

# **BICAMERALISM AS A TOOL OF CONSTITUTIONAL ENGINEERING: CAN IT AFFECT ECONOMIC PERFORMANCE?**

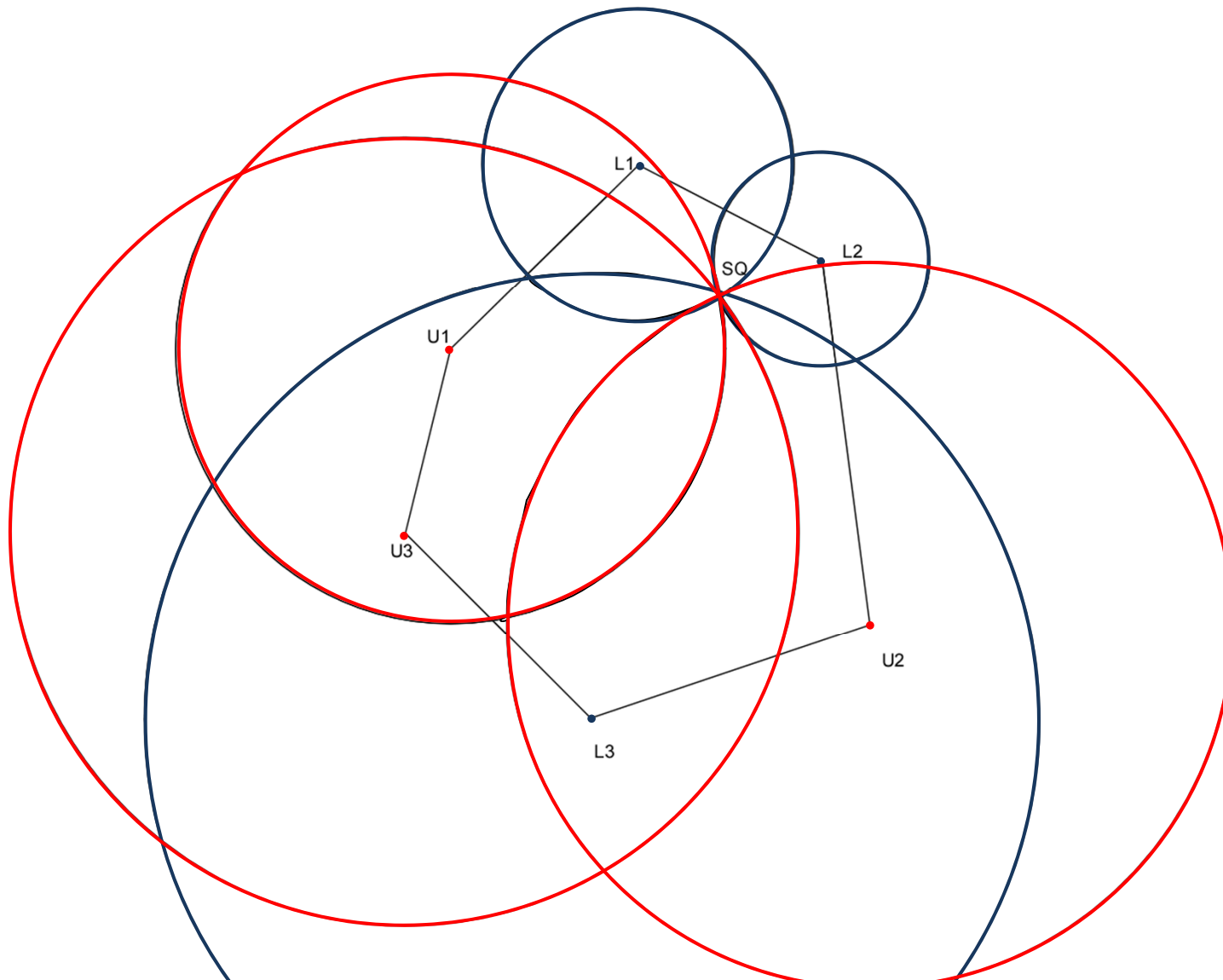
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# HOW DOES BICAMERALISM WORK?

WINSET OF BICAMERAL AND UNICAMERAL LEGISLATURE  
(BY MAJORITY AND QUALIFIED MAJORITY RULE)

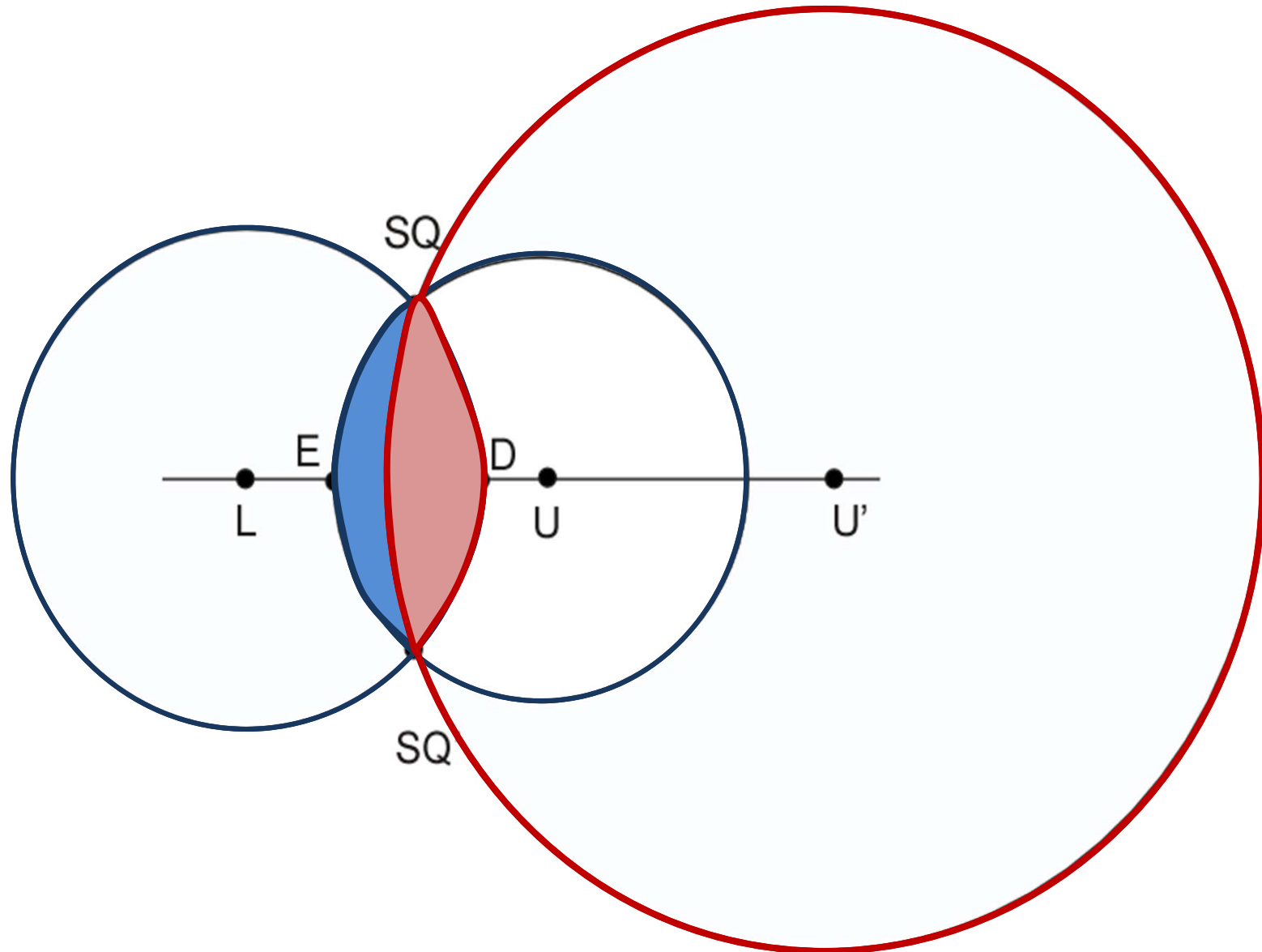


# WHY CARE ABOUT SECOND CHAMBERS?

- Do they affect the relationship between legislative and executive? **NO** (except Italy)
- Do they affect legislation? **YES** (Lords legislation in the UK; rape legislation in Italy; tax legislation in US)
- Do they affect politics? **YES** (Japan government formation, Letta Government)
- Do they affect political analysis? **YES** (possibility of show with no effect (Clinton impeachment))

