loyalists. The inner circle, largely drawn from Saddam's Tikriti clan, communicated its decisions to a "second tier" of bureaucrats and Ba'th politicians. These "first tier" leaders maintained patronage networks through the National Assembly. Saddam trusted few and tortured many but he still constructed institutions to legitimize the regime and implement decisions. He used the Ba'th Party to "check the political pulse of the nation" and recruit new leaders. He replaced "party

hacks” in the ministries with technocrats.⁶ In making many of these high level appointments, “the whole range of Iraq’s diverse population was well represented” (Tripp 2002, 223-235). He also combined his famously brutal repression of Shi’a opponents with targeted economic and social development programs intended to buy them off.⁷ Few dictators of the Twentieth Century stand on par with Saddam Hussein, yet he balanced his need for loyalty with a calculus of broader Iraqi politics.

To be sure, accountability is limited under authoritarian regimes such as those in Iraq or Chile, and citizens enjoy few political liberties. These cases do however help strip away caricatures of autocrats as solitary figures. They reveal the analytical dangers of equating an apparent centralization of power or the absence of elections with a single veto of monolithic preferences. There are at least three practical reasons why dictators reach out to other political actors, including insuring against risk, recruiting expertise, and purchasing legitimacy.

First, dictators seek to share political risk. Unlike some democratic governments, particularly those governing through a parliamentary coalition, authoritarian governments have a high degree of identifiability associated with policies. Therefore dictators hope to claim credit for successes and assign blame for failures. Inviting new players provides insurance by distributing the blame for governance failures or unpopular policies. An often cited story from *The Prince* tells how Duke Cesare Borgia appointed a cruel administrator to establish order in Romagna and granted him vast powers. Machiavelli says once the administrator, Remiro d’Orco, established stability Borgia publicly killed

⁶ CIA, Directorate of Intelligence Research Paper, “Political Personality Handbook of Iraq,” January 1991. This document and the others are available at <http://www.gwu.edu/~nsarchiv>.

⁷ CIA, *Near East and South Asia Review*, “Iraq’s Shias: Baghdad’s Albatross,” April 5, 1991.

him to give the public the (false) impression that he was not responsible for the hardships d'Orco imposed to restore order. The sight of d'Orco's dismembered body "made the people of Romagna simultaneously happy and dumfounded" (Machiavelli 1994). Similarly, Babangida's numerous cabinet re-shuffles in Nigeria helped absorb the political impact of his unpopular Structural Adjustment Program which had led to huge price increases. He went through three ministers of finance in barely three years and dismissed ministers for Rural Development, Water Resources and Agriculture.⁸ Firing the ministers was not politically costless but it permitted him to assign blame for the shortcomings of his Program.

Second, dictators govern with partners who have institutional memory or policy expertise. To return to the Chilean example, Pinochet recruited the help of technocratic and legal experts even though he adopted repressive policies against much of civil society. When he came to power, the armed forces had no coherent view of national policy and few officers had even studied in universities (Remmer 1989, 149-70; Sanders 1978, 270-287). The alliances with experts and academic specialists were a defining feature of Latin America's bureaucratic authoritarian regimes. These technocrats justified an undemocratic policy process on rational terms, which allowed the government to claim that policies were rooted in public interest rather than self-interest (Collier 1979; O'Donnell 1973). In Mao's China, the policy makers at the center had to rely on technical expertise from the provinces to design economic reforms (Shirk 1990-1991, 227-58). In Iraq, Saddam Hussein replaced cronies with commanders respected by

⁸ "Nigeria: New Ruling Council Announced," *Africa Research Bulletin*, March 15, 1989, pp. 9177-78. In this document, the CIA appears to refer to leadership "tiers" in the same sense that Roeder and Shirk do.

the military for their competence after the U.S. amassed troops in Saudi Arabia (in response to Iraq's invasion of Kuwait).⁹ Likewise, many of Nigeria's autocrats recruited old hands from the civilian bureaucracy or academia (Umoden 1992; Amuwo 2002, 93-121).

