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Article title: A Rational Choice Perspective on Executive Politics

Abstract: Rational choice theory has shaped the study of executive politics in important ways. We contend most of the literature on executive politics employing rational choice approaches can be seen as relying on two related problems that all executives confront: credible commitment and delegation. We briefly review the key components of rational choice theory that distinguish it from other theoretical approaches. We then examine how the two different problems have different expressions in parliamentary and presidential systems.

Keywords: Rational Choice, Executives, Credible Commitment, Delegation, Agency-loss

1. Importance, main questions and methods

Introduction

Rational choice analysis has played a significant role in the study of executive politics. Rational choice approaches assume that individuals are rational in the sense that they possess “well-defined” preferences and, simply put, that they try to achieve the outcome that they like the most. Even so, rational choice approaches do not require individuals to be wholly self-regarding. That is, adopting a rational choice approach does not involve making any particular assumptions about the content of individuals' preferences (although any given application must make some assumption). Rational choice analysis, thus, seeks to explain the strategies that rational actors adopt given their preferences, the preferences of other actors, and the exogenous constraints those actors face.

For the purpose of this chapter, we take “the executive” to refer to the set of actors who exercise executive political authority. This is how most comparative political scientists would understand the term, and it explains our focus on dictators, presidents, and prime ministers. A more expansive conception of the executive might include the bureaucracy that carries out the executive's policies. This is the conception that one tends to find in public administration. Alternatively, one might cast the executive as the set of key-decision makers in a state, be they political, bureaucratic, or military actors. This is how international relations scholars often use the term, and such a definition can be useful where constitutional detail is irrelevant.¹

We start our discussion by considering the fundamental challenges faced by a generic executive in a context-free environment, i.e., where institutional rules are minimal. Bueno de Mesquita et al.'s (2003) selectorate model is a useful starting point for our discussion because it is predicated on just two assumptions: 1) that the executive – whether a monarch, dictator, or elected leader – wishes to remain in power; and 2) the executive requires the support of others – a support coalition – to remain in power. It follows that the main problems of executive politics revolve around the bargain that the executive must strike with her support coalition. In particular, survival requires that all parties expect *the bargain to be honored* and that it be *implemented faithfully and correctly*. These two requirements give rise to problems of

¹ There are, of course, a wealth of examples in the international relations literature where “the executive” is not merely a synonym for “the state”. The literature on two-level games (Putnam 1988) and audience costs (Fearon 1994), e.g., explicitly focus on, respectively, the executive's need to negotiate with other branches of government or to be concerned with electoral considerations.

credible commitment and *agency-loss*, respectively. Much of the rational choice work on political executives has been done in the context of democratic rather than dictatorial regimes (though see Bueno de Mesquita et al. (2003), Svobik (2012), Ghandi (2008)). We thus consider how parliamentary and presidential executives deal with the twin problems of credible commitment and agency-loss.

Historical Origins

The historical origins of the rational choice perspective on executive politics can arguably be traced to Machiavelli's *The Prince*. One can read *The Prince* as a handbook for early executives, one that tells them how to survive in office and to accomplish their ends given a set of commonly encountered challenges. The roots of the more explicit and formal development of rational choice approaches to the study of elites can be traced most directly back Riker's (1962) *The Theory of Political Coalitions*. While Riker did not dwell much on political executives, it laid the groundwork for the rich literature on coalition formation and duration, which are central concerns of parliamentary executives.

One may also view the groundbreaking work in game theory and its applications to deterrence during the Cold War as having been motivated by a rational choice understanding of executive politics, although the focus was largely on the interactions of states. Allison's (1971) classic study of the Cuban Missile Crisis is an example of work in this tradition precisely because it explicitly presents the 'rational actor' model as the dominant model for analyzing the behavior of national governments. It is also worth noting that the work of some of Riker's contemporaries influenced the study of executive politics indirectly; Niskanen's (1971) work on the bureaucracy undoubtedly later motivated the literature on the relationship between executives and their bureaucracies.

Fundamental Assumptions

Three ontological assumptions define rational choice analysis. The first assumption is that individuals have preferences. The second is that these preferences are "well-defined" in the sense that they are complete, reflexive, and transitive. The third is that individuals are rational maximizers. That is, individuals seek to secure the best outcome possible – or alternatively, to achieve their desired goals.² It is on the basis of these assumptions that rational choice analyses understand observed behavior to be rational and purposive (i.e., goal-seeking) as a matter of course. Rational choice analysis is also often associated with methodological individualism; the idea that (political) outcomes must be explained in terms of the motives and actions of individuals rather than groups. While this can be viewed as a desirable quality for theories to have – as group preferences are not necessarily well-defined – it is not unusual for rational choice analysis to focus on collective actors such as parties, cabinets, and interest groups.

