Partisanship and the Effectiveness of Oversight*

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Abstract

It is well known in the literature that reputational concerns can cause experts to distort or hide their private information in order to appear competent. In this paper we consider the incentives of a career minded overseer to act in the public interest. The sequential nature of oversight means that once an overseer is called to act - either to accept or veto a proposal - it is already revealed what the executive making the proposal believes should be done. If the executive is thought to be competent, the overseer will be reluctant to reveal that they disagreed with the executive's proposal, in which case oversight is useless. We show that a "partisan" overseer – i.e., one who cares not only about her own reputation but also seeks to damage the executive's – would be more willing to block misguided proposals. This prevents the information of the overseer from being wasted and results in a better outcome.

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No sooner has one party discovered or invented any amelioration to the condition of man, or the order of society than the opposition party belies it, misconstrues it, misrepresents it, ridicules it, insults it, and persecutes it.

– John Adams, 1813 letter to Thomas Jefferson

[Partisanship] consumes good and smart people and leads them to put politics ahead of progress . . . [I]t prevents conversations about the hard choices that need to be made to achieve real reform.

– Michael Bloomberg, 2008 discussion on government reform on NewTalk.org

1 Introduction

There is a long history of anti-partisanship in American political thought.[1] As exemplified in the opening quotes, critics of partisanship worry that partisans will place their party's interests over the public's interests. While these concerns certainly have grounding, this paper identifies an upside to partisanship often overlooked by its critics: a partisan's incentives to affect their rival's reputation can often offset the distortions caused by their desire to enhance their own. We illustrate this possibility in a new model of checks and balances in which partisanship is often necessary for effective oversight of the executive. So while we do not seek to provide a defense of partisanship, we do believe re-examining its role in systems of governance that depend on checks and balances is important given how often partisanship is blamed, rightly or wrongly, for the ills the American political system currently faces.[2]

Our model of checks and balances has an "executive" and an "overseer." The Executive decides

[1]See Hofstadter 1969 and Rosenblum 2008 for discussions of the evolution of anti-party thought from the 1700s onwards.

[2]See, for example, Gilmour 1995 and Eliperin 2006.

whether to propose an alternative to the status quo. And the overseer decides whether to exercise her veto in the event the Executive proposes a non-status-quo policy. The central focus of our analysis is in comparing the efficacy of a "non-partisan" overseer's veto decisions to that of a "partisan."

In what follows, we consider a particular notion of partisanship. A partisan in our setting is a policymaker who, in addition to caring about her own reelection prospects, cares about the electoral fortunes of her co-partisans. In effect, what distinguishes a partisan from a non-partisan in our model is that only the former takes account of the electoral ramifications her decisions have on other policymakers.[3] Since our model abstracts away from differences in policy preferences among politicians, and instead assumes that all policymakers share the public's policy goals, the role for parties and partisanship in our setting is admittedly limited, yet then notion of partisanship we examine encompasses the base motive ascribed to partisans that concerns many - i.e., the motive to hurt one's political rivals and help one's political friends, regardless of policy consequences of doing so.[4] Even though partisanship takes this seemingly insidious form in our model, our main result is that so long as partisanship is not too extreme, voters are better off being governed by partisans than non-partisans. It turns out that the value of partisanship in our model derives from its effect on the willingness of the overseer to exercise her check on the executive.

To provide intuition for this result, consider the situation of a non-partisan legislator who must decide whether to accept or reject a proposal by the executive. And suppose the legislator is

[3]So one could formally belong to a party but not be a partisan, in the sense define here, if one did not care about the electoral prospects of fellow party members.

[4]Since our model is one where all policymakers share the public's stage-contingent policy preferences, one may wonder why the overseer would care whether the executive is reelected (and vice versa). One possibility is that in addition to determining policy on the common values issue that we model, there is an un-modeled ideological issue (perhaps dealing with an ethical matter such as abortion) that must also be determined.

concerned about appearing competent. Unfortunately, this desire can make the legislator reluctant to oppose the executive, even if it is the case that she thinks the executive's initiative is misguided. As has been noted in previous papers on careerist experts (Ottaviani and Sorenson 2001, Visser and Swank 2007), reputational concerns provide an incentive for experts to conceal disagreement. The reason why is that disagreement reveals at least one expert must be wrong, which, in turn, harms the reputation of both. Similar forces operate in our setting, and thus make a non-partisan legislator hesitant to oppose the executive. In the extreme, our hypothetical legislator never checks the executive for fear of the hit her own reputation will take. In such circumstances, oversight is rendered useless.

Now consider the situation of a partisan legislator that does not belong to the executive's party. While such a partisan is well aware that opposing the executive will hurt her own reputation, she is also aware that doing so can (potentially) hurt the executive's reputation even more. As this type of partisan profits when the executive's reputation takes a hit, she will be more inclined than a non-partisan to resist misguided executive initiatives. Hence, when a non-partisan is too reticent in exercising her check, the public would benefit from a partisan overseer that seeks to bring down the executive. Our model formalizes this logic, and in doing so, identifies conditions where divided government is essential for effective oversight of the executive.

That a veto can harm the executive more than the overseer is not something we assume, but, instead, is something that arises endogenously in our model's setting. In particular, in any equilibrium, we show that it is those who are most skeptical of the executive's proposal that are the ones most likely to exercise their veto. So vetoing the executive's proposal reveals two pieces of information about the overseer: that they disagreed with the executive, and that they are very confident in the quality of their information. The second factor mitigates the reputational penalty the overseer pays when she vetoes the executive. In contrast, when a veto occurs, only one piece of information is revealed about the executive: the overseer disagreed with him. This asymmetry is what leads to the possibility that the executive's reputation is harmed more by a veto than that of the overseer.