# HOW DOES IDEOLOGICAL DISTANCE BETWEEN CHAMBERS AFFECT OUTCOMES?

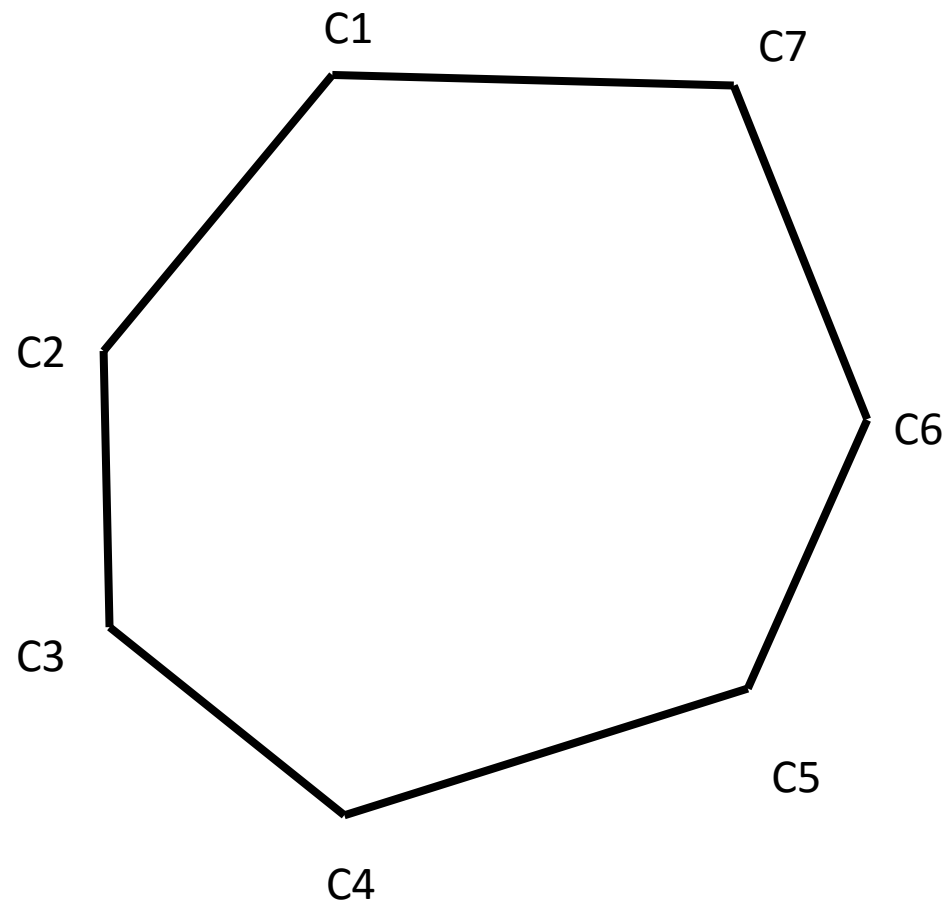
Winset of VPs L and U' is contained within winset of VPs L and U



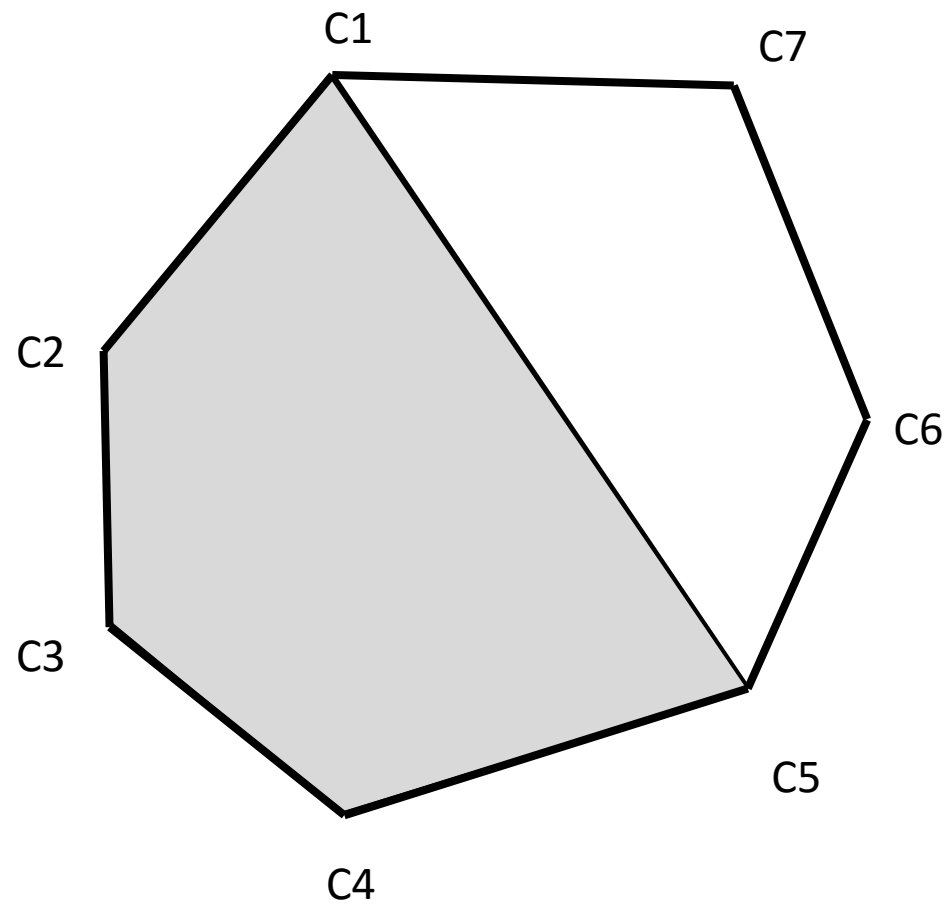
# WHAT MIGHT MADISON AND CONDORCET HAVE SAID?

- Cores of qualified majority and bicameralism

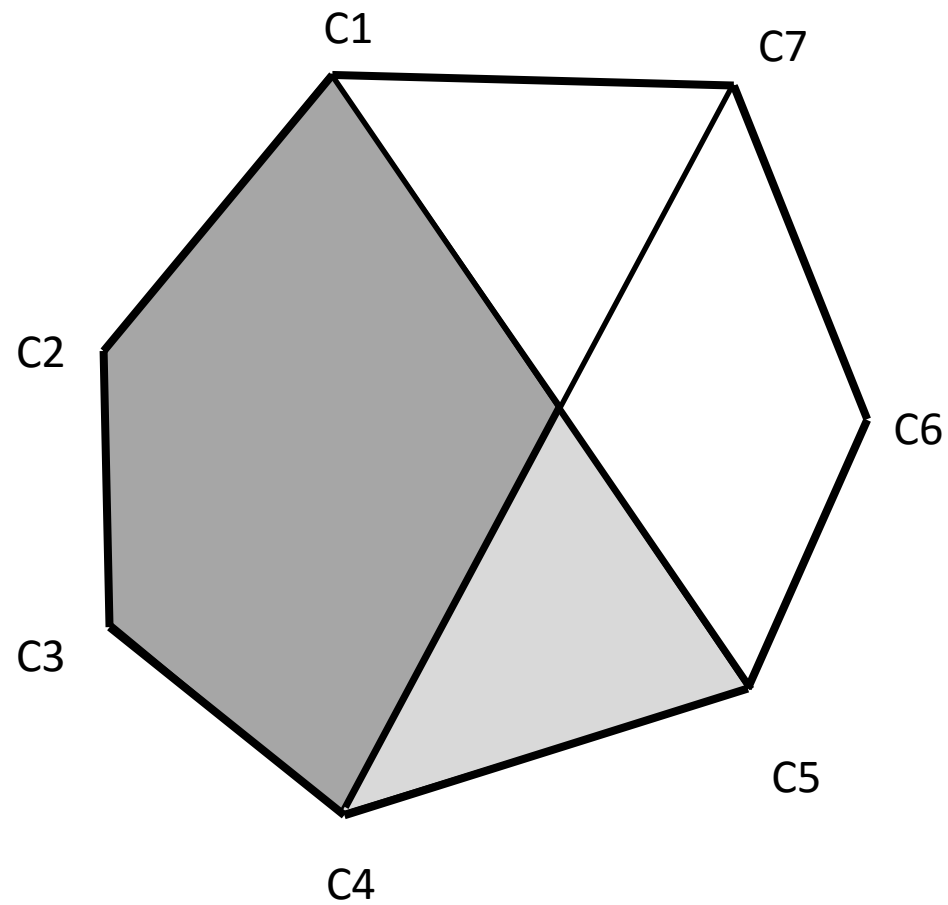
Core of single chamber with 5/7 majority



