# VETO PLAYERS AND POLITICAL DECISION MAKING

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VETO PLAYERS AND POLITICAL DECISION MAKING

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ABSTRACT

VETO PLAYERS AND POLITICAL DECISION MAKING

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This dissertation studies political decision making through a *veto players* approach which entails identifying those political actors with the power to veto the decision, and understanding the political outcome as a product of the interaction of these actors. The *veto players* literature so far takes veto players as simple, domestic actors with given preferences that are common knowledge to everyone. This approach leaves out any strategic interaction that may take place among veto players as it treats them as commonly known preference profiles, and thus creates serious gaps in the literature. This dissertation aims to fill these gaps in the literature by treating veto players, and those third parties that the veto players are accountable to as strategic actors in the game of politics which may take place in limited-information settings. The second important factor that the literature has not explored yet is the emergence of new veto players. This dissertation acknowledges that in certain policy areas the set of relevant veto players may include foreign actors as well as domestic ones, and analyzes how the emergence and the existence of these new players influence political decision making and the resulting policies. Finally, the fact that veto players in a political system are either elected or appointed, and thus are usually accountable to those who elect or appoint them, is the third factor that the veto players literature has yet to take into account. This dissertation includes those third parties as strategic players in the game of political decision making, and thus contributes towards filling out this gap in the literature. The chapters investigate general questions on institutions and political decision making while drawing upon specific examples from Turkish politics using formal analysis, and game theoretical and statistical tools.

Keywords: Political decision making, veto players, strategic interaction, formal analysis, game theory.

# ÖZET

## VETO OYUNCULARI VE POLİTİK KARARLARIN ALINMASI

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Bu tez, siyasi karar alma süreçlerini, bu kararlar üzerinde veto hakkına sahip politik aktörlerin tanımlanması ve kararların bu aktörler arası ilişki, etkileşim ve iletişimlerin bir sonucu olarak ele alınması olarak tanımlayabileceğimiz *veto oyuncuları* yaklaşımı ile incelemektedir. *Veto oyuncuları* literatürü şimdiye kadar veto oyuncularını tercihleri herkes tarafından bilinen, basit ve yerel oyuncular olarak ele almıştır. Bu anlayış veto oyuncuları arasında ortaya çıkabilecek stratejik ilişki, etkileşim ve iletişimleri gözardı etmektedir ve dolayısı ile literatürde önemli bir eksikliğe yol açmaktadir. Bu tez, veto oyuncularını stratejik politik aktörler olarak ele alarak literatürdeki bu önemli eksikliğin giderilmesine katkı sağlamaktadır. Mevcut literatürdeki bir diğer eksiklik globalizasyon, ve demokratikleşme gibi günümüz için çok yaygın ve önemli politik değişimlerin sonucu olarak ortaya çıkmakta olan yeni veto oyuncularının ve bu yeni oyuncuların siyasi karar alma süreçleri ve dolayısı ile ortaya çıkan kararlar üzerindeki etkilerinin henüz incelenmemiş olmasıdır. Bu tezin literatüre bir diğer katkısı, yeni veto oyuncularının ortaya çıkmasının siyasi karar alma süreçleri ve bu süreçler sonucu ortaya çıkan kararlar üzerindeki etkilerinin incelenmesidir. Son olarak, mevcut literatür henüz veto oyuncuları ile bu oyuncuların hesap vermekle yükümlü oldukları kişi veya kurumlar arası ilişkilerin karar alma süreçlerini ve bu süreçler sonucu ortaya çıkan kararlar üzerindeki etkilerini incelememiştir. Bu tez siyasi karar süreçlerinde bu tip ilişkilerin etkilerini de göz önüne almaktadır. Tezin bölümleri siyasi karar alma süreçleri ve bu süreçlerde rol alan veto oyuncuları üzerine geniş kapsamlı soruları Türk siyasi hayatından örnekler ışığında, oyun teorik ve istatistiksel formal analiz yöntemleri ile cevaplandırmaktadır.

Anahtar kelimeler: Politik karar alma süreçleri, veto oyuncuları, stratejik ilişki, formal analiz, oyun teorisi.

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*To Özgür…*

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# CHAPTER 1
# INTRODUCTION

Institutions have been a major area of scientific inquiry in political science. Detailed examination of different institutional structures, and how these structures affect the political life of the polities they belong to have been widely studied. These studies led to several important theories that shape up our understanding of institutions, and the way scholars approach the subject. One very important way of understanding political institutions is to look at them as veto players in the game of political decision making. Of course not every political institution has veto power in every policy area, but given the nature of the political decision to be made, identifying those with the power to veto the decision, helps us better understand both the resulting decision, and the process of making that decision. It also enables us to create a classification system under which it is possible to compare all sorts of political systems since they all have veto players. The veto players approach is thus a very generalizable one.

Interestingly, the related literature is still in its early phases in terms of the amount of research done and the results derived. The literature so far takes veto players as simple, domestic actors with given preferences that are common knowledge to everyone. The resulting policy decision is then simply a policy that is preferred to the status quo by all the relevant veto players. This approach leaves out three important factors that, if included in the analysis, can lead to different results. First of all, it leaves out any strategic interaction that may take place among veto players as it treats them as commonly known preference profiles. In other words, the literature so far has been built upon two critical assumptions, namely that, the veto players are simple actors rather than strategic ones, and that they act in a full information environment. These two assumptions not only render the literature incomplete, it also ignores some crucial dimensions that, if included, can lead to completely different results. This dissertation fills this gap in the literature by treating veto players, and those third parties that the veto players are accountable to as strategic actors in the game of politics which may take place in limited-information settings. In a limited information environment the preferences of some or all veto players might be private information which then complicates matters for those actors who are to make a policy proposal to replace the status quo. Not only that, such informational asymmetries enables, and/or leads actors to act strategically. In other words, a veto player whose preferences are private information to her, may or may not have incentives to declare her preferences truthfully.

Similarly, other actors may or may not have incentives to take her declarations at face value. In short, incorporating the informational structure in the game of political decision making is crucial in understanding the resulting policy.

The second important factor that the literature has not explored yet is the emergence of new veto players. As democratization gains speed around the world, political systems get more complicated and more participatory. As a result, political decisions now require a broader consensus in many parts of the world. Interestingly, in many policy areas, the consensus that is required for a policy change now includes not only domestic parties to the decision but also foreign countries, international organizations, etc. In other words, in many policy areas veto players include both domestic and foreign players. How these two types of veto players differ from each other, how they interact, and how this interaction affects the resulting policies are other crucial aspects that the veto players literature has yet to study. This dissertation acknowledges that in certain policy areas the set of relevant veto players may include foreign actors as well as domestic ones, and analyzes how the emergence and the existence of these new players influence political decision making and the resulting policies. The inclusion of foreign actors as veto players is a novel approach, and it builds on the newly emerging literature on this aspect.

Finally, the fact that veto players in a political system are either elected or appointed, and thus are usually accountable to those who elect or appoint them, is the third factor that the veto players literature has yet to take into account. These third parties may or may not be veto players themselves depending on the context. But the accountability relations may affect the way each veto player acts. Not only that, the existing structure of veto players in a polity may affect the choices of the above mentioned third parties when they are to elect or appoint a new veto player. The existing literature lacks studies that include these strategic considerations while analyzing the resulting policy decisions. This dissertation includes those third parties as strategic players in the game of political decision making, and thus contributes towards filling out this gap in the literature.

The chapters investigate general questions on institutions and political decision making while drawing upon specific examples from Turkish politics. This enables me to also shed some light, from a rational choice perspective, on some of the recent puzzling observations from the Turkish political life. Moreover, it proves that Turkish politics is not unique or *sui generis* as some observers like to call it. Rather, my analyses demonstrate that it is a political system that can be studied and understood within the general frameworks and theories of political science. Having said that, I

must stress out that my dissertation is not a study of Turkish politics. Nevertheless, it demonstrates how the Turkish political life can be a lucrative ground for political science research. The ability to identify recurring patters as such is important in assessing the generalizability of the findings.

## 1.1 Literature Review

Veto players are "individuals or collective actors whose agreement is required for a change of the status quo" (Tsebelis, 1995), or more simply, veto players are institutions with the power to veto policy changes. The "veto players approach" to politics then can be defined as the study of political systems, processes, and decisions through the identification of those institutions or actors with the power to veto change. As is clear from the definition, the veto players approach is highly versatile and can be applied to all political systems.

The literature on veto players has greatly benefited from the works of George Tsebelis. Although the concept is an old one, Tsebelis (1995) was the first to generalize it and demonstrate its applicability to all political systems. His first article on the subject focuses on how veto players determine the potential for policy change in a polity. He develops a "veto players theory" which states that the potential for policy change in a polity decreases with the number of veto players in that polity and their ideological difference from one another. Relatedly, he argues, political stability increases as the potential for policy change decreases. In his follow-up work, Tsebelis (1999) empirically tests the first and most important prediction of his veto players theory; namely that the number of significant laws produced by a coalition government, particularly if there are important ideological differences among government partners, is significantly lower than the number of significant laws produced by single-party government or by coalitions with partners that agree, using legislative data from fifteen European countries over the 1981-1991 period. The results support his predictions.

An important volume of work that stems from Tsebelis' veto players theory concerns the role of veto players with respect to economic policy, and more specifically with respect to budget deficits, and inflation (Roubini and Sachs 1989, McCubbins 1991, Alt and Lowry 1994) and hence belongs to the political economy literature. According to arguments raised in these works, the larger the number of veto players, the more likely is each to ask for special favors for his or her constituency as a condition for supporting legislation, and the higher the deficit or inflation rate will be. Franzese (1996), in an analysis of budget deficits in advanced industrialized countries, concludes that countries with many veto players are locked into the same deficit pattern (pol-

icy stability), whereas, countries with a single-party government can move away from preexisting patterns (potential for policy change). Similarly, Treisman (1998) studied both advanced and developing countries and found that federal countries (i.e., many veto players) are locked into patterns of high or low inflation. Reilly (2005) studies the effects of veto players on trade policy and tests whether veto players affect the ability of states to change tariffs and nontariff barriers in response to changing economic conditions. The sample is a cross-national time-series collection of 23 countries. The results offer support for Tsebelis' argument that policy stability increases with the number of veto players. Large numbers of institutional veto points are associated with smaller percentage changes in both tariffs and nontariff barriers. Keefer and Stasavage (2003) approach the issue from a different angle and study the relation between the number of veto players and credibility of monetary policy, particularly central bank independence. They show that multiple veto players enhance credibility, depending on the extent of uncertainty about the location of the status quo, on how agenda control is allocated among the veto players, and on whether veto players have delegated policymaking authority to independent agencies. In the context of monetary policy and independent central banks, they find evidence that political replacements of central bank governors are less likely in the presence of multiple political veto players; this effect, which increases with the polarization of veto players, enhances central bank independence and thus positively affects the credibility of monetary policy.

A second stream of literature empirically tests the political implications of the veto players theory. Kreppel (1997) tests the relation between the number of veto players and the potential for policy change, and demonstrates the negative relation between legislative output and the number of parties in government in Italy. Warwick (1994) tests the relation between political stability and the ideological distance amongst veto players in a polity. His results demonstrate a negative relation between the ideological distance amongst government partners and the duration of government coalitions in parliamentary democracies. Examining the German Bundesbank, Lohmann (1998) tests the relation between bureaucratic independence and the number of veto players and concludes that bureaucratic independence increases with the number of veto players. Supporting Lohmann's results, Bednar, Ferejohn, and Garrett (1996), who examined the activism of the European Court of Justice, find that the introduction of qualified majority voting in the European Council (which reduces the number of veto players in European institutions) led to a significant reduction in judicial activism. Similarly, Alivizatos (1995) finds that the most active judges are in the countries with many veto players. Finally, in a recent paper, Cunningham (2006) studies the relation

between the number of veto players and civil war duration. He argues that conflicts with multiple actors who must approve a settlement (veto players) are longer because there are fewer acceptable agreements, information asymmetries are more acute, and shifting alliances and incentives to hold out make negotiation more difficult. This veto player approach to explaining variation in civil war duration is tested using a new data set containing monthly data on all parties to each civil war begun since World War II. The statistical analysis shows a strong correlation between the number of veto players and the duration of civil war.

Note that all of these studies are mainly about testing Tsebelis' argument that there is a positive relation between the number of veto players and policy stability in a polity. In Chapter 2, I point to another factor that should be considered while assessing the relation between the number of veto players and policy stability. I argue that the strategic interaction between veto players and those third parties that they are accountable to also plays a role in determining the extent and timing of policy change. Similarly, in Chapter 3, I bring another important variable into the picture, namely information. I demonstrate how informational deficiencies can also lead to policy stability. The results in these two chapters demonstrate that in order to correctly assess the relation between the number of veto players and policy stability, one needs to account for accountability relations and informational structures in place. Chapter 4 presents a novel criticism to the existing literature in general. I argue that the conventional way to count veto players in a polity, which only includes domestic players, may no longer be valid. As democratization and globalization gains speed around the world, political systems get more complicated and more participatory,. In many policy areas now, the consensus that is required for a policy change includes not only domestic parties to the decision but also foreign countries, international organizations, etc. Chapter 4 identifies one such newly emerging external veto player, the EU. EU membership implies transfer of competencies to the supranational EU level in certain policy areas, or in veto players jargon, introduces the EU as a new and external veto player in certain domestic policy areas in member countries. Chapter 4 demonstrates that this introduction has significant effects on the political outcomes in member countries ,and thus implies the incompleteness of analyses that fail to account for such new and external veto players.

As I have already argued the veto players literature has yet to touch upon some important aspects of political life and thus, there remains important gaps in the literature. The strategic interaction among veto players in political environments of asymmetric information, the effects of introducing new veto players to existing political systems, and the effects of possible accountability relations between veto players and third par-

ties are yet to be explored. Nevertheless, these studies, with their focus on different political systems, and their use of different research methods, demonstrate the wide applicability and generalizability of the veto players approach, and suggest that the gaps will not be there for long. This dissertation aims to contribute to the closing of those gaps in the literature while drawing upon specific examples from Turkish politics. The contribution, in that sense, is fourfold: filling out the gaps in the veto players literature; furthering our understanding of Turkish politics; proving that Turkish politics is a political system that can be studied and understood within the general frameworks and theories of political science; and finally attracting scholarly interest to Turkish politics by demonstrating how it can be a lucrative ground for political science research.

## 1.2 Overview of the Dissertation

In the second chapter, I focus on the fact that veto players in a political system are either elected or appointed, and thus are usually accountable to those who elect or appoint them, which is a factor that the veto players literature has yet to take into account. I study the effects of these accountability relations on policy outcomes, and demonstrate that when coupled with the interactions among veto players, these accountability relations affect the timing of policy decisions and may in some cases even result in a paralysis of the government in certain policy areas. I construct a simple spatial model to analyze the policy choice problem of an incumbent party. The party, by choosing a policy alternative in a one-dimensional policy space, tries to maximize her expected support. In her choice she is constrained by the preferences of her constituency and the preferences of other veto holders in the political arena. As long as the preferences of the constituency and the other veto holders match, the incumbent sails smoothly by taking side with them. But as these preferences start deviating from each other, the incumbent's life gets harder as she gets torn between her constituency and the probability of a veto that would damage her standing. My analysis indicates when this trade-off results in policy change and when it will lead to inaction. We see that inaction is possible if the incumbent thinks that there is no policy alternative that would please her constituency, and the veto holders so that they would not exercise their veto rights. The motivating example in this chapter is the AKP government's policy attitude towards the role of religion in public life, and specifically the turban issue in Turkey. More specifically, I argue that the model can help us understand why the AKP government remained inactive in terms of lifting the ban on turban in public spaces in their first term, and why they decided to act on this issue during their second term.

In the third chapter, I focus on the role information plays in the interaction among veto players, and study the effects of informational asymmetries on political outcomes. I turn to linkage politics and develop a game theoretical model that explains how the existence of domestic veto players can obstruct international cooperation through studying a model that demonstrates how an international agreement signed by representatives of two countries can fail parliamentary ratification. I study a scenario in which the executives of two countries bargain on a cooperative agreement to replace the existing state of affairs between them. The agreement comes into effect only if it gets ratified by the parliaments in the two countries. One of the executives lacks information about parliamentary preferences in her country. I allow communication between agents and show that under certain assumptions, the informational deficiency is incurable due to incentives to misrepresent preferences. Thus, there is a positive probability that the international agreement will fail ratification. I also show that a parliament whose majority is more hawkish than their executive towards cooperation with the other country prefers to be represented by a risk averse executive in the international bargain rather than a risk neutral one. My motivating example for this chapter is the ratification failure of the military cooperation agreement between Turkey and the USA in the Turkish parliament on March 1st, 2003. I argue that the Turkish executives suffered from informational deficiencies in terms of domestic parliamentary preferences. Then the model demonstrates how these deficiencies can lead to the observed ratification failure.

In chapter 4, I focus on the final gap I have identified in the literature. I argue that in certain policy areas the set of relevant veto players may include foreign actors as well as domestic ones, and analyze how the emergence and the existence of these new players influence political decision making and the resulting policies while continuing my focus on linkage politics. My argument in this chapter is that increased interdependence among countries, either through international organization membership or through economic interdependence, introduces new and outsider veto players to polities. The introduction of these new veto players brings in new information to the attention of the domestic constituency who then change their behavior accordingly. In other words, once they expect their political decision makers to be influenced by international organizations or decision makers from other polities, domestic constituencies adjust the way they reveal their preferences accordingly.

Recent political developments provide a fertile observation ground for the validity of these arguments. The recent discussion of democratic deficit in the European Union, for example, is about concerns that the policy making in member countries have become too detached from the public (Eriksen and Fossum, 2002). One may argue that

such a detachment may create a backlash in member state publics and lead them to take actions in terms of declaring anti-EU preferences to neutralize the EU effect on their policy decisions. Another interesting example presents itself in Turkish politics; many observers argue that Islamic fundamentalism can not be a threat to the secular system in Turkey as long as the country stays on its EU candidacy track. In other words, then EU acts as a veto player and narrows down the policy space by ruling out certain conservative policies. One can then expect voters to evaluate parties within this narrowed down policy space. Seen from this perspective, it is not surprising that the conservative AKP receives votes from liberal voters as well as conservatives. A rational, liberal voter might vote for the AKP if she thinks extreme conservative policies will be vetoed by the EU ruling out the danger that the resulting policies will be too far from her own ideal. An actual example of such a veto by the EU took place in Austria in 2000. The right-wing extremist Jorg Haider had to step down from his party leadership when the EU member countries protested and sanctioned his party's coming to power as a member of the ruling coalition. How this external veto affected the behavior of Austrian voters is a question that we will be able to answer based on the findings of the analyses in this chapter.

A similar effect can be found in the domestic politics of developing countries that sign stand-by agreements with the IMF. These agreements usually impose harsh austerity measures on the debtor country. These measures limit government spending in order to balance the budget and pay outstanding debts, which usually mean no or very low increase in salaries for public workers, little public investment, a cut down in agricultural subsidies, etc..The governments receive transfers from the IMF in return for compliance with these austerity measures but these transfers usually do not compensate those that the austerity measures hurt the most. And those people make up an important part of the electorate. It is then only rational to expect these people to vote for candidates that are opposed to dealing with the IMF. This, for example, might be one explanation for the electoral success of the extreme right in Turkey in the last ten years.

I develop a simple voting model in which voters are aware that once elected, the governing party is bound to negotiate with the other veto players in the political system. Thus they base their choices not only upon the revealed positions of contesting parties but also upon the actual policy that is expected to result from negotiations among veto players. These veto players might be domestic and/or international due to an international organization membership, or due to being part to an international agreement. In other words, voters anticipate a post-election bargain among the relevant

veto players, and form expectations about the result of this bargain in terms of policy outcomes. They then vote based on their newly formed expectations. My motivating example in this chapter is the EU integration as a result of which the EU becomes a new veto player in member countries. It has been argued in the literature that the EU as a new veto player, creates a centrist pull on final policy outcomes in certain policy areas (Hix, 2003). In other words, in member countries, the EU can be considered as a new veto player with centrist policy preferences. If this is the case, and if voters are concerned about final policy outcomes, then we can expect voters in EU member countries to take into account this centrist pull the EU will exert on policy outcomes, and alter their vote choices accordingly. I try to empirically verify this argument by analyzing data from the 2001 British Election Study. In line with the above arguments I have made, I develop and test three hypotheses about how EU membership alters people's voting behavior by imposing constraints on domestic policy making. Note that the EU example is not directly from Turkish politics but it is highly relevant and applicable to Turkey since Turkey is now a candidate country.

Finally, in chapter five, I present a summary of my findings and conclude with future research ideas.

The chapters of the dissertation are shaped in such a way that they stand on their own as separate contributions but seen together as a whole they contribute to the overall veto players approach.

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# CHAPTER 2
# A SPATIAL MODEL OF INACTION: THE AKP CASE

## 2.1 Introduction

The November 2002 general elections in Turkey resulted with the landslide victory of a then newly founded, pro-Islamist, "Justice and Development Party" (AKP). The AKP won the majority of seats in the parliament with 34.3% of the votes and formed a single-party government. Having the majority of the seats in the parliament enabled the AKP government to work with relative ease. The number of new legislations adopted only in their first two years exceeded some five hundred. In light of their accomplishments some even called the AKP government's performance "a quiet revolution" (Tepe, 2005). But interestingly enough the AKP government was not equally active and decisive in all policy areas, to the extent that they even steered away from some. (Tepe, 2005) The one area in which the AKP government had not been as active and decisive during their first tenure, despite the party's pro-Islamist roots and stance, was the role of religion in politics and public life. This area includes the very sensitive issues like the ban on headscarf in public spaces and the status of religious schools for chaplains and preachers (İmam Hatip Okulları). The lack of action on the AKP government's part in this policy area is all the more interesting since, as argued by Çarkoglu and Hinich (2007), the secularist versus pro-Islamist divide has become the dominant cleavage in the Turkish political arena. The authors argue that Turkish voters' conception of their political self and of political parties are mostly shaped by their degree of religiosity and the degree of their desire to see religion playing a role in public life. Thus, the issues that the AKP government neglected are highly salient to the pro-Islamist voters who constitute the core constituency of the AKP (Çarkoglu, 2002a). Naturally the core constituency expected their party to represent their concerns (Tank, 2005). Nonetheless, during their first tenure, the AKP government avoided open conflicts and ideological statements in this area, let alone coming up with new policies. It was not until after the 2007 general elections, which kept the party in power with 47% of the votes, that the AKP government decided to act on these issues and passed a legislation that was designed to change the constitution to enable female college students to wear headscarfs to school. The legislation caused heated debates and was fervently opposed by the major opposition party members in the parliament. These legislators appealed to the Constitutional Court which then found the 'turban' legislation'unconstitutional'. Hence the new legislation never came into effect.