While we focus predominantly on the situation where a non-partisan overseer will be too reticent in checking the executive, for some parameter values, a non-partisan will be overly aggressive, rejecting the executive's proposal too often – i.e., conditions exist under which a non-partisan engages in obstructionism. Under these parameters, an overseer that seeks to enhance the executive's reputation would perform better than an overseer who cares only about her own. So once again, an overseer of the appropriate partisanship can outperform a non-partisan. However, under these conditions, it is unified government – and not divided government – that maximizes the effectiveness of oversight.

Before proceeding to the details of our model, we discuss our work's connections to the literatures on parties and political agency. Since our model abstracts away from ideological competition between parties, the rationale for partisanship identified in our model is distinct from existing rationalizations of political parties grounded in ideological competition.[5] In addition, our explanation of divided government – an explanation based on the need for effective oversight of the executive – is distinct form the more familiar theory of "ideological balancing" (Fiorina 1992; Alesina and Rosenthal 1995), whereby voters split their tickets in the hope that the elected parties will split the difference between their respective platforms.

Our paper happens to be part of a large literature (Canes-Wrone et al. 2001; Maskin and Tirole 2004; Prat 2004) on political agency problems where politicians have private information about the

[5]Much of this literature builds upon the ideas laid out in the 1950 report of the American Political Science Association's Committee on Political Parities. The report argues that when parties are disciplined and ideologically homogenous, it will be clear to voters who is responsible for the government's performance. And when it is clear who is responsible, those in charge will govern more responsibly.

correct policy, but where the career concerns of lawmakers can cause them to select policies they know are not in the best interest of their constituents. We model these career concerns as a desire by politicians to appear competent. The key assumption underlying this approach is that long-term contracting is not possible, so voters reelect the incumbent if and only if the incumbent is expected to deliver a higher future payoff than the challenger.[6]

Recently, an important line of scholarship has begun to examine whether the media or a politician's rival, by reporting on the quality of an incumbent's decision, can diminish the electoral pressures that lead incumbents to pursue suboptimal policies. For example, Ashworth and Shotts (2008) examine whether the presence of an informative media can lead executives to pander less to public opinion. In their model, the media is assumed to truthfully report its best estimate of the appropriateness of the executive's policy proposals. Our approach differs from Ashworth and Shotts in that our focus in not on the effects of oversight on executive behavior, but whether overseers will do their job properly. In this sense, the paper most closely related to ours is Glazer 2007.

Glazer considers a model with an "opposition" that can comment on the appropriateness of an executive's policy choice. This opposition is best thought of the executive's opponent in an upcoming election; consequently, Glazer's opposition is locked into a zero-sum game with the executive – i.e., either she wins, or he wins. Consequently, the opposition fails to convey useful information to the public about the merits of the executive's initiatives in equilibria of Glazer's model. Glazer (2007, 12) concludes from his analysis that one cannot "rely on the opposition

[6]This is distinct then from the literature following Ferejohn (1986), which asks which voting rules citizens should commit to so as to provide proper incentives to politicians. This approach has been applied to settings of checks and balances in Perrson et al. 1997 and Stephenson and Nzelibe 2008. Both works concern themselves with whether checks on the executive can limit the agency slack that can arise when the policy objectives of lawmakers diverge from those of the public. Consequently, not only does the modeling approach taken in these paper differ from that in ours, but so too does their substantive focus.

to guard against errors made by government." We believe this conclusion is overly pessimistic. What we learn from our papers taken together is that it matters which politicians are vetting executive initiatives. Whereas a direct competitor to the executive may not be a very effective vetter (because their incentive to make the executive look bad are too strong), a politician who is not a direct competitor can be.

One paper that considers a notion of partisanship related to ours is Groseclose and McCarty 2001. Like us, they examine a model of check and balances. And like us, they allow their legislature to have a stake in the executive's reputation. However, that is where the similarities end. Instead of their being heterogeneity in the competence of lawmakers, as in our setting, there is heterogeneity in the policy preferences of lawmakers. Their focus is on the risk that the legislature will use the policymaking process to score political points against the executive. In particular, they focus on the possibility that the executive proposes policies they know will be vetoed despite the existence of policies that would not be vetoed and would maker their constituents better off. That such distortions in proposal making arise is entirely a consequence of partisanship. So unlike in our framework, partisanship is something to be minimized in their framework.

The paper is organized as follows. Section 2 formally describes the model. Section 3 considers the overseer's behavior, both with and without partisanship, assuming that the executive always proposes the policy that he thinks is best. Section 4 explores the executive's incentives and briefly considers how our conclusions concerning the value of partisanship hold up under alternative model specifications. Section 5 offers our conclusions. All proofs are sketched in the paper's appendix, with some of the algebra underlying these proofs relegated to a supplemental appendix.

2 Model

An Executive (E) and an Overseer (O) determine policy on behalf of a representative voter,[7] henceforth referred to as the Principal. The game begins with the Executive deciding whether to propose an alternative to the status quo. And in the event that a non-status-quo policy is proposed, the Overseer must decide whether to accept or reject the proposal. After policy is determined, the Principal assesses the respective ability levels of the Executive and the Overseer. As both the Executive and the Overseer are career minded (i.e., they ultimately want to be reelected), both wish to be perceived as being of high ability. Our objective is to understand how reputational considerations affect the Overseer's willingness to use her veto in manner that promotes the Principal's welfare.[8] We will also be interested in understanding how partisanship can moderate distortions that might arise in the Overseer's veto behavior due to her desire to maximize her own reputation.