The assumption that actors possess well-defined goals relates only to the existence of goals; it does not stipulate the content of those goals. Consequently, any rational choice analyses of executives must make some substantive assumption about what it is that executives want – much like any (non-rational) theory of political executives must.

Two substantive assumptions about executives' goals are common. The first is that executives are driven to maintain power. To do this the executive must build a winning coalition among the "selectorate" (Bueno de Mesquita et al. 2003). As we note below, the definition of the selectorate and the methods the

2 Implicit in this third assumption is that the individual possesses a set of beliefs about the connection between actions and outcomes. These beliefs must themselves be rational in the sense that they must be based on all available evidence (Elster 1986, 4).

executive employs to stay in power differ across dictatorial and democratic regimes and across parliamentary and presidential regimes.

A second assumption is that executives want to influence policy. This assumption may appear incidental to the first assumption in that an executive may seek to advance certain policies because those policies help them maintain power; policy is thus valued only in an instrumental sense.³ However, as we argue below, many of the institutional structures we observe and much of what executives do can only be explained – at least from a rational choice perspective – by assuming that executives seek to implement policies that reflect their preferences.

Rational choice approaches are often identified with formal and especially game theoretic modeling. This is misleading. The distinction between formal and non-formal approaches is a methodological one. That is, formal modeling need not proceed from rational choice assumptions. Approaches based on bounded rationality or evolutionary behavior, for example, sometimes rely on formal modeling but are not rational choice approaches as defined above.

A common and longstanding criticism of rational choice theory is that its foundational assumptions about human psychology are manifestly false. The human mind is incapable of evaluating what are often large, complex, and inchoate sets of options to make the utility maximizing choice. Thus, humans rely on heuristics to satisfice (Simon 1947) or fall prey to a variety of psychological illusions (framing effects, status quo bias, etc.) that limit their capacity to maximize (Kahneman and Tversky 1979). A related critique is that rational choice cannot generate defensible empirical claims in part because its foundational assumptions are empirically false (Green and Shapiro 1994).

The merits of rational choice theory in general have been extensively debated elsewhere (e.g., Elster 1986; Green and Shapiro 1994; Shepsle 1995; Cox 1999). More relevant is the contrast that Allison (1971) drew between the rational actor model of executive decision-making on one hand, and organizational process and governmental politics models, on the other hand. The organizational model, inspired by Simon (1947) and March and Simon (1958), stressed the importance of set repertoires and satisficing in the decision-making process. The governmental politics model highlighted the importance of persuasion, personality, charisma, and psychology; it was motivated by Neustadt's work on the US presidency, but elements of Allison's governmental process model recall Laswell's (1948) psychological perspective on the exercise of power. While dated and increasingly rare in modern political science, one can take these approaches as the main alternatives to a rational choice approach to political executives.

Rational choice approaches typically consider aspects of individuals' personality, e.g., temperament, personability, charisma, etc., to be irrelevant. Some aspects of personality may, of course, be modeled. For example, rational choice models routinely make assumptions about individuals' preferences for risk. However, psychological factors that render the individual's preferences ill-defined or incomplete are incompatible with rational choice approaches. Similarly, a rational choice perspective on executive politics is fundamentally incompatible with organizational approaches that cast behavior as routine- or norm-driven. However, permitting a slight abuse of terminology, rational choice approaches can incorporate certain types of irrationality. For example, while it is typically assumed that individuals update their beliefs in Bayesian fashion when confronted with new information, other forms of updating of beliefs can be modeled (see, e.g., Hafer & Landa 2007).

If executives are driven to stay in power and to implement their preferred policies, then the obvious questions to ask are:

3 Similarly, maintaining office can be seen as an instrument to influence policy.

- What challenges do political executives face in remaining in power, and how do they respond to those challenges?
- What challenges do political executives face in implementing their preferred policies and, how do they respond to those challenges?

Selectorate theory offers a context-free answer to the first question: regardless of the nature of the regime, the executive must maintain the loyalty of a support coalition among the wider selectorate to fend off rivals. To do this, the executive must reach a bargain with potential supporters. As we discuss below, the precise nature of this bargain will depend on the regime's institutions. However, we know that if the winning coalition is very small relative to size of the selectorate, this bargain is likely to involve the distribution of private goods to supporters. If, in contrast, the winning coalition comprises a large fraction of a selectorate that is itself large, the bargain is likely to involve the provision of public goods (Bueno de Mesquita et al. 2003). The former conditions obtain in many dictatorships; the latter, in representative democracies.