Why did the AKP government remain inactive in such a highly salient policy area during their first tenure and then decide on acting during their second only to be declared unconstitutional? What kind of factors did determine the contents and the timing of policy change? In this article, I try to answer these questions from a rational choice perspective. I start by asking how an incumbent with enough seats to pass legislation can remain inactive in a policy area that is highly salient for its constituency, and what determines the timing of policy change. I first argue that political decisions can best be understood by studying those actors with the power to veto those decisions, in other words, by studying the veto players in the system. Then, I demonstrate that the timing and the contents of policy change depend on the preferences of the relevant veto players. I show that the existence of a veto player, may even result in a paralysis of the government in certain policy areas if the preferences of the veto player and the government diverge sufficiently from each other. Moreover, my analysis reveals that the amount of information veto players have about each other's preferences plays a crucial role in policy formulation.

In the following section, I discuss my approach,and how it can be applied to the questions at hand in more detail. Then in Section 2.3, I construct a simple spatial model to analyze the policy making problem of an incumbent government who is constrained in its choice due to incongruence between the preferences of its core constituency and the preferences of a veto player. In Section 2.4, I analyze my model and conduct sensitivity analyses on the results. I conclude in Section 2.5.

## 2.2 Veto Players

Tsebelis (1995, p.289) defines veto players as "individuals or collective actors whose agreement is required for a change of the status quo". Consequently, he argues that policy change can only be seen if there exist alternative policies that all the veto players prefer to the status quo. He calls the set of policies that a veto player prefers to the status quo "the win set" of that veto player. Then, the status quo can be replaced only if the intersection of the winsets of veto players is nonempty. Tsebelis identifies the number of and the ideological distance among the veto players as the main determinants of this intersection set, and empirically tests his arguments about the inverse relation between these two factors and the potential for policy change. Since Tsebelis assumes that the veto players are perfectly informed about each other's preferences, inaction is observed only when the winsets of relevant veto holders are empty. Moreover, unless being vetoed gives some positive payoff to the government, we do not see an actual veto in his model.

The identity and number of veto players change from polity to polity. Usually, veto holders are explicitly specified by the constitution of the country. In presidential systems, the president is usually a veto player. In bicameralism, each chamber can hold a veto against the decisions of the other. In multipartyism, the opposition party or the coalition partners, depending on the number of seats they have in the parliament, might hold a veto against government proposals. Depending on the constitutional definition of her functions, a president in a parliamentary system can hold veto power. If exists, a constitutional court or a supreme court acts as a veto player.

There may also be other veto players in a system, whose veto powers are not explicitly and formally defined in the constitution but who exercise this power nonetheless. For example, strong interest groups can play a veto player role depending on the issue. More commonly, in many Latin American countries and in Turkey as well, the army has been an important veto holder. In this sense, military coups can be considered as extreme cases where the army exercises its veto against government policies.

The strong, secular state establishment, with the army as its guardian, constitutes the main veto player in Turkey, especially so with respect to issues like the unitary and secular nature of the state. A political crisis that took place in February 1997 provides one the most recent and clear examples of the veto power this player holds against the government's policy choices. During the National Security Council meeting that took place on February 28th, 1997, the generals voiced their criticisms of the incumbent government. Their criticisms were mostly about the policies of the junior, pro-Islamist partner of the coalition. These policies were considered to be anti-secular by the military. The generals listed their objections and the necessary policy changes. The events that followed led to the collapse of the government and the closure of the pro-Islamist partner of the coalition by the Constitutional Court on the basis of its anti-secular activities (Çarkoğlu, 2002a).

The RP leadership then formed a new party under the name of the Virtue Party (FP), but FP was also closed down by the Constitutional Court in June 2001 on similar grounds. This time, the pro-Islamist movement experienced a leadership crisis. The old generation formed the Felicity Party (SP), whereas and the younger ranks of the movement founded the Justice and Development Party (AKP) in August 2002 under the leadership of the former Istanbul mayor, Tayyip Erdoğan. Erdoğan was actually banned from politics at the time on grounds of inciting religious hatred. AKP participated in the 2002 elections under Erdoğan's leadership, and won a land-slide victory. To understand AKP's electoral success, it is necessary to consider the developments that took place after the 1999 general elections. The 1999 elections resulted in the formation

of a coalition government formed by the centre-left DSP, the centre-right ANAP, and the extreme-right MHP. Unfortunately, hard times were about to come. Two major earthquakes hit the country in the first six months of the new government. The coalition proved clumsy in responding to these disasters and lost considerable public support. But the final blow came with the 2001 financial crisis which resulted in unprecedented urban unemployment and a record depreciation of the Turkish lira against all foreign currencies. Çarkoğlu (2002a) argues that together with the August 1999 earthquake, the devastating impact of the economic crises seems to have been reflected in the political arena in the form of disturbingly deep alienation from the current political parties. It was against this political, economic, and social background that the AKP rised to power.

With yet another pro-Islamist party in power, the question became whether the tensions that gave rise to the February 1997 crisis would be prevalent again, and whether the AKP government would try to undo the policy changes that came with the crisis. As I have already argued in the Introduction, these changes included issues like the ban on headscarf in public spaces and the status of religious schools for chaplains and preachers (İmam Hatip Okulları), which were highly salient to the pro-Islamist voters who constitute the core constituency of the AKP (Çarkoglu, 2002a). Naturally the core constituency expected their party to represent their concerns (Tank, 2005).

Heper (2005) argues that the military and the AKP government have developed a working relationship. But he also adds that the military is still a robust guardian of secularism and that there is still suspicion on the part of the state establishment that the AKP is engaged in dissimulation and sooner or later it will try to resort to political Islam. Thus the AKP government has an effective constraint on its policy decisions; the watchful eyes of the guardians who are already suspicious and who made it public knowledge that they have limited tolerance to moves away from their preferred position on this particular dimension in question. Çarkoğlu (2002) talks about the resistance and scepticism on the part of the secularist state establishment towards the pro-Islamist roots of the AKP. He claims that it will be this very tension between the AKP government and the secularist establishment that will shape the future of the country. Similarly Tank (2005) analyzes this very tension, and claims that the AKP government walks a tight boundary between what is acceptable and what is unacceptable in the sphere of secularism while, at the same time, trying not to alienate its core constituency. The problem is "appeasing one side enough so as not to be removed from power while satisfying the other enough to remain in power" (Tank, 2005, p.16). It is a risky job in the sense that not only there is the risk of getting into a

conflict with the state establishment, but also, any policy that the AKP promises but fails to do diminishes the party's credibility in the eyes of voters.

Note that one can explain the observed inaction of the AKP government during their first tenure by following Tsebelis' model and by arguing that the intersection of winsets of the government, and the military must be empty in certain political domains. When the intersection of these winsets are empty, the status quo remains unchanged since any alternative policy that the government proposes gets vetoed by the military. But interestingly, Tsebelis' model fails to explain the subsequent veto that the AKP government suffered. Why would a government, with the information that the winset of veto players is empty in some certain policy area, attempt to change the status quo in that area only to be thwarted by a veto? There must be some important factor at work that was left out in Tsebelis' model. This article argues that the important factor that was left out is information. In the following sections, I first argue that the government may lack information about the preferences of veto players. Then, I demonstrate that informational asymmetries may account for the observed puzzling events.

## 2.3 The Model

I construct a simple spatial model to analyze the policy choice problem of an incumbent party (which, hereafter, will be referred to as "the government"). The government, by choosing a policy alternative in a one-dimensional policy space, tries to maximize its expected support. In its choice, the government is constrained by the preferences of its core constituency, and the preferences of a veto player who has the power to veto the government's policy decisions. As long as the preferences of the constituency and the veto player match, the government sails smoothly by taking side with them. But as these preferences start deviating from each other, the government's life gets harder as it gets torn between its constituency and the probability of a veto that would damage its political standing. Exercising a veto is a costly business for the veto player. But those costs are private information to the veto player herself. The government has a certain belief about how costly it would be for the veto player to exercise her veto right. Based on its belief about veto costs, the government decides whether to replace the status quo with a policy that would better please its constituency or remain inactive and leave the status quo policy in effect. As the government bases its decision on a probabilistic assessment of veto costs, in cases where it decides to replace the status quo, there is always a risk that the new policy will suffer a veto. Similarly, inaction is possible if the government thinks that there is no policy alternative that would please both its constituency, and the veto holder so that she would not exercise her veto rights. To

summarize, we have a government who is to make a policy choice, and a veto player who is to decide whether to approve or veto the government's choice. The government's major concern is to please its core constituency so that they keep supporting the government. Once the government decides on the policy, the veto player decides whether to approve or veto this decision. Her decision is based on her own policy preferences, and the costs of issuing a veto.

I model this policy making problem using a spatial model *a la* Hotelling (1929).

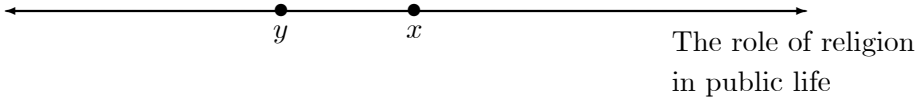


Figure 2.1: Policy $x$ corresponds to a higher role of religion in public life than $y$ does.

**Policy Space.** The one-dimensional *policy space* depicted in Figure 2.1 denotes a scale, which I take to be the real line, $\Re$, that measures the role of religion in public life. The policy space can refer to any other policy area. I use *the role of religion in public life* to continue with my original example. I will hereafter use the term *policy* to refer to a point on this space. A policy $x \in \Re$ that promotes a more significant role for religion than an alternative policy $y \in \Re$ corresponds to a point that is further to the right than its alternative, that is $x > y$.

**Status Quo.** There is a status quo policy in place which corresponds to a point on our unidimensional policy space and is denoted by $q \in \Re$.

**The Government.** There is a one-party government in place with enough seats in the parliament to pass legislation. The government's problem is to choose a policy $x$ that will please its core constituency and thus, minimize, or if possible, avoid any loss of support. But in its choice it is constrained by the possibility of a veto. If its choice gets vetoed then the status quo policy remains in effect. We will discuss the maximization problem of the government in more detail in the next section.

**Veto Player.** We have a political actor in the system with the power to veto the government's policy decisions. The veto player evaluates government's policy decisions based on her own preferences on the issue, and decides whether to veto them or not. I assume that the veto player has a most preferred policy, $v^* \in \Re$, and for any $x, y \in \Re$, she prefers $x$ to $y$ if $x$ is closer to her ideal policy than $y$ is. More specifically, the utility

the veto player gets from a policy $x$ is

$$U_v(x) = -|x - v^*|$$

If a policy decision is vetoed, then it never comes into effect, and the status quo policy that was in effect before the policy decision was made continues to be so. There is a cost associated with exercising a veto. Several reasons might be argued for why a veto should bear costs for the issuer. First of all, it might be difficult for any veto player to show open resistance to civilian decisions when these are taken through legitimate democratic procedures and rests on consensual politics (Toprak, 2005, p.172-179; Lijphart, 1999). In other words the more a policy is supported by the people the more reluctant the veto player will be to veto that policy, and the more a policy is contested by people the more likely that it will be vetoed. This can be observed in the February 1997 crisis in Turkey. Many argue that if it was not for the large segment of people who were against the pro-Islamist parties policies of the government in 1997, the military would not be as decisive as it was in its veto. Similarly, depending on the preferences of the public, a veto might result in loss of popularity, and damage the public support the veto player enjoys. It might even be considered, in some cases, undemocratic (albeit constitutional) if the vetoed policy is highly desired by the public. In such cases, the country's democratic image might be harmed which then might hurt its relations with the outside world. A veto player that exercises her right frequently loses credibility and leads the way for her own demise since those who want policy change would then maneuver to limit her powers. In short, the veto player incurs some costs each time she exercises her veto powers. Once again Turkish politics is ripe with examples of such maneuvers. For example, the closure of several pro-Islamist parties by the Constitutional Court in the past, has recently led the AKP government to propose a constitutional change. The proposal was to give the parliament the authority to decide whether a party closure case is valid and whether the case merits the consideration of the Constitutional Court (BBC, April 22, 2010). Clearly, the proposal was designed to curtail the Court's authority.

Let $c$ then denote the costs associated with vetoing a policy. Then, faced with a policy decision by the government that replaces the status quo policy $q$ by a policy $x$, the veto player gets $U_v(x)$ if she approves $x$, and she gets $U_v(q) - c$ if she issues a veto. Thus, the veto player vetoes policy $x$ if

$$U_v(q) - c > U_v(x)$$

**Core Constituency.** The core constituency consists of voters whose interests the

governing party set out to represent in the first place. In the AKP case, for example, the core constituency is the right-wing, conservative, pro-Islamist voters. The governing party gives the highest importance to the preferences of the core constituency while formulating new policies. Similar to the veto player, $(i)$ the core constituency also has preferences on the role that religion plays in public life according to which they evaluate government policies, and $(ii)$ the result of their evaluation affects their support of the government. To represent these two features, I assume that $(i)$ the core constituency has a most preferred point, $r^*$, on the scale in Figure 2.1, $(ii)$ the core constituency fully supports a government that enacts $r^*$, but as the government policy deviates further from $r^*$, the support that the core constituency gives to the government declines. I assume that the *loss of support* due to a policy $x$ is a linear function of the distance between $x$ and $r^*$. More specifically, it is of the form

$$loss\ of\ support = \beta\,|r^* - x|$$

where $\beta \in [0, 1]$ is a parameter that measures the core constituency's sensitivity to a deviation from $r^*$. Finally, in line with our motivating example, I assume that the core constituency of the governing party prefers religion to have a more significant role in public life than does the veto player, that is, $v^* < r^*$. Without loss of generality, I assume that $v^* = 0$, and $r^* = 1$.

## 2.4 The Analysis

**The Government's Problem.** As stated above, the government's problem is to choose a policy that would maximize its support, while not evoking a veto. We know that, a policy $x \in \Re$ gets vetoed if $U_v(q) - U_v(x) > c$. As I have argued above, $c$ depends on things like how salient the issue is for the veto player, the popularity and the credibility of the veto player amongst the public, how a veto might affect the political situation in the country, the veto player's relations and standing with the other relevant actors, how a veto might affect the country's image in the outside world, and how important that image is for the veto player, etc. Note that different actors might evaluate these factor differently, and it is highly likely that those evaluations are private information to the actors themselves. In other words, the government may not have complete information about how costly it would be for the veto player to veto a policy. Having said that, it is also not realistic either to think that the government would be in complete darkness about veto costs. It is, however, reasonable to assume that the government has some probabilistic belief about the costs that a veto player

would incur if she were to veto a policy in a certain issue area, given the status quo and the preferences of other relevant actors. In accordance with this line of thinking, I assume that $c$ is a uniformly distributed random variable, with distribution function $G$, density function $g$, and domain $C$. Exercising a veto is always costly, which means $G(0) = 0$. I also assume that a veto can not be infinitely costly, that is, $C$ is some closed interval $[0, \overline{c}]$ where $\overline{c}$ is finite. Given that $c$ is uniformly distributed on $C$, let $p(x)$ denote the government's belief about the probability that policy $x$ will be vetoed. Then , $p(x)$ must be consistent with the way the veto player is expected to act, and the distribution of veto costs, that is,

$$p(x) = \begin{cases} 0 & \text{if } U_v(q) - U_v(x) \leq 0 \\ G(U_v(q) - U_v(x)) & \text{if } U_v(q) - U_v(x) > 0 \end{cases}$$

Note that $v^* = 0$ implies $U_v(q) - U_v(x) = -|q - v^*| - |x - v^*| = |x| - |q|$ ,then we can rewrite $p(x)$ as

$$p(x) = \begin{cases} 0 & \text{if } |x| \leq |q| \\ G(|x| - |q|) & \text{if } |x| > |q| \end{cases} \tag{2.4.1}$$

With the probability of veto at hand, the government, solves the following maximization problem:

$$\max_{x \in \Re} (1 - p(x))(1 - \beta |1 - x|)$$

which can be interpreted as maximizing its expected support. Note that $(1 - s(x))$ gives the support the government will get by enacting policy $x$. But $x$ can be enacted only if it does not get vetoed. the probability that $x$ will not be vetoed is $(1 - p(x))$Thus, $(1 - p(x))(1 - s(x))$ gives us the expected support the government gets from choosing policy $x$.

One important thing to note is that the optimal policy $x^*$ can not lay outside the $[v^*, r^*]$ interval. To see why, suppose $x^* < v^*$. Then by moving a little to the right, the government increases its expected support as it is now closer to both its core constituency's and the veto player's preferred points. For this reason, no $x^* < v^*$ can be an optimal policy. Now alternatively suppose $x^* > r^*$. Similarly, by moving a little to the left, the government can increase its expected support. Thus, no $x^* > r^*$ can be an optimal policy.

We can, then, rewrite the government's maximization problem as

$$\max_{x \in [0,1]} (1 - p(x))(1 - \beta(1 - x))$$

Note that, the solution to the government's choice problem depends on where the

status quo policy is on our policy continuum. Let us first consider the possible scenarios and government's choice problem under each of these scenarios.

**Scenario 1**: $1 \leq q$. The government has the best of the worlds under this scenario as it can enact $x^* = 1$ without fearing a veto. $x^* = 1$ ensures that the government does not lose any core support, and it has zero probability of being vetoed as it stands closer to the ideal policy of the veto player than the status quo does.

**Scenario 2:** $q < -1$. Under this scenario, the government can and will enact $x^* = 1$ without any fear of a veto since for $x = 1$, $|x| \leq |q|$, and thus $p(1) = 0$.

**Scenario 3:** $-1 \leq q \leq 0$. The government can enact any policy within $[q, -q]$ without any fear of a veto since for any $x \in [q, -q]$, $|x| \leq |q|$. And within this interval, it gets the highest expected support from enacting $-q$ as it is the closest one to $r^*$. Outside this interval, the government faces a trade off between higher support and the risk of suffering a veto. Thus, the government's problem in this scenario can be rewritten as

$$\max_{x \in [-q,1]} (1 - p(x))(1 - \beta(1 - x))$$

**Scenario 4:** $0 < q < 1$. Under this scenario, the government will not enact anything to the left of $q$ as that would be worse than leaving the status quo policy in place. Thus, we can rewrite the government's problem under this scenario as

$$\max_{x \in [q,1]} (1 - p(x))(1 - \beta(1 - x))$$

Note that the government faces a trade off only under Scenario 3 and Scenario 4, and the maximization problems under these scenarios are very similar. I will focus on these two scenarios, and without loss of generality, I will simply assume that $q = 0$, that is, the status quo policy is the ideal policy of the veto player. Note that this final assumption is only for the sake of notational ease and does not affect the results otherwise.

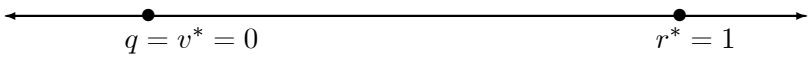


Figure 2.2: The government, facing $q = v^* = 0$ and $r^* = 1$, is to choose a policy $x$.

With $q = 0$ and $x \in [q, 1]$, we have $p(x) = G(x) = \frac{x}{c}$ (2.4.1). We can then rewrite the government's maximization problem as

$$\max_{x\in[0,1]} \quad U_{gov}(x) = (1 - G(x))(1 - (\beta(1 - x)). \tag{2.4.2}$$

The first and the second order conditions for the above maximization problem are respectively

$$\frac{\partial U_{gov}(x)}{\partial x} = \beta - G'(x) + \beta G'(x) - \beta G(x) - \beta x G'(x) = \beta - \frac{1}{\overline{c}} + \frac{\beta}{\overline{c}} - 2\frac{\beta x}{\overline{c}} = 0 \tag{2.4.3}$$

and

$$\frac{\partial^2 U_{gov}(x)}{\partial x^2} = \frac{-2\beta}{\overline{c}} < 0.$$

Solving Equation (2.4.3), we obtain

$$x^* = \frac{\beta\overline{c} + \beta - 1}{2\beta} \tag{2.4.4}$$

Since $0 \leq x^* \leq 1$, it must be that

$$0 \leq \frac{\beta\overline{c} + \beta - 1}{2\beta} \leq 1$$

which implies

$$\frac{1-\beta}{\beta} \leq \overline{c} \leq \frac{1+\beta}{\beta} \tag{2.4.5}$$

For any $(\overline{c}, \beta)$ pair that violates these inequalities, the maximization problem in Equation (2.4.2) results in a corner-point solution. Particularly, for $\overline{c} < \frac{1-\beta}{\beta}$, the optimal policy remains to be the preferred point of the veto player as the cost of a veto can not be high enough to preclude a veto. Similarly, for $\frac{1+\beta}{\beta} < \overline{c}$, the optimal policy becomes the preferred point of the core constituency since exercising a veto would be too costly for the veto player. Note that, the uncertainty on the government's part is not about $\overline{c}$, but about the actual value of $c$ in the $[0, \overline{c}]$ interval.

To summarize, the **optimal policy choice** $x^*$ that maximizes the government's expected support can be written as

$$x^* = \begin{cases} \frac{\beta\overline{c}+\beta-1}{2\beta} & for \quad \frac{1-\beta}{\beta} \leq \overline{c} \leq \frac{1+\beta}{\beta}, \\ 0 & for \quad \overline{c} < \frac{1-\beta}{\beta}, \\ 1 & for \quad \frac{1+\beta}{\beta} < \overline{c}. \end{cases} \tag{2.4.6}$$

2.4.1 Effect of a Change in Policy Sensitivities and Veto Costs on $\mathbf{x}^*$ Equation (2.4.6) reveals that the optimal policy $x^*$ depends on the policy sensitivity of the core con-

stituency and how costly it might be for the veto player to exercise her veto rights. One way to gain further insight into the government's problem is to look at how $x^*$ reacts to changes in these two parameters.

**Change in veto costs.** The derivative of Equation (2.4.4) with respect to $\overline{c}$,

$$\frac{\partial x^*}{\partial \overline{c}} = \frac{1}{2} > 0,$$

gives us the effect of a change in $\overline{c}$ on the optimal policy choice of the government. That is, as higher veto costs become possible the optimal policy choice of government moves towards the core constituency's most preferred point. Figure 2.3 below demonstrates this point for three alternative values of $\overline{c}$.

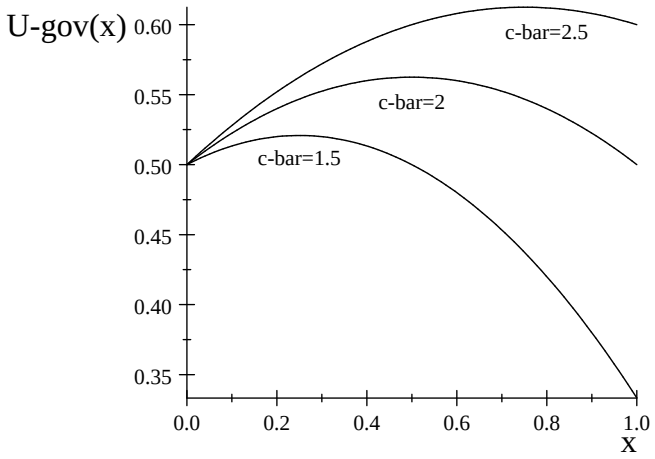


Figure 2.3: Fixing $\beta = 0.5$, the figure shows three versions of the expected support function $U_{gov}(x)$. For $\overline{c} = 1.5$, $x^* = 0.25$; for $\overline{c} = 2$, $x^* = 0.5$; for $\overline{c} = 2.5$, $x^* = 0.75$.