Third and perhaps most importantly, authoritarian regimes expand the number of policy actors because they are susceptible to charges of illegitimacy. The architect of Nigeria's 1975 coup, Joseph Garba, commented "While there are several problems that confront a military government on coming to power, the first critical issue is that of legitimizing itself through the distribution of appointive offices" (Garba 1995). Including new veto players generates legitimacy by sending a message that the regime is representative of society and various political interests. Perlmutter makes the sweeping generalization that "Without exception, from the Bolsheviks to the autocratic praetorians of Uganda and Libya, from the Nazis to Franco, Salazar, Nasser and Perón, modern autocracies and authoritarian regimes seek popular legitimacy and support" (Perlmutter 1981). The need for legitimacy stems from the fact that decision making appears *ad hoc*. The absence of regular, recurring elections means leadership selection rules lack predictability and credibility. When dictators have information about the risks of governing with little public support, they often choose to address these problems.

Any combination of the above reasons argues that dictators cannot rule alone. The appearance of a single veto player often conceals a more complicated decision process, where consultations with others are expected or required. As a result,

⁹ CIA (Jan. 1990) *op cit*. It is relevant to note that when Saddam replaced his military commanders in 1990, the CIA specifically argues that it was *not* due to any known dissent in the ranks – suggesting it was not a purge.

authoritarian regimes differ in important ways. The next section explains how several comparative studies account for this variation by incorporating authority not formally specified by the institutions of government.

How Authoritarian Regimes Rule

When weighing the importance of expertise, increased legitimacy, or risk insurance, authoritarian regimes confront difficult choices regarding how many actors they want to involve in decision making. I discuss three important studies of non-democracies, each involving a different dependent variable.¹⁰ Even though some of these studies do not use veto players, they all explore the relationship between formal and informal institutions. They identify this relationship as the key to distinguishing among authoritarian regimes. It is also an important way of analytically capturing how policy elites govern collectively.

Roeder's study of the 15 post-Soviet republics claims that their differing authoritarian trajectories can be explained by elite responses to two dilemmas: In the first dilemma, self-interested policy actors delegated authority to strong leaders. However doing so created monitoring problems if leaders abused that authority. The second dilemma arose due to the risks of expanding participation; leaders hoped these measures would increase the number of "partisans" siding with them. Unfortunately it also opened a door to democratization by enfranchising new groups. The way in which elites resolved these two dilemmas explains the type of authoritarian regime that emerged.

Roeder outlines three types: First, in Uzbekistan and Belarus, because the bureaucracies

¹⁰ This therefore treats democracy as a continuous rather than a dichotomous variable. An alternative approach is to generate typologies and Parsonian "ideal types" of authoritarian regimes (Linz and Stepan 1996). While such nomenclature is useful, it typically must also accommodate numerous exceptions and creates residual categories.

were unified they delegated power to the president, displacing parliamentary authority. This led to “autocracies” in these countries, where a small junta ruled and constituted the pool of all potential successors. Second, “oligarchies” emerged where politicians delegated away policy responsibility and bureaucracies were strong but not terribly unified. This was the case in Azerbaijan and Georgia. Third, “exclusive republics” emerged where competitive parties had control, excluding unsympathetic segments of the public from participating or barring parties backed by bureaucrats. The difference among these regimes is whether “policymakers are accountable to a narrow circle of chief executive(s), to officials of the larger apparatus of the state, or to groups located outside the state” (Roeder 1994, 63).

Rather than looking at authoritarian trajectories, Shirk studies the different paths to reform in the Soviet Union and China. One reason why her account is important here is that she explains how political elites at the center became accountable to a broader political community. She attributes Deng Xiaoping’s successful push for economic reforms to his strategy of “playing to the provinces.” Although Communist political institutions at the center would not allow for reform, the central bureaucracy was dependent on the provinces. Moreover, policy change required consensus (not simply majority) decisions among the bureaucrats who made economic policy. Aspirants to the top Party offices needed the support of provincial officials and former members of the military. As a result, Deng cleverly exploited this system of “reciprocal accountability” to create a constituency for market reforms. He built a coalition among the political actors responsible for choosing the top Party officials and who also stood to benefit the most from fiscal and administrative decentralization (Shirk 1993).