Striking a bargain with a support coalition is the executive's first order of business. But from a rational choice perspective, the main "problems" of executive politics are pursuant to this initial bargain. In particular, the bargain must be *honored* (by both sides) and it must be *implemented*. These two requirements create problems of *credible commitment* and *agency-loss* respectively. The problems of credible commitment and agency-loss are closely related – the difference rests in which actor constitutes the threat; a party to the bargain who has power to deviate (i.e., the executive or supporters) or an 'outside' actor with their own preferences (e.g., bureaucrats or, in some cases, cabinet ministers.)

2. Executive Politics in Democratic Regimes: Parliamentary & Presidential Executives

In order to make more specific statements about the challenges that executives face, and how they deal with those challenges, we must consider the institutional context or regime type. We limit our attention to democratic regimes as they have been the focus of the bulk of the rational choice literature on executive politics. We then consider how the problems of credible commitment and agency-loss provoke different responses in parliamentary and presidential regimes.

The Problem of Credible Commitment

Parliamentary Responses to the Credible Commitment Problem

In a parliamentary system, the executive is comprised of a prime minister and ministers, collectively designated the cabinet. The cabinet's support coalition consists of a legislative majority. The bargain between the cabinet and the legislative majority involves a legislative majority delegating control over the legislative agenda to the cabinet subject to the cabinet using this agenda control to advance the interests of the legislative majority. This bargain is threatened by moral hazard on both sides: on one hand, the cabinet may use its agenda power to advance interests other than those of the legislative majority; on the other, the legislative majority may fail to support the cabinet's legislative initiatives. A number of institutions have evolved to mitigate these credible commitment problems.

Constitutional Conventions: Parliamentary government is characterized by a set of constitutional conventions that delineate the executive's and legislature's responsibilities to one another and power over

one another. These conventions can be understood as mechanisms that allow the cabinet and legislative majority to resolve their mutual credible commitment problems.

The confidence convention, for example, requires the cabinet to seek legislative support for its policy proposals and to resign should it fail to secure that support. Ostensibly, the confidence convention gives the legislative majority the power to bring down a cabinet that fails to advance the majority's interests. This view is subject to three important caveats. First, in many parliamentary systems the prime minister can subject legislative proposals to a vote of confidence. If the cabinet loses a vote of confidence, it resigns, and it is either replaced by an alternative cabinet or the legislature is dissolved, and new elections take place. To the extent that the legislative majority prefers to avoid an alternative cabinet or new elections, the prime minister can use a vote of confidence to induce legislators to support the cabinet's proposals – even when those proposals do not align with the interests of the legislative majority (Diermeier & Feddersen 1995; Huber 1996). Second, even in parliamentary systems where the prime ministers lack the authority to call a vote of confidence, the cabinet is usually allowed to offer the last amendments. Cabinet ministers can use this last amendment power to give the legislative majority a better deal than the one currently on the floor of the legislature (Heller 2001). Third, there is no requirement that the legislative majority that places the cabinet in power be identical to the legislative majority that supports the cabinet's proposals. Thus, the cabinet can survive by playing off contending legislative coalitions against one another.

Political Parties: Modern parliamentary government is party government. One can understand political parties as another solution to the credible commitment problem that the cabinet and its legislative support coalition confront. Parliamentary parties accomplish this mainly by exerting monopoly control over the channels of election to the legislature and advancement within it. Party leaders offer their members an implicit contract: If you consistently support our preferred cabinet, we will promote you to more prestigious and influential positions within the legislature; otherwise we won't (Kam 2009). That this contract also works to bind the cabinet to its legislative support coalition is not so obvious. However, as Strøm (2000) has argued, these arrangements also operate as screening devices that prevent unreliable or disloyal party members from being promoted to the cabinet. Indeed, there is evidence to suggest that prime ministers tend to reflect the preferences of their support coalitions (Kam, et al. 2010).

Coalition Government: Coalition governments are the norm in most multi-party parliamentary systems. This is of central importance: Even if political parties succeed in resolving commitment problems that exist between leaders and followers, each coalition party must consider the possibility that its partners will use their cabinet positions to advance their own partisan interests. The commitment problem thus re-emerges in a slightly different form.

The rational choice perspective understands many of the institutions and conventions that govern the formation and conduct of coalition governments as efforts to mitigate this credible commitment problem. Laver and Shepsle (1996) argue that coalition partners deal with their credible commitment problem via a convention of ministerial autonomy. Thus, each party gets to dictate policy in the portfolios that it controls. However, creating portfolio dictators results in Pareto-inefficient outcomes, i.e., there exist policy compromises preferred by each coalition partners to the coalition policy (Thies 2001). The problem with any such compromise is that each party has an incentive to renege on the compromise and impose its preferred policy in its portfolios. Coalition cabinets thus face a choice between an inefficient but self-enforcing policy agreement or an efficient but unstable policy agreement. This paradox has attracted several theoretical responses.