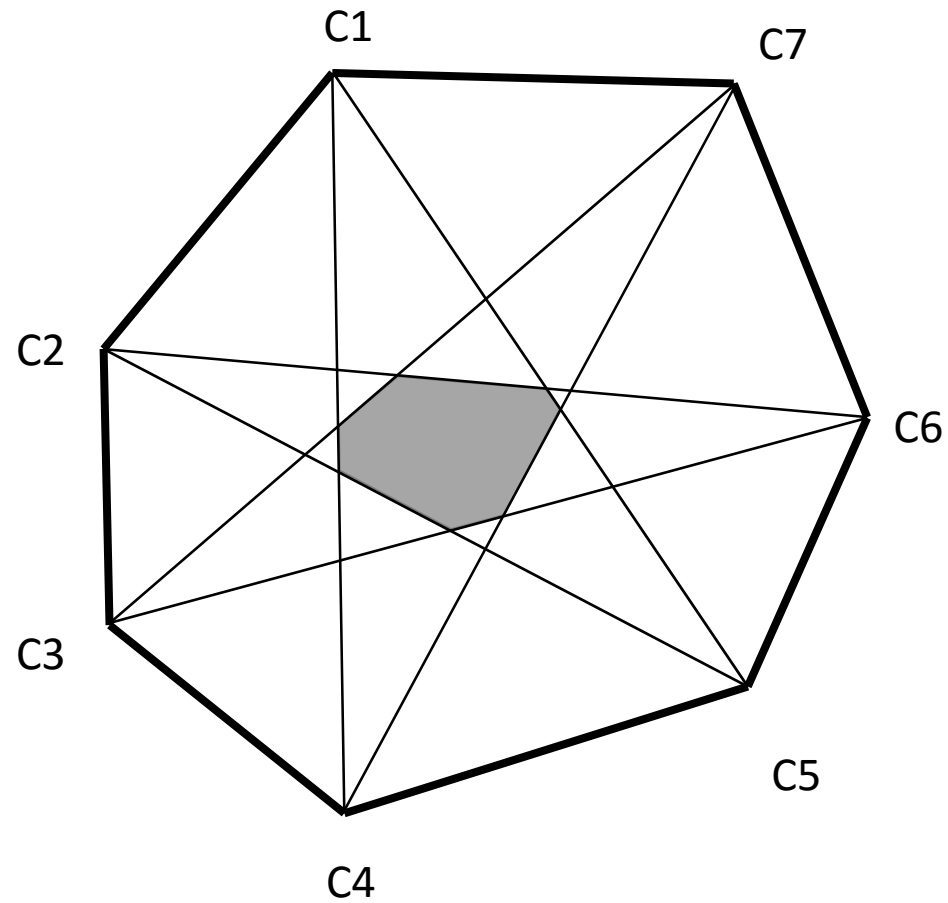
Core of single chamber with 5/7 majority



Core of single chamber with 5/7 majority



# Core of single chamber with 5/7 majority



Core of bicameral institutions



# EFFECT OF BICAMERALISM

- Adds one institutional veto player. This modification becomes more important with the ideological distance between two chambers
- **Italian case:** initially identical chambers and oversized coalitions (pentapartito); modified by 1994 and 2005 electoral reforms (which introduce alternation (reduce veto players) but also change the political make up of Senate (add veto players (Letta))); modification severely impaired by the 2013 constitutional court decision. Ambiguity generates the need for reform.

# **EFFECT OF REFORM**

- On Constitutional revisions
- On Policymaking
- On Institutions

*Presidenza del Consiglio dei Ministri*  
DIPARTIMENTO PER LE RIFORME  
ISTITUZIONALI

The perfect bicameralism still remains only for a limited number of laws such as: ***constitutional reforms and constitutional laws***; laws implementing constitutional provisions on the protection of linguistic minorities and popular referenda; laws concerning the functioning of municipalities and metropolitan cities; legislation containing the basic principles on the election system and on the cases of ineligibility and incompatibility of the President and other members of the regional council and the Regional councilors; electoral law of the Senate; laws authorizing the ratification of the treaties concerning the European Union membership; laws concerning the attribution of supplementary forms and conditions of autonomy to regions

# AUSTRIA (art.44)

ARTICLE 44 1. Constitutional laws or constitutional provisions contained in simple laws can be passed by the National Council only in the presence of at least half the members and by a two thirds majority of the votes cast; they shall be explicitly specified as such ("constitutional law", "constitutional provision").

2. Constitutional laws or constitutional provisions contained in simple laws restricting the competence of the Laender in legislation or execution require furthermore the approval of the Federal Council which must be imparted in the presence of at least half the members and by a two thirds majority of the votes cast.

## ITALY art 138

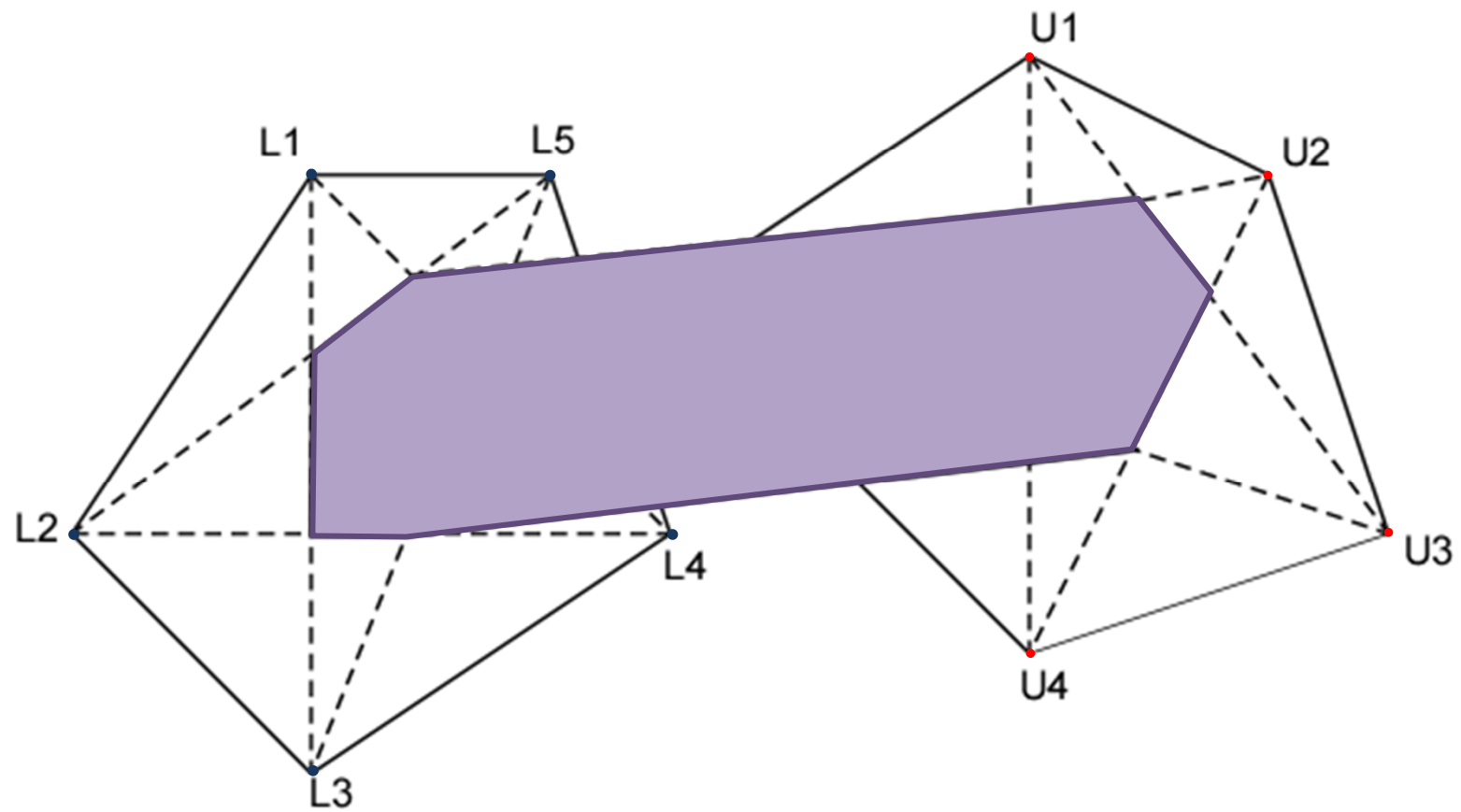
“Laws amending the Constitution and other constitutional laws shall be adopted by each House after two successive debates at intervals of not less than three months, and shall be approved by an absolute majority of the members of each House in the second voting.

