

Partial Veto Bargaining

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What is the Partial Veto?

- Executives can veto parts/items of bills
- Everything else becomes law
- US: President Clinton, 1996-1998
- US Governors: 44 out of 50 States
- Latin American Presidents: 15 out of 18 Presidents

What is the *effect* of the Partial Veto?

Argument

The partial veto works against the executive.

Having the partial veto prerogative, the executive cannot credibly commit to not veto those parts of the bill that he dislikes.

Reagan's plea to Congress

Asking of them

“the right to veto individual items in appropriations bills without having to veto the entire bill” (SOTU 1984)

“to carve out the boondoggles and pork, those items that would never survive on their own” (SOTU, 1987).

Existing Literature

Partial Veto: Empowers the Executive

Mechanism 1: Negative Power

- Emphasis on spending and deficit reduction
- Null Findings
 - (We) “find no clear evidence that the item veto bestows a negative, budget-cutting power on chief executives (even those who are frugal)” (Kousser & Phillips 2012)

Existing Literature

Partial Veto: Empowers the Executive

Mechanism 2: Positive Power

- Increases Executive leverage to influence bargaining
- Null Findings
 - “Overall, we uncover little support for the hypothesis that the item veto can be used as a positive power to move the governor’s agenda” (Kousser and Phillips 2012)

Common Assumptions

- President uses the partial veto strategically
- Legislators approve bills without further thought about the endgame
 - Legislators are unaware that the executive may veto parts of bills

Empowerment of the Legislature

- Legislators are also forward looking
- They adjust behavior & write bills differently because of the partial veto

Argument:

The partial veto works against the executive.

The executive cannot credibly commit to not veto the parts of the bill he dislikes.

A Model of Partial Vetoes (Indridason 2011)

Bills:

- Public goods: $z \in \mathfrak{R}$
- Private goods: $x_j \in \{0,1\}$; fixed cost α_j

Players:

Utilities

– Executive E

$$U_E(x) = w_E(z) - \gamma \sum_{j \in N} \alpha_j x_j$$

– Legislators i

$$U_i(x, x_{iL}) = w(z) + \alpha_i x_0 + \beta \alpha_i x_{iL} - \varepsilon \sum_{j \in N} \alpha_j x_j$$

– Agenda Setter A ; Recalcitrants K

5 Stages

Equilibrium concept: SPNE

Theoretical Findings (Indridason 2011)

Partial Veto:

- Public goods are never produced at z_E
 - Public goods produced at z_L or z_0
 - Lack of credibility: E has no incentive to comply

Total Veto:

- Public goods produced at z_L or higher
 - Legislators are willing to compromise on the public good in exchange for private goods E will not veto

Empirical Implications

1. Granted the partial veto prerogative, E's ability to influence the content of bills (public goods) decreases
 - It is higher under total veto, because E decides over different components of bills bundled together. Legislators seek compromise (avoid total veto)
2. Bargaining breaks down. Sequential feature is lost

Empirical Analysis

- Argentina 1983-07: 180 partial, 182 total
- Sample; In-depth analysis ==> Δ approach

Finding: L amends bills significantly, against E preferences

Examples:

(A) Law 24156 – Financial Administration Act of 1992

(B) Law 25500 – Amendment to the 2001 National Budget Affecting Pensions

(C) Law 23802 – Declare the Construction of a Hydroelectric Plant in the Province of Mendoza to be of public interest.

Optimal Strategies (E)

(i) $z_V^* = z^0$ and $x_{iV}^* = \begin{cases} 0 & \text{if } i \in K^*(z^0) \cup H \\ x_{iL} & \text{else} \end{cases}$ if the following three conditions hold:

(a) $z_L < z^0$

(b) $w_E(z_L) - \gamma \sum_{i \notin K^*(z_L) \cup H} \alpha_i x_{iV} > w_E(z^0) - \gamma \sum_{i \notin K^*(z^0) \cup H} \alpha_i x_{iV}^*$

(c) $\exists B^+ \subset B = \{i \in N \mid x_{iL} = 1\}$, such that $|N \setminus (B \cup B^+)| \geq n - m + 1$ and $\varepsilon \sum_{j \in B \setminus B^+} \alpha_j \geq w(z_L) - w(z^0)$

(ii) and $z_V^* = z_L$ and $x_{iV}^* = \begin{cases} 0 & \text{if } i \in K(z_L) \cup H \\ x_{iL} & \text{else} \end{cases}$ else.

Hypotheses

- *Hypothesis 1*

Under a partial veto regime, the bills approved by the legislature will be more likely to deviate from the executive's preferred level of public goods than under a package veto regime.

- *Hypothesis 2*

Under the partial veto the executive will try to veto as many private goods as possible, but will leave enough private goods to ensure her veto is sustained.

- *Hypothesis 3*

Under the partial veto, 'veto chains' should not occur.