**Change in the policy sensitivity of the core constituency.** The derivative of Equation (2.4.4) with respect to $\beta$,

$$\frac{\partial x^*}{\partial \beta} = \frac{1}{2\beta^2} > 0,$$

shows that an increase in the core constituency's policy sensitivity moves the optimal policy choice of the government towards the core constituency's most preferred point. Figure 2.4 below demonstrates this point for three alternative values of $\beta$.

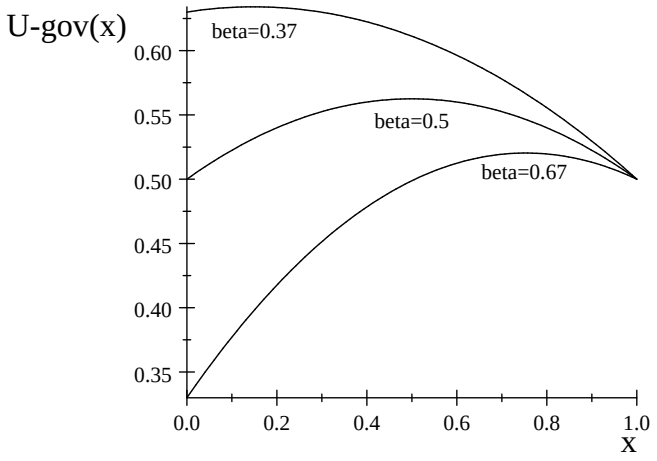


Figure 2.4: Fixing $\overline{c} = 2$, the figure shows three versions of the expected support function $U_{gov}(x)$. For $\beta = 0.37$, $x^* = 0.15$; for $\beta = 0.5$, $x^* = 0.5$; and for $\beta = 0.67$, $x^* = 0.75$.

2.4.2 Possibility of Inaction The above analysis reveals that for certain combinations of $\beta$ and $\overline{c}$, the government's optimal policy choice $x^*$ is simply the status quo. More specifically, for combinations of $\beta$ and $\overline{c}$ such that $\overline{c} \leq \frac{1-\beta}{\beta}$, $x^* = 0$.Faced with those parameter values, the government remains inactive.

Figure 2.5 partitions the two-dimensional parameter space into zones of action and inaction, and demonstrates the $(\overline{c}, \beta)$ pairs under which the government would enact a new policy to replace the status quo, and those pairs under which it will remain inactive.

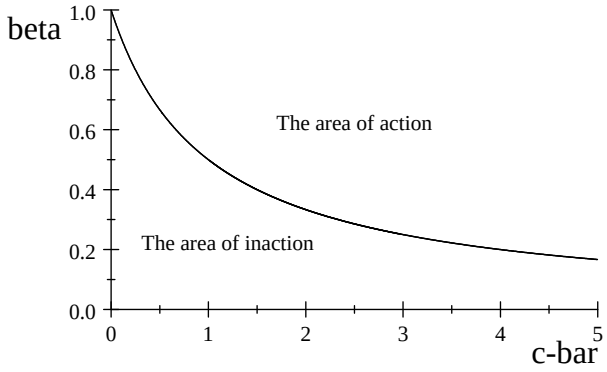


Figure 2.5: The partitioning of the parameter space.

Note that given a policy $x$, the government's assessment of the probability that the veto player is going to veto $x$ decreases as $\overline{c}$ increases. As a result, the government prefers to replace the status quo with a policy that better suits to the wishes of the core constituency even when the issue is not too salient for the core constituency. For

example, we can see in Figure 2.5 above that for $\overline{c} = 3$, the government prefers to take an action for all $\beta$ values greater than 0.25.

To summarize, the above analysis identifies two parameters that are important in the government's decision; the policy sensitivity of the government's core constituency, $\beta$, and the government's belief about the how costly it might be for the veto player to veto a policy in this issue area.

In turn, these parameters are determined by the political environment. In a political environment where there exists other ideologically similar political parties which may appeal to the core constituency of the incumbent party, we can expect to see high values of $\beta$. These other parties enable the voters to switch parties without betraying their ideology if the governing party fails their expectations. In our original example, one can argue, in light of the lack of trust the voters had declared on occasion for other parties and leaders before the 2002 elections, that there was not a strong alternative to the AKP, which implies a low $\beta$. Çarkoğlu (2002a) discusses how deeply the Turkish voters were alienated from existing political parties before the 2002 general elections as a result of the economic crises and the 1999 earthquake, which also indicates that the voters did not see a strong alternative to the AKP. This in turn implies that inaction could have been optimal during the first tenure of the AKP government as the party knew that its core constituency lacked political alternatives.

Similarly, one may argue that $\beta$ depends on how salient the issue is to the core constituency and expect it to go down as the issue becomes less salient. When the AKP took hold of the government in 2002, the country was just recovering from one of its worst economic crisis. Çarkoğlu (2002a) argues that "The fact that none of the incumbent coalition partners could reach the ten per cent electoral threshold required to gain parliamentary representation indicates the great importance attached by voters to the devastating impact of the recent economic crisis on their personal lives" (p.132). Thus, issues about economic recovery were the most salient ones in everyone's regard. This again implies that inaction could have been optimal during the first tenure of the AKP government as the party was aware that there were more urgent issues to tackle. Actually, party leadership made a point of mentioning in their first declaration after the elections that the headscarf issue did not have a priority on their to do list (Hürriyet, November 4, 2002). Interestingly, it is also possible to track down how the saliency of the turban issue has changed over time for the AKP constituency from various survey studies conducted in the 2000s. Paradoxically, the evidence suggests that the issue lost some saliency during the first tenure of the AKP government. Çarkoğlu and Toprak (2006) report that although the percentage of those respondents who think that there

is oppression of religious people in Turkey declined from 2002 to 2006, the percentage of those among them who thought of the turban ban in schools and public offices as the major example of that oppression remained more or less the same ,which means in total, the percentage of those who see the turban ban as an oppression against religious people declined over the period. Thus, AKP's decision to make a move during their second tenure was most probably not due to an increase in the saliency of the issue.

The existence of other clientelistic ties between the party and the core constituency might also reflect on $\beta$. These other ties might make the core constituency less sensitive to policy in this specific area, reducing $\beta$. Referring to the 2006 survey study by Çarkoğlu and Toprak (2006) again, we see that a large majority of respondents find the AKP very successful in terms of providing perks to its supporters (like employment in public service, attending to problems they may have with the state bureaucracy, etc...).

$\beta$ can also depend on how informed the core constituency is about the institutional structure of their polity, and about the preferences of the relevant veto players in that structure. In a polity where the core constituency is aware that there exists a veto player who would veto policy moves towards their ideal, the core constituency might hold the veto player responsible for their frustration, thus, we might expect to see a low $\beta$. Moreover, the government might try to escape responsibility by blaming the veto player for the frustration of its core constituency. If the government succeeds in its efforts to shift the blame then we might expect to see a low $\beta$. This might actually be one of the important factors behind AKP's timing of policy choice. One can argue that given the events of February 1997, and the following party closures in 1998, during AKP's first tenure, its core constituency was aware that a relevant veto player was against lifting the ban on turban, and thus they did not hold the AKP responsible for the lack of policy change. It is not, however, possible to make a similar argument for the second tenure of the AKP. Via a constitutional change in 2003, the AKP government changed the structure of the National Security Council which meant a change in the preferences of this important veto player. Given that it was made by the AKP government itself, one can argue that this change most probably brought the preferences of the Council closer to the AKP constituency. This in turn can explain why the AKP decided to act on the turban issue in their second tenure rather than in their first.

Finally, the policy sensitivity of the core constituency would also increase as the amount of time the core constituency has waited for a policy change towards their ideal increases. If the core constituency thinks that they have waited too long for their expectations to be fulfilled, we can expect them to have a high $\beta$. In the case of AKP,

it might simply be that the party could not keep its core constituency waiting for any longer.

In an environment where recent history is marked with conflict between the veto player and the government, we can expect the government to believe that the veto player regards veto costs small compared to the costs of a political surrender. It is highly likely that the AKP was threading more carefully during its first tenure not to create any tensions with the secular state establishment. In light of the political crisis the country suffered in 1997, the AKP knew that religion and its role in public life was a highly salient issue in the eyes of the major veto holders in the country which means a very high probability of veto in case policies deviate from the ideals of these veto players. Similarly, if the issue is salient for the veto player for any other reason, we can expect $\overline{c}$ to be small.

The level of public support the veto player enjoys may affect $\overline{c}$ as well. A veto player who has high levels of public support is less likely to tolerate deviations from its preferred policies than a veto player whom the public does not approve of. In Turkey, the army usually ranks first in survey studies as the institution people trust the most. Eurobarometer surveys, for example, reveal the high level of trust Turkish people put in the army as an institution. Given the public support, and the unyielding laicist stand of the army, one can then expect $\overline{c}$ to be small in the Turkish case for policies regarding the role of religion in public life. Note that, according to the Eurobarometer surveys, the level of this trust did not really differ much between the two tenures of the AKP government, which indicates that AKP's timing of policy change can not be explained by a change in the public support the veto player enjoys.

Similarly, $\overline{c}$ is affected by the percentage of votes the incumbent party receives. An incumbent party that enjoys high levels of voter support is less likely to see its policies vetoed by another veto player than a party with marginal support. For our motivating case this means that the AKP members could have been encouraged by the surge in their vote share in the 2007 elections. The backing of almost half the voters might have led the AKP members to think that other veto players would find it too costly to veto their policies.

The attitude of the outside world towards the policy issue in question can also be important in terms of veto costs. If the preferences of the veto player are shared by important foreign parties, like relevant international institutions, and/or major trade partners of the country, then it is highly unlikely that those parties would disapprove of a veto. In such a situation, we might expect $\overline{c}$ to be low. The fact that Turkey became an official candidate to and started accession negotiations with the European Union in

late 2005, might also have led the AKP to think that vetoing its policies would now be too costly for others. The frequent warnings from the EU about democratization, about human rights, about minimizing the role the army plays in politics, coupled with the support EU membership receives from prominent economic and political actors with close ties to the state like the Turkish Industrialists and Businessmen's Association (TUSIAD Basın Bülteni, 29 Mayıs 2002), and the main opposition party CHP (CHP 2002 Seçim Bildirgesi), might have led the AKP members to believe that the recurrence of a *February 1997-like* intervention is unlikely. Interestingly, considering the Leyla Şahin case of 1995, EU membership might have worked in the opposite way as well, that is, it might be a better explanation to AKP's inaction during their first tenure rather than their taking action during their second. Leyla Şahin was a medical student and she got expelled from school when she insisted on wearing a headscarf to classes. She sued the Turkish state and took the case to the European Human Rights Court, but the court rejected her application on two occasions (Turkish Ministry of Justice). This rejection might have worked as a signal that the EU did not share the policy preferences of the AKP core constituency in terms of the role of religion in public life, and that the EU would not interpret vetoing policy changes to increase that role as undemocratic.

## 2.5 Conclusion

By the use of a simple spatial model of policy choice I have demonstrated that the existence of a veto player might affect the nature and timing of policy change and even render inaction in specific issue areas a rational choice for a government. The model analyzed so far is a very simplistic version of a government's policy making problem in one specific area. The government is constrained only by the preferences of its core constituency and the preferences of a single veto player. In reality there are of course further complicating factors that exists in the political environment. As I have discussed before there may be multiple veto players, including coalition partners in the case of a coalition government and the opposition parties in the parliament depending on the number of chairs each party holds. Depending on the electoral laws there may be further complications. Çarkoğlu points to the fact that in the 2002 elections, due to the 10% threshold, 45% of voters remained unrepresented in the parliament. This implies that during its first tenure, the AKP's seat advantage did not translate into a vote majority in electoral support. Therefore the legitimacy of any legislation that passed without the support of the other party in the parliament would have been open to questioning. This potential pressure might have acted as another constraint on the AKP in the sense

that the AKP needed to build consensus in and also out of the parliament in order to maintain its legitimacy as a government (Çarkoğlu, 2002, p.34).

A further complication might arise from other informational imperfections. In our model I assumed that the government only lacks information about veto costs, and has perfect information about the ideal policies of the core constituency and the veto player. It might be that the government has only a probabilistic view of these as well.

My model does not allow any communication among players that might alleviate informational problems. In reality, one would expect the government to communicate with all other relevant players, especially while formulating a new policy. Once communication is involved, it becomes important whether declarations carry any costs or not. Kıbrıs argues that in cases where the declarations of players do not affect their payoffs, we can expect strategical misrepresentations to the extend that communication becomes ineffective in solving informational problems (Kıbrıs, 2008).

More importantly, the core constituency is probably not the only ones whose support the government cares about. Depending on the policy area, the government might be aiming to please groups outside its core constituency, or it might be considering the support it gets from the whole spectrum of voters rather than just its core constituency. So,the distribution of ideal points of other voters and their policy sensitivities might also be important in making a policy decision.

To extend this model to include these further constraints remains a challenging task and is left for further research.

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# CHAPTER 3
# UNCERTAINTY AND RATIFICATION FAILURE

## 3.1 Introduction

On March 1st, 2003, the Turkish parliament voted to turn down a military cooperation agreement with the United States. The agreement would have enabled the US military to deploy 62 thousand American troops through southeastern Turkey to open a northern front against Saddam Hussein (Yetkin, 2004, Lee, 2003). The ratification failure was unexpected by both the Turkish and American administrations (Bölükbaşı, 2008; Robins, 2003; Rubin, 2005; Kapsis 2006; Hale, 2007; Yetkin, 2004; Mango 2003). So much so that Turkish ports had already been prepared to receive massive military deployments, and American military ships carrying 35 thousand American soldiers were already waiting for deployment off the Eastern Mediterranean coasts of Turkey (Yetkin, 2004). But, it turned out that the Turkish executives brought home a deal that was not good enough for the majority in the parliament. It included too many American troops, too few guarantees about the future status of Iraqi Kurds, too little financial compensation for expected economic losses, etc. (Pan, 2003). The ratification failure aroused anger on the U.S. side. It caused the Bush administration to alter its war plans significantly at the last minute and according to some commentators, made the whole campaign a lot more costly (Pan, 2003). On the Turkish side, the executive branch of the government was trying to minimize the damage by entertaining talks of resubmitting the deal to the parliament. In any case, the damage was done and nobody wanted to be in the shoes of the Turkish prime minister then.

Interestingly, this was not the first time that an agreement between the Turkish and American administrations failed to attract legislative support. The very first agreement signed between the two states suffered the same fate as well. On August 6, 1923, the American and Turkish representatives at the Lausanne Conference in Switzerland signed a Treaty of Amity and Commerce to establish normal diplomatic and commercial relations between the United States and the newly founded Turkish Republic. Unfortunately, the treaty failed ratification in the Senate. A majority of senators thought the State Department had failed to get enough concessions from the Turkish government, especially in terms of allowances for American intervention for the protection of the Christian minority in Turkey (Vander Lippe, 1993).

Aside from both being interesting anecdotes from the history of Turkish-American relations, these two ratification failures share another interesting feature: they were

both "involuntary defections" (Putnam, 1988). In other words, the executives who had signed them had done so with the anticipation that they would be ratified by their legislatures. The failure of the 1923 agreement was unexpected because no one expected a simple amity treaty with a newly formed republic 10000 miles away from the US to be an issue of contention in the Senate. Whereas the second failure that came 80 years later was unexpected because during those 80 years, the two countries have become staunch NATO allies. Turkey had supported the U.S. military campaigns in Korea, and the Gulf War. Moreover, the Turkish executives negotiating the deal were members of the ruling party, the AKP, which held the majority of seats in the parliament. The number of votes the AKP had was more than enough to ratify the agreement. Even more importantly, it was only three weeks before the ratification that the Turkish parliament passed a resolution to allow the arrival of American advance guards to modernize Turkish airports and seaports in preparation for massive military deployments (Yetkin, 2004). The resolution, together with an announcement from the Turkish National Security Council declaring that Turkey can not stand aloof to the developments in Iraq, were interpreted as signals by both sides that future cooperation would follow swiftly. The head of the Turkish negotiating team, Ambassador Deniz Bölükbaşı (2008), who later collected his memoirs in a book, notes how the passage of this first resolution on February 6, 2003, misled both sides by creating false expectations:

> "...The parliament, who allowed all these modernization activities fully knowing that they are being conducted to meet the needs of American troops that will be transferred to Turkey for the Iraqi war, rejected, only after three weeks, the arrival of these troops. This should be taken into account to fully understand the surprise and the confusion on the Turkish and American sides. Yes, the Turkish parliament, by allowing the arrival of American advance guards, created the understandable expectation that it would allow the arrival of main fighter troops, and thus gave a misleading signal on February 6, 2003. There is no arguing or denying this."

And he continues to explain in detail the exact miscalculation this misleading signal caused on the part of the Turkish executives:

> "(The AKP leader) Erdoğan, made a mistake in thinking that the 44 no votes from the party group in the vote for the February 6th resolution would be the ceiling for negative votes on March 1st. The number turned out to be more than twice."[1]

[1] Ambassador Deniz Bölükbaşı published his memoirs in Turkish. The translations belong to the author.

Moreover, the passage of the February 6th resolution was not the only misleading signal the Turkish executives received. Kapsis (2006) argues that Erdoğan also took a straw poll before the vote, the results of which appeared to bolster Erdoğan's position since only about 50 deputies, about the same number who had voted against the resolution in February, signaled that they would oppose the measure.

> "Erdoğan knew he didn't need all 361 AKP deputies to vote with him for the authorization to pass, but he was confident that the authorization would still pass by a clear margin of close to 50 votes." (Kapsis, 2006)

But in the end 99 AKP member legislators went against their leader and voted no. Robins (2003) emphasizes that no one expected the motion to fail by arguing that even the Turkish public, who was largely against the American campaign in Iraq and any Turkish involvement in it, was expecting the parliament to ignore their wishes. Rubin (2005) argues that it was because of the disorganization in the AKP that party leaders were unaware that they did not have the votes to win.

Obviously, the Turkish and American executives brought home deals that were not good enough for the majority in their legislatures. And they are not the only ones who made such mistakes. History offers us other examples of involuntary defections as well. The Danish prime minister Poul Schlüter was not expecting the Single European Act to fail parliamentary ratification. But it did. And when the Danish parliament rejected the Act in 1986, he had to call for a referendum to save his minority government from falling (Worre, 1988). In 1954, the French executives risked a similar humiliation but they maneuvered to withdraw the European Defence Community Treaty from the parliamentary agenda when it became obvious that it was destined for a ratification failure (Miller and Rosendorf, 1997a; Van der Veen, 2009). Similarly, the Clinton administration tried, and failed, to postpone the Senate ratification of the Nuclear Weapons Comprehensive Test Ban Treaty in 1999, when it became clear during the Committee hearings that the treaty was short of the votes for approval. And in a most dramatic case, President Wilson believed that the Senate was bound to ratify the Versailles Treaty because "he did not believe the Senate would dare incur the odium of committing so dastardly a crime against humanity" (Bailey, 1947). And when he realized how mistaken he had been, he went on a 8000 mile tour of the country and worked himself to a stroke trying to convince the public and, through the public, the isolationist senators who found the Versailles Treaty too interventionist, that the treaty was in the best interests of the American nation (Bailey, 1947). Despite all his efforts, the Senate rejected the Versailles Treaty.

Involuntary defections are puzzling events. They are puzzling because the executive negotiating the agreement in the first place is expected to know and represent the preferences of her legislature, and bring home an agreement that would be ratified with no problem. Or conversely, the legislature is expected to exercise enough influence over the executive to eliminate the possibility that she would say yes to a domestically unpalatable deal. It is also politically damaging for a political leader to present to its parliament an international agreement only to find that the majority does not find it in the best interest of the nation. But the failures I have discussed so far clearly demonstrate that executives may indeed lack information about domestic preferences. What is even more interesting is that executives can have these deficiencies despite all the communication that goes on between them and their legislatures.

In this chapter, I develop and study a formal model of ratification to further our understanding of involuntary defections. I start by arguing that an executive may suffer from uncertainty about domestic preferences, and I examine the conditions under which her uncertainty remains unresolved even in the presence of communication, and lead to a ratification failure.[2] I develop a game theoretical model in which the executives of two countries bargain on a cooperative agreement to replace the existing state of affairs between them. The agreement comes into effect only if it gets ratified by the parliaments in the two countries. I assume one of the executives lacks information about parliamentary preferences in her country. I allow communication between agents, and I show that under certain assumptions this "signalling game" has no equilibrium in which some information transmission is possible. In other words, the communication between the legislature and the executive is completely devoid of informational value. This result explains why an executive may not be able to resolve any uncertainty she may have about domestic preferences via communication and bring home an agreement only to see it rejected by the legislature.

Having said that, I must emphasize that, my model does not predict ratification failures in all cases where the executive lacks information about domestic preferences. It only points out the possibility and demonstrates that communication does not reduce the probability of such an outcome. In that sense, the model is applicable to all international negotiations conducted by executives with less than perfect information

[2] Admitedly, such scenarios would be more probable in presidential-like systems, or in parliamentary minority systems like the Nordic countries, or, as the failed Turkish-American military cooperation agreement of 2003 shows, in parliamentary majority systems where the ruling party has a weak party discipline, and they are less probable in parliamentary majority systems where the executive power has a strong parliamentary basis and a strong hold over this basis. For a detailed discussion of the effects of institutional setup on domestic uncertainty in international negotiation setups please see Reinhardt (1996).

about domestic preferences. Evans argues that such executives are more common than expected (Evans, 1993):

> "Our mistake was not in overestimating the importance of information: it was in overestimating the informational consequences of national boundaries. Chief of governments' estimates of what was ratifiable in their own domestic politics were often wrong ... the quality of information within domestic boundaries was lower than we had expected. Estimates from the other side of the international table are not always accurate but there is no evidence in our cases that negotiators' estimates about their own domestic tables are substantially more accurate.

Given that the domestic executive is to work under uncertainty, her attitude towards risk becomes important. Thus, I also inquire whether leaders that differ in terms of their attitude towards risk fare differently in managing international negotiations under domestic uncertainty. The signing of an international agreement that gets the national stamp of approval is a political success for a leader. Thus, this chapter examines whether some leaders, due to their attitudes towards risk, are more likely to be successful than others in conducting foreign policy when they have to work with limited information about domestic preferences. It is a well-established result in the bargaining literature that there is an inverse relation between the degree of risk aversion of a player and her gains from a bargain (see for example, Kihlstrom, Roth, and Schmeidler 1981).[3] In our context, this negative relation between risk aversion and bargaining gains implies that, a more risk averse executive is expected to do worse at the international table. Thus, in a scenario where she had full information about domestic politics, a risk averse executive would not be ideal to represent the national interest. Interestingly, I find that an opposite result holds under incomplete information. A legislature whose majority is more hawkish than the executive towards cooperation with the foreign country prefers the executive to be risk averse rather than risk neutral. Moreover, the more hawkish the legislators the more risk averse they prefer the executive to be.