Said laws are submitted to a popular referendum when, within three months of their publication, such request is made by one-fifth of the members of a House or five hundred thousand voters or five Regional Councils. The law submitted to referendum shall not be promulgated if not approved by a majority of valid votes.

A referendum shall not be held if the law has been approved in the second voting by each of the Houses by a majority of two-thirds of the members.”

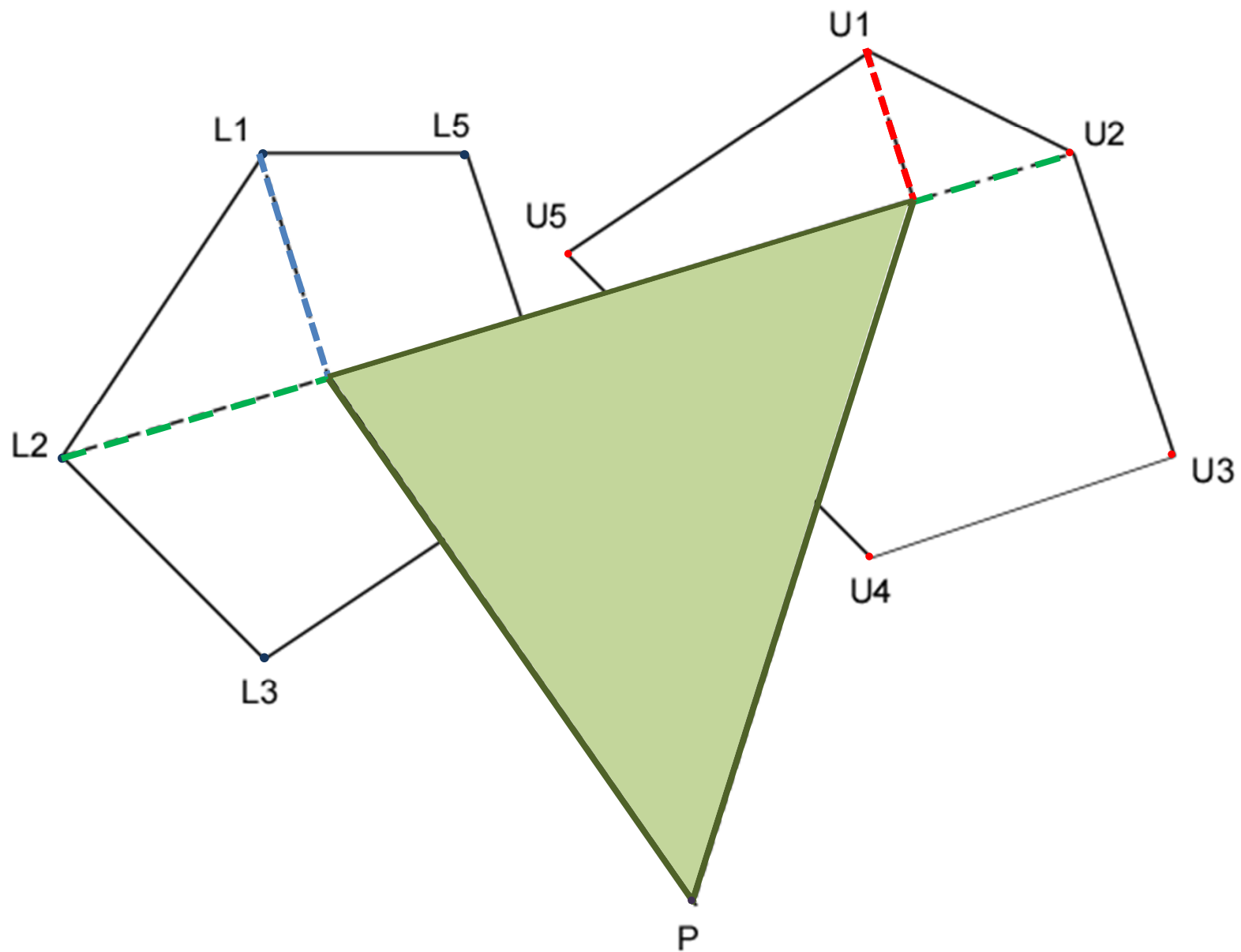
## ITALY

Constitutional core for revision by concurrent majorities of 2/3 of each chamber



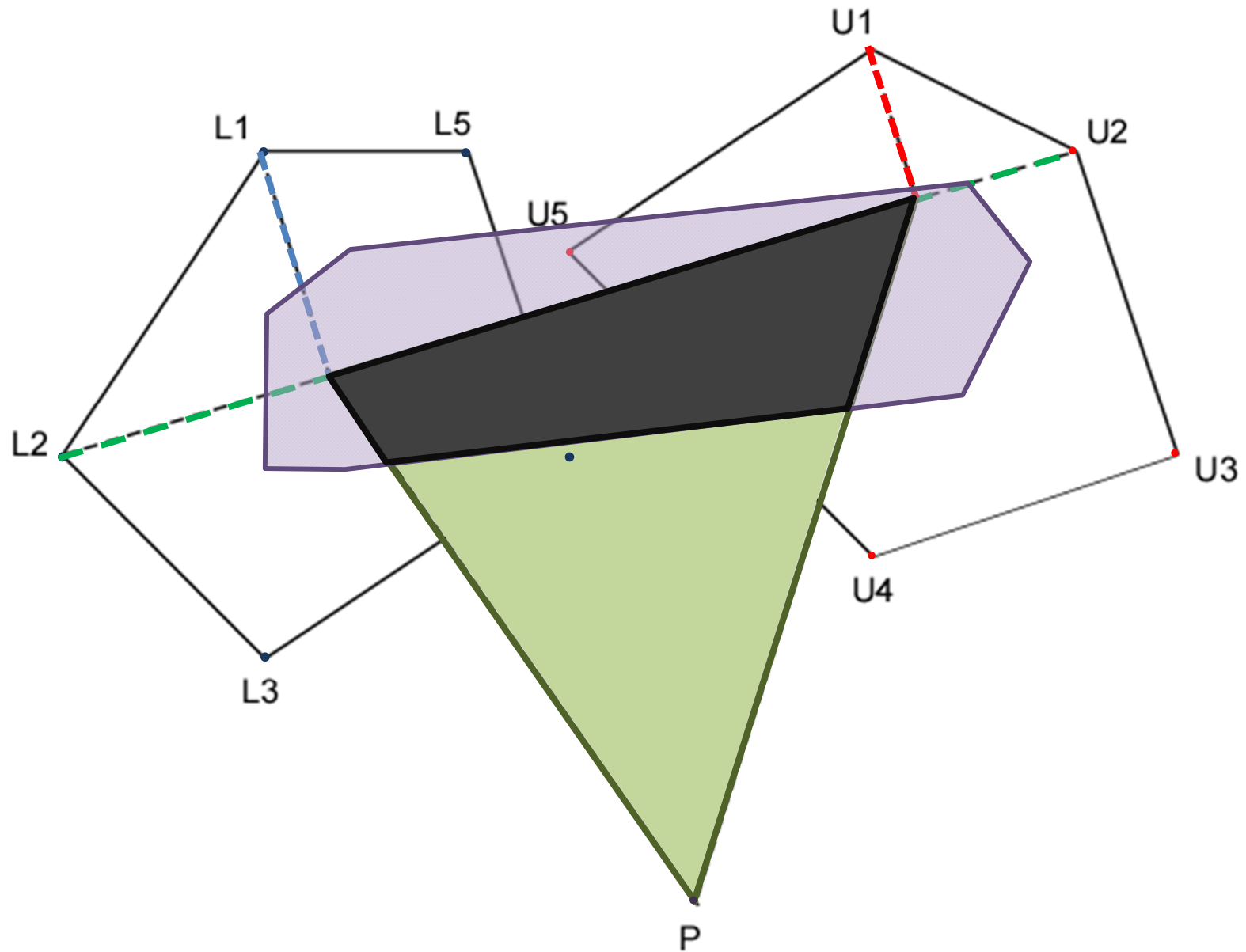
# ITALY

Constitutional Core for revisions by concurrent majorities of each chamber and referendum