- The first is that coalition partners assign junior ministers in a way that allows the parties to monitor one another's portfolios (Thies 2001). Thus, a minister from party A will be paired with a junior

minister from party B. The junior ministers can then report back to their parties as to whether the ministers is honoring the coalition agreement.

- A second strategy involves using legislative committees to keep tabs on one's partners (Martin & Vanberg 2005). Before a minister's bill is put to a final vote in the legislature, it passes through a legislative committee that assesses and amends the bill to ensure its compliance with the coalition agreement. The effectiveness of legislative committees may further be enhanced by pairing of cabinet ministers with committee chairs from a different coalition party (Kim & Loewenberg 2005, Carroll & Cox 2012).
- A third strategy involves writing coalition agreements that detail the policies that the coalition will pursue (Müller & Strøm 2008). These agreements cannot directly resolve the parties' credible commitment problems for the simple reason that coalition agreements are not subject to third-party enforcement – although renegeing on the coalition agreement may hurt the parties' reputations as well as have electoral consequences (Eichorst 2014). Moury (2013) finds that coalitions tend to observe coalition agreements, and Indridason & Kristinsson (2013) find that their length increases with ideological heterogeneity, which is what would be expected if they serve to constrain coalition partners.
- Finally, coalitions reduce ministerial autonomy by adopting dispute resolution mechanisms or cabinet committees charged with dealing with contentious issues. Bowler et al. (2016) argue that the decision to adopt dispute resolution mechanism is a function of the coalition parties' ideological heterogeneity and the disparity in their legislative representation. In some instances, cabinet committees are established at the outset to address specific issues while in other instances their presence may be a response to uncertainty about the salience of issues.

It is worth observing that all of these coalition-monitoring arrangements are obsolete if cabinet portfolios are purely distributive goods – i.e., the portfolio simply provides the holder with a set of perks. If the cabinet is simply a “pie” to be shared among coalition partners, there is no reason for one partner to concern itself with how the other partners operate their portfolios. Hence, it is difficult to explain the existence of these institutions from a rational choice perspective unless one posits that executives have policy preferences.

Presidential Responses to the Credible Commitment Problem

Credible commitments take a slightly different form in presidential regimes. This is because presidents – in contrast to prime ministers – are popularly elected, and hence they do not rely on the support of others to retain office. Nevertheless, presidents confront some of the same problems as prime ministers because they may want to build legislative majorities to advance their policy agendas.

Carey and Shugart (1998) note that presidents have two strategies to obtain the policies that they want: 1) they can adopt a *legislative strategy* that involves working with the legislature; or 2) they can adopt a *prerogative strategy* that involves issuing executive decrees. Conditions that make it difficult for a president to build a legislative majority (e.g., undisciplined parties or legislative fragmentation) or to protect themselves from agency loss (e.g., weak veto powers) make a prerogative strategy more attractive. While Carey and Shugart largely cast the president's choice in terms the attractiveness of using decrees to affect policy change, Amorim Neto (2006) notes that a legislative strategy may involve building a stable legislative coalition via the formation of a multi-party cabinet. Much like the parliamentary coalitions discussed above, such

coalitions raise the issue of credible commitment. The allocation of ministerial portfolios to the president's legislative coalition partners can be seen as tool to facilitate a credible commitment to the coalition agreement. The effectiveness with which the coalition's credible commitment problem can be solved has implications for the president's decision to pursue a legislative or prerogative strategy.

The president's constitutional powers play an important role in shaping which strategy the president pursues. The president's most relevant powers in this context are the ability to veto legislation and to issue presidential decrees that have the force of law. The former represents a reactive power, i.e., it can only be issued in response to the legislature's action, while the latter is a proactive power that can be wielded without the legislature's prior involvement. Both influence the balance of power between the president and the legislature. Intuitively, retroactive powers have little value to the executive when the legislature favors the status quo, whereas the ability to issue decrees can be useful. In situations where the constitution grants the executive only the power to veto legislation, the legislature is the agenda-setter (Cameron 2000; McCarty 2000). The stronger the president's veto – in terms of the number of votes required to override the president's veto – the more attractive a legislative strategy will be to the president.