Policy Setting. We consider an environment with two policies, the status quo, which we denote by 0, and a new policy, which we denote by 1. Since the polity is familiar with the status quo, the payoff from maintaining it is know, and is normalized to be -1. What is not known is the payoff that results from the new policy. This payoff depends on the underlying state of the world $\omega \in \{0, 1\}$. When $\omega = 1$, the payoff to the new policy is specified as 0, and when $\omega = 0$, the payoff to the new policy is specified as $-\kappa$, where $\kappa \in (2, 4]$.[9] Thus, policy $\alpha \in \{0, 1\}$ is appropriate if and only if $\omega = \alpha$. That $\kappa > 2$ means that the net-loss from implementing the new policy when it is inappropriate is greater than the net-gain form implementing it when it is appropriate, so to justify implementing the new policy, the probability placed on it being appropriate must be more than one-half.

Uncertainty about the State of the World. Each state of the world occurs with equal prob-

[7] Since there is no heterogeneity of preference, it is without loss of generality to assume a representative voter.

[8] We use male pronouns for the Executive and female pronouns for the Overseer.

[9] Our insights about the value of partisan oversight hold for any $\kappa > 1$.

ability – i.e., $\Pr(\omega = 1) = \frac{1}{2}$.[10] And at the time policy is selected, no actor knows the state of the world with certainty. However, the Executive and the Overseer are better informed than the Principal about what the state is likely to be: the Executive and the Overseer receive private signals σ_E and σ_O, respectively, about the state of the world. Depending on the policymaker's ability a_j – which can either by high (H) or low (L) – his or her signal of the state σ_j is either perfectly accurate or pure noise: $\Pr(\sigma_j = \omega | a_j = H) = 1$ and $\Pr(\sigma_j = \omega | a_j = L) = \frac{1}{2}$.

Uncertainty about the Abilities of Politicians. The Principal does not know the ability of either the Executive or the Overseer. In addition, neither Executive nor the Overseer knows his or her own ability with certainty. However, we allow for the Overseer to have some private information about her ability. Specifically, the Overseer receives a private signal $s_O \in \{l, h\}$ that is correlated with her underlying ability, the accuracy of which is $q \in [\frac{1}{2}, 1)$. As will be seen, that the Overseer is uncertain of her ability is critical to many of our results. In particular, it implies that even if the Principal knew what the Overseer knew about her ability, the Overseer's private information about the state nevertheless proves to be relevant in assessing her ability level.

Nature determines the underlying ability of both the Executive and the Overseer. With probability π_E, the Executive is high ability, and with probability π_O, the Overseer is high ability. We focus on the case where $\pi_E \equiv \pi \geq \frac{1}{2} \equiv \pi_O$. So the ex-ante probability that the Executive's ability level is high is at least as large as that of the Overseer.[11]

Objectives of Policymakers. The Executive and the Overseer want the Principal to make fa-

[10] Our results concerning how partisanship promotes effective oversight holds for arbitrary priors over the state. That said, the virtue of assuming that the prior places equal weight on each state is that we are able to isolate the distortions that result in our model from those already identified in the literature that examines how experts bias their advice when the prior favors one state over the other (c.f. Levy 2004 and Prat 2005).

[11] That $\pi_O = \frac{1}{2}$ is not pivotal to our results, and has the effect of simplifying the algebra that follows. And our conclusions about the value of partisanship happen to hold when $\pi < \frac{1}{2}$ as well. For example, Proposition 3 holds for any $\pi \in (0, 1)$.

vorable inference about their respective ability levels. In fact, we assume that this is their primary objective. Nevertheless, both policymakers also place a small weight on policy considerations as well. Letting λ^E denote the probability the public assigns to the Executive being high ability and letting $\gamma > 0$ denote the weight attached to policy, the Executive's payoff is specified as $\lambda^E + \gamma u(\alpha, \omega)$, where $u(\alpha, \omega)$ is the common policy payoff that is received when policy $\alpha \in \{0, 1\}$ is implemented and ω is the true state. We will refer to λ^E as the Executive's *reputation*. That the Executive's payoff increases linearly in λ^E provides a simple and tractable reduced-form approximation of a richer model where the Executive's ability to achieve his goals tomorrow depends on his reputation today. For example, in a two-period model, where the incumbent will face a challenger whose reputation is uniformly drawn, λ^E corresponds to the probability of re-election.

We specify the same preferences for the Overseer, but allow for the possibility that the Overseer is a *partisan*. We say that an overseer is a partisan is she cares not only about her own reputation for being high ability, which we denote by λ^O, but also cares about the reputation of the Executive. Formally, the Overseer's payoff is specified as $\lambda^O - \beta\lambda^E + \gamma u(\alpha, \omega)$. Hence, when $\beta = 0$, the Overseer is a non-partisan, as she cares only about her own reputation, whereas when $\beta \neq 0$, the Overseer is a partisan. Note, an overseer for whom $\beta > 0$ profits when the Executive's reputation takes a hit; alternatively, an overseer for whom $\beta < 0$ has an incentive to make the Executive look good. Thus, when $\beta > 0$, we have a situation similar to divided government, where the executive and legislative branches are controlled by different parties, and when $\beta < 0$, we have a situation similar to one where both branches are controlled by the same party. A situation where $\beta = 0$ can be thought of as one where the executive branch is overseen by a non-partisan agency. Finally, we assume that $\beta \in (-1, 1)$, so the Overseer places more weight on her own reputation than that of the Executive.