There are similar "*bargaining subject to veto by a third agent*" situations in various other economic and political areas, which provide further applicability for my model.

[3]For example, previous research has shown that more risk averse workers are at a disadvantage when bargaining over wages (Pissarides 1974; Feinberg, 1977). An often cited empirical evidence for this result is the observed wage differentials between men and women. While a large portion of this wage gap can be explained by factors that are thought to be correlated with productivity, a substantial portion of the wage gap remains unexplained (Bayard et.al., 1999; Light and Ureta, 1995; Polachek and Kim, 1995; Becker and Lindsay, 1995), and researchers tie this unexplained gap to the differences between men and women in terms of their risk aversion (Vesterlund, 1997) as women are found to be more risk averse than men (Eckel and Grossman, 2008; Jianakoplos and Bernasek, 1996).

One such area is domestic veto-bargaining in presidential bicameral systems where the president holds a veto over proposed legislation by the chambers. To adopt my model one only needs to think of the bargainers as legislative chambers bargaining on an alternative policy to replace the status quo, and the ratifier as the president. There is an extensively rich literature on veto bargaining between a president and her legislature (for a detailed review of this literature please see Cameron and McCarty 2004, and Cameron, 2000). And the literature contains some very influential works which have argued before that proposers of legislation may lack information about presidential preferences, and that this deficiency might explain presidential vetoes (Cameron, 2000; McCarty, 1997; Matthews, 1989). Interestingly, most veto-bargaining studies treat the legislature as unicameral. For their results to be applicable to bicameral systems it must either be that (i) the chambers are congruent in terms of their policy preferences, or that (ii) one of them lacks enough leverage to keep the other from acting unilaterally. However, Heller (2007) argues that congruence should be rare as it is highly unlikely to have different chambers with identical preferences as long as legislative chambers are made up of different sets of individuals (for a detailed survey of the literature on bicameralism please see Heller, 2007). Also, condition (ii) fails as long as each chamber has at the very least a veto over policy. Moreover, Tsebelis and Money (1997) show that even the ability to delay legislation should yield tangible policy influence. As a result, Heller (2007) argues:

> The ability to block legislation provides influence over legislative content. Bicameralism, like all institutional structures that divide authority, adds veto players to the policy-making game ... If each chamber in a bicameral legislature has a unique ideal point, any intercameral policy bargain should lie on the contract curve between them ...yielding policy that is both a compromise (hence likely to be relatively moderate) and efficient.

My model offers a way to incorporate bicameralism into studies of veto-bargaining in domestic policy making. It acknowledges that in bicameral systems (in which the two chambers have incongruent policy preferences and each has enough leverage to keep the other from acting unilaterally) the proposed legislation is itself an outcome of an initial intercameral bargain. My results then point to the possibility of presidential vetoes in cases where the chambers are uncertain about policy preferences of the president. More importantly, we know that the possibility can not be abated via communication between the chambers and the president.

My analysis is also applicable to delegated bargaining situations in which an agent

conducts a bargain on behalf of a principal. Attorneys, for example, conduct pre-trial bargains on behalf of their clients who reserve the right to reject the outcome of the bargain. Litigation models usually analyze the litigation process as a two-player strategic game of incomplete information between the plaintiff and the defendant, and leave out attorneys as players because they assume attorneys and their clients have the same objectives. However, Watts (1994) argues that "an attorney paid by contingency fee may want to settle a case, even when it is not advantageous to her client, in order to avoid the cost of preparing for trial". And plaintiff lawyers are mostly paid by contingency contracts whereas defendant lawyers are typically paid at hourly rates (Trubek et al., 1983; Cai, 2000). Hence, pre-trial negotiations can better be depicted as a bargain between the plaintiff's attorney and the defendant (or his attorney), a bargain whose outcome is subject to approval by the plaintiff.

Similarly, company executives conduct merger and acquisition bargains on behalf of their shareholders who, by law, have to approve the final deal. Stories of failed merger deals (which usually end with the executive losing her job) indicate that executives may sometimes fail to anticipate shareholder preferences[4]. My analysis can also be a used to better understand such interactions.

The chapter is organized as follows: In the next section, I discuss the related literature, and how this chapter contributes to it. In Section 3, I develop the "ratification game". In Section 4, I characterize the equilibria of the game. Finally, I conclude in Section 5 by discussing how my results further our understanding of the questions that have motivated the chapter.

## 3.2 The Literature

This chapter contributes to the linkage politics literature which studies the interactions between domestic and foreign politics. Starting with Putnam's ground breaking work, the linkage politics literature have relied on the notion of a "two-level" game in which an executive is to thread between the domestic politics game table and the international politics game table (Putnam 1988; Evans, Jacobson, and Putnam 1993; Iida 1993; Iida 1996; Mo 1994; Mo 1995; Milner and Rosendorf 1997a,b; Reinhardt 1996). This two-simultaneously-played-games structure includes three players; the foreign executive, the domestic executive, and the domestic ratifier. The executives negotiate an agreement which is then subject to ratification by the domestic ratifier. The domestic

[4]See for example, the 2001 merger between HP and Compaq which almost failed when some important shareholders did not like the deal the CEOs agreed upon (The Michigan Daily, Sept.5, 2001). The failed GM-Magna deal is another example (The Wall Street Journal, Nov.4, 2009).

ratifier is in most cases the legislature, and since ratification of international agreements is usually done by majority voting, under some standard assumptions the median legislator becomes representative of the whole legislature. The linkage-politics literature acknowledges various informational asymmetries that may exist among players. The foreign executive may lack information about the preferences of the domestic ratifier, and may have to work with the information the domestic executive brings to the international table (Mo 1994). Alternatively, the domestic ratifier may lack information about the preferences of the foreign and/or domestic executive (Iida, 1993; Milner and Rosendorf 1997b).

Iida (1996), Milner and Rosendorf (1997a) and Reinhardt (1996) explore a third possibility, namely that the domestic executive may lack information about the preferences of the domestic ratifier. Iida, who is actually the first to acknowledge such a possibility, applies the Rubinstein (1982) bargaining model to international negotiations, and demonstrates that an executive with such an informational deficiency risks involuntary defection. He incorporates communication in his model in the form of a pre-negotiation domestic poll, and he acknowledges the possibility of strategic misrepresentation by legislators. However, he focuses on equilibrium outcomes under truthful revelation. Milner and Rosendorf (1997a) point to elections that change the composition of the parliament and that take place after the negotiation but before the ratification of an international agreement as possible explanation for how an executive can lack ratifiability information and end up with a ratification failure in her hands. Their model does not include any kind of communication between the executive and the ratifier since elections change the composition of the parliament, and thus render any pre-negotiation communication useless. Reinhardt (1996) studies the effects of domestic uncertainty on international bargaining outcomes, discusses the links between institutional setup and domestic uncertainty, and empirically tests the relationship between certain domestic institutional sources of uncertainty and international bargaining outcomes using a database of trade disputes conducted under the purview of the General Agreement on Tariffs and Trade (GATT).

In this chapter I follow Iida (1996), Milner and Rosendorf (1997a), and Reinhardt (1996), and start with the argument that an executive may lack information about domestic preferences. I then take an additional step and argue that the informational deficiency can not be an explanation to involuntary defection by itself since in most cases the executive has the opportunity to communicate with the ratifier to cure her deficiency. Consequently, my model incorporates communication between the ratifier and the executive. My model differs from Milner and Rosendorf's since I keep the

players fixed throughout the game, which, consequently, makes communication possible. My analysis also extends Iida's work by allowing strategic misrepresentation and by demonstrating how it can render all communication ineffective.

This chapter also contributes to the literature on the strategic transmission of private information via cheap-talk (Landi and Colucci, 2008; Kartik et.al. 2008; Kartik, 2007; for a detailed survey of the literature please see Ganguly and Ray, 2006). My model is a variant of the canonical model for strategic cheap talk communication by Crawford and Sobel (1982). In their path-breaking work, Crawford and Sobel develop a model of strategic communication between a sender with private information and a receiver who after observing the message takes an action that determines the welfare of both. The authors demonstrate that under standard assumptions, equilibrium communications always take a certain form in which the sender partitions the support of the variable that represents his private information and introduces noise into his signal by reporting only which element of the partition his information actually lies in. Crawford and Sobel argue that the equilibrium whose partition has the greatest number of elements is a reasonable one for agents to coordinate on as it is Pareto-superior to all other equilibria (before the sender observes his private information). In this chapter, I identify the conditions under which the only equilibrium partition is the support set itself, and thus there is no information transmission. This chapter is also closely related to Matthews (1989) who extends the Crawford-Sobel model, and studies veto-bargaining in domestic policy making via a three-stage signaling game in which he has two players; a policymaker, who proposes a new policy to replace an existing one, and a ratifier, who chooses between the proposed and the existing policy. The preferences of the ratifier is private information. At stage one, the ratifier makes a declaration about his preferred policy. Then the policymaker proposes a new policy, which the ratifier accepts or vetoes. Matthews shows that in equilibrium only a very limited amount of information transmission between the ratifier and the policymaker is possible, which means that the proposed policy runs the risk of being rejected by the ratifier. I extend Matthews' model and show that, under certain assumptions a stronger result holds, namely that in equilibrium, information transmission between the policy maker and the ratifier is not possible.

## 3.3 The Ratification Game

Two countries bargain on an international cooperation agreement to replace the existing state of affairs between them. The international bargain is conducted by executives from the two countries. For the result of their bargain to come into effect,

it must be ratified in the legislatures of both countries. Ratification requires that at least a certain number of legislators approve the international agreement. One of the executives knows for sure that she has enough legislative support at home backing her bargaining position[5]. Whereas the other executive is not as lucky and can not rely on party votes either because her party does not have enough seats, or because there is a faction within her party that opposes cooperation with the other country. Thus she needs the votes of another group in the parliament[6]. This group might be an opposition party, a faction within the executive's party, or a cross-party coalition of legislators who share similar views on cooperation with the foreign country. But she lacks information about that group's preferences. There is communication between the executive and the group of legislators. Thus, she can try to eliminate her informational deficiency through communication. All communications are public, thus any information the executive gathers is available to her counterpart at the international negotiation table as well. Below, I model the above interaction as a signaling game.

The game has three players: the **foreign executive**, denoted by **F**, the **domestic executive**, denoted by **D**, and a **domestic ratifier**, denoted by **P**. The policy space is one-dimensional and is represented by the real line $\Re$. The players have symmetric, single-peaked preferences on $\Re$. In other words, each has an ideal policy on $\Re$, and each prefers a policy closer to her ideal than a policy that is farther. Let $f, d, t \in \Re$ be the ideal policies of the foreign executive, the domestic executive, and the domestic ratifier respectively. And let the following payoff functions represent the preferences of the players in the same order:

$$U_F(a) = -|a - f|$$

for the foreign executive,

$$U_D(a) = -|a - d|^k$$

for the domestic executive, where $k \in \Re$, and $k \geq 1$. $k$ determines the domestic executive's **attitude towards risk**. As $k$ increases $D$ becomes more risk averse. And

[5]This might be because she has complete information about domestic preferences which enables her to position herself accordingly, or because her party has strong discipline and enough seats in the legislature for ratification.

[6]There may of course be multiple groups in the parliamanent with whom the executive can try to build a coalition. But communication with multiple agents is out of the scope of this article. So, I assume that there is only one group with whom the executive can form a ratification coalition. This is equivalent to assuming that in a setup with multiple groups available for coalition, the executive knows which one is the pivotal group. This is not an unrealistic assumption since one would expect an executive to have an idea about how extreme each group is.

finally,

$$U_P(a;t) = -|a-t|$$

for the domestic ratifier, where $a \in \Re$. In other words, the payoff that a player gets from a policy $a \in \Re$ depends on the distance between the ideal policy of the player and $a$.

The ideal policies of the executives, that is, $f$ and $d$, are common knowledge. Without loss of generality, assume $f < d$. The ideal policy of the domestic ratifier $P$ however, is private information to $P$. That is, $F$ and $D$ do not know the exact value of $t$. They, however, know that it is a random variable with distribution function $G$, and density function $g$, with domain $T \subset \Re$ . I assume $G(d) = 0$, which means that $P$ is more hawkish in its stance towards $F$ than $D$ is. $G$ is common knowledge. I will simply refer to $t$ as $P$'s **type**, and $T$ as the **type space**.

There is a **status quo policy**, $\mathbf{q} \in \Re$, in place. If $F$ and $D$ can agree on a new policy and get $P$ to vote for their agreement, they can replace the status quo with this new policy they agreed upon.

The game has three stages:

$(i)$ At stage one, $P$ observes its type which is a draw by Nature from its distribution, and makes a declaration about it by sending a message $m(t) \in M$, where $M$ is the **set of messages** $P$ can send. If, for example, $P$ chooses to truthfully reveal her type, then her message will be $m(t) = t$. But, note that the ratifier can always choose to strategically misrepresent her type. The ratifier's **declaration strategy** is then a function $p : T \longrightarrow \triangle(M)$ that maps the true preferred policy of $P$ to a probability distribution on the set of messages. $p(m;t)$ then denotes the probability that $P$ will send the message $m$ given that its ideal policy is $t$.

$(ii)$ At stage two $D$ and $F$ bargain on a new policy to replace the status quo $q$ using the information they get from $P$'s message $m$. Let $\mu(a;m)$ denote $F$ and $D$'s common belief about the probability of ratification of an agreement $a$ given that $P$ has sent the message $m$ at stage one. Note that $F$ and $D$ should have the same belief since they are exposed to the same information. I use the Nash Bargaining Solution (Nash, 1950) to model the international negotiation which means the result of the international bargain solves the following maximization problem,

$$\max_{a \in \Re} \mu(a;m)^2 [U_D(a) - U_D(q)][U_F(a) - U_F(q)] \qquad (1)^7$$

[7] Derived from the following maximization problem:

There may be multiple agreements that maximize the objective function in (1). I assume that there is a commonly known protocol in place that determines the resulting agreement in such cases. It will be clear in the following sections that my results do not depend on the choice of a specific protocol, so any protocol is acceptable as long as it clearly states out a selection rule among Nash Bargaining solutions. Let $N : M \Longrightarrow \Re$ be a correspondence that gives for each message the associated Nash Bargaining outcomes of the international negotiation. And let $\pi : M \rightarrow \Re$ be a refinement of the correspondence $N$ that for each $m$ maps $N(m)$ to $\pi(m) \in N(m)$, the resulting agreement of the international negotiation when $P$ sends the message $m$.

(*iii*) At stage three, $P$ makes a choice between the agreement $\pi(m)$ that $D$ and $F$ reach at stage two and the status quo policy $q$. If $P$ chooses the agreement over the status quo, the agreement replaces the status quo, if not, the status quo prevails. The ratifier's **ratification strategy** is then a function $v : \Re \rightarrow \{0, 1\}$ that maps each policy proposal to a ratification decision. $P$ accepts an agreement $a$ if $v(a) = 1$, and rejects if $v(a) = 0$.

A **strategy** for $P$ is then a pair $(p, v)$ where (i) $p : T \longrightarrow \triangle(M)$ is a declaration strategy, and (ii) $v : \Re \rightarrow \{0, 1\}$ is a ratification strategy. Given $p$, $v$, and $\pi$, say a **type** $t$ **sends message m** if $p(m; t) > 0$. **Message** $m$ **induces agreement a** if $\pi(m) = a$. Similarly, **a is induced by type t** if it is induced by a message sent by type $t$.

Let the status quo policy be such that $f < d < q$. Note that the other cases are trivial and uninteresting for the purposes of our analysis. For $q < f$, the Nash bargain results in $f$, which $F$ and $D$ know is ratifiable since it is closer to all possible types of $P$ than $q$ is.[8] For $f \leq q \leq d$, there is no room for international cooperation since there is no alternative policy that $F$ and $D$ both prefer to the status quo. Only when $d < q$, $P$'s type becomes important for $F$ and $D$.

Finally, I assume that $t$ is uniformly distributed over $T$, and that $T = [d, q]$. In other words, I limit $T$ to only those types that are more hawkish in their stance towards $F$ than $D$ is, but nonetheless, are not against cooperation with $F$. It can easily be shown that all the results that I derive in the following sections remain valid under a uniform

$\max_{a \in \Re}[\mu(a; m)U_D(a) + (1 - \mu(a; m))U_D(q) - U_D(q)][\mu(a; m)U_F(a) + (1 - \mu(a; m))U_F(q) - U_F(q)]$

[8] For $k = 1$, the Nash bargain results in $f$ whenever $q \leq f$, and in $q$ whenever $f < q < d$. Kihlstrom, Roth and Schmeidler prove that 'the utility which Nash's solution assigns to a player increases as his opponent becomes more risk averse' (Kihlstrom, Roth and Schmeidler, 1981, p.67). Then, as $k$ increases, the Nash bargaining should result in an agreement that would give $F$ a higher utility than she would get if she were to bargain with a risk neutral $D$. This implies that as $k$ increases, there would be no change in the Nash bargaining solution while $q \leq d$ regardless of how risk averse the domestic executive is. For $q > d$, Kihlstrom, Roth and Schmeidler's result implies that for $k > 1$, the international negotiation would yield an agreement $a$ such that $f \leq a < d$.

type distribution over an interval that also includes types that are against cooperation with $F$ (that is, $T$ can be extended to some $[d, r]$, where $r > q$). But, this extension only brings further notational complication without changing the results. So, I limit the type space to $[d, q]$. This limitation enables us to see whether $D$ and $P$ can communicate to eliminate, or at least mitigate, the danger of ratification failure when it is common knowledge that both support cooperation with $F$. Without loss of generality, normalize $f = -1$, $d = 0$, and $q = 1$. Hence, $T = [0, 1]$.

**Definition 1** *An **equilibrium** in the above game is, i) a strategy couple $(p^*, v^*)$, for $P$, composed of a declaration strategy and a ratification strategy; ii) a function $\pi^*$ that maps each received message to an international agreement; and a belief $\mu^*$ held by the domestic and the foreign executives about ratifiability of alternative agreements where*
1)*For all $t \in [0, 1]$, $\int_M p^*(m; t)dm = 1$ and if $m^*$ is in the support of $p^*(.; t)$ then $m^*$ solves*

$$\max_{m \in M} - |\pi^*(m) - t|$$

2)*For all $t \in [0, 1]$,*

$$v(a; t) = \begin{cases} 1 & if \ \ |a - t| \leq |q - t| \\ 0 & if \ \ otherwise \end{cases}$$

3)*For all $m \in M$, $\pi^*(m) \in [f, q]$, and $\pi^*(m) \in N(m)$, that is, $\pi^*(m)$ solves*

$$\max_{a \in \Re} [\mu^*(a; m)]^2 [U_D(a) - U_D(q)][U_F(a) - U_F(q)] \qquad (1)$$

*where $\mu^*(a; m)$ is the conditional probability that $a$ will be accepted.*
4) *For all $m \in M$ such that $p^*(m; t) > 0$ for some $t \in [d, q]$, $\mu^*(a; m)$, satisfies*

$$\mu^*(a; m) = \frac{\int_d^q v^*(a; t) p^*(m; t) g(t) dt}{\int_d^q p^*(m; t) g(t) dt}.$$

The first item in the equilibrium definition requires that $P$'s declaration strategy is a best response to $\pi^*$. The second item requires $P$ to vote yes for an agreement that it weakly prefers to the status quo. The third item requires that the outcome of the international negotiation should be a solution to the Nash Bargain between $F$ and $D$ and in case there are multiple solutions, it must be agreed upon in accordance with the prespecified, commonly known international protocol. Finally, the fourth item in the

equilibrium definition requires that, based on the equilibrium declaration of $P$, players $F$ and $D$ revise their prior belief about $t$ via Bayesian updating. What is important here is that, for any message that has a positive probability of being sent in equilibrium, the revised belief of $F$ and $D$ following that message should be consistent with the declaration strategy of $P$. If, for example, $P$'s equilibrium declaration strategy is to declare twice its ideal policy, the revised belief should assign probability one to $t = \frac{m^*}{2}$.

## 3.4 Equilibria

In this section I conduct an equilibrium analysis of the ratification game. In any equilibrium, my main point of interest is the amount of information transmission accomplished in that equilibrium. I try to see if the game has equilibria in which communication resolves or attenuates the informational deficiency of the domestic executive, and thus eliminates or mitigates the risk of ratification failure. I define **the size of an equilibrium** as the number of induced agreements in that equilibrium, and classify the equilibria of the ratification game accordingly. The analysis below shows that the ratification game has only size one equilibria. Moreover, in any size one equilibria, the induced agreement is the same agreement that would be induced by a completely uninformative declaration strategy. In other words, the ratification game has no equilibrium in which $P$ can convey any information about its preferences to $D$ and $F$ by communication. This result demonstrates how domestic uncertainty can lead to ratification failure. Given that only the same specific agreement can be induced in any equilibrium, I then set out to see how that agreement and the risk of ratification failure it carries change as the domestic executive's attitude towards risk changes. It turns out that as the domestic executive becomes more risk averse, the induced equilibrium agreement shifts towards the status quo and thus, the risk of ratification failure it carries decreases.

A simple kind of equilibrium that always exists in signaling games is a "**babbling equilibrium**" in which all types of the message sender send the same message with the same probability rendering the declaration strategy completely uninformative. A **babbling declaration strategy** is also called a **fully pooling strategy** since all types pool on one probability distribution over the message set. In my model, the following declaration strategy, for example, would be a babbling one:

$$p(m;t) = p(m;t') > 0 \text{ for all } t, t\prime \in [d,q] \text{ and for all } m \in M$$

Similarly,

$$p(m;t) = \begin{cases} 1 & \text{if } m = m' \\ 0 & \text{if } m \neq m' \end{cases}$$

is a babbling declaration strategy. Given that the message received is uninformative the receiver of the message then is to act on her prior belief as she has not received any new information.

In a babbling equilibrium then, $P$ employs a fully pooling declaration strategy in which all types send the same message with the same probability. And since the message is uninformative about $t$, $F$ and $D$ rely on their prior belief to conduct the international negotiations. Since messages are being ignored, it is a best response for $P$ to "babble".

**Proposition 2** *The ratification game has babbling equilibria in which the domestic ratifier employs an uninformative, babbling declaration strategy, and the international negotiation results in the agreement* $a_{bab} \in [d, q)$.

**Proof.** See Appendix A. ■

Note that the ratification game has multiple babbling equilibria since there are multiple babbling strategies $P$ can employ. But all babbling equilibria have the same induced agreement. Since the declaration strategy is uninformative, $D$ and $F$ bargain based on their prior belief (that $t$ is uniformly distributed on $[d, q]$). Thus, all babbling declaration strategies lead to the same Nash bargaining equation (which also has a unique maximizer), and thus, to the same agreement. And since there is only one induced agreement in a babbling equilibrium, all babbling equilibria are size one.