# ITALY

Constitutional Core for revisions by concurrent majorities of each chamber and referendum



<b>Country</b>	<b>Constitutional Rigidity</b>
USA	1.74
Denmark	1.51
Japan	1.51
Mexico	1.51
Netherlands	1.51
Australia	1.275
<b>Italy</b>	<b>1.275</b>
France	1.25
Ireland	1.25
Greece	1.11
Belgium	1.01
Germany	1.01
Iceland	1.01
Spain	0.89
India	0.775
Latvia	0.687
Luxembourg	0.687
Norway	0.677
Portugal	0.677
Serbia	0.677
Austria	0.677
New Zealand	0.5

# POLICY CONSEQUENCES

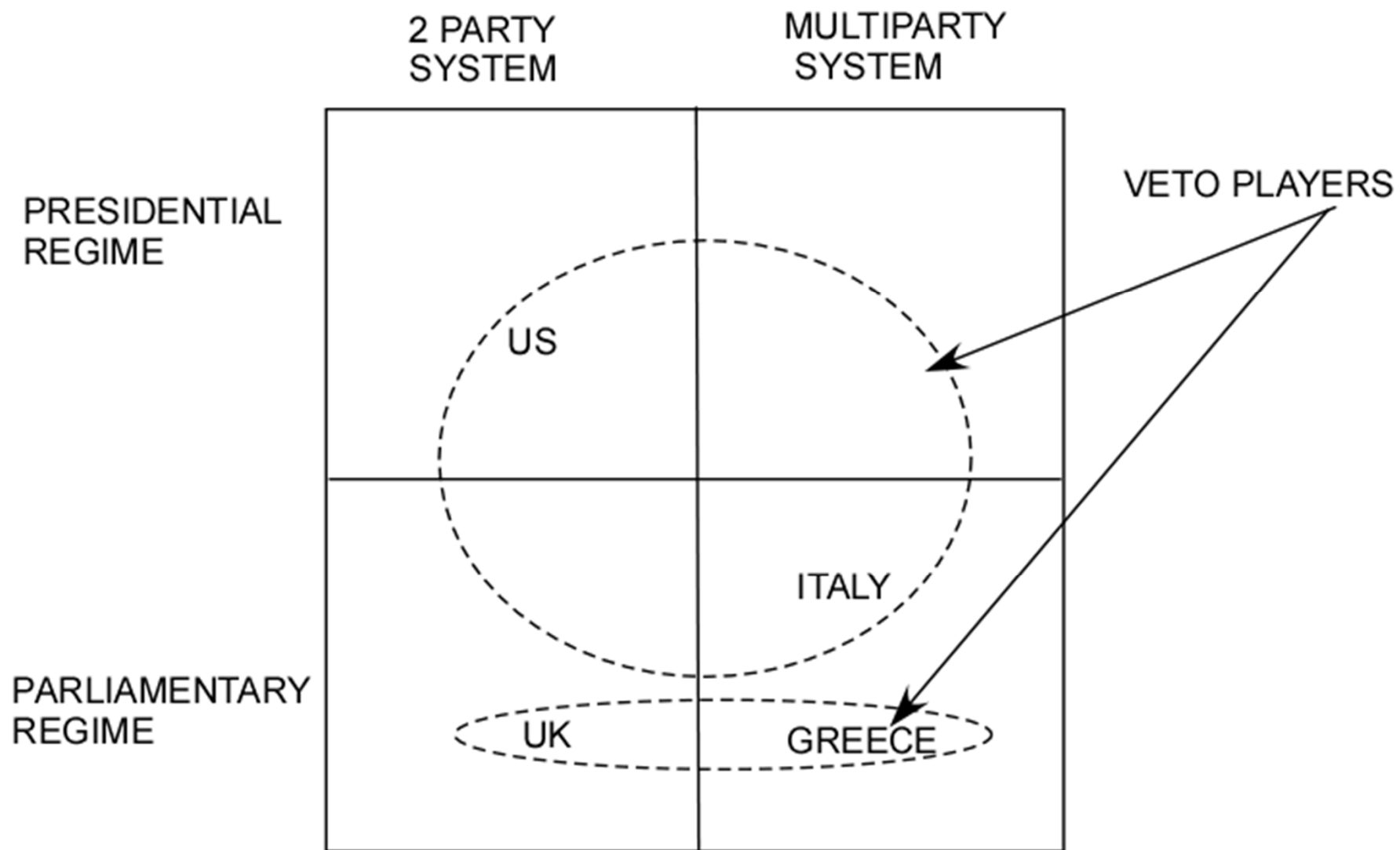
- Bicameralism as the institutional means to increase the number of veto players and consequently **increase policy stability** and **reduce the power of agenda setters**
- Italian constitutional reform **reduces** veto players

# PRESERVING THE STATUS QUO (MANY VPs)

- Economists (Kydland and Prescott 1977)  
vs. Political Scientists
- Right vs. Left

FIGURE II

Differences between regimes, party systems, and veto players



# MANY VPs: BENEFIT OR LIABILITY?

## 1. VPs impeding change

- CHANGE IN CAPITAL CONTROLS: Kastner and Rector (2003) report that, among OECD parliamentary democracies, those with more party veto players in government enacted fewer changes to capital controls legislation during 1951–98
- CHANGE IN TAX LAWS: Hallerberg and Basinger (1998) show that OECD countries with more veto players tended to change their corporate and personal income tax rates less in response to the U.S. tax reform of 1986.
- CHANGE IN TARIFFS: O'Reilly (2005) studies trade policy in twenty-three OECD countries in 1960–96 and finds that those with more institutional veto players had less change over time in the extent of tariffs and nontariff barriers.
- CHANGE IN LABOR LAWS: Tsebelis (2002)
- CHANGE IN BUDGET DISTRIBUTION: Tsebelis and Chang (2004)
- FISCAL FORECAST MANIPULATION: Giuriato, Cepparulo and Barberi (2016)

# MANY VPs: BENEFIT OR LIABILITY?

## 2. VPs “affecting” situations (requires additional mechanism)

- GROWTH: (Henisz 2000, Acemoglu and Johnson 2005, Fatas and Mihov 2013) policy stability leads to security, investment, and growth
- TRADE OPENESS: (Henisz and Mansfield 2006 because multiple vps prevent protectionism during bad times)
- PUBLIC DEBT: (Roubini and Sachs 1989, Alesina and Drazen 1991, and Alesina and Perotti 1995) increases with VPs
- INERTIA OF PUBLIC DEBT: Franzese (2002, p. 187) finds that OECD countries with more veto players had greater difficulty reducing high levels of debt in the postwar period. (finding belongs to previous slide)
- FINANCIAL CRISES: (U-Shaped relationship) (MacIntyre 2001; Angkinand and Williett 2008) In times of banking crises, both policy rigidity and policy volatility can undermine confidence and reduce the probabilities that governments will undertake strong consistent policy responses that serve to minimize the spread of financial difficulties and reduce the harmful effects on the economy. Thus we would expect the number of veto players to have a U-shaped relationship with the output costs of a crisis.

# TREISMAN: *THE ARCHITECTURE OF GOVERNMENT*

"In short, it is hard to reach any general conclusions about whether political--or administrative, or fiscal--decentralization will improve or impair the quality of government and economic performance. They will have many effects, driving in different directions on different dimensions. These effects depend on numerous conditions, many of which are difficult to disentangle in theory and to identify in practice. As one would expect, empirical studies have found almost no solid, general results about the consequences of decentralization. Decentralizing government in a particular place and time is very much a leap into the dark." (p.274).