One final comment about our specification of the objectives of the Executive and the Overseer:

Since their policy preferences are perfectly aligned with those of the Principal, in the absence of reputational considerations, both would be perfect agents of the Principal. That said, we assume that reputational considerations swamp policy considerations – i.e., γ is taken to be close to zero. Nonetheless, allowing policy to enter the Executive and the Overseer's respective payoff functions serves two roles. First, when two alternative actions yield identical reputational payoffs, policy considerations break the tie. Second, that the Overseer takes account of policy gives us some bite on how to specify the beliefs of the Principal upon observing an "out-of-equilibrium" action taken by the Overseer. More on this shortly.

Timing of Interactions. The timing of the interaction between the Executive, the Overseer, and the Principal is specified as follows:

1. The Executive and Overseer each receive private signals of their respective abilities and the state of the world – i.e., the Executive observes σ_E and the Overseer observes (s_O, σ_O).

2. The Executive proposes a policy $p \in \{0, 1\}$, where $p = 0$ is the status quo and $p = 1$ is the new policy.

3. If the Executive proposes $p = 1$, then the Overseer decides whether to accept (A) or reject (R) the proposed policy. We denote the Overseer's decision by d, where $d \in \{A, R\}$. The realized policy, denoted $\alpha(p, d)$, is

$$\alpha(p,d) = \begin{cases} 1 & \text{if } p = 1 \text{ and } d = A \\ 0 & \text{otherwise} \end{cases} .$$

4. Upon observing the interaction between the Executive and the Overseer, the Principal assigns reputations $\lambda^E \in [0, 1]$ and $\lambda^O \in [0, 1]$ to the Executive and the Overseer, respectively.

5. After the Executive and Overseer receive their reputational payoffs, the state of the world is revealed, and all players receive policy payoff $u(\alpha, \omega)$.

Since the Principal does not know the state of the world when assigning reputations to the Executive and the Overseer, the model captures settings where politicians make policy on issues whose appropriateness will not be fully learned until well after the next election.

Before defining our solution concept, it should be noted that we have introduced two asymmetries between the Executive and the Overseer: we allow for the Overseer to have private information about her ability, but not the Executive, and we allow the Overseer to be a partisan, but not the Executive. Finally, we do not allow for any form of "deliberation" between the Executive and the Overseer. In section 4, we discuss why our conclusions about the value of having a partisan overseer continue to hold even when these assumptions are relaxed. There, we also discuss why allowing for partial feedback about the state prior to the assignment of reputations does not fundamentally alter our main conclusions.

Strategies and Solution Concept. We refer to a policymaker's private information as his or her type. So the type of the Executive is his signal of the state σ_E, and the type of the Overseer is her signal of her ability s_O and her signal of the state σ_O. We refer to an overseer for whom $s_O = h$ as the *high-type*, whereas we refer to an overseer for whom $s_O = l$ as the *low-type*.

If the Principal knew the Executive's type σ_E and the Overseer's type (s_O, σ_O), then the reputation λ^j that the Principal would assign to policymaker j is:

$$Pr[a_j = H|\sigma_E, (s_O, \sigma_O)] = \frac{Pr[\sigma_E, (s_O, \sigma_O)|a_j = H]\pi_j}{Pr[\sigma_E, (s_O, \sigma_O)]}.$$

The Principal's problem, however, is that he usually will not know the policymakers' types with certainty. As such, for each policy choice p and veto decision d, the Principal must have a belief $\psi(p, d)(\cdot)$ about the respective types of the Executive and the Overseer – i.e., $\psi(p, d)(\cdot)$ is a probability measure over the model's type space.[12] Thus, when Principal observes (p, d), the reputation

[12]We denote the information set where the Executive sets $p = 0$ by $(0, \emptyset)$.

that is assigned to policymaker j is:

$$\lambda^j((p,d),\psi) \equiv \sum_{(s_O,\sigma_O)} \sum_{\sigma_E} \psi(p,d)[\sigma_E,(s_O,\sigma_O)]Pr[a_j = H|\sigma_E,(s_O,\sigma_O)]. \tag{R1}$$

In words, when the policy path is (p,d) and the Principal's beliefs are given by ψ, $\lambda^j((p,d),\psi)$ is the probability that policymaker j is high ability.

A candidate for an equilibrium to our model is a strategy for the Executive (a mapping from his type into a policy choice); a strategy for the Overseer (a mapping from the Executive's policy choice and her type into a veto decision); a belief system for the Overseer (a mapping from the Executive's policy choice and the Overseer's type into a probability measure on the Executive's type space); and a belief system for the Principal (ψ). These elements constitutes a *sequential equilibrium* (Kreps and Wilson 1982) if the Executive's policy choice is optimal given the Overseer's strategy and the Principal's beliefs ψ; the Overseer's veto decision is optimal given her belief about the Executive's type and the Principal's beliefs ψ; and the beliefs of the Overseer and Principal are consistent with the specified strategies in the sense that they are the limiting beliefs of a sequence of beliefs generated via Bayes' rule from a sequence of totally mixed strategies.[13] Consistency of beliefs implies that if the Principal knew the Overseer's type, she would hold the same beliefs about the Executive's type as the Overseer following "off-path" actions.[14]

As is common in games of incomplete information, our model has a multiplicity of sequential equilibria. This is because sequential equilibrium fails to completely pin down a player's belief at off-path information sets. So to rule out equilibria supported by "unreasonable" off-path beliefs, we apply an equilibrium refinement known as universal divinity (Banks and Sobel 1987). As universal

[13]Formally, let φ denote a strategy profile (possibly mixed), let φ_n denote a totally mixed strategy profile, and let ψ_n denote the beliefs derived from φ_n via Bayes' rule. The Principal's beliefs are *consistent* with φ if there exists a sequence $\{\varphi_n\}$ of totally mixed strategy profiles that converges to φ such that $\{\psi_n\}$ converges to ψ.