**Proposition 3** *When $D$ is risk neutral the induced agreement in a babbling equilibrium, $a_{bab}$, corresponds to $D$'s ideal agreement $d$, but as she becomes more and more risk averse $a_{bab}$ moves towards the status-quo away from the ideal agreements of both $F$ and $D$. Since $F$ and $D$ are incompletely informed about the preferences of $P$, there is a possibility that $a_{bab}$ will be voted down, but that possibility decreases as $D$ becomes more risk averse.*

**Proof.** See Appendix A. ■

A babbling declaration strategy does not resolve the uncertainty about domestic preferences, and thus, the induced agreement faces the risk of ratification failure. Interestingly, that risk is negatively related to the risk aversion of the domestic executive. In other words, an international agreement that is signed by a risk averse leader who lacks information about domestic preferences is less prone to ratification failure than an agreement that she would have signed if she had been less risk averse.

**Remark 4** *The induced agreement in any size one equilibria of the ratification game is the agreement induced in a babbling equilibrium.*

**Proof.** See Appendix A. ■

What is of more interest is whether the ratification game has any equilibrium in which $P$ is able to convey some information about its preferences.

**Proposition 5** *The ratification game has no "fully separating" equilibrium. Thus, full information transmission is not possible.*

**Proof.** A **fully separating equilibrium** requires $P$ to employ a declaration strategy that would reveal its type by sending a different message for each possible type (hence the declaration strategy "separates" each type from another). Given an equilibrium message $m$ then, $F$ and $D$ can solve for $p^{*-1}(m) = t$. With $p^*$ *invertible*, $\mu^*(a; m)$ should be as follows;

$$\mu^*(a;m) = \begin{cases} 1 & if\ a \geq 2p^{*-1}(m) - q \\ 0 & otherwise \end{cases}$$

where $t = p^{*-1}(m)$. The result of the Nash Bargain, $\pi^*(m)$, then solves

$$\max_{a \in [f,q]} (1 - |a|^k) \times (1 - a) \qquad subject\ to\ 2p^{*-1}(m) - q \leq a \qquad (2)$$

Note that the objective function in (2) can not have a maximizer in $(d, q]$, and that it is strictly decreasing in $\Re^+$ which implies that any maximizer it has in $[f, q]$ must be in $[f, d]$. Thus, for $t > \frac{d+q}{2}$, a fully separating declaration strategy induces $2t - q$ as the international agreement. But this can not be an equilibrium because any type $t$ with $t > \frac{d+q}{2}$ can increase its payoff simply by sending the message of type $\frac{t+q}{2}$. ■

The ratification game has no fully separating equilibrium which means that communication can not get rid of uncertainty completely. The most we can hope for now is partial information transmission. Note that with full information transmission ruled out, we know that in equilibrium, we can not get rid of the risk of ratification failure. The question now is whether we can have some communication in equilibrium, that would mitigate that risk. The following results demonstrate that we can not.

**Proposition 6** *In any equilibrium, there can be at most one induced agreement in the* $(d, q)$ *interval.*

**Proof.** Suppose two distinct agreements $x, y \in (d, q)$ are both induced in some equilibrium. Without loss of generality, assume $x < y$. Since $\pi^*(m)$ is by definition unique for each $m$, it must be that $x$ and $y$ are induced by different messages. Let $t' = \frac{x+y}{2}$. Then $U_P(x; t') = U_P(y; t')$. Moreover, for each $t > t'$, $U_p(x; t) < U_p(y; t)$.

Thus, a type $t > t'$ never sends a message that induces $x$. So, when $F$ and $D$ receive a message that they respond by agreeing on $x$ they know that the message comes from a type in $[d, t\prime]$. Note that, since $x < q$ and $y < q$, it must be that $U_P(x; t') > U_P(q; t')$. Thus, by continuity of $U_P(.; t)$, type $t\prime$ would accept an agreement slightly to the left of $x$ with probability one and so does any type $t < t'$. But then we have a contradiction since agreeing on $x$ can not be optimal for $F$ and $D$ when they receive the message $m$. They can both increase their utilities by agreeing on something slightly to the left of $x$. ■

We know by incentive compatibility that, in equilibrium, there can not be an induced agreement outside $[f, q]$. Proposition 4, facilitates our search further by demonstrating that in any equilibrium, there can only be one induced agreement in $(d, q)$.

**Proposition 7** *In any equilibrium, there can be at most one induced agreement in the* $[f, d]$ *interval.*

**Proof.** First note that for any received message $m \in M$, $\pi^*(m)$ is unique by construction. Thus, if there exists multiple induced agreements in the $[f, d]$ interval in an equilibrium, it must be that each is induced by a different message. Take any two induced agreements $x, y \in [f, d]$ and without loss of generality let $y < x$. Since I have restricted the type space to the $[0, 1]$ interval, it must be that all types strictly prefer $x$ to $y$. But then no type sends the message that induces $y$. Hence, we have a contradiction. ■

Proposition 4 and 5 together cover almost the whole set of incentive compatible agreements. I have only one other possible agreement that can be induced in an equilibrium, and that is the status quo itself;

**Proposition 8** *The ratification game has no equilibrium in which the status quo is an induced agreement. In other words, there is no equilibrium in which, based on the message that* $P$ *sends,* $F$ *and* $D$ *agree on* $q$.

**Proof.** We know, by Proposition 1, that $q$ is not the induced agreement in a babbling equilibrium. Thus, $q$ can only be an induced agreement in an equilibrium in which there is at least one other induced agreement $x \in [f, q)$. By Proposition 4, we know that there can be at most one other induced agreement in $(d, q)$. By Proposition 5, we know that there can be at most one other induced agreement in $[f, d]$. (Note that an induced agreement in equilibrium can not be to the right of $q$ since it is not individually rational for $F$ and $D$ to agree on anything that is worse for them than the status quo.) Let $x$ be the maximum of the other induced agreements in equilibrium. Let $t' = \frac{x+q}{2}$.

Then, it must be that $U_P(x;t') = U_P(q;t')$. Moreover, for each $t < t'$, it must be that $U_P(x;t) > U_P(q;t)$. Thus, a type $t < t'$ would never send a message that induces $q$. Similarly, for each $t > t'$, it must be that $U_P(x;t) < U_P(q;t)$. Thus, a type $t > t'$ would never send a message that induces $x$, nor a message that induces anything to the left of $x$ for that matter. Thus, when $F$ and $D$ receive a message that they respond by agreeing on $q$, they know that the message must have come from a type $t \geq t'$. Take any $y \in (t', q)$. All types in $[t', \frac{y+q}{2}]$ strictly prefer $y$ to $q$. And, since for all $t \in [d, q]$, $\int_M p^*(m;t)dm = 1$, there must be at least one message, say $m'$, that these types send with positive probability. Note that when $F$ and $D$ observe a message that is sent by a type in $[t', \frac{y+q}{2}]$ with positive probability, they would be better of agreeing on $y$ than $q$. Suppose $F$ and $D$ observe $m'$. Since all types in $[t', q]$ induce $q$, $m'$ must induce $q$. But, then we have a contradiction since with positive probability $m'$ is coming from a type in $[t', \frac{y+q}{2}]$. ■

To summarize,

- we know, by incentive compatibility that, all induced agreements in equilibrium must be in $[f, q]$;
- we know, by Proposition 6 that, $q$ is not an induced agreement in any equilibrium;
- we know, by Proposition 4 that, in any equilibrium, there can be at most one induced agreement in $(d, q)$;
- we know, by Proposition 5 that, in any equilibrium, there can be at most one induced agreement in $[f, d]$;
- we know, by Proposition 1, that the ratification game has size one equilibria, and all size one equilibria have the same induced agreement that is in $[d, q)$.

Thus, we can conclude that, the ratification game can have only two types of equilibria: size one equilibria with $a_{bab}$ as the induced agreement and size two equilibria in which there are two induced agreements, one in $[f, d]$, and one in $(d, q)$. Now, I will investigate and if it exists, characterize this second type of equilibria.

An equilibrium with two induced agreements $y \in [f, d]$,and $x \in (d, q)$, implies a partition of the type space into two parts. Let $\bar{t} = \frac{x+y}{2}$. Then a type $\bar{t}$ would be indifferent between the two agreements. Moreover, for each $t < \bar{t}$, $t$ would strictly prefer $y$ to $x$, and thus would never send the message(s) that induce $x$. Similarly, for each $t > \bar{t}$, $t$ would strictly prefer $x$ to $y$, and thus would never send the message(s) that induce $y$. Hence, when $F$ and $D$ receive a message that respond by agreeing on $x$

$(y)$, they know the message is coming from a type $t \geq t'$ $(t \leq t')$. To characterize size two equilibria then, I need to find out if such equilibrium partitions of the type space exist. Note that there can not be an equilibrium partition with $\bar{t} > \frac{1}{2}$ since that would require both $x$ and $y$ to be in $(d, q)$. We know by Proposition 4 that there is no such equilibrium.

Take any $\bar{t} \in (0, \frac{1}{2}]$ and let $P$ send the signal $h$ (high) if $t > \bar{t}$ and $l$ (low) if $t \leq \bar{t}$[9].

**Lemma 9** *When D and F receive the message l, the international Nash Bargain results in* $\pi^*(l)$*, where* $f \leq \pi^*(l) \leq d$.

**Proof.** See Appendix A. ■

Now, suppose the equilibrium message is $h$, which signals that the ideal policy of $P$ is above $\bar{t}$;

**Lemma 10** *When D and F receive the message h, the international Nash Bargain results in* $\pi^*(h)$*, where* $d < \pi^*(h) < q$.

**Proof.** See Appendix A. ■

Now we can summarize the international bargain given that $P$ employs the declaration strategy $p(t) = \begin{cases} l & \text{with } p(l;t)=1 \text{ if } t \leq \bar{t} \\ h & \text{with } p(h;t)=1 \text{ if } t \geq \bar{t} \end{cases}$. The international agreement induced by the message $l$ is $\pi^*(l)$, and the international agreement induced by the message $h$ is $\pi^*(h)$. For an equilibrium to exist it must be that $P$ has no incentive to deviate from her signaling strategy. For $P$ to have no incentive to deviate from the above signaling strategy it must be that neither a low type nor a high type should have any incentive to mimic the other. This happens only when each type prefers what its signal brings to what the other signal would have brought. In other words, for an equilibrium to exist it must be that for some $\bar{t}$, $\frac{\pi^*(l)+\pi^*(h)}{2} = \bar{t}$. Note that in such a situation neither a high type nor a low type could get an agreement closer to its ideal by mimicking the other.

**Proposition 11** *The ratification game only has size one equilibria. In other words, there is no equilibrium in which it is possible for the domestic ratifier to convey information to the executive.*

**Proof.** See Appendix A. ■

Proposition 7 states that there is no $k \geq 1$, and $\bar{t} \in (0, 1)$, for which $\frac{\pi^*(l)+\pi^*(h)}{2} = \bar{t}$. This means the game has no size two equilibrium and hence we are left with only size

[9] One can use other messages. To facilitate the discussion, I am using a maximal size two pooling strategy in which all types that induce a particular agreement send the same message.

one equilibria with $a_{bab}$ as the induced agreement. This result implies that the executives have to conclude the international negotiations with nothing but their prior belief about the preferences of the domestic legislators. And thus, there is always a risk that the agreement will fail ratification.

## 3.5 Conclusion

I study a game in which two agents bargain on an agreement to replace the status quo state of affairs between them. For their agreement to come into effect, they need the approval of a third agent whose payoff is also determined by the prevailing state. The two bargainers have uncertainty about the preferences of this third agent, but they can always communicate with her to resolve their uncertainty. In the first stage of the game, communication takes place; in the second stage the bargainers reach an agreement; and in the final stage the third agent chooses to accept or reject the agreement. If she accepts, the agreement replaces the status quo, if not the status quo prevails. I study this game in the context of international agreements to provide an explanation to the puzzling observations of involuntary defections. International agreements are usually reached at the end of a bargain between executives of countries side to the deal. The agreement the executives reach comes into effect only after parliamentary ratifications. The formal linkage politics literature generally takes it as given that executives are fully informed about the preferences of their legislatures. And that any uncertainty players may have in a two-level-game setting originates from other informational asymmetries. Under such an assumption, it is difficult to explain involuntary defections the latest example of which is the failed military cooperation agreement between Turkey and United States. The question that begs an answer is how an executive can bring home an international agreement only to have a legislative rejection that damages not only the relations of the countries party to the agreement but also the political career of the executive herself. I argued in this chapter that the answer might be about informational deficiencies on the part of the executive. An executive might be uncertain about domestic preferences, and the analysis above demonstrates that in some cases communication does not resolve her uncertainty.

I model communication as cheap talk which means conveying messages does not carry any distinguishing costs on the part of the legislators. The cheap-talk design is preferred over a costly-signaling one because I believe it better represents the real-life cases that motivate this article. Legislators actually have a wide variety of actions that can act as signals. They, for example, can initiate a round of hearings, pass resolutions, vote on straw polls, hold press conferences, make speeches on the floor,

call upon regulatory agencies to tighten enforcement of existing legislation, or even personally visit the executive. It can be argued that most of these acts may carry reputational costs, but it is difficult to argue that such reputational costs would be a distinguishing factor among legislators since that requires these costs to vary with the preferences of legislators on the outcome of the international negotiation. While it is true that an involuntary ratification failure can be costly for legislators as well as the executive, and that legislators would try to avoid such a situation by communicating their preferences, it seems the array of signaling devices they have at their disposal are limited in their ability to carry information (Reinhardt, 1996). Nevertheless, there might be cases for which costly signaling arguments can be made, and thus it is a useful exercise to consider a costly-signaling version of the model. I conduct this exercise in Appendix C.

Another interesting result my analyses demonstrate is that, with communication channels devalued, legislators with similar preferences as the executive prefer a leader that can take risks, whereas legislators whose preferences diverge from those of the executive prefer a more risk averse leader. And in the latter case, the probability of a ratification failure decreases as the executive becomes more risk-averse.

This study is motivated by some puzzling observations from the international relations arena. Nevertheless, the model can easily be adapted to study domestic veto bargaining situations in presidential bicameral systems where the president holds a veto over proposed legislation. In that sense, my model also offers a way to incorporate bicameralism into studies of veto-bargaining in domestic policy making. The results then point to the possibility of presidential vetoes in cases where the chambers are uncertain about policy preferences of the president. More importantly, that possibility can not be abated via communication between the chambers and the president.

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## 3.6 Appendix A

**Proof.** At the international negotiation stage, $F$ and $D$ bargain on an agreement and the outcome of their bargain solves the following maximization;

$$\max_{a\in[f,q]}[\mu^*(a;m)]^2(U_D(a)-U_D(q))(U_F(a)-U_F(q))$$

When $P$ employs a babbling declaration strategy, she sends an uninformative message. $F$ and $D$ update their belief via Bayes' Rule which, in this case, results in their prior belief. Since both executives base their expectations on their shared prior belief about $t$, $\mu^*(a;m)=G(\frac{a+1}{2})$, and the above maximization becomes

$$\max_{a\in[-1,1]}\left[(1-|a|^k)\left(\frac{a+1}{2}\right)\left(\frac{1-a^2}{2}\right)\right] \qquad (A2)$$

For any $a\in(0,1]$, the Nash Bargaining objective function in $(A2)$ evaluated at $a$ yields a higher value than the same function evaluated at $(-a)$, which implies that I can rewrite $(A2)$ as

$$\max_{a\in[0,1]}\left[(1-a^k)\left(\frac{a+1}{2}\right)\left(\frac{1-a^2}{2}\right)\right] \qquad (A2')$$

Let

$$n_1(a)=(1-a^k)\left(\frac{a+1}{2}\right)\left(\frac{1-a^2}{2}\right)$$

an let $b(a)=(1-a^k)$, and $c(a)=(\frac{a+1}{2})(\frac{1-a^2}{2})$, where $k\geq 1$. Then, $n_1(a)=c(a)\times b(a)$. Note that both $b$ and $c$ are continuous, concave functions. Moreover, $c(a)$ is maximized at $a=\frac{1}{3}$ and $b(a)$ is maximized at $a=0$, which implies, in the interval $(\frac{1}{3},1]$ both functions are decreasing. Thus $n_1$ can not have a maximum in $(\frac{1}{3},1]$. The first derivative of $n_1$ is a continuously decreasing (second derivative is negative for $a\leq\frac{1}{3}$) function and it is positive at $a=0$ and, negative at $a=\frac{1}{3}$ which implies there exists a unique maximizer within the interval $[0,\frac{1}{3}]$. ■

**Proof of Proposition 2.** For any message $m$, $\pi^*(m)$ solves

$$\max_{a\in[-1,1]}(E(U_D(a))+1)(E(U_F(a))+2))$$

where $E(U(a))$ denotes the expected value of $U$ at $a$. If an interior solution to this maximization problem exists, call it $a^*$, then it solves the following first order condition,

$$(E(U'_F(a^*))(E(U_D(a^*))+1)+E(U'_D(a^*))(E(U_F(a^*))+2))=0$$

where

$$U'(a)=\frac{\partial U(a)}{\partial a}$$

Let

$$Q(a,k)=(E(U'_F(a))(E(U_D(a))+1)+E(U'_D(a))(E(U_F(a))+2))$$

then,

$$\begin{aligned}\frac{\partial a^*}{\partial k} &= -\frac{\partial Q(a,k)/\partial k}{\partial Q(a,k)/\partial a}\mid_{a=a^*}\\ &= -\left[\frac{\frac{\partial E(U_D(a))}{\partial k}E(U_F\prime(a))+\frac{\partial E(U'_D(a))}{\partial k}(E(U_F(a))+2))}{\frac{\partial Q(a,k)}{\partial a}}\right]_{a=a^*}\end{aligned}$$

Note that the denominator is negative since $a^*$ is a maximizer of $n_1$. From the first order condition, we know that

$$(E(U'_F(a^*))=-\frac{E(U'_D(a^*))(E(U_F(a^*))+2))}{(E(U_D(a^*))+1)}$$

then,

$$\frac{\partial Q(a,k)}{\partial k}\mid_{a=a^*}=-(E(U_F(a^*))+2))\left[\frac{\partial E(U'_D(a))}{\partial k}-\frac{\partial E(U_D(a))}{\partial k}\times\frac{E(U'_D(a))}{(E(U_D(a))+1)}\right]_{a=a^*}$$

I need to show that $\frac{\partial Q(a,k)}{\partial k}>0$ when $a=a_{bab}$.

**Claim 2.1:** $E(U'_D(a_{bab}))\geq 0$.

**Proof of Claim 2.1:** When $P$ employs a fully pooling strategy, $D$'s expected utility

from an agreement $a$ is

$$E(U_D(a)) = (1 - |a|^k)\left(\frac{a+1}{2}\right) - 1 \qquad (A3)$$

Suppose we were to maximize $(A3)$ on $[-1, 1]$. Note that for all $a \in (-1, 0)$, $E(U_D(a)) < E(U_D(-a))$, thus $(A3)$ can not have $a$ negative maximizer. Then maximizing $(A3)$ is equivalent to maximizing the following,

$$\max_{a\in[0,1]} E(U_D(a)) = (1 - a^k)\left(\frac{a+1}{2}\right) - 1$$

This is a continuous, single-peaked function in a compact interval, thus it has a unique maximizer. Let $a_D$ denote this maximizer, then $a_D$ solves the following first order condition,

$$\frac{\partial E(U_D(a))}{\partial a} = 1 - a^k - ka^k - ka^{k-1} = 0$$

When $k = 1$, the first order condition implies $a = 0$. At $a = 0$, $\frac{\partial^2 E(U_D(a))}{\partial a^2} \leq 0$, thus $a = 0$ is the unique maximizer when $k = 1$. When $k > 1$, $\frac{\partial E(U_D(a))}{\partial a}$ is a continuous, and strictly decreasing function on $[0, 1]$. It is positive at $a = 0$ and negative at $a = 1$. Thus, it is equal to zero at a single point between 0 and 1, which means that, given $k$, $a_D$ is unique.

The maximization in $(A2)$ can be rewritten as

$$\max_{a\in[-1,1]} \left(\frac{1-a^2}{2}\right)(E(U_D(a)) + 1)$$

with the following first order condition,

$$-a(E(U_D(a) + 1) + \left(\frac{1-a^2}{2}\right)(\frac{\partial E(U_D(a)}{\partial a}) = 0 \qquad (A4)$$

At $a = a_D$, $\frac{\partial E(U_D(a))}{\partial a} = 0$, and thus $(A4)$ evaluated at $a = a_D$ is equal to $-a_D(E(u_D(a_D)+ 1)$ which is weakly less than zero, which implies $a_{bab} \leq a_D$. Note that this inequality becomes strict when $k > 1$. And, since $a_{bab} \leq a_D$, $E(U'_D(a_{bab})) \geq 0$. (End of Proof of Claim 2.1)

Note that

$$(E(U_F(a_{bab})) + 2)) = \frac{1-a^2}{2} \geq 0 \qquad \text{for all } a \in [0, 1]$$

and,

$$(E(U_D(a_{bab}))+1) = (1-a^k)\left(\frac{a+1}{2}\right) \geq 0 \qquad \text{for all } a \in [0,1].$$

Then,

$$\frac{\partial E(U_D(a))}{\partial k} \mid_{a=a_{bab}} = -\frac{a_{bab}+1}{2} \times a_{bab}^k \times \log(a_{bab}) > 0, \text{ since } a_{bab} \in [0,1]$$

$$\frac{\partial E(U'_D(a))}{\partial k} \mid_{a=a_{bab}} = -\log(a_{bab})(a_{bab}^k + k a_{bab}^k + k a_{bab}^{k-1}) - a_{bab}^k - a_{bab}^{k-1}$$

**Claim 2.2**: $k \log a_D < -1$.

**Proof of Claim 2.2**: $k \log a_D < -1$ implies $a_D < e^{-\frac{1}{k}}$. At $a_D = e^{-\frac{1}{k}}$

$$\frac{\partial E(U_D(a))}{\partial a} = 1 - e^{-\frac{1}{k}(k)} - k e^{-\frac{1}{k}(k)} - k e^{-\frac{1}{k}(k-1)} < 0$$

thus, $a_D < e^{-\frac{1}{k}}$. (End of Proof of Claim 2.2)

Since, $k \log a_D < -1$ and, $a_{bab} \leq a_D$, $\frac{\partial E(U'_D(a))}{\partial k} \mid_{a=a_{bab}}$ is positive. Thus if

$$\frac{\partial E(U_D\prime(a))}{\partial k} \mid_{a=a_{bab}} > \frac{\partial E(U_D(a))}{\partial k} \mid_{a=a_{bab}} \times \frac{E(U_D\prime(a_{bab}))}{(E(U_D(a_{bab}))+1)}$$

then we can conclude that $\frac{\partial a_{bab}}{\partial k} > 0$. Note that the above inequality implies

$$-\log(a_{bab})(k a_{bab}^k + k a_{bab}^{k-1}) - a_{bab}^k - a_{bab}^{k-1} > \frac{a_{bab}^{2k}\log(a_{bab}) + k a_{bab}^{2k}\log(a_{bab}) + k a_{bab}^{2k-1}\log(a_{bab})}{1-a_{bab}}$$

This inequality holds since $k \log a_{bab} < -1$ ($a_{bab} \leq a_D < e^{-\frac{1}{k}}$) and $0 < 1 - a_{bab} < 1$, which together imply that the left hand side is positive and the right hand side is negative. ■

**Proof of Remark 1.** Take any size one equilibrium and let $M^+$ be the set of messages sent with positive probability in that equilibrium. If $M^+$ has only one element then this must be a babbling equilibrium and we know in any babbling equilibrium the unique induced agreement is $a_{bab}$. Let $M^+$ contain $n > 1$ messages. Then it must be that $\pi(m) = a^*$ for all $m \in M^+$. Let $p$ be the declaration strategy of $P$ in this equilibrium. Then, $\sum_{m \in M^+} p(m;t) = 1$, for all $t \in T$, $p(m;t) \geq 0$, and $\int p(m;t)g(t)dt > 0$, for all $m \in M^+$. The belief that $D$ and $F$ hold about ratifiability of alternative agreements

given $p$ should be

$$\mu(a;m) = \frac{\int_d^q v(a;t)p(m;t)g(t)dt}{\int_d^q p(m;t)g(t)dt}$$

and $a^*$ maximizes $\mu(a;m)^2[U_D(a) - U_D(q)][U_F(a) - U_F(q)]$.

