Institutions and Democratic Politics

I. Introduction.

  A. Both the median voter model and the stochastic voting model are pure models of electoral politics.

  ► The essential feature of democratic elections is assumed to be majority rule,

  ► and the essential aim of politicians is assumed to be winning the election.

  i.   Under these assumptions, both election models imply that

  ► candidate (or party) platforms tend to converge to similar platforms (insofar as the "electoral game" is symmetric)

  ► and the **policy outcomes** of democracy tend to be "moderate" or middle of the road policies.

  a.   Indeed, in the case of the median voter model, the result is an exactly middle of the road--distribution of voter policy preference--result!

  b.   Whereas, the result from a stochastic voting model tends to be a weighted average of voter preferences, where the "weights" particular voters receive in candidate strategies vary according to the extent to which voters will change their votes as a result of changes in political platforms.

  B. Having established these essential properties of majoritarian politics, we now extend the model(s) in various ways to see whether other features of democratic institutions may affect electoral politics or policy outcomes.

  i.   In the real world, we modern democratic governments **share** a number of fundamental characteristics, which we have used in our electoral models.

  ► All representative democratic governments count voters to determine the persons who actually make policy decisions, the members of parliaments and other elected officials.

  ► And all parliaments (legislatures) select policies using majority rule.

  ii. However many of the other procedures of governance **vary** substantially, and these differences may well affect public policy.

  ► Some parliaments are elected via proportional representation and others are elected via "plurality" contests in single member districts. Does the manner of using elections to choose representatives affect public policy?

  ► Candidates routinely form political organizations called **political parties**, that evidently have substantial effects on the probability that individual candidates are elected to office. Do parties affect political outcomes?

  ► Public policies are not directly implemented by politicians but are adopted by governmental organizations staffed by unelected officials, bureaucrats. Do these organizations affect public policies?

  ► Can the overall effects of the institutions beneficial or not.

  iii. In order to determine the effects of institutions on public policies, we next attempt to represent them in our models of political competition.

  ► As we will see, institutions can conceptually have a variety of effects on political outcomes.

  C. Some of these institutional difference emerge as a consequence of "ordinary" politics and others are properties of formal constitutional design.

II. Some Effects of Political Parties

  A. Political parties tend to emerge in all large scale democracies, and thus the existence of organized clubs of politicians can be considered one of the fundamental institutions of modern democracy.

  i.   It bears noting, however, that political parties are not required for democracy, but rather tends to emerge in democracies, especially in elections involving large electorates, because few voters will know the candidates personally.

  ► Political parties are a relatively recent invention, the arose in the late nineteenth century in most of Europe.

  ► It bears noting that small scale elections often remain non-partisan, as for example in elections to posts within universities.

  ii. Since membership in parties is voluntary in democracies, it must be the case that political candidates find it useful to join such organizations. Otherwise, parties would not be observed.

  a.   Advantages of party organizations include:

  ► the fellowship or company of like-minded individuals (politicians).

  ► Economies of scale in fund raising and organizing political campaigns

  b.   Parties generally are constructed of person's whose policy preferences, or target portion of the electorate, are similar.

  ► This allows parties to explain how its members will vote on particular issues to voters.

  ► This reduces the information costs of voters, who can use party affiliation to predict a candidate's future voting behavior, without knowing very much else about the candidate.

  ► It further increases the benefits of belonging to parties, because it reduces the information costs that candidates face when organizing a campaign.

  c.   Indeed, in party list systems (PR and mixed member systems), party affiliation is essentially necessary to run in elections.

  ► In such systems, especially those with minimum thresholds, it is nearly impossible for "independent" candidates to be elected.

iii. Insofar as parties provide useful information to voters, parties tend to make democracies work better by reducing the number of mistakes made by voters when they cast votes.

iv. One the other hand, to the extent that parties reduce the range of alternative platforms from which voters and candidates may choose from, it is possible that they make democratic governance somewhat less responsive to voter interests.