[14]This need not be the case if we employed a less restrictive solution concept such as perfect Bayesian equilibrium.

divinity was originally defined for signalling games, and our model, strictly speaking, is not, we must be precise as to how we apply universal divinity to our setting. Our particular concern is specifying sensible beliefs about the Overseer's type when an on-path policy proposal is followed by an off-path veto decision.

Definition 1 *Fix a sequential equilibria with beliefs ψ^* where the new policy $(p = 1)$ is proposed with positive probability, and all overseer-types choose action d. Such an equilibrium is* ***universally divine*** *if for $d' \neq d$, $\psi^*(1, d')(\sigma_E, (s_O, \sigma_O)) = 0$ whenever there exists an overseer-type $(s_O^{'}, \sigma_O^{'})$ such that for any belief $\psi(1, d^{'})(\cdot)$ for which*

$$\lambda^O((1, d^{'}), \psi) - \beta\lambda^E((1, d^{'}), \psi) + \gamma E[u(\alpha(1, d^{'}), \omega)|p, (s_O, \sigma_O)] \geq$$
$$\lambda^O((1, d), \psi^*) - \beta\lambda^E((1, d), \psi^*) \quad + \gamma E[u(\alpha(1, d), \omega)|1, (s_O, \sigma_O)],$$

we also have that

$$\lambda^O((1, d^{'}), \psi) - \beta\lambda^E((1, d^{'}), \psi) + \gamma E[u(\alpha(1, d^{'}), \omega)|1, (s_O^{'}, \sigma_O^{'})] >$$
$$\lambda^O((1, d), \psi^*) - \beta\lambda^E((1, d), \psi^*) \quad + \gamma E[u(\alpha(1, d), \omega)|1, (s_O^{'}, \sigma_O^{'})].$$

The idea behind this refinement is the following: If an out-of-equilibrium veto decision ever were to be observed, the Principal should believe it was made by the type of the Overseer "most likely" to have made the deviation. Since the reputational payoffs from a given veto decision are independent of the Overseer's type, in effect, our refinement boils down to requiring the Principal to believe that any out-of-equilibrium veto decision is made by the overseer-type that nets the greatest policy gain from making it.[15]

[15]For example, suppose that we have an equilibrium where the Executive set $p = \sigma_E$. And suppose that following policy proposal $p = 1$, the Overseer pools on always rejecting. The overseer-type that nets the greatest policy gain from an out-of-equilibrium acceptance is one for whom $s_O = h$ and $\sigma_O = 1$, as this is the type that assigns the greatest probability to the proposed policy matching the state. As such, our refinement requires that at the off-path information set $(1, A)$, the Principal's belief place probability one on the Overseer's type being $(h, 1)$.

Interpretation. One interpretation of our model is that of the President needing approval from the Congress in order for his policy initiatives to take effect. This is literally the case when it comes to matters of war and peace (see Article II, Section 7, of the U.S. Constitution). And although the Constitution specifies that all legislation emanate from the Congress, in practice, many important policy proposals in recent years have been led by the White House.[16] The model also captures aspects of the process of administrative lawmaking, whereby the President must decided how to apply statutory law to new cases, and the Congress must decide whether to let the President's interpretation stand.[17] In applying our model to executive-legislative interactions in the U.S., we are treating the Congress as a unitary actor. This basically amounts to assuming that the Congress is controlled by the majority party, or, alternatively, by the median member of Congress in terms of our partisanship parameter β.

3 Overseer Behavior

This section characterizes the behavior of the Overseer in the presence of an Executive that always follows his signal of the state – i.e., the Executive sets $p = \sigma_E$. We establish two key results. First, we show that the behavior of a non-partisan overseer differs from that desired by the Principal, sometimes dramatically so. We then establish our main result: an overseer of the appropriate partisanship outperforms a non-partisan one in terms of promoting the Principal's welfare. Before characterizing the Overseer's equilibrium behavior, however, we characterize how the Overseer

[16] For example, No Child Left Behind, social security reform, immigration reform, the Bush tax cuts, the Wall Street bailout, and the various post 9/11 security measures were all led by the Bush administration. Similarly, welfare reform, health-care reform, intervention in the Mexican and Asian financial crises, and NAFTA were all led by the Clinton White House.

[17] See Howell 2003 for both a theoretical and historical examination of the President's ability to influence public policy through statutory interpretation.

"should" behave from the perspective of the Principal.

3.1 Normative Benchmark

The Principal would like the Overseer to veto the Executive's proposal if and only if it yields an expected payoff less than the status quo payoff of -1. Since the Principal's payoff from the Executive's proposal p is either 0 or $-\kappa$, depending on whether it matches the state, the Overseer should veto if and only if, conditional on her information, the probability that $\omega = p$ is less than $\frac{\kappa-1}{\kappa}$. Recall, when deciding whether to veto, the Overseer knows her private signal of her ability s_O and her private signal of the state σ_O. She is also able to back out the Executive's signal of the state σ_E from his policy choice p (as we have hypothesized that $p = \sigma_E$). In short, the Overseer should veto if and only if $Pr(\omega = p|\sigma_E = p, s_O, \sigma_O) < \frac{\kappa-1}{\kappa}$.