Let $p'$ be a declaration strategy in which each type sends each message in $M^+$ with equal probability. Then $p'$ is a babbling declaration strategy, and for each $t \in T$, I can write

$$p'(m;t) = \sum_{m \in M^+} \frac{1}{n} p(m;t)$$

and the belief that D and F hold about ratifiability of alternative agreements given $p'$ should be

$$\mu'(a;m) = \frac{\int_d^q v(a;t)\left(\sum_{m \in M^+} \frac{1}{n} p(m;t)\right) g(t)dt}{\int_d^q \left(\sum_{m \in M^+} \frac{1}{n} p(m;t)\right) g(t)dt} = \sum_{m \in M^+} \int_d^q v(a;t)p(m;t)g(t)dt = \sum_{m \in M^+} \mu(a;m) \times c_m$$

where $0 \leq c_m \leq 1$ is some constant for each $m \in M^+$. Since $p'$ is a babbling declaration strategy, we know that in equilibrium, $a_{bab}$ will be induced. That is, $a_{bab}$ will maximize

$$\mu'(a;m)^2[U_D(a) - U_D(q)][U_F(a) - U_F(q)]$$

which can be rewritten as

$$\left(\sum_{m \in M^+} \mu(a;m) \times c_m\right)^2 [U_D(a) - U_D(q)][U_F(a) - U_F(q)]$$

Note that each element of this summation is maximized at $a^*$ which means their sum is also maximized at $a^{*\cdot}$. But we know the induced agreement in a babbling equilibrium is unique and it is equal to $a_{bab}$. Thus, $a^* = a_{bab}$. ■

**Proof of Lemma 1.** After observing the message $l$, $D$'s expected utility from signing an international agreement $a$ becomes,

$$E(U_D(a)) = \begin{cases} -|a|^k & if \quad a \geq 2\bar{t} - 1 \\ \frac{a+1}{2\bar{t}}(1 - |a|^k) - 1 & if \quad a \leq 2\bar{t} - 1 \end{cases}$$

and $F$'s expected utility of signing an international agreement $a$ becomes,

$$E(U_F(a)) = \begin{cases} -(a+1) & if \quad a \geq 2\bar{t} - 1 \\ \frac{a+1}{2\bar{t}}(1-a) - 2 & if \quad a \leq 2\bar{t} - 1 \end{cases}$$

and thus, $\pi^*(l)$ solves,

$$\max \left\{ \max_{a \in [2\bar{t}-1,1]} (1 - |a|^k)(1-a), \max_{a \in [-1,2\bar{t}-1]} \frac{1}{\bar{t}^2} \left( \frac{a+1}{2} \right) (1 - |a|^k) \left( \frac{1-a^2}{2} \right) \right\}$$

Let

$$n_2(a) = (1 - |a|^k)(1-a)$$

and

$$n_3(a) = \frac{1}{\bar{t}^2} \left( \frac{a+1}{2} \right) (1 - |a|^k) \left( \frac{1-a^2}{2} \right)$$

Note that $n_2(2\bar{t} - 1) = n_3(2\bar{t} - 1)$. Moreover, since $\bar{t} \leq \frac{1}{2}$,

$$\max_{a \in [-1,2\bar{t}-1]} \frac{1}{\bar{t}^2} \left( \frac{a+1}{2} \right) (1 - |a|^k) \left( \frac{1-a^2}{2} \right) = \max_{a \in [-1,2\bar{t}-1]} \frac{1}{\bar{t}^2} \left( \frac{a+1}{2} \right) (1 - (-a)^k) \left( \frac{1-a^2}{2} \right)$$

with

$$\frac{\partial \frac{1}{\bar{t}^2} \left( \frac{a+1}{2} \right) (1 - (-a)^k) \left( \frac{1-a^2}{2} \right)}{\partial a} \mid_{a \in [-1,0]} > 0$$

which means

$$\arg\max_{a \in [-1,2\bar{t}-1]} \frac{1}{\bar{t}^2} \left( \frac{a+1}{2} \right) (1 - (-a)^k) \left( \frac{1-a^2}{2} \right) = 2\bar{t} - 1$$

Then,

$$\begin{aligned} & \max \left\{ \max_{a \in [2\bar{t}-1,1]} (1 - |a|^k)(1-a), \max_{a \in [-1,2\bar{t}-1]} \frac{1}{\bar{t}^2} \left( \frac{a+1}{2} \right) (1 - |a|^k) \left( \frac{1-a^2}{2} \right) \right\} \\ = \quad & \max \left\{ \max_{a \in [2\bar{t}-1,1]} (1 - |a|^k)(1-a), (1 - \left|2\bar{t} - 1\right|^k)(1 - (2\bar{t} - 1)) \right\} = \max_{a \in [2\bar{t}-1,1]} (1 - |a|^k)(1-a) \end{aligned}$$

For $a \in [2\bar{t} - 1, 0]$, $n_2(a) = (1 - (-a)^k)(1-a)$ and,

$$\frac{\partial n_2(a)}{\partial a} = \frac{\partial (1 - (-a)^k)(1-a)}{\partial a} = k(-a)^{k-1}(1-a) + (-a)^k - 1$$

At $a = -1, \frac{\partial n_2(a)}{\partial a} = 2k > 0$, and $a = 0, \frac{\partial n_2(a)}{\partial a} = -1$. Moreover, $\frac{\partial^2 n_2(a)}{\partial a^2} < 0$ for all $a \in [-1, 0]$. Thus, $\frac{\partial n_2(a)}{\partial a}$ must be equal to zero at exactly one point within $[-1, 0]$.

For $a \geq 0$, $n_2(a) = (1-a^k)(1-a)$. This is a strictly decreasing function in $a$. Thus,

$$\arg\max_{a\in[2\bar{t}-1,1]}(1-|a|^k)(1-a)$$

is unique and it is in $[2\bar{t}-1, 0]$. In other words, $(1-|a|^k)(1-a)$ is single peaked in $[-1,1]$, and its maximizer is in $[-1,0]$. ■

**Proof of Lemma 2.** After observing the message $h$, $D$'s expected utility from submitting an international agreement $a$ for ratification becomes

$$E(U_D(a)) = \begin{cases} -1 & if \quad a \leq 2\bar{t}-1 \\ -\frac{a+1-2\bar{t}}{2(1-\bar{t})}|a|^k - 1\left(1-\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right) & if \quad a \geq 2\bar{t}-1 \end{cases}$$

and $F$'s expected utility from signing an agreement $a$ becomes

$$E(U_F(a)) = \begin{cases} -2 & if \quad a \leq 2\bar{t}-1 \\ -\frac{a+1-2\bar{t}}{2(1-\bar{t})}(1+a) - 2\left(1-\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right) & if \quad a \geq 2\bar{t}-1 \end{cases}$$

Since both $F$ and $D$ obtain higher expected utilities from an agreement $a$ that satisfies $a \geq 2\bar{t}-1$, we can characterize $\pi^*(h)$ as

$$\pi^*(h) = \arg\max_{a\in[2\bar{t}-1,1]}\left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)^2(1-a)(1-|a|^k) \qquad (4)$$

Let the objective function in (4) be denoted by $n_4(a)$, then,

$$\frac{\partial n_4(a)}{\partial a} = \left(\frac{a+1-2\bar{t}}{4(1-\bar{t})^2}\right)[2(1-a)(1-|a|^k)-(a+1-2\bar{t})(1-|a|^k)-k|a|^{k-1}\frac{|a|}{a}(1-a)(a+1-2\bar{t})]$$

$$\frac{\partial n_4(a)}{\partial a}|_{a=2\bar{t}-1}=0 \qquad \text{and} \qquad \frac{\partial^2 n_4(a)}{\partial a^2}|_{a=2\bar{t}-1}>0 \qquad \Longrightarrow a=2\bar{t}-1 \text{ is a minimum.}$$

$$\frac{\partial n_4(a)}{\partial a}|_{a=1}=0 \qquad \text{and} \qquad \frac{\partial^2 n_4(a)}{\partial a^2}|_{a=1}>0 \qquad \Longrightarrow a=1 \text{ is a minimum.}$$

Since $\bar{t} < \frac{1}{2}$, we have $2\bar{t}-1 < 0$. Moreover, $\frac{\partial n_4(a)}{\partial a} > 0$ for all $a \in (2\bar{t}-1, 0)$, which implies $0 \leq \pi^*(h) < 1$. For $a = 0$ to be feasible, it must be that $\bar{t} = \frac{1}{2}$, but we know that $2\bar{t}-1$ is a minimum, thus, we can conclude $0 < \pi^*(h) < 1$. Then, we can rewrite $\pi^*(h)$ as

$$\pi^*(h) = \arg\max_{a\in[\max(0,2\bar{t}-1),1]}\left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)^2(1-a)(1-a^k)$$

$\left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)^2 (1-a)(1-a^k)$ is a continuous function and $[\max(0, 2\bar{t}-1), 1]$ is a compact interval, thus it has a maximum within this interval. Note that for $a \in [\max(0, 2\bar{t}-1), 1]$,

$$E(U_D) = \left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)(1-a^k) - 1$$

This is a continuous, and strictly concave function. Similarly, for $a \in [\max(0, 2\bar{t}-1), 1]$,

$$E(U_F) = \left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)(1-a) - 2$$

which, again, is a continuous and strictly concave function. Moreover, $[\max(0, 2\bar{t}-1), 1]$ is a convex set. Then, it must be that the Nash bargaining solution is unique. Moreover,

$$\left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)^2 (1-a)(1-a^k) = \left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)(1-a)\left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)(1-a^k)$$

and this is the multiplication of two positive-valued functions that are single peaked in $[0, 1]$, which means that their product is also single peaked in $[0, 1]$. ■

**Proof of Proposition 7. Claim 7.1**: $\pi^*(l)$ is weakly decreasing in $k$.

**Proof of Claim 7.1**:

$$\pi^*(l) = \underset{a\in[2\bar{t}-1,1]}{\arg\max}(1-|a|^k)(1-a)$$

I have shown in the proof of **Claim 1** that $(1-|a|^k)(1-a)$ is single peaked in $[-1, 1]$, and its peak is in $[-1, 0]$ which means

$$\max_{a\in[-1,1]}(1-|a|^k)(1-a) = \max_{a\in[-1,0]}(1-(-a)^k)(1-a)$$

Let $a^*(k) = \underset{a\in[-1,0]}{\arg\max}(1-(-a)^k)(1-a)$, and let,

$$F(a,k) = \frac{\partial(1-(-a)^k)(1-a)}{\partial a} = k(-a)^{k-1}(1-a) + (-a)^k - 1$$

Then $F(a^*(k), k) = 0$. Using the implicit function theorem,

$$\begin{aligned}\frac{\partial a^*(k)}{\partial k} &= -\frac{\partial F(a,k)/\partial k}{F(a,k)/\partial a}\,|_{a=a^*(k)} \\ &= -\left[\frac{(-a)^{k-1}(1-a) + (-a)^{k-1}(1-a)k\log(-a) + (-a)^k\log(-a)}{F(a,k)/\partial a}\right]_{a=a^*(k)}\end{aligned}$$

The denominator is negative since $a^*(k)$ is a maximum. The numerator is negative if $k\log(-a^*(k)) < -1$ which implies $a^*(k) > -e^{-\frac{1}{k}}$.

$$F(-e^{-\frac{1}{k}}, k) = (ke^{\frac{1-k}{k}} + ke^{-1} + e^{-1} - 1)$$

Note that $F(-e^{-\frac{1}{k}}, k) > 0$ for $k = 1$, and it is increasing in $k$ which implies $a^*(k) > -e^{-\frac{1}{k}}$ for all $k \geq 1$. Thus, the above numerator is negative and $\frac{\partial a^*(k)}{\partial k} < 0$.

We know that $a^*(k) = \pi^*(l)$ if $a^*(k) \in [2\bar{t} - 1, 0]$, and that $\pi^*(l) = 2\bar{t} - 1$ if $a^*(k) < 2\bar{t} - 1$. Thus, for those $k$ values for which $a^*(k) \in [2\bar{t} - 1, 0]$, $\pi^*(l)$ is strictly decreasing in $k$. Since $\frac{\partial a^*(k)}{\partial k} < 0$, given $\bar{t}$, there exists $\overline{k}$ such that for all $k > \overline{k}$, $a^*(k) < 2\bar{t} - 1$. Then, $\frac{\partial \pi^*(l)}{\partial k} \mid_{k>\overline{k}} = 0$. Thus, $\frac{\partial \pi^*(l)}{\partial k} \leq 0$. (End of Proof of Claim 7.1)

**Claim 7.2**: $\pi^*(h)$ is increasing in $k$.

**Proof of Claim 7.2**:

$$\pi^*(h) = \underset{a\in[2\bar{t}-1,1]}{\arg\max} \left(\frac{a + 1 - 2\bar{t}}{2(1-\bar{t})}\right)^2 (1-a)(1-|a|^k)$$

I have already proven (Proof of Claim 2) that this maximization problem has a unique, nonnegative maximizer. Hence, we can write,

$$\pi^*(h) = \underset{a\in[2\bar{t}-1,1]}{\arg\max} \left(\frac{a + 1 - 2\bar{t}}{2(1-\bar{t})}\right)^2 (1-a)(1-a^k)$$

Let

$$n_5(a) = \left(\frac{a + 1 - 2\bar{t}}{2(1-\bar{t})}\right)^2 (1-a)(1-a^k)$$

and let $F(a, k) = \frac{\partial n_5(a)}{\partial a}$. Then, $F(\pi^*(h), k) = 0$. We can use the implicit function theorem to analyze $\frac{\partial \pi^*(h)}{\partial k}$.

$$\begin{aligned}
\frac{\partial \pi^*(h)}{\partial k} &= -\frac{\partial F(a,k)/\partial k}{\partial F(a,k)/\partial a} \mid_{a=\pi^*(h)} \\
&= -\frac{\left(\frac{a+1-2\bar{t}}{2(1-\bar{t})^2}\right) a^k \log(a)(\frac{a+1-2\bar{t}}{2} - 1 + a) + \left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)^2 a^{k-1}(a - k\log(a) + ka - 1)}{\partial F(\pi^*(h), k)/\partial a} \mid_{a=\pi^*(h)}
\end{aligned}$$

**Claim 7.2.1:** $\frac{\pi^*(h)+1-2\bar{t}}{2} - 1 + \pi^*(h) \leq 0$

**Proof of Claim 7.2.1:** Let

$$b(a) = \left(\frac{a + 1 - 2\bar{t}}{2(1-\bar{t})}\right)^2 (1-a)$$

and $c(a) = (1 - a^k)$. Then, $n_5(a) = b(a) \times c(a)$. Note that $b(a)$ has a local maximum at $a = \frac{1}{3} + \frac{2}{3}\bar{t}$, and that for all $a > \frac{1}{3} + \frac{2}{3}\bar{t}$, both $b\prime(a)$ and $c\prime(a)$ are negative. Thus, $\pi^*(h)$ can not be greater than $\frac{1}{3} + \frac{2}{3}\bar{t}$.

$$\frac{\pi^*(h) + 1 - 2\bar{t}}{2} - 1 + \pi^*(h) = \frac{3\pi^*(h) - 1 - 2\bar{t}}{2}$$

and $\frac{3\pi^*(h)-1-2\bar{t}}{2} \leq 0$ since $\pi^*(h) \leq \frac{1}{3} + \frac{2}{3}\bar{t}$. (End of Proof of Claim 7.2.1)

**Claim 7.2.2:** $(\pi^*(h) - k\log(\pi^*(h)) + k\pi^*(h) - 1) > 0$

**Proof of Claim 7.2.2:** For $k = 1$,

$$(\pi^*(h) - k\log(\pi^*(h)) + k\pi^*(h) - 1) = (2\pi^*(h) - \log(\pi^*(h)) - 1)$$

which is positive for all $\pi^*(h) \in [0, 1]$. Moreover,

$$\frac{\partial(\pi^*(h) - k\log(\pi^*(h)) + k\pi^*(h) - 1)}{\partial k} = \pi^*(h) - \log(\pi^*(h))$$

which is also positive for all $\pi^*(h) \in [0, 1]$. That is, the expression is increasing in $k$, which means

$$(\pi^*(h) - k\log(\pi^*(h)) + k\pi^*(h) - 1) > 0$$

for all $k \geq 1$. (End of Proof of Claim 7.2.2)

Note that $\frac{\pi^*(h)+1-2\bar{t}}{2(1-\bar{t})^2} > 0$, and $\log(\pi^*(h)) < 0$. Thus, the numerator of $\frac{\partial\pi^*(h)}{\partial k}$ is positive. The denominator is negative since $\pi^*(h)$ is the maximizer of $n_5(a)$, which then imply $\frac{\partial\pi^*(h)}{\partial k} > 0$. (End of Proof of Claim 7.2)

**Claim 7.3**: $\pi^*(h)$ is increasing in $\bar{t}$.

**Proof of Claim 7.3**: To calculate $\frac{\partial\pi^*(h)}{\partial\bar{t}}$, we can again make use of the implicit function theorem and the first order condition we have from the maximization of $n_5(a)$. Let $F(a, k, \bar{t}) = \frac{\partial n_5(a)}{\partial a}$. Then,

$$F(a, k, \bar{t}) = \frac{a + 1 - 2\bar{t}}{2(1 - \bar{t})^2}\left[(1 - a^k)(1 - a) - \frac{a + 1 - 2\bar{t}}{2}(1 - a^k + ka^{k-1} - ka^k)\right]$$

and $F(\pi^*(h), k, \bar{t}) = 0$. Then, using the implicit function theorem,

$$\frac{\partial\pi^*(h)}{\partial\bar{t}} = -\frac{\partial F(a, k, \bar{t})/\partial\bar{t}}{\partial F(a, k, \bar{t})/\partial a} \mid_{a=\pi^*(h)}$$

Let,

$$b(a, \bar{t}) = \frac{a + 1 - 2\bar{t}}{2(1 - \bar{t})^2}$$

and

$$c(a,\bar{t}) = \left[(1-a^k)(1-a) - \frac{a+1-2\bar{t}}{2}(1-a^k+ka^{k-1}-ka^k)\right]$$

Then, $\frac{\partial F(a,k,\bar{t})}{\partial \bar{t}} = \frac{\partial b(a,\bar{t})}{\partial \bar{t}}c(a,\bar{t}) + \frac{\partial c(a,\bar{t})}{\partial \bar{t}}b(a,\bar{t})$. Note that at $a = \pi^*(h)$,

$$c(a,\bar{t}) = \left[(1-a^k)(1-a) - \frac{a+1-2\bar{t}}{2}(1-a^k+ka^{k-1}-ka^k)\right] = 0$$

from the first order condition of the maximization of $n_5(a)$. So, $\frac{\partial F(a,k,\bar{t})}{\partial \bar{t}} = \frac{\partial c(a,\bar{t})}{\partial \bar{t}}b(a,\bar{t})$. And

$$\frac{\partial c(a,\bar{t})}{\partial \bar{t}} = (1-a^k+ka^{k-1}-ka^k) > 0 \text{ for all, } a \in [0,1]$$

so it must be positive at $a = \pi^*(h)$. Since $\pi^*(h) > 2\bar{t}-1$, $\frac{\pi^*(h)+1-2\bar{t}}{2(1-\bar{t})^2}$ is also positive Thus, $\partial F(\pi^*(h),k)/\partial \bar{t} > 0$. We know that $\partial F(\pi^*(h),k)/\partial a < 0$, since $\pi^*(h)$ is a maximum. Thus, we can conclude that $\frac{\partial \pi^*(h)}{\partial \bar{t}} > 0$. (End of Proof of Claim 7.3)

We know that, given $\bar{t} \in (0, \frac{1}{2}]$,

$$\pi^*(h) = \underset{a\in[2\bar{t}-1,1]}{\arg\max} \left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)^2 (1-a)(1-a^k)$$

When $k = 1$,

$$\pi^*(h) = \underset{a\in[2\bar{t}-1,1]}{\arg\max} \left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)^2 (1-a)^2$$

and it solves the first order condition

$$\left(\frac{a+1-2\bar{t}}{2(1-\bar{t})^2}\right)(1-a)(-2a+2\bar{t}) = 0$$

which implies $\pi^*(h) = \bar{t}$. And, as $k$ increases infinitely, $(1-a^k)$ converges to one and $\pi^*(h)$ then maximizes $\left(\frac{a+1-2\bar{t}}{2(1-\bar{t})}\right)^2(1-a)$, which, as I have shown, is maximized at $\pi^*(h) = \frac{1}{3} + \frac{2}{3}\bar{t}$. Given that $\pi^*(h)$ is increasing in both $k$ and $\bar{t}$, it must be that $\pi^*(h) \in [\bar{t}, \frac{1}{3} + \frac{2}{3}\bar{t}]$. We also know that when $k = 1$, $\pi^*(l) = 0$. Thus, when $k = 1$, the ratification game does not have a size two equilibrium. Moreover, we know that $\frac{\partial \pi^*(l)}{\partial k} \leq 0$ and $\frac{\partial \pi^*(h)}{\partial k} \geq 0$. Then, if $\frac{\partial \pi^*(l)}{\partial k} + \frac{\partial \pi^*(h)}{\partial k} < 0$ we can conclude that our signaling game has no size two equilibrium. Unfortunately it is not possible to evaluate these derivatives and reach a conclusion but intuitively, one can expect $\frac{\partial \pi^*(l)}{\partial k} + \frac{\partial \pi^*(h)}{\partial k}$ to be smaller than zero since as $\pi^*(h)$ gets larger it moves away from the ideal points of both negotiators and thus faces stronger resistance whereas as $\pi^*(l)$ gets lower it gets closer to $F$'s ideal point.