Another reason why Shirk's account is important is because it describes informal elite coalitions that formed around formal institutions. This often occurred with substantial input from informal interests. Retired party leaders and interested military officers formed an important counter-balance to the Communist Central Committee – part of Deng's "constituency" for economic reform (Shirk 1993; Shirk 1990-1991, 227-58). Like Roeder's exclusive republics in the former Soviet Union (Roeder 1994, 61-101), elites deliberately built political coalitions with political actors outside the state and the bureaucracy. MacIntyre argues that such channeling of interests is precisely why veto player models can capture informal institutions as well as unilateral or extra-constitutional executive action of dictators. "Institutional frameworks are surrounded by seas of contending interests," he says. The range of preferences of informal actors was very similar across his Asian cases, and "these contending interests were ultimately mediated through formal veto structures" (MacIntyre 2001, 90).

Drawing on these frameworks, we can establish a rough guide to counting the political actors involved in the policy process, starting with the cases with the fewest policy actors. In the first instance, Roeder's model of autocracy and MacIntyre's description of Indonesia are examples of cases with only one veto player. In Indonesia, the executive so dominated the party that the legislature's preferences were indistinguishable from his.¹¹ MacIntyre's characterization of Indonesia is consistent with Tsebelis' typology outlined earlier, which assumes the analytical equivalency of

¹¹ One argument to the contrary suggests that Indonesia's "New Order" depersonalized Suharto's political authority, creating authoritarian institutions larger than his ability to dominate the party (Liddle 1985, 68-90). Another perspective attributes the concentration of power to the class structure inherited from the colonial experience, explicitly discounting the role of Suharto or any particular individual in shaping power relations (Robison 1988).

collective and individual veto players in such rare cases. Second, the executive creates and implements policy. But it is a collective body that must take steps to maintain internal cohesion. This resembles the relationship MacIntyre describes between the powerful cabinet in Malaysia and the country's oversized political party, which had a limited ability to impose transaction costs on bargaining (MacIntyre 2001, 81-122). It also resembles the Soviet system Roeder describes, in which policy making was highly centralized in the Politburo but these officials were "reciprocally accountable" to bureaucrats (Roeder 1993). In the third instance, the number of veto players is in a middle range. The policy process includes additional political actors for any one of the reasons outlined earlier, and there are at least two veto players. However the government can still marginalize the role of alternative centers of power. This occurred in the USSR after the death of Stalin, when despite some decentralization the central bureaucracy remained strong enough to block reforms. Removal of the chief executive is a theoretical possibility in these regimes but it requires meeting a high threshold (in the USSR it was only met once in 70 years). Fourth, although the executive takes the lead on policy, it must contend with alternative centers of power, such as China's provincial authorities and retired military officials during Deng. In these cases, the executive finds it difficult to monopolize political recruitment. They typically rely on specialized bureaucracies to identify candidates for recruitment and advancement. Finally, the authoritarian regimes with the most veto players have policy actors in multiple institutions, some of which may be indebted to organized societal interests. Removal of the chief executive is a political possibility and checks and balances may conduce to policy gridlock. This includes the exclusive republics of the former Soviet Union.

These generalizations create a standard whereby multiple veto players within a single organization, such as a revolutionary command council, can be compared to a different regime in which multiple veto players exist scattered throughout the government. Factions and organizations not specified by formal institutions can exercise real political leverage. This neither alters our criteria for distinguishing between different types of veto players, nor does it corrupt the basic causal logic about the number, cohesion, and distance of veto players. An important implication is that the difference between authoritarian and democratic regimes is not that the former have fewer vetoes or that they ignore public opinion; neither may be the case.¹² Rather, the difference is merely whether the players are determined by voters or not (see Tsebelis 2002, p. 78). In the next section I address the other major task of this chapter, which is to apply the causal logic of veto players to outcomes besides policy stability.