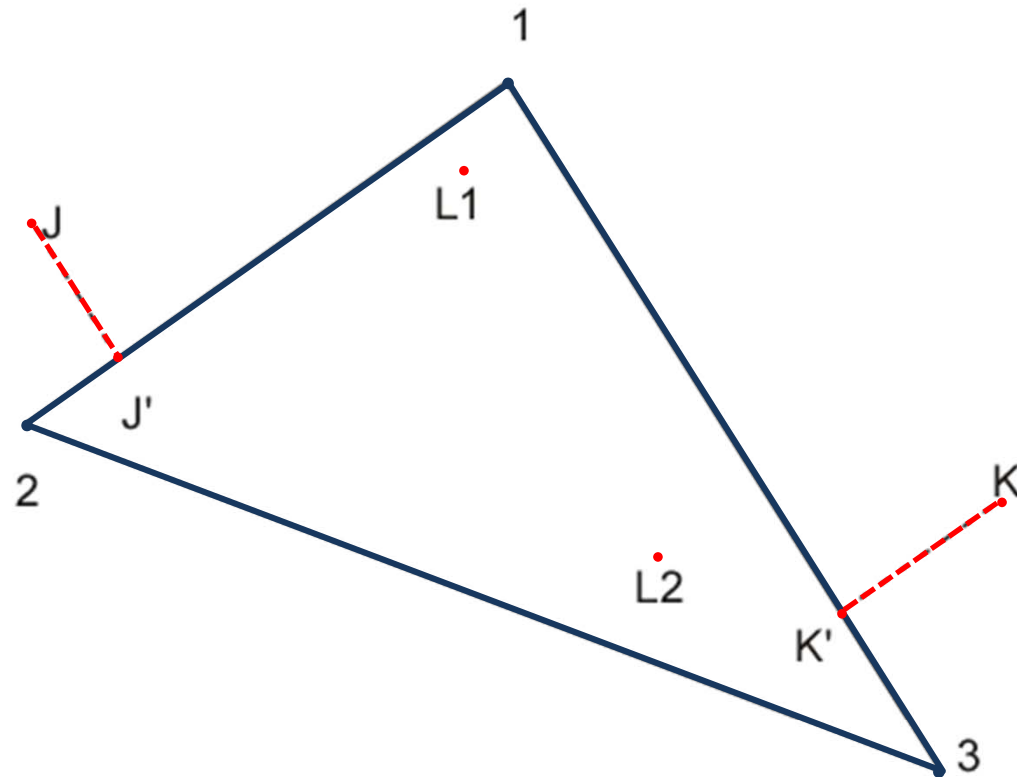
# TREISMAN: *THE ARCHITECTURE OF GOVERNMENT*

"One argument did seem somewhat more general. If political decentralization increases the number of actors whose acquiescence is needed to change policies, this will--other things being equal--tend to entrench the status quo. From a normative perspective, it is not clear whether such stability is to be valued or avoided. Entrenching the status quo may be desirable or undesirable, depending on what gets entrenched. In the long run, decentralization should tend to reduce the flexibility of government, creating continuity and predictability but impeding responses to crises." P.274.

# **INSTITUTIONAL CONSEQUENCES**

Judiciary and Bureaucracies

SELECTION OF A POLICY WITHIN THE LEGISLATIVE CORE  
BY FIRST MOVER (BUREAUCRACY OR JUDICIARY)



First mover outside core (J or K) selects  
closest point inside core (J' or K');  
First mover inside core (L1 or L2) selects  
own ideal point.

Table 11.1:

	Many Veto Players	Few Veto Players
Civil Law System	Netherlands (4.2) Italy (3.33)	Japan (2.17)
Common Law System	US (4.42)	UK (2.1) New Zealand (2)

# ANDREWS AND MONITOLA

Table 2  
*Determinants of the Rule of Law Revised Estimates*

	Model 3 <sup>a</sup>	SE <sup>b</sup>	Model 4	SE
Constitutional type <sup>c</sup>			-0.70*	0.29
Number of veto players	0.16**	0.06	0.12*	0.06
Civil liberties	0.39**	0.14	0.43**	0.12
LogGNP/C	0.53**	0.14	0.67**	0.13
Government consumption/GDP	0.03	0.02	0.02	0.02
Time	0.12**	0.02	0.11**	0.02
Constant	-4.49	0.95	-4.97	0.91
<i>N</i>	354		354	
<i>R</i> <sup>2</sup>	0.49		0.54	

Note: LogGNP/C = per capita log of GNP.

a. From Table 1.

b. Panel-corrected standard errors.

c. Presidential type = 1.

\* $p < .05$ . \*\* $p < .01$ .