Although we can not evaluate the derivatives directly we can use the available information to narrow down the parameter space in order to facilitate our search. First of all, note that $\frac{\pi^*(l)+\pi^*(h)}{2} = \bar{t}$ implies that at equilibrium $\pi^*(h) = 2\bar{t} - \pi^*(l)$. Given that $\pi^*(l) < 0$ for all $k > 1$, it must be that at equilibrium $\pi^*(h) > 2\bar{t}$. Since $\frac{1}{3} + \frac{2}{3}\bar{t}$ is the highest value $\pi^*(h)$ can take, we can conclude that there can not be an equilibrium if $2\bar{t} > \frac{1}{3} + \frac{2}{3}\bar{t}$, that is, there can only be an equilibrium if $\bar{t} \leq \frac{1}{4}$.

We know that at an equilibrium $\frac{\pi^*(l)+\pi^*(h)}{2} = \bar{t}$ and that $\bar{t} > 0$. Thus, there can not be an equilibrium if $\pi^*(l) + \pi^*(h) < 0$. We know the highest value $\pi^*(h)$ can attain is $\frac{1}{2}$ in the parameter interval we are investigating. If $\pi^*(l)$ (which is negative and which can be calculated by going through the maximization of $n_2(a)$) is smaller than $-\frac{1}{2}$ for some $k$ values within the $k$ interval at hand, then we can exclude those $k$ values as there can be no equilibrium at those values. It can easily be shown that for all $k \geq 3.6$, $\pi^*(l) < -\frac{1}{2}$. Thus, in equilibrium it must be that $k < 3.6$. With some $k$ values eliminated, we can go back and recalculate the highest value $\pi^*(h)$ can get and eliminate those $\bar{t}$ values that exceed half the highest value $\pi^*(h)$ can attain. Then we can eliminate again those $k$ values for which $\pi^*(l)$ is smaller than $-\pi^*(h)$. Iteratively we can eliminate $k$ and $\bar{t}$ values in this fashion. Appendix B contains the R code that does these iterations reducing the parameter space which can harbor a size two equilibrium to $\bar{t} \in (0, 0.001)$, and $k \in (1, 1.0008)$.It is possible to continue and narrow down the parameter space further but the calculations are limited by the precision limits of my computer and the marginal benefit of continuing. I argue that there is only size one equilibria in this signaling game and so it is not possible for the legislature to convey information to the executive. ■

## 3.7 Appendix B

```
m=1
h=seq(0,m,by=0.000001)
k=3.60000
t=0.250000
i=1
while (i<length(h)){
f=2*((h[i]+1-2*t)/((2-2*t)^2))*(1-h[i]^k)*(1-h[i])-(((h[i]+1-2*t)^2)/(2-2*t)^2)
*(h[i]^(k-1))*k*(1-h[i])-(((h[i]+1-2*t)^2)/(2-2*t)^2)*(1-h[i]^k)
if (f>0.000000)
i=i+1
else { cat("h=","  ", h[i],"\n")
```

```
if (t>h[i]/2)
{t=h[i]/2
i=1 }
else {cat("t=","  ",t,"\n")
g=((2*t)^(k-1))*k*(1+(2*t))-1+((2*t)^k)
n=k
while (g<0 & k>=1){
n=n-0.000001
g=((2*t)^(n-1))*n*(1+(2*t))-1+((2*t)^n)}
n=n+0.000001
if (n<k)
{k=n
cat("k=","  ",k,"\n")
i=1}
else
i=2000000 }}}
```

## 3.8 Appendix C

I will not go into detailed formal derivations, and leave it to for future study, but we can get an idea about possible results of costly signaling by a simple exercise which incorporates costly signaling into the model in a theoretical fashion:

Let $m(t) \in [0,1]$ be $P'$s declaration at stage one, after $P$ observes its type which is a draw by Nature from its uniform distribution on the $[0,1]$ interval. But this time assume that there is a cost associated with making a declaration and that the cost is $\frac{m(t)}{t}$. Note that the declaration cost varies with $P$'s type. Let $a(t)$ be the agreement induced by a message sent by a type $t$ ratifier. Then by incentive compatibility it must be that in equilibrium no type $t$ can obtain a strictly higher payoff by emulating the behavior of another type, say type$t'$. Thus, in equilibrium, for any $t, t \in T$ the following inequalities must hold:

$$-|a(t)-t| - \frac{m(t)}{t} \geq -|a(t')-t| - \frac{m(t')}{t}$$

$$-|a(t')-t'| - \frac{m(t')}{t'} \geq -|a(t)-t'| - \frac{m(t)}{t'}$$

Without loss of generality, assume $t' < t$. Note that by incentive compatibility on the part of the foreign and domestic executives it must be that $a(t) < t$ and $a(t') < t'$, and

thus $a(t') < t$ Since these inequalities must hold for any $t, t' \in T$, let us take $t'$ such that $a(t) < t'$. Then the above inequalities can be rewritten as:

$$-a(t) + t - \frac{m(t)}{t} \geq -a(t') + t - \frac{m(t')}{t}$$

$$-a(t') + t' - \frac{m(t')}{t'} \geq -a(t) + t' - \frac{m(t)}{t'}$$

Subtracting the RHS of the second inequality from the LHS of the first, and the LHS of the second from the RHS of the first implies

$$m(t) \geq m(t')$$

which means in any sequential equilibrium $m(t)$ must be weakly monotone increasing in $t$. This means for almost all $t \in T$, either $\frac{\partial m}{\partial t} > 0$ or $\frac{\partial m}{\partial t} = 0$. [10]In the former case, the declaration by the ratifier is separating, whereas in the second $m(.)$ is a pooling strategy since an interval of types send the same message. Thus, we can conclude that this costly signaling game has pooling, semi-pooling, and separating equilibria. With an abundance of equilibria, the question then becomes which ones should be relevant for us. Note that it is possible to narrow down the set of possible equilibria by applying one of the equilibrium refinement concepts that are available in the theoretical literature (Banks, 2001). I also leave such extensions for future studies.

[10]Monotonicity implies differentiability almost everywhere (Banks, 2001)

# CHAPTER 4
# THE EU EFFECT ON VOTE CHOICE IN NATIONAL ELECTIONS

## 4.1 Introduction

The last two decades have witnessed the expansion of the jurisdictional authority of the European Union (EU) over a range of policy areas from market integration, and employment policy to foreign policy, and immigration, as well as the introduction of a single currency, enlargement and the negotiation of a 'Constitution' for Europe. As the member states agreed to transfer more and more authority and competencies to the EU level, the EU as an institution inevitably started to become a player in the domestic politics of members states as well. The exact role and effect of the European Union on domestic politics in member states has attracted much scholarly attention in recent years. In this article, I question the effects of membership on vote choice in national elections, a question that has previously been the subject to some important works of scholarship (Evans, 1998; Hix, 2000; Bohrer and Tan, 2000; Van der Eijk and Franklin, 2001; Tillman 2008; Tillman 2004; Gabel 2000; Scheve 2000; De Vries, 2007; Schoen 2008). So far, researchers have attacked this question from two main fronts. On the first front, the focus has been to examine whether attitudes towards European Union integration influence party choice in national elections – a phenomenon referred to as European Union (EU) issue voting (Evans, 1998; De Vries, 2007; Gabel, 2000; Scheve 2000; Schoen 2008). The hypothesis on this front is straightforward: The level of agreement over European integration between a citizen and a party should relate positively to the likelihood of the citizen voting for that party. In other words, researchers have examined whether EU issues now serve as a new electoral cleavage in domestic politics. The second front of research examines whether economic integration constrains the perceived ability of national governments to pursue independent economic policies, and thus, weaken economic voting. Findings suggest voters in EU member countries reduce the weight they assign to economic performance evaluations and to party positions on economic issues, while increasing the salience of noneconomic issues (Tillman 2008; Tillman 2004; Gabel 2000; Hix, 2003).

Both these fronts have serious shortcomings. The first one assumes that the EU just adds another cleavage to domestic politics without having any effect on pre-existing cleavages. This is an assumption which ignores the common argument that the EU structurally affects domestic political competition by imposing constraints on domestic

policy alternatives, and thus, limits the capacity of parties and political elites to deliver policy (Gabel, 2000; Bohrer and Tan, 2000; Hix and Goetz, 2000). As Gabel (2000) argues "by joining the European Union (EU), member states accept a particular set of policy choices regarding a broad range of economic and social issues and a supranational political authority to govern these policies". In other words, the EU changes the policy spaces, and the institutional mechanisms of policy making in member countries. Moreover, the integration that has taken place so far is here to stay. The pace of the integration may have varied over time but there has never been a reversal once an integrative step had been accepted by member states. So, unless we assume that voters are ignorant and/or naive, they should be acting with the information that their states are members of the Union, and will remain so for the foreseeable future. So, the issue is not just whether a person approves the EU and/or further integration or not, but also whether and how his/her voting behavior changes within this new structure which includes the EU as a political actor.

The second front of research takes into account the effects that the EU might have on issue priorities and political performance evaluations. More specifically, it takes into account that the single market and the Economic and Monetary Union restrict micro and macro-economic policy options for governments. The claim is that voters in member countries reduce the weight they assign to economic performance evaluations and blame their government less for economic failure since the government's hands are tied by EU membership. In other words, EU membership weakens economic voting. The findings are mixed (Tillman, 2008; Hellwig, 2001; Hellwig and Samuels, 2007). The major shortcomings of this line of research are that it ignores that EU membership imposes constraints on non-economic policy areas as well; and that measurements of economic voting can only say something about voters' evaluation of governing parties, and leave us with no information about how evaluations of other parties are affected.

The shortcomings of these two research fronts necessitate a more comprehensive approach to study the effects of EU membership on vote choice in national elections. In this article, I try to develop one. I start with two key arguments, and then develop a very simple vote choice model in light of these arguments, and finally, using survey data from Britain, I test the hypotheses I derive from my model.

My first key argument is that the EU structurally affects domestic politics in member countries. It limits the capacity of parties and political elites to deliver policy by imposing constraints on policy spaces. Moreover, these constraints usually work as a centrist pull over alternative policies. In other words, the EU works as a new veto player with centrist policy preferences ruling out extremist alternatives. Hix makes a

similar argument. He argues that "the EU polity, as currently designed, presents severe constraints on the process of political competition. Policy outputs from the EU are relatively centrist: a moderately-regulated market, with a moderately-monetarist macro-economic policy regime. And, because there are multiple veto-players in the EU decision-making process, these EU policies are hard to change. The result is a set of constraints on political competition. Parties on the left cannot promise high social protection or expansionary spending policies, and parties on the right cannot promise labour market deregulation or tax cuts." (Hix, 2003)

My second key argument is that voters are concerned with policy outcomes, and thus they are concerned with how their votes are translated into policy. Hence, voters care about the institutional setup that convert their votes into policy, and they take this setup into account when formulating their vote choice.

Combining these two arguments, we can then conclude that when formulating their vote choice, voters in EU member countries should take into account the effect the EU will have on the final policy outcomes in their countries. In the next section, I build on these arguments, and draw on recent voting behavior research to develop a set of expectations for how voters evaluate parties differently when they believe policy makers to be constrained by EU membership. Then, in Section 4.3 I test these expectations using survey data from the United Kingdom. Finally, I conclude in Section 4.4.

## 4.2 Vote Choice

How do voters decide which party to vote for? To answer this question we must first understand what voters care about and how what they care about affect their vote choice. There is a general agreement among students of political science that voters care about political issues, and that they have their own views on these issues that they care for. Political parties also advocate positions on issues. According to the proximity theory of voting, voters assess party positions on the issues that they find important with respect to their own views, then vote for the party whose position they find closest to their own.(Hotelling 1929; Downs, 1957; Enelow and Hinich, 1984; Blais et.al., 2001) But this is a very crude simplification of voting behavior. First of all, it implies that voters either care about party platforms rather than final policy outcomes, or that they ignore the institutional setup that converts votes into policy and consequently believe that what political parties advocate and what they will be able to implement when and if they are elected are the same. If voters are concerned with policy outcomes rather than platforms, then they should also care about the institutional mechanisms that will play a role in the determination of the final policy outcomes once they cast their votes to

determine the government. To form their expectations about future policies then, they should take into account the post election policy bargains among relevant institutions. A policy outcome oriented voter would be interested in the congruence between the expected outcome of such policy bargains and his/her own policy preferences rather than the platforms advocated by political parties before the elections. In a seminal paper, Kedar (2005) empirically demonstrates that voters are concerned with policy outcomes and that they thus take into account the institutional setup that converts their votes into policy. She shows that voters in consensual democracies employ a different voting strategy than their counterparts in majoritarian systems as they expect coalition governments, and post-election policy bargains among members of the coalition. In other words, voters in consensual democracies expect that parties will not be able to implement their advocated stances because final policies will be determined through bargains among coalition partners. And, they formulate their vote choice accordingly. Then, a voter in a consensual democracy votes for the party whose presence in the coalition will pull the outcome of the policy bargain closest to her/his preferred outcome. Kedar's conclusion also provides a rational explanation for the observed ideological discrepancy between parties and their constituencies, with the former often being more extreme than the latter on issues (Adams and Merrill 1999 and Iversen 1994b). If "voters predict their vote to be watered down along the path", then they prefer parties to hold positions more extreme than their own opinions and the observed discrepancy becomes consistent with voter preferences.

I have already argued in the introduction that the EU joins in member states in the institutional setup of domestic policy making. In a sense, the EU takes part in post election policy bargains through the constraints EU membership imposes on policy spaces and through its centrist pull over alternative policies. If voters in EU member states are concerned with policy outcomes then when formulating their vote choice they should take into account the post-election centrist pull over policies that will be exerted by the EU. They should then vote for the party whose stance, when subject to the EU pull, will be brought closest to their own positions.

I will now construct a simple decision theoretic model to depict the arguments I have made so far. The model is unidimensional, that is, the policy space in the model has a single dimension. Voters are concerned about policy outcomes, that is, they evaluate each party based on their expectations about the policies the party will enact if elected. Although voters are concerned about future policy outcomes, that is although they are forward-looking, they do not necessarily possess knowledge or expectations regarding what all other voters will choose and thus, they do not coordinate their

behavior accordingly. I make three additional assumptions regarding the information voters possess. First, I assume that voters hold positions on the single dimensional policy space. Second, I assume that they have a perception of parties' positions on the same space. Note that this perception is entirely personal and need not be in line with what the party or other voters think. Finally, I assume that voters hold beliefs about the nature of the centrist pull the EU will exert on policy outcomes. Such a belief will include the voter's assessment of the outcome of the election, and the power of the centrist pull that the EU will exert, and the power of the elected government to resist to that pull.

Since voters care about final policy outcomes, their utilities are defined in terms of final policies. The utility voter $i$ gets from a policy $p$ is

$$U_{ij} = -(v_i - p)^2$$

where $v_i$ is the self-placement of voter $i$ on the single-dimensional policy space. The final policy outcome $p$ is the outcome of a Pareto optimal bargain among those involved in policy making. In other words,

$$p = B(p_{i1}, p_{i2}, ..., p_{in})$$

where $p_{ij}$ refers to voter $i$'s placement of party $j$. Consequently, in cases where elections result in the clear victory of, and the formation of the government by a single party, and the elected party can implement its preferred policy, $p$ refers to voter $i$'s placement of the governing party. I argue that in EU member countries, since the voters expect the EU to exert a central pull on policies, the EU becomes a part to the final policy bargain, and $p$ then becomes the outcome of the policy bargain among the governing parties and the EU. In other words,

$$p = B(p_{i1}, p_{i2}, ..., p_{in}, p_{iEU})$$

where $p_{EU}$ refers to voter $i$'s placement of EU as a political actor on the single dimensional policy space. I have already argued that the EU is expected to exert a central pull on policies. Consequently, I will assume that $p_{iEU}$ will be centrist for all $i$. In the remainder of the article I will focus on single-party governments, so that $p$ refers to the expected final policy outcome of the Pareto optimal bargain between the governing party and the EU. Note that this is simply to make the analysis simpler and more clear, and that the analysis can be easily enlarged to include consensual systems with

coalitional governments.

Having represented voter $i$'s policy preferences, and having identified the relation between policy outcomes and political parties, we can now define voter $i$'s vote choice rule. Voter $i$ votes for the party which brings the final policy outcome closest to his/her preferred policy. In other words, voter $i$'s vote choice solves the following maximization problem:

$$\max_{j\in\{1,2,..,n\}} U_{ij} = \max_{j\in\{1,2,..,n\}} -(v_i - p)^2 = \max_{j\in\{1,2,..,n\}} -(v_i - B(p_{ij}, p_{iEU}))^2$$

We can depict the EU effect on final policy outcomes with a simple figure:

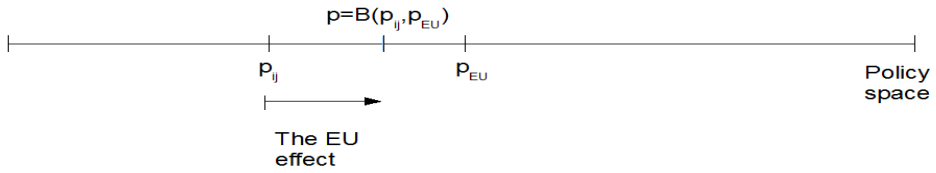


Figure 4.1: EU effect on final policy outcomes

The centrist pull of the EU over policies, results in a final policy outcome that is closer to the center than the actual placement of the party $j$. In other words, the centrist pull of the EU results in a policy that is in between the placement of the party and the placement of the EU. Note that, the exact placement of the policy outcome depends on voter i's belief about the power of the centrist pull by the EU, and the power of the elected party to resist this pull. In other words, the outcome of the bargain depends on the bargaining power of the actors involved. If voter $i$ believes that the EU has all the bargaining power, then he expects $p = p_{EU}$. Similarly, if voter $i$ believes party $j$, if elected, can withstand the pressures from the EU, then $p = p_{ij}$. In any case, $p \in [p_{ij}, p_{EU}]$ if $p_{EU} \geq p_{ij}$, and $p \in [p_{EU}, p_{ij}]$ if $p_{ij} \geq p_{EU}$.

As can be seen from the above figure, my arguments about the EU effect on final policy outcomes, and the way voters formulate their vote choice based on final policy outcomes imply that the EU should have an effect on the results of national elections by altering voters' ranking of political parties. Depending on his perception of the power of the centrist pull of the EU and the power of candidate parties to resist that pull, a voter's ranking of political parties with and without the EU effect may differ from each other significantly. Consequently, the presence of the EU effect may lead him to vote for a political party that he would not have voted for had his state not been a member of the EU.

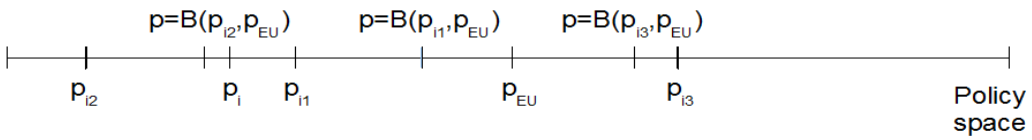


Figure 4.2: EU effect on party choice-1

In the above figure, $p_i$ denotes voter $i$'s most preferred policy, and he will vote for the party whose preferred policy is closest to his own. We have three parties, and voter $i$ perceives party 1 to be closest to his policy preferences. Given that he is solely concerned about policy outcomes, and that he expects party 1 to win the election, form the government, and enact $p_{i1}$, in the absence of the EU effect, we would expect him to vote for party 1. But voter $i$ expects the EU to pull the final policy outcomes towards the center. That is, his expectations about policy outcomes under the governance of each party is now different than his belief about the preferred policies of these parties. And based on voter $i$'s expectations about final policy outcomes, we should now expect him to vote for party 2, instead of party 1.

**Conjecture 12** *The EU effect may alter voters' evaluations of ideological proximity between themselves and political parties, and may lead them to vote for parties they perceive more extremist than themselves, and for whom they would not have voted for had the EU effect been absent.*

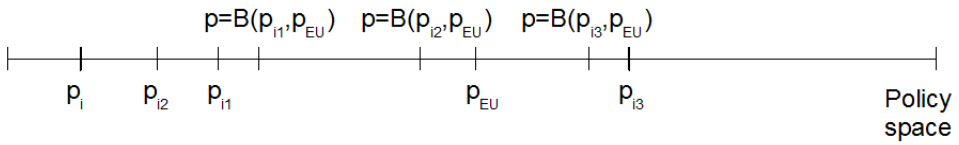


Figure 4.3: EU effect on party choice-2

Similarly, in the above figure, we would expect voter $i$ to vote for party 2. But voter $i$ expects the EU to pull the final policy outcomes towards the center. And he believes party 2 would not be able to stand against the pull of the EU and based on voter $i$'s expectations about final policy outcomes, we should now expect him to vote for party 1, instead of party 2.

**Conjecture 13** *The EU effect may alter voters' evaluations of proximity relations between themselves and political parties, and may lead them to vote for parties they perceive more moderate then themselves, and for whom they would not have voted for had the EU effect been absent.*

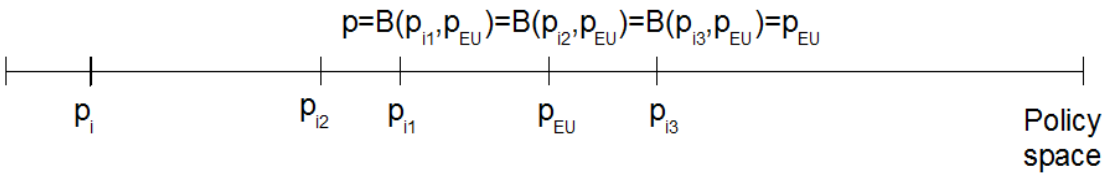


Figure 4.4: EU effect on party choice-3

Finally, in the above figure, we have a voter $i$ who believes the EU has all the control over the final policy outcome, and thus he expects the final policy outcome to be the preferred policy of the EU no matter which party wins the election. In such a case we may expect voter $i$ to be indifferent among parties. He may then either vote for any of them, or simply not waste the time and energy to go to the polls.

**Conjecture 14** *The EU effect may alter voters' evaluations of ideological proximity between themselves and political parties, and may lead them to abstain.*

In the next section, I empirically test these conjectures using survey data from the oldest majoritarian democracy in the world, and a reluctant member of the EU, the UK.

## 4.3 The Data

To test the conjectures I have made about the effects of European integration on national elections, I analyze data from the 2001 British Election Study (Sanders et.al., 2001). The conjectures predict relationships between voters' beliefs about the power of the EU effect on domestic politics and voting behavior including party choice and participation. The 2001 British Election Study includes questions that allow me to assess respondents' beliefs about the power of the EU effect on domestic politics, and their voting behavior.