POLICY CONSEQUENCES

In order to explain the empirical phenomena observed in Chapter 2, our theory needs to identify causes of several different policy results instead of just policy stability. The theory should account for performance in different types of policies as well as variation in “policy efficiency.” This section summarizes empirical findings about the relationship between veto players and policy stability and explains how we can move from these models to one that anticipates other types of outcomes. The existing models that attempt to do so lead to contradictory expectations about the impact of veto players

¹² Henisz and Mansfield take a contrary view. They argue that the impact of veto players on trade policy is different depending on the regime type. They write, for example, “autocrats can more easily change policy than democratic leaders” (Henisz and Mansfield 2006, 189-211). This contrasts with the underlying argument of Tsebelis (2002) and MacIntyre (2001), who emphasize the number of veto points – regardless of regime type – for policy stability.

on the supply of public goods. I conclude by formulating a hypothesis and three tests of it which highlight this contradiction.

Policy Stability and Distributional Dilemmas

The earlier discussion about the impact of different veto players was limited to generalizations about policy stability. The literature agrees about the consequences of the number of players, distance of preferences, and cohesion within veto players on policy stability. However, there is less agreement about whether the addition of political actors to the policy process creates policy stability and “credible commitment,” or whether new veto players also contribute to bargaining problems. Veto player theory addresses these literatures as two traditions: The first argues that the essential tradeoff presented by veto players concerns the benefits of “commitment” versus the hazards of too much policy instability. The second tradition focuses on a distributional dilemma between nationally-oriented versus particularistic policies. It suggests that veto players impact bargaining problems and therefore the type of policies supplied.

The credible commitment literature claims that the promises of governments must be credible. This is conducive to long term economic development because it strengthens guarantees for property rights and protects private investment from state predation (North and Weingast 1989). The veto player literature in this tradition suggests that when a government faces a credible commitment problem, policy stability is an advantage. The addition of distinct, cohesive veto players increases “resoluteness” by creating checks in the policy process. Hénisz argues this is conducive to economic growth because policy commitment makes impetuous reversals less likely (Hénisz 2000, 1-31). Similarly, studies suggest that commitment generated through checks on central banks enhances the

credibility of macroeconomic policy (Kefer and Stasavage 2003, 407-20). Reducing the potential for policy instability affects outcomes such the durability of economic reforms in Latin America (Schiavon 2000), and the rule of law by introducing checks that limit the ability of judges to collect bribes (Andrews and Montinola 2004, 55-87). Resoluteness is a disadvantage when policy flexibility or “decisiveness” is required. “A high level of commitment” makes it more difficult to reign in high inflation (Tsebelis 2002; Kefer and Stasavage 2003, 407-20). MacIntyre’s study similarly shows that Thailand’s six veto players impeded its ability to make the policy changes necessary to restore investor confidence. Only the Philippines struck an appropriate balance because its policy was “sticky” but there was still sufficient flexibility to make the necessary policy changes (MacIntyre 2001, 81-122).

In contrast to the commitment literature, scholars focusing on distributional dilemmas argue that more veto players means more pork. As a consequence of bargaining, “each veto player will be able to demand, and receive, such side payments in the form of narrowly targeted policies” (Cox and McCubbins 2001, 28). Narrow, private-regarded policies encompass “fiscal pork,” such as geographically targetable projects distributed according to a political rather than an economic logic, as well as rents. Supplying pork to everyone is costly both in terms of the budget and the costs of each individual transfer.¹³ An organization such as a political party may internalize the transaction costs of these transfers and give actors incentives to support national-oriented policies. But the bargaining problems that reduce supply of public goods may remain if

¹³ Kaldor-Hicks judges a policy as welfare-enhancing when a bundle of costless transfers benefit everyone. Cox and McCubbins’ point here is that transfers do have costs and they produce efficiency losses when they come as logrolls.

these organizations fail to reconcile internally conflicting interests. In addition this competition over pork creates incentives for veto players to distinguish their preferences from one another. MacIntyre suggests that this generates cycling, much like a self-fulfilling prophecy, in the supply of and demand for particularistic policies. Each party in Thailand demanded costly concessions rather than compromising on policies to restore investor confidence (MacIntyre 2001, 81-122).