## APPENDIX A

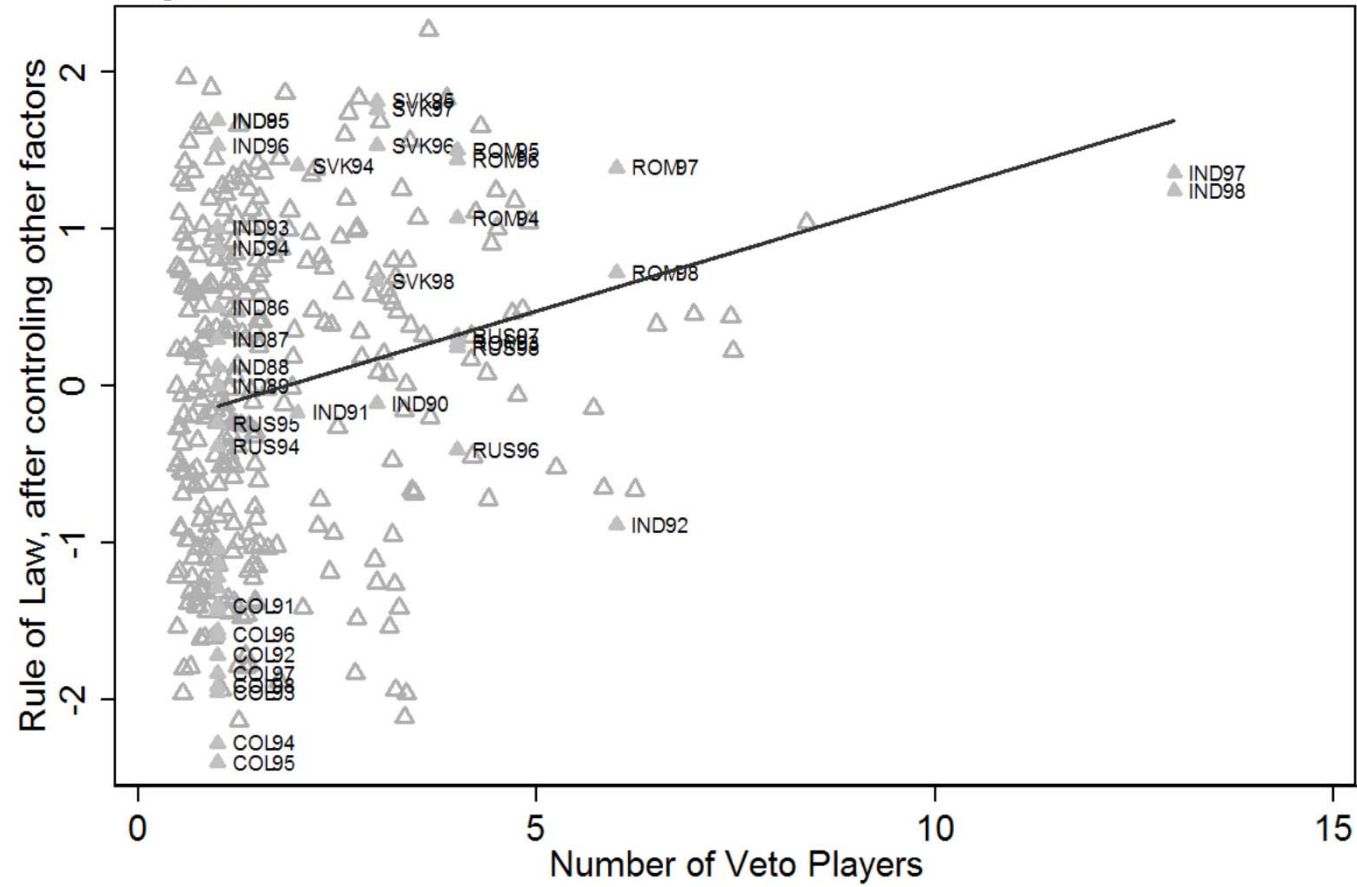
### Countries in Sample

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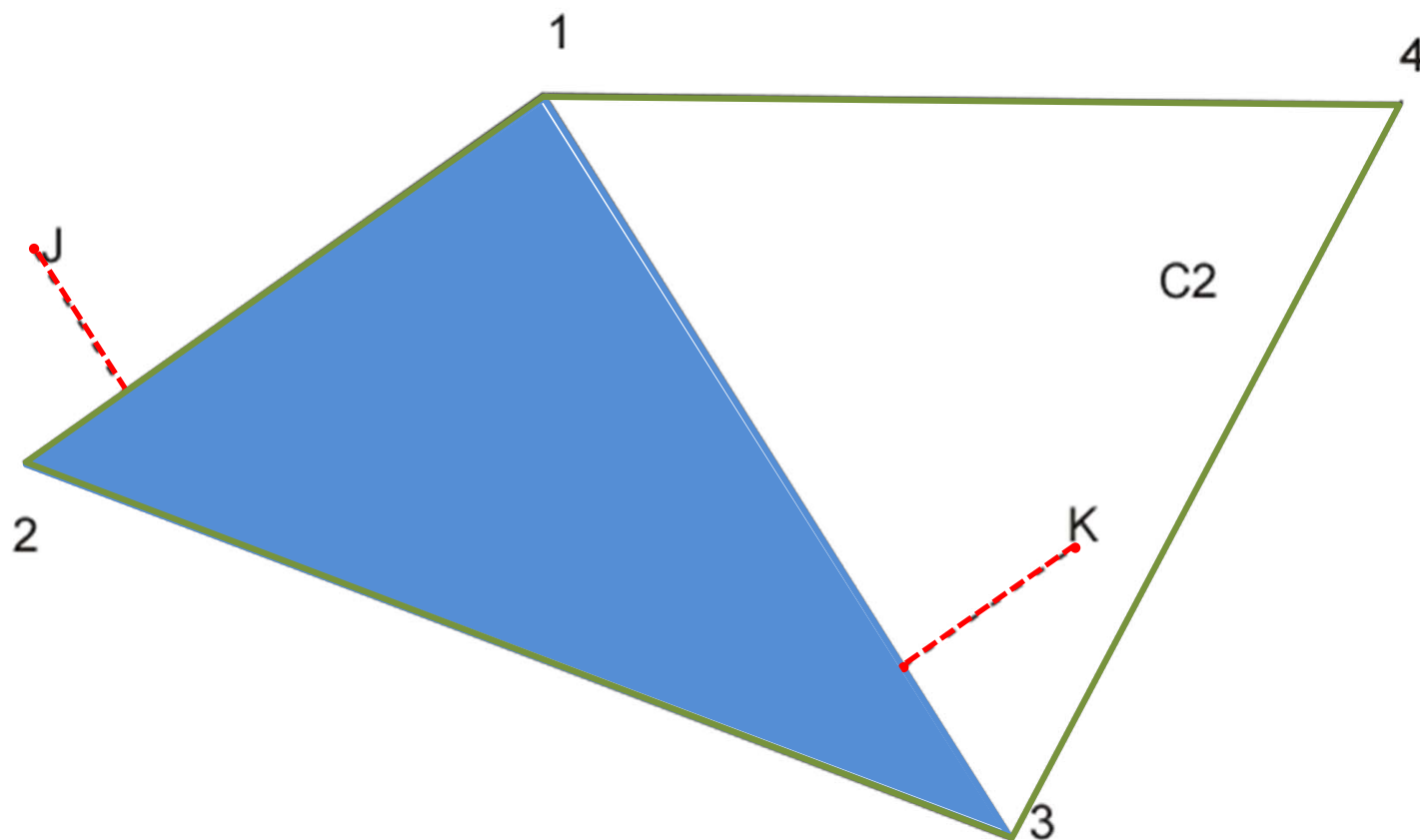
Albania	Mali
Argentina	Namibia
Bangladesh	Panama
Bolivia	Papua New Guinea
Brazil	Peru
Bulgaria	Philippines
Chile	Poland
Colombia	Romania
Costa Rica	Russia
Czech Republic	Slovakia
Dominican Republic	South Africa
Ecuador	South Korea
El Salvador	Sri Lanka
Guatemala	Thailand
Guyana	Turkey
Hungary	Uruguay
India	Venezuela
Jamaica	

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Data Source: Andrews and Montinola (2004)