My dependent variable is based on the reported voting behavior of respondents in the post-election survey, and their placements of themselves and political parties on

a 1-to-10 left-right scale in the pre-election survey.[1] In the post-election survey, the respondents were asked whether they had voted, and if they had for which party. In the pre-election survey, they were asked to place themselves and the five major parties (Labor, Conservative, Liberal, Scottish National, Plaid Cymru) that contested in the 2001 elections on a 1-to-10 left-right scale, 1 being radical left, and 10 being radical right. Note that placements on a left-right scale do not correspond to positions in terms of a specific policy issue. However, nearly all empirical studies, conclude that party placements along the left–right scale are structured to a great extent by positions on economic issues (Hellwig, 2008). Huber and Inglehart, for example, (1995) find that economic issues were cited as the most important component of the left–right dimension in all but five of the 42 countries they examined. Also, Marks's and Steenbergen's (1999) expert survey finds that their general left–right scale correlates highly with an explicitly economic left–right scale (r = 0.92), indicating that the two scales tap the same policy orientations for most parties. Moreover, previous studies show that left-right self-placements are important predictors of vote choice (Gabel,2000). Gabel argues that traditionally voters in the EU member states have chosen among parties based on their positions on the left-right dimension, which is commonly understood to represent a summary of policy preferences across a broad array of national political issues (Gabel, 2000). Hooghe et.al. (2002) show that there is a strong relationship between the Left/Right dimension that chiefly structures party competition in European societies and European integration. Consequently, I argue that left-right placements provide a better measure of political preferences and perceptions than placements on specific policy dimensions. I generated a new variable called *votstyle* that is coded -1 if the respondent voted for the party he placed closest to himself on the left-right scale; 0 if he voted for a more moderate party than the one he placed closest to himself; 1 if he voted for a more extremist party than the one he placed closest to himself; 2 if he abstained. The resulting distribution of respondents is as follows:

| **votstyle** | **Frequency** | **Percent** | **Cumulative** |
|---|---|---|---|
| -1 | 1210 | 49.13 | 49.13 |
| 0 | 124 | 5.03 | 54.16 |
| 1 | 351 | 14.25 | 68.41 |
| 2 | 778 | 31.59 | 100 |
| **Total** | 2463 | 100 | |

Table 4.1: Distribution of Voting Patterns

[1] Those who refused to answer or did not give a meaningful answer to these questions were droped from the data set.

As can be seen close to 20% of respondents voted for a party that they did not place closest to themselves. That is, they acted against the predictions of the proximity voting theory. There must be some strategic voting rational behind their behavior. My argument is that the post election expectation of the centrist pull by the EU is part of that rational.

To measure respondents' belief about the power of the EU effect on domestic politics, I use the responses to a question asking, "Which one of the following do you think affects the general economic situation in the United Kingdom the most? Would you say the British government or the European Union?" Respondents had the option of indicating "Don't know", "The British government", "EU", or "Both". Using these responses, I generate a scale variable called *euorgov* that is coded 1 if the respondent chose "the British government"; 2 if he chose "both"; 3 if he chose "EU"; and 4 if he chose "neither".[2] As I have conjecturized in the previous section I expect those who are higher on the *euorgov* scale to be more likely to vote for parties that they did not place closest to themselves on the left-right scale, and to be more likely to abstain than those who are lower on the same scale.

I include several other independent variables. I generated a dummy variable called *abstained* that is coded 1 if the respondent abstained in the previous election and 0 otherwise to capture habitual abstention. Literature suggests those who abstain in an election are more likely to do so in the following ones (Denny and Doyle, 2009).

Another strategic concern might be a respondent's expectation about the results of the election. In rational theories of voting the expected benefit of voting is influenced by the probability of affecting the election result. The closer the election is expected to be, the higher becomes the probability that one vote affects the outcome. This increases the expected utility of voting and thereby voter turnout (Geys, 2006). Moreover, close elections provoke more political elite mobilization efforts. These increased campaign efforts, engaged in by the competing parties to tilt the balance in the appropriate direction, lead to higher turnout rates (Cox and Munger, 1989; Kirchgaissner and Schulz, 2004). A voter who believes his favorite party has no chance of winning might also vote for his second or third best if those parties have a shot at winning, in order not to waste his vote. I use the responses to a question in the pre-election survey asking "How close do you think the elections will be in your district?" to generate a scale variable called *closeness* to capture such strategic voting behavior. I expect respondents who think that elections will be close in their district to be more likely to vote. Whether they will be more likely to vote for the party they place closest to themselves or not depends

[2] I excluded from the analysis those who indicated they did not know.

on which party they place closest to themselves, and which parties they believe will be part of this close race. I expect those who believe the party they place closest to themselves will not be part to the competition to be more likely to vote for a party that is more likely to succeed. And I expect those who believe the party they place closest to themselves has a shot to vote for that party. Unfortunately, the study does not include questions to decipher such information. Thus, I do not have any prior expectations about the effect of closeness on voting behavior except that I expect it to be negatively related to the likelihood of abstention.

Another important determinant of voting behavior is party identity. The pre-election survey asks the respondents whether they identify themselves with a political party. Based on the answers to these questions I created a dummy variable called *identity* which is coded 1 if the respondent identifies himself with a political party and 0 if he does not. I expect those who identify themselves with a political party to be more likely to vote and to be more likely to vote for the party they place closest to themselves.

Finally, I included personal characteristics that have been argued in the literature to be important determinants of voting behavior. (Geys, 2006; Tillman, 2008; Tillman, 2007) I included the age, and the education level of the respondent. I expect both these variables to be positively related to the probability of voting, and the probability of voting for the most closely placed political party. I also included a union membership variable called *union* which is coded 1 if the respondent is a union member; 2 if he has been in the past; 3 if he has never been a union member. I expect union membership to positively affect the probability of voting and the probability of voting for the party that is placed closest to self by creating party identity.

## 4.4 The Results

The dependent variable for my analysis contains four discrete (unordered) categories. I employ multinomial logit analysis (MNL) to test my conjectures. MNL analysis reports the effect of each independent variable on the likelihood of the respondent choosing one alternative over a baseline category. "Voted for the closest party (proximity voting)" is the baseline category, meaning that the coefficients for other categories show the effect of each variable on the likelihood of a respondent belonging to those categories versus belonging to the baseline category. Table 4.2 presents the results:

Multinomial Regression Analysis  Number of Observations: 1656

| votstyle | Coefficient | Std. Error | z | P>\|z\| |
|---|---|---|---|---|
| 0 | | | | |
| *abstained* | -0.128 | 0.427 | -0.30 | 0.765 |
| *identity* | -0.108 | 0.418 | -0.26 | 0.797 |
| *euorgov* | -0.025 | 0.119 | -0.21 | 0.834 |
| *closeness* | 0.005 | 0.034 | 0.16 | 0.871 |
| *education* | 0.095 | 0.069 | 1.37 | 0.171 |
| *age* | -0.005 | 0.007 | -0.69 | 0.493 |
| *union* | 0.085 | 0.135 | 0.63 | 0.527 |
| 1 | | | | |
| *abstained* | 0.223 | 0.260 | 0.86 | 0.390 |
| *identity* | -0.509 | 0.251 | -2.03 | 0.043 |
| *euorgov* | 0.125 | 0.076 | 1.64 | 0.102 |
| *closeness* | -0.002 | 0.022 | -0.11 | 0.915 |
| *education* | -0.091 | 0.049 | -1.85 | 0.064 |
| *age* | -0.001 | 0.005 | -0.16 | 0.873 |
| *union* | 0.191 | 0.093 | 2.06 | 0.039 |
| 2 | | | | |
| *abstained* | 1.550 | 0.181 | 8.57 | 0.000 |
| *identity* | -1.440 | 0.191 | -7.53 | 0.000 |
| *euorgov* | 0.192 | 0.070 | 2.73 | 0.006 |
| *closeness* | -0.028 | 0.021 | -1.32 | 0.186 |
| *education* | -0.162 | 0.046 | 3.53 | 0.000 |
| *age* | -0.029 | 0.005 | -6.32 | 0.000 |
| *union* | 0.257 | 0.085 | 3.03 | 0.002 |

votstyle=-1 is the base style

Table 4.2: Results-1

As can be seen, a respondent's belief about the EU effect on domestic politics does not lead to a significant effect on his likelihood of voting for a more moderate party than the one he placed closest to himself, which means there is no evidence of strategically voting for a moderate party due to expectations of a centrist policy pull by the EU. I must also add that none of the variables I have identified seems to be a significant determinant of such voting behavior which leads me to conclude that strategic considerations or personal characteristics are not related to a person's likelihood of voting for a more moderate party than the one he perceives closest to himself. The determinants of such voting behavior might simply be impulsive. Interestingly, we see a more significant effect (even though it is still not as statistically significant as we would like) on the likelihood of a respondent voting for a more extremist party than the one he placed closest to himself. The estimated coefficient of the likelihood of a respondent belonging to the category of those who voted for a more extremist party than the one they placed closest to themselves versus belonging to the baseline category which contains those who voted for the party they placed closest to themselves is positive and of considerable magnitude. That is, the ratio of these likelihoods increases considerably as a respondent attributes more power to the EU effect on domestic politics. we see that having a party identity significantly reduces the probability of a respondent belonging to this category, or in other words, significantly increases the probability that a respondent will use proximity voting. Another interesting result is that not being a union member increases a respondent's likelihood of acting against the predictions of proximity voting and voting for a more extremist party than the one he placed closest to himself. This might be because union membership creates party identification. Finally, we see a significant negative effect of education on the likelihood of a respondent belonging to this category. More educated people are less likely to vote for a more extremist party than the one they placed closest to themselves.

In terms of the likelihood of abstaining, the estimated coefficient of *euorgov* indicates a significant relation between a respondent's belief about the power of the EU effect on domestic politics and his likelihood of abstaining. Those who think that the EU has more to do with the economic situation in the UK are more likely to abstain. This result is in line with Tillman's (2008) findings. Apparently, my model best explains abstention behavior as almost all coefficients in this category are highly significant. As previous literature suggested, having abstained in the previous election significantly increases the likelihood of abstaining this election as well, whereas having a party identity, education, age and union membership significantly reduce the probability of abstention.

Next, I rerun the multinomial logit analysis with the inclusion of respondents' eval-

uation of their own economic situation as an additional independent variable. Economic considerations have been repeatedly found to affect voting behavior (REF) and party choice. Even though my dependent variable is about the choice among proximity voting, strategic non-proximity voting, and abstention, and not about party choice, I find it useful to test for any effects economic considerations might have. The respondents were asked to compare the financial situation of their household at the time of the survey with what it was 12 months ago. They choose among 1 to 5, 1 being "got a lot worse" and 5 being "got a lot better". I constructed the variable *hhecon* using the responses given to this question. Table 4.3 presents the results. As can be seen the results do not change much with the inclusion of household economic situation evaluations. The estimated coefficient for this new variable fails to be statistically significant for all categories.

Multinomial Regression Analysis  Number of Observations: 1645

| votstyle | Coefficient | Std. Error | z | P>\|z\| |
|---|---|---|---|---|
| 0 | | | | |
| *abstained* | -0.091 | 0.428 | -0.21 | 0.831 |
| *identity* | -0.099 | 0.418 | -0.24 | 0.813 |
| *euorgov* | -0.015 | 0.120 | -0.12 | 0.903 |
| *closeness* | 0.004 | 0.034 | 0.10 | 0.916 |
| *hhecon* | 0.069 | 0.118 | 0.59 | 0.557 |
| *education* | 0.097 | 0.069 | 1.39 | 0.163 |
| *age* | -0.005 | 0.007 | -0.68 | 0.498 |
| *union* | 0.085 | 0.135 | 0.63 | 0.530 |
| 1 | | | | |
| *abstained* | 0.254 | 0.261 | 0.97 | 0.331 |
| *identity* | -0.496 | 0.252 | -1.97 | 0.049 |
| *euorgov* | 0.122 | 0.077 | 1.59 | 0.113 |
| *closeness* | 0.001 | 0.022 | 0.04 | 0.970 |
| *hhecon* | -0.133 | 0.077 | -1.72 | 0.086 |
| *education* | -0.086 | 0.049 | -1.75 | 0.080 |
| *age* | -0.001 | 0.005 | -0.21 | 0.832 |
| *union* | 0.184 | 0.093 | 1.97 | 0.048 |
| 2 | | | | |
| *abstained* | 1.573 | 0.182 | 8.62 | 0.000 |
| *identity* | -1.403 | 0.192 | -7.29 | 0.000 |
| *euorgov* | 0.184 | 0.071 | 2.60 | 0.009 |
| *closeness* | -0.028 | 0.021 | -1.34 | 0.181 |
| *hhecon* | -0.108 | 0.072 | -1.52 | 0.130 |
| *education* | -0.157 | 0.046 | -3.42 | 0.001 |
| *age* | -0.029 | 0.005 | -6.40 | 0.000 |
| *union* | 0.255 | 0.085 | 3.00 | 0.003 |

votstyle=-1 is the base style

Table 4.3: Results-2

Finally, I modified my dependent variable *votstyle,* and combined the two categories of strategic non-proximity voting. That is, the new dependent variable, which I called *votstyle3* (because it has three categories) has 3 categories rather than 4. Those who voted for the party they placed closest to themselves make up the base category again are coded 0; those who voted for a party other than the one they placed closest to themselves are coded 1; and those who abstained are coded 2. I test whether a respondent's belief about the power of the EU effect on domestic politics affects his choice among these categories. Table 4.4 presents the results. As can be seen from the table, the results do not change much. A respondent's belief about the power of the EU effect on domestic politics significantly affects his likelihood of abstention. In terms of a respondent's likelihood of voting for a party that he did not place closest to himself, we see that the EU effect is in the expected direction, that is, the likelihood increases as a respondent attributes more power to the EU, but the estimated parameter does not have enough statistical significance.

Multinomial Regression Analysis  Number of Observations: 1656

| votstyle3 | Coefficient | Std. Error | z | P>\|z\| |
|---|---|---|---|---|
| 1 | | | | |
| *abstained* | 0.137 | 0.236 | 0.58 | 0.562 |
| *euorgov* | 0.084 | 0.068 | 1.24 | 0.217 |
| *identity* | -0.409 | 0.231 | -1.77 | 0.076 |
| *education* | -0.036 | 0.042 | -0.85 | 0.396 |
| *age* | -0.002 | 0.004 | -0.42 | 0.672 |
| *union* | 0.161 | 0.081 | 1.97 | 0.049 |
| *closeness* | -0.0001 | 0.020 | -0.01 | 0.996 |
| 2 | | | | |
| *abstained* | 1.548 | 0.181 | 8.57 | 0.000 |
| *euorgov* | 0.191 | 0.070 | 2.72 | 0.007 |
| *identity* | -1.438 | 0.191 | -7.52 | 0.000 |
| *education* | -0.160 | 0.046 | -3.51 | 0.000 |
| *age* | -0.029 | 0.005 | -6.33 | 0.000 |
| *union* | 0.256 | 0.085 | 3.02 | 0.002 |
| *closeness* | -0.028 | 0.021 | -1.32 | 0.187 |

votstyle3=0 is the base style

Table 4.4: Results-3

## 4.5 Conclusion

The literature on the effects of EU membership on voting behavior in national elections has so far concentrated on investigating whether EU advocacy became another cleavage in national politics, and on investigating whether the EU control over economic policies leads to a weakening of economic voting. These perspectives fail to capture the structural effects EU membership has on domestic political competition. It has been commonly argued that EU membership imposes constraints on domestic policy alternatives in both economic and non-economic policy areas, and thus, limits the capacity of parties and political elites to deliver policy (Gabel, 2000; Hix, 2000). Thus, both perspectives are limited in their ability to comprehensively capture the EU effect on voting behavior in national elections.

This article offers a more comprehensive approach. I argue that EU membership creates a centrist pull over alternative policies in member states, and that voters in EU member countries, while formulating their vote, take into account this central pull the EU will have on the final policy outcomes in their countries. I construct a simple, single-dimensional decision theoretical model to depict these arguments, and I derive three conjectures from my model, namely that the EU effect may alter voters' evaluations of ideological proximity between themselves and political parties, and (i) may lead them to vote for parties they perceive more extremist than themselves, and for whom they would not have voted for had the EU effect been absent; (ii) may lead them to vote for parties they perceive more moderate then themselves, and for whom they would not have voted for had the EU effect been absent; (iii) may lead them to abstain. I empirically test these conjectures using survey data from the 2001 British Election Study. The results support the third conjecture, and demonstrate that a respondent who believes the EU has control over the economic situation in the UK is more likely to abstain. I also find limited support for the second conjecture. The results indicate a positive, albeit not statistically significant enough, relation between a respondent's belief about the power of the EU effect and his likelihood of voting for a more extremist party than the one he placed closest to himself. The first conjecture is not supported by the data.

This chapter provides a good example of introduction of an external veto player into an existing political system. The EU, with its centrist pull on policies acts as a veto player. The chapter investigates whether and how the introduction of this new veto player is perceived by existing actors.

There are limitations to this chapter's analyses. The first is that it is limited to one

election study in a single country. This limitation results from the absence of equivalent questions in other election studies conducted in other countries. A study of a single election always leaves open the chance that various factors unique to this election have biased the results. A panel data set including other countries and other election studies would certainly render the results more credible and conclusive. Unfortunately, this limitation will have to stand until future data become available.

Another limitation is that the analysis ignores any strategic changes political parties may have gone through in EU member states. If political parties in EU member countries adopt their political stances and the policies they advocate when they are faced with the constraints EU membership imposes on their ability to deliver alternative policies, then we should also expect voters to adjust their placement of political parties accordingly (Hix, 2003). Then we should investigate the EU effect in party placements of voters rather than their voting behavior. Mair (2000) and Krouwel (2004) argue that European integration has had virtually no effect on the format of national party systems which implies this limitation may not present severe problems for the analysis. Nevertheless, future research should address these limitations.

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# CHAPTER 5
# CONCLUSION

This dissertation studies political decision making through a *veto players* approach which entails identifying those political actors with the power to veto the decision, and understanding the political outcome as a product of the interaction of these actors.

The *veto players* literature so far takes veto players as simple, domestic actors with given preferences that are common knowledge to everyone. This approach leaves out any strategic interaction that may take place among veto players as it treats them as commonly known preference profiles, and thus creates serious gaps in the literature. This dissertation aims to fill these gaps in the literature by treating veto players, and those third parties that the veto players are accountable to as strategic actors in the game of politics which may take place in limited-information settings. The second important factor that the literature has not explored yet is the emergence of new veto players. This dissertation acknowledges that in certain policy areas the set of relevant veto players may include foreign actors as well as domestic ones, and analyzes how the emergence and the existence of these new players influence political decision making and the resulting policies. Finally, the fact that veto players in a political system are either elected or appointed, and thus are usually accountable to those who elect or appoint them, is the third factor that the veto players literature has yet to take into account. This dissertation includes those third parties as strategic players in the game of political decision making, and thus contributes towards filling out this gap in the literature. The chapters investigate general questions on institutions and political decision making while drawing upon specific examples from Turkish politics using formal analysis, and game theoretical and statistical tools.

In the second chapter, by the use of a simple spatial model of policy choice, I have demonstrated that the existence of a veto player might affect the nature and timing of policy change and even render inaction in specific issue areas a rational choice for a government. My motivating example in this chapter was the *turban* issue which has been occupying the Turkish political scene since the late 1990s, and the AKP government's approach to the more general question of the role of religion in politics and public life. I built a very simplistic version of a government's policy making problem in one specific area. The government is constrained only by the preferences of its core constituency and the preferences of a single veto player. In reality there are of course further complicating factors that exists in the political environment. As I have discussed before there may be

multiple veto players, including coalition partners in the case of a coalition government and the opposition parties in the parliament depending on the number of chairs each party holds. Depending on the electoral laws there may be further complications. A further complication might arise from other informational imperfections. In my model I assumed that the government only lacks information about veto costs, and has perfect information about the ideal policies of the core constituency and the veto player. It might be that the government has only a probabilistic view of these as well. My model does not allow any communication among players that might alleviate informational problems. In reality, one would expect the government to communicate with all other relevant players, especially while formulating a new policy. More importantly, the core constituency is probably not the only ones whose support the government cares about. Depending on the policy area, the government might be aiming to please groups outside its core constituency, or it might be considering the support it gets from the whole spectrum of voters rather than just its core constituency. So,the distribution of ideal points of other voters and their policy sensitivities might also be important in making a policy decision. To extend this model to include these further constraints remains a challenging task and is left for further research.

In the third chapter, I turned to linkage politics and develop a game theoretical model that explains how the existence of domestic veto players can obstruct international cooperation through studying a model that demonstrates how an international agreement signed by representatives of two countries can fail parliamentary ratification. My motivating example in this chapter was the *military cooperation agreement ratification failure crises* of 2003 between Turkey and the United States. I studied a scenario in which the executives of two countries bargain on a cooperative agreement to replace the existing state of affairs between them. The agreement comes into effect only if it gets ratified by the parliaments in the two countries. One of the executives lacks information about parliamentary preferences in her country. I allowed communication between agents and showed that under certain assumptions, the informational deficiency is incurable due to incentives to misrepresent preferences. Thus, there is a positive probability that the international agreement will fail ratification. I also showed that a parliament whose majority is more hawkish than their executive towards cooperation with the other country prefers to be represented by a risk averse executive in the international bargain rather than a risk neutral one. This model can easily be adapted to study domestic veto bargaining situations in presidential bicameral systems where the president holds a veto over proposed legislation and/or principal-agent relations where an imperfectly informed principal holds a veto over the actions of an agent. I

leave such applications for further projects.

I continued my focus on linkage politics in the fourth chapter. My argument in this chapter was that increased interdependence among countries, either through international organization membership or through economic interdependence, introduces new and outsider veto players to polities. The introduction of these new veto players brings in new information to the attention of the domestic constituency who then change their behavior accordingly. Specifically, I argued that EU membership creates a centrist pull over alternative policies in member states, and that voters in EU member countries, while formulating their vote, take into account this central pull the EU will have on the final policy outcomes in their countries. I empirically tested my arguments and found partial support which indicates the necessity of further research on the issue. There are of course limitations to this chapter's analyses. The first is that the empirical analysis is limited to just one election study in a single country because of data availability issues for other studies and countries. A study of a single election always leaves open the chance that various factors unique to this election have biased the results. A panel data set including other countries and other election studies would certainly render the results more credible and conclusive. Unfortunately, this limitation will have to stand until future data become available. Another limitation is that the analysis ignores any strategic changes political parties may have gone through in EU member states. If political parties in EU member countries adopt their political stances and the policies they advocate when they are faced with the constraints EU membership imposes on their ability to deliver alternative policies, then we should also expect voters to adjust their placement of political parties accordingly. Then we should investigate the EU effect in party placements of voters rather than their voting behavior. Future research should address these limitations.

To summarize, this dissertation follows the veto players approach in political studies. Previous research has proven the generalizability and explanatory power of the approach but there still remains some important aspects of political life like the strategic interaction among veto players in political environments of asymmetric information; the effects of introducing new veto players to existing political systems; and the effects of possible accountability relations between veto players and third parties that need to be addressed. This dissertation aims to address these aspects, and thus, fill out the gaps in the literature while drawing upon specific examples from Turkish politics. The contribution, in that sense, is fourfold: filling out the gaps in the veto players literature; furthering our understanding of Turkish politics; proving that Turkish politics is a political system that can be studied and understood within the general frameworks and

theories of political science; and finally attracting scholarly interest to Turkish politics by demonstrating how it can be a lucrative ground for political science research.