The central problem of the distributional dilemma is that demanding particularistic policies is individually rational but it leads to collectively irrational outcomes in the form of fewer public goods. Studies of legislatures draw the same conclusion: when more parties have a say over policy, fiscal indiscipline increases because each party demands compensation. To satisfy everyone involved policy becomes a log roll plagued by coordination problems within the cabinet (Strom, Müller and others 2003). Coalition governments are therefore more likely to have spending deficits (Alesina, Roubini and others 1997). The World Bank finds that since coalition governments make so many compromises and payoffs, “fiscal outcomes are often worse than when majority governments are in power” (World Bank 2002). Crepaz suggests this is more likely during economically good times, while during hard times governments (at least in the OECD) face up to the need for restraint (Crepaz 2002, 169-88). If all this is true, then we would expect to observe the opposite outcome when fewer parties are at the bargaining table. Lijphart claims this is captured by moving from these more “consensual” governments to more majoritarian governments (Lijphart 1999). In fact majoritarian governments do have smaller deficits, regardless of whether the system is

parliamentary or presidential (Persson and Tabellini 2003).¹⁴ In their application of Lijphart's typologies to a veto player model, Birchfield and Crepaz claim that majoritarianism produces fewer veto players (Birchfield and Crepaz 1998, 175-200).¹⁵ This supports my contention that the literatures on parliamentary coalitions and veto player bargaining both point to comparable policy consequences of bargaining problems.

Predicting Performance

As Treisman and Tsebelis both point out, the commitment tradition (broadly understood) and the distributional dilemma tradition lead to contradictory predictions for the supply of public goods (Treisman 2000, 837-56; Tsebelis 2002). I argue that because they can impose transaction costs, additional veto players with distinct, cohesive preferences generate bargaining problems. This has adverse consequences for public goods but it also produces "positive externalities" for other policy outcomes. I hypothesize that more veto players lead to more pork. I formulate three related tests for this hypothesis: The first examines the *level* of pork, the second tests for the impact on public goods, while the third considers the *efficiency* of spending on pork. Ultimately, addressing the tension between bargaining problems and commitment provides an answer to the empirical puzzle raised by the variation in performance documented in Chapter 2.

The first test proposes that distributing more pork yields increased levels of policy delivery because each veto player demands benefits for his or her community. This "fiscal pork," such as new schools, is geographically targetable (see Cox and McCubbins 2001, 47). In the aggregate, national policy goals such as reducing classroom size and

¹⁴ Lijphart's findings are slightly different, reporting that consensus governments perform marginally better on inflation and budget deficits compared to majoritarian governments (Lijphart 1999).

¹⁵ They exclude several features of Lijphart's dimensions, which may affect their results (Tsebelis 2002, 88-89)

increasing the number of teachers may be met through this “morselization.” But the distributional logic of fiscal pork is inherently political. It does not adhere to economic or any developmental rationality, even if it does improve the aggregate picture portrayed in national statistics.

Test #1: Level of pork – adding veto players increases the delivery of particularistic policies. Pork is observable in my education variables in terms of more teachers and schools.

A policy process that focuses exclusively on producing pork, however, impairs the delivery of public goods. The second test therefore focuses on this policy outcome. Following the criteria established in Chapter 2, I identify public goods as policies whose benefits are non-divisible and non-excludable, unlike particularistic policies which are targetable. My measures of judicial efficiency and fiscal discipline resemble this definition of public goods. If Cox and McCubbins, along with Alesina et al. (1997), are correct then additional veto players will exacerbate collective action problems, leading to morselization of policy. The delivery of public goods will decline while education may suffer no adverse effects.

Test #2: Public goods – adding veto players undermines the delivery of public goods. Public goods are observable in budget discipline and judicial efficiency.