Now note that the probability that $\omega = p$ given that $\sigma_E = p$ is

$$Pr(\omega = p|\sigma_E = p) = \frac{(\pi + (1-\pi)\frac{1}{2})\frac{1}{2}}{(\pi + (1-\pi)\frac{1}{2})\frac{1}{2} + ((1-\pi)\frac{1}{2})\frac{1}{2}} = \frac{1+\pi}{2},$$

where π is the prior probability the Executive is high ability. Since $\pi > \frac{1}{2}$ and $\kappa \leq 4$, it follows that $Pr(\omega = p|\sigma_E = p) > \frac{\kappa-1}{\kappa}$. So the Overseer should veto only if her private information (s_O, σ_O) leads her to doubt the appropriateness of the Executive's policy choice. That is, for vetoes to be in the interest of the Principal, two things must be true. First, $\sigma_O \neq p$ – i.e., the Overseer's signal of the state must contradict the Executive's policy choice. And second, the Overseer's signal of the state must be sufficiently informative – i.e., she must place sufficient weight on her ability level being high, since the signal of the state of low-ability overseers is pure noise. Recall, the Overseer's perception of her ability depends on both her signal of her ability s_O and its accuracy q.

The following lemma describes the Overseer's *first-best* strategy from the perspective of the Principal.

Lemma 1 *(First-best rule) Suppose the Executive always follows his signal of the state. Then the Overseer's first-best strategy is characterized by a threshold* $q^{\#}(\pi, \kappa) \in (0, \pi)$.

(a) When $s_O = h$*, the Overseer should veto if and only if* $q \geq q^{\#}(\pi, \kappa)$ *and* $\sigma_O \neq p$.

(b) When $s_O = l$*, the Overseer should veto if and only if* $q \leq 1 - q^{\#}(\pi, \kappa) \equiv q^{\#\#}(\pi, \kappa)$ *and* $\sigma_O \neq p$.

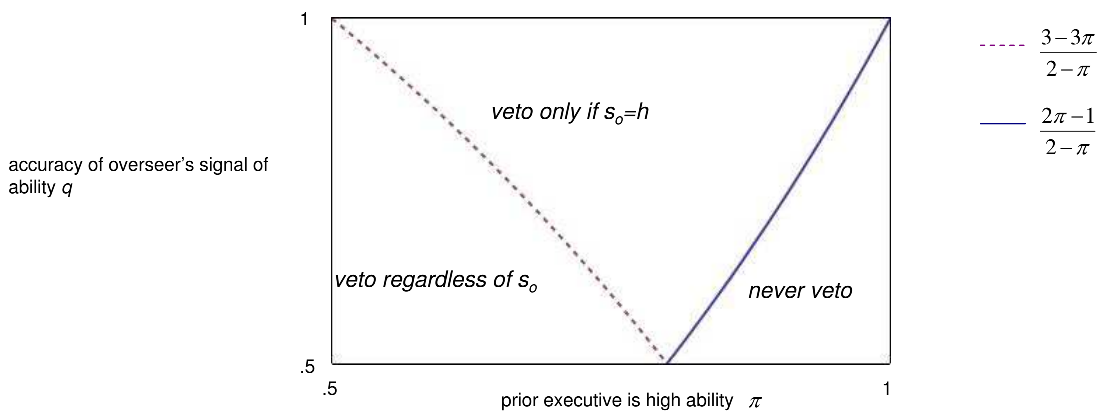
Given that Overseer's signal of the state contradicts the Executive's policy choice, Lemma 1 states that when the Overseer is the high-type, she should veto only if the accuracy of her signal of her ability is sufficiently high, whereas when she is the low-type, she should veto only if the accuracy of her signal of her ability is sufficiently low.[18] Figure 1 provides a graphical characterization of the Overseer's first-best strategy in terms of parameters π and q for the case where $\kappa = 4$. Fixing the accuracy q of the Overseer's signal of her ability, we see that when the prior π that the Executive is high ability is sufficiently large, the Overseer should never veto; for moderate values of π, only the high-type should ever veto; and for low enough values of π, both the high-type and the low-type should veto whenever $\sigma_O \neq p$.[19]

[18]For example, suppose $q = 1$ and $s_O = l$. Then the Overseer knows that her ability is low, which means that her signal of the state σ_O is pure noise. As a result, $Pr(\omega = p|p, \sigma_O, s_O = l) = Pr(\omega = p|p) > \frac{\kappa-1}{\kappa}$. So the low-type should not veto.

[19]To see why the threshold level for which vetoes are potentially useful $q^{\#}(\pi, \kappa)$ is lower than π, notice that when $q = \pi$, an overseer for whom $s_O = h$ and the Executive are, on average, the same ability level. Consequently, in the event of disagreement, both are equally likely to be right. So if $q = \pi$, $Pr(\omega = p|\sigma_E = p, s_O = h, \sigma_O = -p) = \frac{1}{2}$. Since the Overseer should approve the Executive's policy choice only if the probability that it is appropriate is greater than $\frac{1}{2}$, when $q = \pi$, the high-type should veto whenever $s_O = h$ and $\sigma_O \neq p$. This is also true for all q arbitrarily close to π.

Figure 1: First-Best Veto Rule

When the Overseer's signal of the state contradicts the Executive's policy choice, the Overseer *should:*



3.2 Behavior of a Non-Partisan Overseer

In this subsection, we consider the case of a non-partisan overseer. We assume that the Executive always follows his signal of the state, and that the Overseer's primary concern is maximizing her own reputation. We will show that such a non-partisan exercises her veto in a sub-optimal manner. This should not be too much of a surprise. There is no reason to expect that the actions that maximize the Overseer's reputation correspond to those that maximize the Principal's welfare. So our contribution here is in characterizing the manner in which a non-partisan overseer's equilibrium behavior falls short of the first-best strategy characterized in Lemma 1.