Veto-powers also vary in terms of whether the president must veto the legislative bill as a whole (package veto) or can veto parts of the bill (item veto). Generally, the item-veto, is considered to provide presidents with greater flexibility to shape legislation, e.g., to trim pork barrel projects from legislation (see, e.g., Carter & Schap 1987). Thus, an item-veto ought to make a legislative strategy more attractive. There are, however, reasons to think that the effects of the item-veto are more complex. As Indridason (2007) and Palanza & Sin (2014) point out, the anticipated use of the president's item-veto will shape the original legislation. This is because one of the effects of the item-veto is to render the president's commitments non-credible: any bargain struck in the legislature that involves concessions to individual legislators can be unraveled by the president. The set of credible bargains that can be struck thus shrinks as the president's flexibility in wielding her veto increases. In this respect, stronger veto-power may reduce the appeal of pursuing a legislative strategy.

Stronger decree powers increase the incentives to take unilateral action. Carey and Shugart (1998) identify two aspects of executive decrees that influence their effectiveness: first, whether a decree becomes a permanent law or expires within after a set period; second, whether the decree comes into effect immediately or after some delay. Decrees are most valuable when they come into effect immediately and do not expire. In this scenario, the president is effectively a legislative agenda setter and, the legislature must respond with its own legislation if it wishes to affect the policy outcome. Thus, while the president cannot simply by-pass the legislature, her decree places the onus on the legislature to produce its own legislation. This in turn requires legislators to solve a collective action problem that can be onerous – especially in fragmented legislatures where legislators depend on a personal vote rather than party labels to secure reelection (Carey and Shugart 1998; Moe & Howell 1999).

A prerogative strategy is clearly less attractive when decrees expire, but this also depends on the executive's ability to re-issue the decree (Carey & Shugart 1998). However, the difficulty or costliness of rolling certain policies back once in effect may exert pressure on the legislature to act and turn the decree into legislation. Others note that presidents may be reluctant to issue decrees that may be overturned by legislative action for a risk of harming their reputation (Neustadt 1960). Finally, there are executive decrees that do not take effect immediately but require the legislature to act within a set period to *prevent* the decree from becoming law as with the *guillotine* in France that effectively attaches, but does not force, a vote of confidence to the executive's proposal (Huber 1996). That is, under normal circumstances, the legislature must take action to turn a bill into law, whereas this form of a decree and the guillotine are similar in that both require the legislature to take an action in order to *prevent* a bill (or decree) from becoming law.

In addition to *constitutional decree authority*, presidents may also have *delegated decree authority*. This occurs when the legislature delegates law-making to the executive. Carey and Shugart (1998) argue that difficult legislative bargaining situations and lack of expertise within the legislature make delegation to presidents more likely. Concerns over agency-loss also affect the decision to delegate law-making to the president. Legislatures are less likely to delegate law-making authority when the president's preferences diverge from those of the legislative majority, for example. Similarly, delegating law-making to the president carries greater risk if the president can veto the legislature's subsequent amendments of the presidential decree, i.e., strong veto-powers can obliterate the legislature's ability to exercise oversight over its agent.

Problems of Delegation

The second general challenge that executives face is agency-loss to actors – typically, bureaucrats – on whom the executive relies to implement its favored policies. The essential structure of the problem is the same regardless of constitutional nature of the regime. Bureaucrats not only know more about the state of the world and about the costs and benefits of various policy technologies than do political executives, they sometimes also have divergent interests. Bureaucrats are therefore in a position to exploit their information and expertise to advance their own interests.

Many of the actions that prime ministers and presidents take can be understood from a rational choice perspective as efforts to limit the agency losses they suffer at the hands of bureaucrats. This argument has a long history, and efforts to characterize the problem formally start with the public choice work of Buchanan and Tullock (1962), Niskanen (1971), Becker (1983), and Barro (1973). The actions that the executive takes to limit agency-loss differ across presidential and parliamentary regimes because the relationship between the executive, the bureaucracy, and the legislature vary across presidential and parliamentary regimes in three crucial ways.

1. Parliamentary systems are characterized by hierarchical chain of delegation, with the legislature delegating control over the policy agenda to the cabinet, and the cabinet in turn delegating policy development and implementation to bureaucratic departments, each of which is overseen by a cabinet minister. In contrast, presidential systems are characterized by a transactional chain of delegation in which the legislature develops policy and then delegates implementation of that policy to a bureaucracy that is staffed by the executive.
2. It follows that cabinet ministers in parliamentary regimes have policy-making authority that cabinet ministers in presidential systems do not. Cabinet ministers in presidential regimes are appointed and dismissed at the president's pleasure, and their task is primarily to direct bureaucratic actions in a given portfolio.
3. Finally, principle of separation of powers that underpins presidential government means that cabinet minister in presidential regimes cannot, with some exceptions, be members of the legislative branch. In contrast, the fusion of the executive and legislative branches that characterizes parliamentary government typically constrains prime ministers to choose ministers from the legislature. In a coalition government, moreover, the prime minister will likely have to accept ministers advanced by her coalition partners.