B. Of course the number of parties that emerge within a given democratic system, ultimately reflects their advantages within the that system.

i. In plurality systems with single member districts, there is a tendency for two major parties to emerge.

    a. It turns out that two parties can block the entry of a third party by taking positions a bit to the left and right of the median voter

    b. (See Duverger (1954), or more recently Palfry (1984).)

    c. [Illustrate the entry blocking positions along a 0-1 spectrum of voter preferences: at "1/3" and "2/3" points in the distribution of voter preferences.]

ii. In PR systems the number of parties under Duverger's "blocking alignment" tends to be determined by the participation thresholds.

    ► The lower the participation threshold is, the more parties it takes to block entry.

C. In the course of legislation after representatives are elected, however, the need for majorities tends to cause clusters of parties to join forces.

    ► At this level Duverger suggests that two dominant coalitions will tend to emerge under either electoral system.

D. If there are just two significant parties or coalitions, then there will really be only two significant platforms in the election, a left of center and a right of center platform, regardless of the number of parties.

i. With only two feasible alternatives, there can be no cycles in elections for representatives.

    a. (Note that recall elections are very rare.)

ii. Parties, themselves, may in this case be said to **produce electoral stability**--e.g. equilibria..

iii. Note that in this manner, the existence of parties can increase the stability of democratic decision making! (See lecture 3 for the theory of cyclic majorities.)

III. Legislative Institutions: Committees and Bicameralism

A. Real majoritarian democracies operate under a variety of formal and informal rules and procedures.

B. Some of these rules are established with ordinary legislation and custom; others are part of a polity's formal institution.

i. To the extent that these rules and procedures continue through time, they may be regarded as institutions or quasi constitutional in nature.

C. Internal rules within legislatures often determine who gets to propose a particular policy (**agenda control**) and places constraints on methods by which these proposals may be revised or vetoed.

    a. Such rules give the **agenda setter a good deal of power**, but also tend to reduce the probability of a cycle.

    b. For example, the rules may allow only relatively large policy changes to be considered.

    c. If alternatives have to be far enough from the status quo (original position) then all feasible alternatives may be **outside the win set** of the status quo.

    d. In this case the agenda setter can choose the best policy (for him self or his supporters) that cannot be defeated by another.

    e. [In an extreme cases of agenda control, without rules restricting alternatives, the **agenda setter can usually devise a series of votes which will approach his own personal ideal point**, and not allow alternatives to be voted on which would be his ideal point's win set.]

    f. Demonstration of the power of an agenda setter (from black board).

D. Other institutions may restrict the alternative voted on to single dimension (or at least a relatively small number of dimensions), as with a committee or cabinet systems of government in which only policies within a particular policy area to be considered.

    a. Such procedures yields **median voter outcomes in each dimension,** even if no overall median position exists.

    b. A possible example of this type of rule is that U. S. Congress is supposed to pass thirteen separate appropriation bills each year rather than a single budget bill. (See Congleton and Sweetser, *Public Choice* 1992)

E. **Note all institutions contribute to the stability of democratic outcomes, but many do.**

i. The strand of research that investigates such questions is sometimes called the **"institutionally induced equilibrium"** literature. Researchers in this field of inquiry explore how various agenda restrictions and/or voting rules may contribute to the observed stability of democracies.

    a. The first paper in this research program was written by Shepsle and Weingast (*Public Choice*, 1981)

    b. It provides a nice overview of various (agenda controlling) procedural rules which might generate "institutionally induced" majoritarian equilibria in cases

where voter preferences are not fundamentally single dimensioned or arrayed with great symmetry.

ii. Essentially, the institutionally induced equilibrium literature suggests that many political institutions control the types of issues that can be voted on in a manner that reduces the likelihood of cycles.

> ► Of course, the importance of this theory of "democratic stability" depends in part on how likely majority cycles would be without these particular institutions.

> ► This as noted above, will also depend upon the distribution of voter preferences as noted in lecture 3.

iii. Many institutional arrangements in the US Congress appear to be stability enhancing:

a. The final vote is always against the status quo *after* all amendments have been adopted. (Policy changes have to be in the win set of the status quo.)

b. Each proposed piece of legislation has to be majority approved by a series of committees. (Policy changes have to be in the intersection of the win sets of each successive vote.)

c. Since proposed alternatives must win approval within committees and by the Congress as a whole (or at least in each chamber) committees have an incentive to take account of the preferences of the entire Congress so that their preferred policies can ultimately be adopted.