To begin this characterization, we note that for oversight to be beneficial, conditions must exist under which an overseer would be willing to veto when her signal of the state contradicts the Executive's policy choice. However, if vetoes occurred only when $\sigma_O \neq p$, then upon observing a veto, the Principal would be able to back this out. A career-minded overseer may be reluctant to reveal such a disagreement. Why? Since the probability that the Executive's policy choice is appropriate is greater than $\frac{1}{2}$,[20] it follows that the signal of the state of a low-ability overseer is more likely than that of a high-ability overseer to contradict the Executive's policy choice. So, all else equal, revealing that $\sigma_O \neq p$ is harmful to the Overseer's reputation.[21]

Before concluding that vetoing harms the Overseer's reputation, we have to take account of the possibility that in addition to revealing that $\sigma_O \neq p$, vetoes can also reveal information about the Overseer's signal of her ability s_O. Since a high-type overseer ($s_O = h$) has more reason to be skeptical of a proposal that contradicts her signal of the state than a low-type overseer ($s_O = l$), the former's equilibrium probability of vetoing is at least as large as that of the latter. So there is a (potentially) reputation enhancing "selection effect" from vetoing, with this selection effect being

[20]Recall from the previous subsection, given that the executive follows his signal, $Pr(\omega = p|p) = \frac{1+\pi}{2}$.

[21]Formally, $Pr(\sigma_O \neq p|a_O) = Pr(\sigma_O \neq p|\omega = p, a_O)Pr(\omega = p|p) + Pr(\sigma_O \neq p|\omega \neq p, a_O)Pr(\omega \neq p|p)$. So $Pr(\sigma_O \neq p|a_O = H) = \frac{1-\pi}{2}$ and $Pr(\sigma_O \neq p|a_O = L) = \frac{1}{2}$. Thus, $Pr(a_O = H|\sigma_O \neq p) = \frac{1-\pi}{2-\pi} < \frac{1}{2}$.

strongest when only those overseers for whom $s_O = h$ veto.

Via Bayes' rule, the probability that the Overseer is high ability given that $\sigma_O \neq p$ and $s_O = h$ is

$$Pr(a_O = H | \sigma_O \neq p, s_O = h) = \frac{q - q\pi}{1 - q\pi}.$$

As the prior that the Overseer is high ability equals $\frac{1}{2}$, the selection effect of revealing that $s_O = h$ compensates for the "disagreement effect" of revealing $\sigma_O \neq p$ if and only if the accuracy q of the Overseer's signal of her ability is at least $q^*(\pi) \equiv \frac{1}{2-\pi}$. So if $q < q^*(\pi)$, a career-minded overseer would not be willing to reveal that $\sigma_O \neq p$ even if it also revealed that $s_O = h$, as doing so would harm her reputation.

Proposition 1 *(Non-partisan is a rubber stamp) Suppose that $q < q^*(\pi) \equiv \frac{1}{2-\pi}$ and that the weight γ attached to policy is sufficiently small.*[22] *In addition, suppose that $\beta = 0$. If any universally divine sequential equilibrium in which the Executive always follows his signal of the state, the Overseer always approves the Executive's proposals.*[23]

Thus, we have that when the quality of the Overseer's private information about her ability is

[22] Formally, "γ sufficiently small" means that there exists a $\bar{\gamma}(\pi, q)$ such that the claim holds for all $\gamma \in (0, \bar{\gamma}(\pi, q))$.

[23] For these parameter values, one can show that in any sequential equilibrium in which the Executive follows his signal of the state, the Overseer pools (with the Overseer's reputation for being high ability λ^0 along the path of play being equal to the prior $\frac{1}{2}$). So in addition to the universally divine equilibrium in which the Overseer always accepts, there exist sequential equilibria where the Overseer always vetoes following one or both of the Executive's policy choices. The latter equilibria are supported by off-path beliefs that are not consistent with universal divinity. For example, consider a consider a sequential equilibrium in which the Overseer always vetoes following $p = 1$. The overseer-type with the greatest policy incentive to accept upon observing $p = 1$ is one for whom $s_O = h$ and $\sigma_O = 1$. Thus, following the out-of-equilibrium event of $(p = 1, d = A)$, the Overseer's reputation λ^0 must be greater than one-half, as universal divinity requires that the Principal's belief place probability one on the Overseer's type being $(s_O = h, \sigma_0 = 1)$. But then an overseer for whom $s_O = h$ and $\sigma_O = 1$ would have both a policy and a reputational incentive to accept given that $p = 1$, breaking the putative equilibrium.

sufficiently poor – or the Executive is thought to be sufficiently competent – the Overseer will abdicate her responsibilities and act as a rubber stamp (see Figure 2).[24] Regardless of whether vetoing is in the Principal's interests, the Overseer never does so for fear of the reputational hit she would take. Notice that $q^*(\pi) > \pi > q^{\#}(\pi, \kappa)$, so for any feasible (π, κ), there is a non-trivial range of q for which vetoes could be socially beneficial yet are never exercised. For such parameters, the Overseer's information is wasted and oversight has no value.

We now turn to the case of characterizing the Overseer's equilibrium behavior when $q > q^*(\pi)$. For such parameter configurations, if vetoes occurred only when $s_O = h$ and $\sigma_O \neq p$, vetoing would enhance the Overseer's reputation. So if only the high-type vetoed, there would be a reputational incentive for the low-type to veto as well. It turns out that in any universally divine sequential equilibrium, when $\sigma_O \neq p$, the high-type vetoes with probability one. And when reputational concerns are paramount, low-types veto with positive probability as well. Depending on the first-best veto rule, the Overseer may be too reticent or too aggressive in exercising her veto.