Parliamentary Responses to the Delegation Problems

One can understand some of conventions of parliamentary government as operating to limit agency-loss to bureaucrats. Many parliaments, for example, have procedures that allow legislators to put question to ministers on issues relevant to the minister's portfolio. Some parliaments also permit the legislature to censure individual ministers. These institutions ostensibly underscore the executive's on-going accountability to the legislature in parliamentary systems. However, Kam (2000), argues that an indirect effect of these rules is to incentivize ministers to keep tabs on their bureaucratic agents. In a similar vein, Berlinski, Dewan, & Dowding (2010) argue that prime ministers can use calls for ministerial resignations as signals of their ministers' performance.

Indeed, prime ministers have strong incentives to keep tabs on their ministers because the very structure of cabinet government generates significant agency problems (Andeweg 2000). This is so for two reasons. First, whilst the prime minister depends on ministers to develop and implement policy, she cannot immediately assess her ministers' competence or suitability for a given portfolio. The prime minister thus faces a problem of *adverse selection* (Huber & Martinez-Gallardo 2008). Second, ministers have inherently mixed-motives vis-à-vis the prime minister and government; on one hand, minister's political fortunes are tied to the government's political fortunes; on the other hand, ministers may not share the prime minister's policy preferences and may even see themselves as rivals. In this respect, the prime minister faces a problem of *moral hazard* (Kam & Indridason 2005).

The prime minister's power to hire and fire ministers is not always sufficient to deal with these agency problems. It is not simply that coalition partners, for example, may veto a prime minister's efforts to hire or fire a given minister. The convention that ministers must be drawn from the legislature can limit the prime minister's ability to control her ministers even when prime ministers enjoy the unilateral authority to hire and fire ministers. Dewan & Myatt (2010) formalize this argument in a model in which ministerial effort is connected to the arrival of scandals: when ministers work hard, the rate of scandals decreases and the prime minister's utility increases; when ministers reduce their efforts, the rate of scandals increases and the prime minister's utility decreases.

Some scandals are inevitable, however, and when one strikes, the prime minister can either sack the minister or protect him. The direct effect of protection is to retain a talented minister in the cabinet, but its indirect effect is to induce all sitting ministers to reduce their efforts and hence to invite further scandal. Ministers do so because they see that the PM is likely to protect them too, and so they reason that it is irrational to continue to exert costly effort. Similarly, the direct effect of sacking a minister incentivizes sitting ministers to increase their efforts – because they appreciate that one scandal will end their careers. The indirect effects of sacking a minister, however, are to undercut ministerial effort and invite further scandals. This is so for two reasons. First, any replacement minister is less capable than his predecessor (else the former would have been appointed at the outset) and hence less able to avoid scandal. Second, the finite nature of the parliamentary talent pool means that the prime minister cannot commit to sacking her ministers indefinitely; backward induction thus leads sitting ministers to reduce their efforts.⁴

If Dewan & Myatt's work shows that the convention that ministers be drawn from the legislature dilutes prime minister's power to hire and fire ministers, another set of papers establishes that prime ministers can use their power to reshuffle ministers and restructure portfolios to limit ministerial drift. In Indridason & Kam's (2008) model, ministers have preferences that depart from the PM's and can use spending in their

4 Dewan & Myatt also consider what happens when the parliamentary talent pool is replenished, by elections for example. On one hand, the replenished talent pool allows the PM to reduce the level of protection she extends to ministers, and this incentivize ministers to work hard to avoid scandal; on the other hand, sitting ministers realize that their careers are now more precarious (and hence less valuable); given that, they reduce their efforts. Which effect dominates is an empirical question.

portfolio to shift policy toward their ideal points. The authors show that PMs can use reshuffles to limit this agency loss because a minister benefits from spending in his portfolio but pays for drift across all portfolios. In the face of a reshuffle, the minister may reduce spending in her current portfolio to limit the drift that her successor can impose on her, and by extension, on the PM.

In Dewan & Hortala-Vallve (2010), ministers hold policy views that are in conflict with those of the prime minister. Once assigned to a portfolio, a minister gains an informational advantage over the prime minister, giving rise to an agency problem. Dewan & Hortala-Vallve show that the prime minister's power to allocate ministers to portfolios and assign tasks across portfolios is nevertheless sufficient to keep policy at the prime minister's ideal point. It is worth observing that this result, like that in Indridason & Kam (2008), requires some heterogeneity in ministers' preferences. Taken together, then, these papers (see also Dewan & Myatt 2007) provide a rationale as to why PMs might prefer diverse cabinets.