Rather than looking at the level of delivery or the type of policy, my third test considers the impact of veto players on the *efficiency* of pork spending. Chapter 2 defined “policy efficiency” as a ratio of government spending (in constant terms) relative to policy output in education. Literature in the credible commitment tradition expects additional players to improve accountability and reduce opportunities for corruption. By

this logic, policy efficiency should increase with additional veto players. But the intuition here is instead that no veto player sees the value in self-restraint while her peers are permitted to “eat from the national cake” unrestrained (to use popular Nigerian terminology). The problem is not necessarily increases in the number of payoffs; individually these are only marginally expensive. The trouble is that collectively these payments add up to fiscal irresponsibility which is observable in policy inefficiency. I expect to see governments with more veto players accumulating deadweight loss: naira-for-naira, these governments spend more without necessarily delivering more.¹⁶ This means that extra checks may make policy more stable but they also make it more expensive.

Test #3: Policy efficiency – additional veto players make pork more expensive. This will be observable in my policy efficiency variables as each item of pork costs more money.

A conclusion I expect to draw from these tests is that increasing the number of veto players increases the level of delivery but it also contributes to bargaining problems. This means that additional schools or teachers are a positive externality¹⁷ of policy processes which actually undersupply public goods. Another conclusion I anticipate is that while additional veto players may increase the number of checks on the policy process, they do not necessarily eliminate corruption and rentier behavior. Before coding my data and conducting my tests, the next chapter will elaborate on regional vetoes as one type of informal veto. I suggest that the persistence of such vetoes pose a difficult

¹⁶ Deadweight loss refers to a situation where the gain to the firm is smaller than the loss to consumers, but the difference in cost is passed on to society when the firm holds a monopoly (Przeworski 2003).

¹⁷ “An externality is an effect of actions of an individual that affects the welfare (utility) of others...Externalities are *positive* if the action of one individual increases the welfare of other individuals” (Przeworski 2003, 36-37).

dilemma for Nigeria. Specifically, avoiding the addition of excess veto players is complicated by political institutions that promote inclusive decision making.

CONCLUSION

I began this chapter with the standard definition of veto players as individual or collective actors whose agreement is needed to change the status quo. Institutional players are those whose authority is formally defined in the polity's rules while partisan players are generated by the political game inside those institutions. I outlined three broad behavioral propositions common to the veto player literature which states that increasing the number, internal cohesion, and the degree of difference among players increases policy stability. Incorporating transaction costs in political exchanges increases the number of distinct preferences bargaining over policy. This modifies the "absorption rule" and suggests that a variety of actors can impose costs on bargaining. This modification is consistent with empirical findings from the literature on bargaining in oversized parliamentary coalitions.

Next, I addressed the first of this chapter's two major tasks by showing how veto player models can incorporate non-democratic regimes. I demonstrated through case studies from Chile and Iraq that even autocrats cannot rule alone. I gave three possible reasons why dictators turn to other actors for help, including risk insurance, expertise, and the need to generate legitimacy. I outlined how practical problems posed by informal institutions are substantially addressed by studies that define institutions broadly. These studies look to the bureaucracy, political constituencies, and non-governmental actors for their systematic input into the policy process. In this way, factions organized outside of formal constitutional structures can emerge as informal veto players. I also established a

guide for counting the number of veto players. The possible range includes at one end regimes in which policy making and implementation require only the chief executive's consent and the preferences in collective bodies mirror his or her preferences. At the other end, removal of the chief executive is a real political possibility and gridlock may emerge from a system of checks and balances among multiple veto players.

I then addressed this chapter's other major task, which is to explain how veto players account for various outcomes, not just policy stability. Building on studies which examine the consequences of veto players, I formulate a hypothesis stating that more veto players lead to more pork. I propose three tests of this hypothesis: the first links an increase in the number of veto players to an increase in levels of delivery of particularistic policies, the second predicts a decline in public goods as bargaining problems emerge, and the third claim that additional veto players reduce spending efficiency. I expect my empirical tests in Chapter 7 to support research that links distributive dilemmas in the policy process to bargaining problems. Before carrying out these tests though, the next chapter will identify institutions that incentivize morselization of policy by facilitating the formation of informal vetoes rooted in regional political structures. Nigerians designed these structures to approximate varying levels of diversity throughout the country. They now face a potential dilemma in that these institutions intended to reduce societal tensions and improve representation may also exacerbate bargaining problems.

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