> ► (Consequently, committees provide some screening of policy options for the congress as a whole.)

iv. Shepsle &Wiengast argue that institutional arrangements that constrain the process of collective choice have the effect of reducing the inherent instability of the majority rule method of collective decision making.

IV. Choosing Electoral Rules and other Formal Political Institutions: Constitutional Design

A. Buchanan and Tullock's classic the *Calculus of Consent* (1962) provide the first assessment of the relative merits of alternative voting rules and other institutions of modern democratic states such as bicameralism and federalism using rational choice models.

a. One implication of B&T's analysis is that particular voting rule used, the size of the majority, will have clear effects on public policies.

b. (Illustration of their voting cost diagram)

c. For example, some rules favor the "status quo" (supermajority rules) and others favor rapid and continual change (minority rule).

i. Note that under majority rule, the majority can always impose costs on the minority simply by enacting policies.

> ► Generally, the minority is made worse off by such policies.

> ► That is why they oppose them!

ii. Under unanimous agreement, new policies are very difficult to enact, whereas under "one man" rule, new policies might be adopted every time a new person is elected to office.

> ► (Student Puzzle: Consider the EU's unanimity and super majority voting rules for major changes. Are these consistent with Buchanan and Tullock's analysis?)

B. The voting rules favored by ordinary voters varies with the policies to be decided, because the anticipated **external cost and decision costs of** the collective action varies by policy area.

> ► Lower anticipated external costs from policy decisions call for smaller levels of consensus (in the limit, perhaps delegation to a single man or woman).

> ► Higher anticipated external costs call for larger super majorities (in the limit unanimous agreement), on the other hand the stability of electoral outcomes tends to increase.

i. Voters presently in the minority might nonetheless favor majority rule, if the "average" results of public policy under majority rule is better than that under other rules.

a. On the other hand, if bad results from new policies adopted under majority rule are expected on average, then individual will tend to favor voting rules that require supermajority rules, even if decision costs tend to be higher.

b. [Use Unanimous agreement to see that stability increases. E.G. once one adopts a Pareto efficient point, no other policies could be adopted unanimously because there are not more Pareto Superior moves.]

ii. Note also that super majority requirements tend to generate policies that are more stable than ordinary majority rule because the **win sets tend to become smaller as the required majority increases**. (Illustrate with a five person diagram)

C. Other non-tradition voting rules have also been analyzed including: Approval Voting, the Demand Revealing Process, Weighted voting, Proxy Voting etc.

V. Other Constitutional Rules: Bicameralism and the Executive Veto

A. Another series of institutions that may affect public policy outcomes are the large ones specified in constitutions, such as federalism, bicameralism, and the like.

i. For example Shap (1984) examines the extent to which an executive veto induces stability.

ii. Hammon and Miller (1987), Brennan and Hamlin (*Public Choice* 74, 1992) examine the effects of Bicameralism.

B. These analyses are related to each other, and to the structure induced equilibrium literature, in that they show that a requirement of unanimity in the "final" round tends to increase stability.

► That is to say, they demonstrate that a variety of stable policy outcomes exist under such sequential voting procedures. [Illustration]

VI. Empirical Evidence on the role of Political Institutions

A. Issues regarding the influence of the institutional features of the policy making process have been attracting increasing attention among empirical public choice scholars.

B. Generally, although support has been found, the results have not been as strongly supportive of the role of institutions as one might have expected.

C. Several institutional arrangements (line item veto) have been found to matter.

D. See Congleton and Swedenborg (2006, forthcoming)

E. For policy specific analyses, see Weber and Wagner (1977): tax code complexity, or Crain and Miller (W&M Law Rev,1990): line item veto, constitutional requirement of balanced budgets).

VII. Undesired Equilibria? A Digression on the Pork Barrel Dilemma