There is also a view that that agency-loss to the bureaucracy is less severe in a parliamentary setting than a presidential setting because of the cabinet has full control of the bureaucracy and can therefore simply dismiss under-performing or subversive bureaucratic agents or restructure the agency to ensure that it is more responsive (Moe & Caldwell 1994, p.178; Horn 1995). However, Huber & Lupia (2001) show that ministerial turnover may result in a less responsive bureaucracy. If changing policy requires costly effort at the hand of the bureaucrat and if the sitting minister is likely to be replaced, the bureaucrat may prefer to ignore the sitting minister's directives to avoid having to move policy in one direction and then – possibly – having to move it back again.

Presidential Responses to the Delegation Problems

The roles of the executive and the legislature in the principal-agent model are flipped around in presidential systems; the legislature plays a more active and an independent role in terms of formulating policies but relies on the executive to implement those policies. Thus, delegation problems in presidential regimes tend to be somewhat more complex. Labeling the presidential executive as an agent of the legislature is not unproblematic, however, because presidential systems are defined in terms of the separation of powers, i.e., the legislature neither selects the executive nor has the ability to remove her (except through the use of extraordinary measures). Moreover, presidents appoint their own cabinet – although cabinet appointments may require congressional confirmation.

Presidents face similar delegation problems vis-à-vis their cabinet ministers and the bureaucracy as prime ministers in parliamentary systems do. However, as delegation problems are rooted in the coincidence of two factors – diverging preferences and incomplete information – there are reasons to believe that those problems will be less severe in presidential systems. For example, the president's ability to assemble her own cabinet should reduce the degree to which the preferences of the president and her ministers diverge. Presidents can also appoint non-partisan cabinet ministers whose preferences align closely with their own.

The chief executive's independence from the legislature and its ability to select cabinet ministers has sometimes been taken to suggest that the president has relatively free rein in implementing the policies adopted by the U.S. Congress. However, as, e.g., Moreno et al. (2003), Moe & Caldwell (1994), and McCubbins, Noll & Weingast (1987) note, the bureaucracy in presidential systems may be better viewed as serving two principals. Given the legislature's constitutional inability to directly influence how the president conducts her business, it stands to reason that the legislature's efforts to manage the delegation problem will focus on bureaucratic oversight. McCubbins & Schwartz (1984) and McCubbins, Noll, & Weingast (1987) argue that the apparent dominance of the executive is due to the legislature's strategic choices about how to exercise oversight. In particular, they distinguish between oversight relying on 'police patrols' (i.e.,

the active surveillance of the actions of executive agencies) or 'fire alarms' - (i.e., rules and procedures that allow individuals and organized interests to monitor and challenge executive agency actions) and argue that the latter represents a more effective means of oversight while giving the appearance of Congress not exercising oversight over the executive.

Bureaucratic appointments, like cabinet appointments, confront the president with adverse selection problems. In accordance with the ally principle, the president generally has an incentive to appoint top-level bureaucrats and agency heads who share her policy preferences. The delegation problem is somewhat more complicated in dual-principal situations where the decision-making authority within the bureaucracy (the receiver) relies on information held by career bureaucrats (the sender) whose incentives are, in part, shaped by the structure of the agency that was created by Congress. Gailmard and Patty (2012) consider the role that information plays in the decisions of the executive and Congress in making bureaucratic appointments and show that the legislature has an incentive to defer bureaucratic appointments to the executive; if the legislature has a say in appointing 'a sender', its best option is to appoint one whose preferences are similar to the executive's preferences. It might appear that Congress would have a clear incentive to appoint 'a sender' that shares its preferences but doing so would only serve to hinder credible communication; 'the receiver' is less likely to take information from 'a sender' whose preferences are known to be very different from her own. Thus, the legislature has an incentive to create or support administrative hierarchical administrative structures in which the power of appointment rests with the executive.