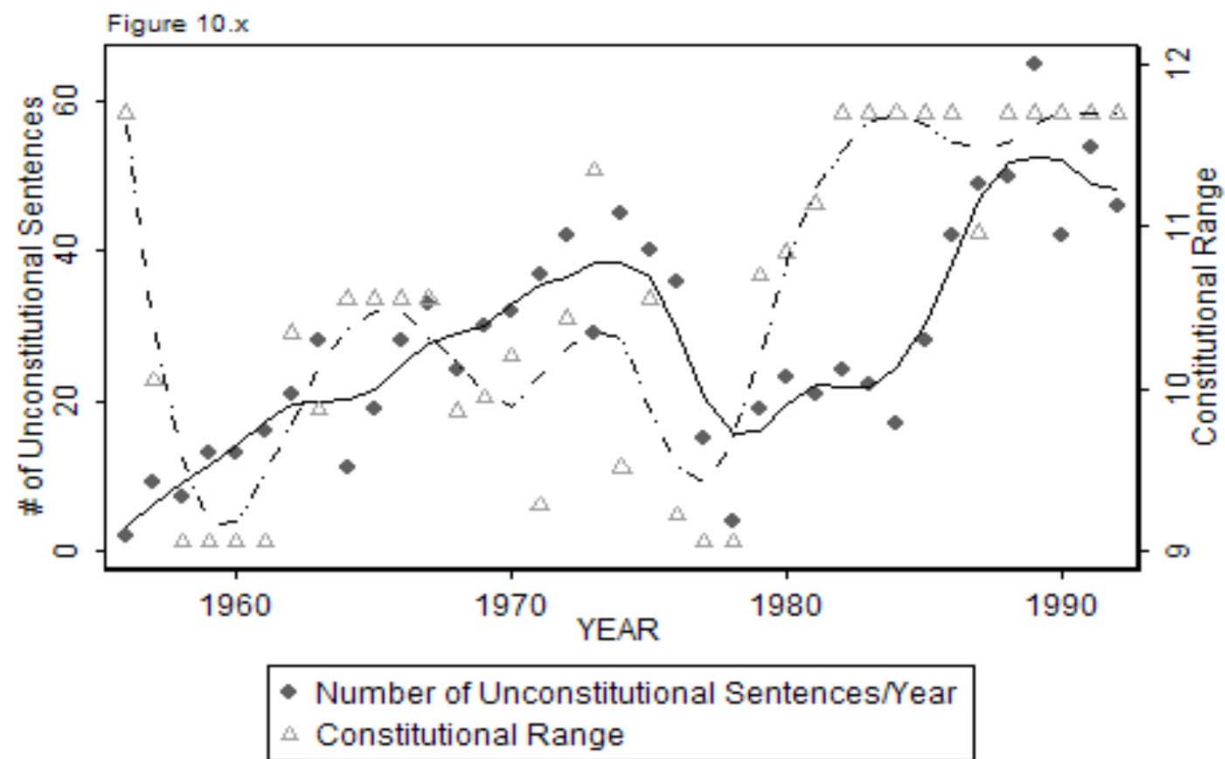
# LEGISLATIVE AND CONSTITUTIONAL CORES



Legislative core: 123. Any statutory interpretation inside 123 stands

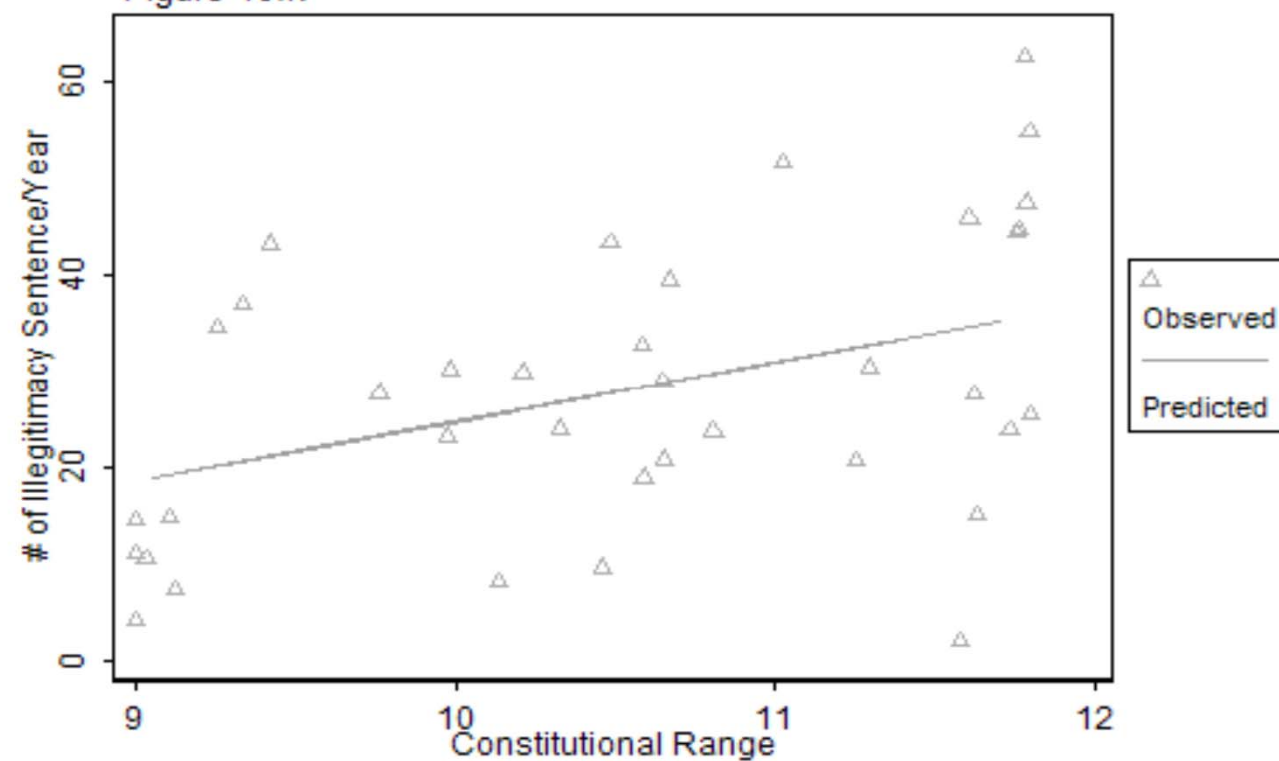
Constitutional core: 1234. Any constitutional interpretation inside 1234 stands

# SANTONI AND ZUCCHINI



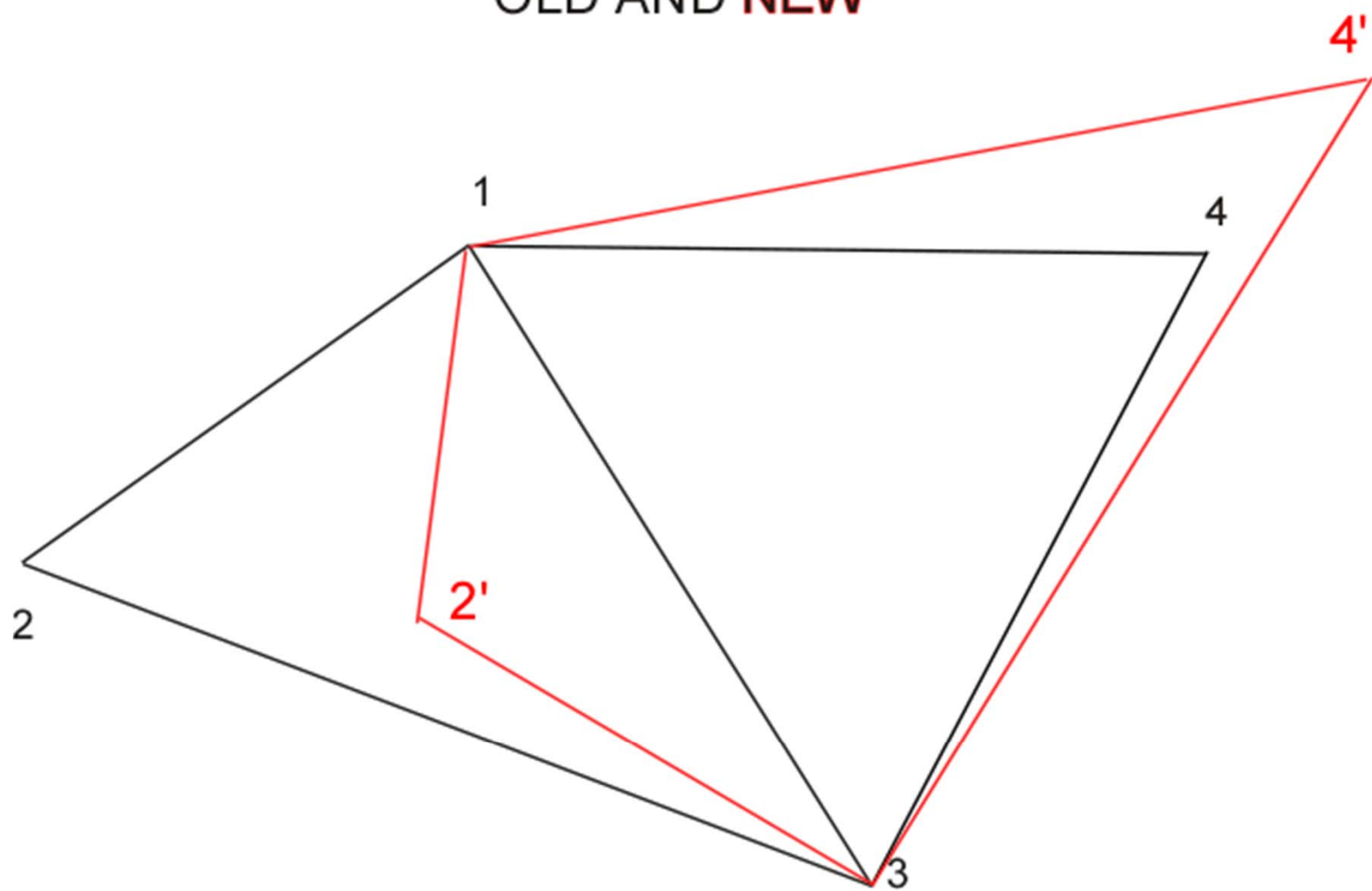
Data Source: Santoni and Zucchini (2004)

Figure 10.k



Data Source: Santoni and Zucchini (2004)

# LEGISLATIVE AND CONSTITUTIONAL CORES OLD AND **NEW**



Legislative core: Shrinks from 123 to 12'3

Constitutional core: Expands from 1234 to 1234'

# CONCLUSIONS

- Reform reduces the number of veto players (in policymaking)
- Consequences: changes of the status quo easier; role of government increases
- Results on economic policies ambiguous
- Reform expands the constitutional core (which was already large), and locks the constitution (chances are the next revision will take a long time)
- Role of courts in statutory interpretations shrinks, in constitutional interpretations expands



# TREISMAN: *THE ARCHITECTURE OF GOVERNMENT*

## 1. Traditional Benefits of Decentralization

- ADMINISTRATIVE EFFICIENCY (Oates 1972, Montesquieu 1748)
- COMPETITION AMONG LOCAL GOVERNMENTS (Hayek 1939, Tiebout 1956)
- SUPPORTS LOCAL ECONOMIC ACTIVITY (Roland 2000, Jin, Qian, and Weingast 2005)
- CITIZEN PARTICIPATION AND CULTIVATE CIVIC VIRTUE (Tocqueville 1835, Mill 1861, Jefferson 1774-1826)
- CHECKS THE POWER OF CENTRAL GOVERNMENTS (Tocqueville 1835, Weingast 1995, Hamilton 1769-1804)
- ENCOURAGES POLICY STABILITY from more veto players (Proudhon 1863, Hume 1752, Tsebelis 2002)
- POLICY INNOVATION AND EFFICIENCY ( through local information Turgot 1775, Brandeis 1932, JS Mill 1961).
- DIFFUSES ETHNIC CONFLICT (Simeon and Conway 2001, Lake and Rothchild 2005)

# TREISMAN: *THE ARCHITECTURE OF GOVERNMENT*

## 2. Traditional Drawbacks to Decentralization

- PRESSURES FROM CENTRAL GOVERNMENT FOR AID.  
This is also referred to as the “**common pool**” **problem**. (Prud’homme 1996, Tanzi 1996)
- INEFFICIENCY AND FAILURES OF FISCAL COORDINATION. That is, when local and central governments tax and spend on the same voters, they may overtax or underspend. (Spengler 1950, Shleifer and Vishny 1993)