Much of the formal literature on delegation in presidential systems has focused on the United States. But presidential systems are far from homogeneous (see, e.g., Carey & Shugart 1992). In fact, Cox & Morgenstern (2002) consider the modal Latin American presidential system to fall somewhere in between a parliamentary system and a pure, U.S.-style, presidential system. The main reason for this depiction of the modal Latin American presidential system is the fact that the separation between the executive and legislative branch tends to be less clear than in the U.S. case. For example, most Latin American presidents can introduce legislation whereas in the U.S. Congress holds agenda-setting power. In the U.S., cabinet members cannot also be members of Congress, whereas in some Latin American countries legislators can serve as cabinet ministers. In their review of scholarship on Latin American presidential regimes, Crisp & Botero (2004) argue that these institutional differences beg to be modeled formally.⁵

One expression of these differences is the frequency with which coalition cabinets form in Latin American presidential systems. This is indicative of presidents using their cabinet appointments to build legislative coalitions as an alternative to pursuing their policy goals using their unilateral decree powers. This is interesting given that most Latin American presidents wield stronger decree powers than U.S. presidents (Cox & Morgenstern 2002), and one would expect greater decree powers to render legislative and coalitional strategies less attractive to the president. Clearly, the electoral system plays an important role in this relationship, with electoral systems that encourage multipartyism (such as those found in many Latin American countries) setting the stage for the formation of presidential coalitions.

3. Future Developments

We argue that the literature on political executives can in substantial part be viewed through the lens of two basic problems that have been thoroughly analyzed in the rational choice approach: credible commitment and agency-loss. Both problems have clear implications for the types of bargaining over

5 Most of the examples here focus on the executive veto, e.g., Baldez & Carey (1999), Alemán & Schwartz (2006), and Alemán & Tsebelis (2006).

policy that takes place both among political executives and between the executive and other actors within the political system; it is difficult to make an agreement if there are reasons to think that the actors involved may renege on it or if they are unable to deliver. That is, while credible commitment and agency-loss is itself often the subject of analysis, we have sought to show that the solutions to these problems are central to executive politics. While there are areas of executive politics that we have not touched much on, such as the formation and survival of coalition cabinets, credible commitments and agency-loss are also of central concern here. A government coalition only forms if the parties perceive that the two problems can be solved adequately (or at least better than in alternative coalitions) and it only lasts as long as that perception can be maintained.

For the most part, the literature on political executives focused on these issues is firmly grounded in rational choice theory. While it is increasingly rare that scholars identify their work as being in the rational choice tradition, its intellectual lineage is often clear through explicit references to concepts such as principals or agents or through the discussion of actors' preferences, institutions, incentives, etc. Criticism of formal modeling approaches to politics are typically criticized for going too far in their level of abstraction and failing to produce empirically verifiable predictions about many of the things that are of interest to scholars. While we do not want to engage these criticisms directly, one of the interesting things that we found in preparing this chapter was how *little* formal work there is on political executives – at least, when compared to the extensive literature that employs 'softer' rational choice approaches. This suggests to us that the value of formal rational choice approaches does not (only) rest in producing empirically verifiable hypotheses but rather in offering us ways to think about politics and political executives in novel and fruitful ways. The formulation of the principal-agent problem, e.g., has shaped how we think about the relationship between politicians and bureaucrats and cabinets and ministers. Importantly, work that employs this abstract framework for thinking about delegation has also added to our understanding about politics by adding substantive nuance to the factors that influence preference divergence and information transmission, whether formally or informally. Similarly, Laver & Shepsle's (1996) model of ministers as portfolio dictators has been tremendously influential – not because it is 'correct' (as it clearly rests on some implausible assumptions) but because it highlights the issue of credible commitment in very vivid terms, which spurred a significant literature focused on how else coalitions make credible commitments.

The rational choice approach has become so embedded in the study of executive politics that it is difficult to envision a sharp change in focus – at least as long as it continues to be exploited in a useful manner as it has been over the last few decades. However, in the light of the more recent empirical work in the rational choice vein, it may be time to revisit the formal analysis of executives to incorporate some of the findings in the literature. As Crisp & Botero (2004) pointed out some while ago, formally modeling the empirical variation in institutions remains on the agenda. The literature has identified a number of strategies to circumvent the credible commitment problems, but less attention has been devoted to whether the different strategies are substitutes or complements (Indridason & Kristinsson 2013) and how they affect coalition bargaining. Formally modeling how the different strategies interact with one another may provide insights into how they complement one another and help explain, e.g., cross-national variation in their uses. There are also some gaps in our knowledge where further empirical work may provide important insights that would be valuable in formal applications. The literature on presidential executives is, for example, largely silent on the role of cabinet ministers. The formation of coalitions in presidential systems has been motivated by the need to build legislative majorities but it remains unclear as to what the nature of the bargains being struck is. Is it simply the case that presidents trade office for policy (as the findings of Gaylord & Rennó (2015) suggest) or particularistic benefits, or do such trades involve delegating policy formulation to cabinet ministers (as the findings of Pereira et al. (2016) may suggest)?

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