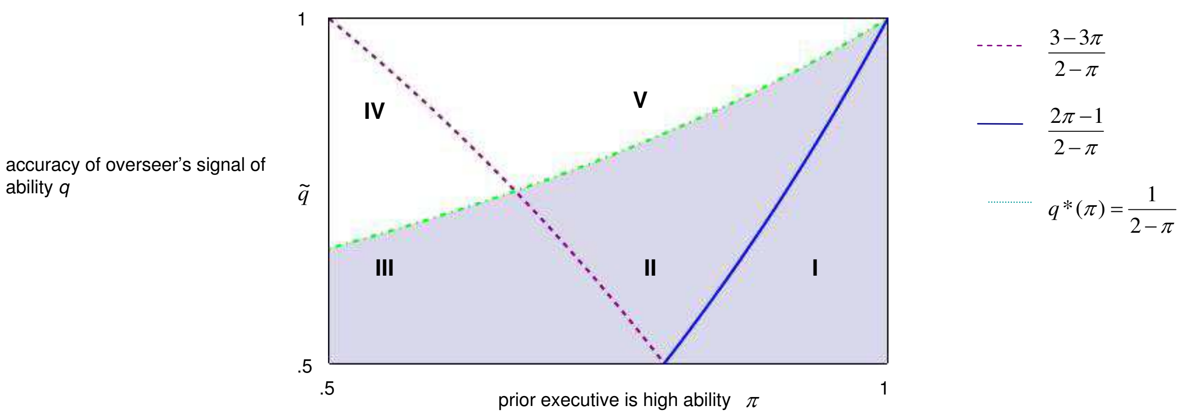
Proposition 2 *(Non-partisan vetoes) Suppose that $q > q^*(\pi)$ and $\beta = 0$. In any universally divine sequential equilibrium where the Executive always follows his signal of the state, the Overseer always accepts when $\sigma_O = p$; the high-type vetoes with probability one when $\sigma_O \neq p$; and, so long as γ is sufficiently small, the low-type vetoes with a probability strictly between zero and one.*[25]

We conclude this subsection by discussing how a non-partisan overseer's equilibrium behavior compares to the first-best strategy specified in Lemma 1. Figure 2 – where we overlay the graph of q^* onto Figure 1 – facilitates this comparison. When reputational considerations dominate, we have that a non-partisan is too reticent vis-a-vis the first-best strategy in regions II, III, and IV of

[24] This is an example of a reputational cascade (cf. Ottaviani and Sorenson 2001).

[25] In addition to sequential equilibrium specified, the only other sequential equilibria are those where following at least one of the Executive's policy choices, the Overseer pools, either always vetoing or always accepting. However, since $q > q^*(\pi)$, it is easily verified that such equilibria are not universally divine.

Figure 2: Behavior of Careerist Non-Partisan Overseer



-In regions I,II, and III, vetoes never occur.

-In regions IV and V, vetoes occur when the Overseer's signal of the state contradicts the Executive's policy choice. In such instances, the high-type vetoes with probability one, and the low-type vetoes with a non-degenerate probability.

Figure 2, whereas in region V, a non-partisan is too aggressive.[26] The divergence between what the Principal wants and what the Overseer does is most dramatic in III, a region in which the Principal would like the Overseer to veto whenever $\sigma_O \neq p$. However, as we know from Proposition 1, vetoes are never exercised by a non-partisan in this region. So for such parameters, a non-partisan is not just too reticent, but is entirely ineffective. This also happens to be true in region II.

3.3 Oversight with Partisanship

We have yet to discuss the effect of a veto on the Executive's reputation in a non-partisan environment. Given that the Executive sets $p = \sigma_E$, we know that a non-partisan vetoes only when $\sigma_O \neq p$. As the Overseer's signal of the state is correlated with the state of the world, being vetoed has the effect of lowering the weight the Principal places on the Executive's signal σ_E having matched the state, and so damages the Executive's reputation. It turns out that being vetoed harms the Executive's reputation in partisan environments as well.

Lemma 2 *(Vetoes damage the Executive) Fix* $\beta \in (-1, 1)$. (a) *In any universally divine sequential equilibrium where the Executive sets* $p = \sigma_E$, *vetoes occur only when* $\sigma_O \neq p$. (b) *As a result, being vetoed harms the Executive's reputation.*

This lemma proves critical in establishing this subsection's main result, which is that an overseer of the "appropriate" partisanship is often a more effective check on the Executive than a non-partisan. Unlike a non-partisan, a partisan has a stake in the Executive's reputation. And since vetoes affect the Executive's reputation, by manipulating the level of partisanship β, one can manipulate the Overseer's incentive to check the Executive.

[26] Recall, in region V, the Principal desires that only the high-type veto, but, in fact, both the high-type and the low-type veto.

To see how partisanship can mitigate the inefficiencies in oversight that arise in a non-partisan environment, begin by supposing that $q \in (q^{\#}(\pi,\kappa), q^{*}(\pi))$ – i.e., we are in region II or III of Figure 2. We know that when the Overseer neglects the policy ramifications of her decisions, as is the case when $\gamma \approx 0$, vetoes never occur in a non-partisan setting because of the damage that results to the Overseer's reputation. So when $q < q^{*}(\pi)$ and $\gamma \approx 0$, the only way an overseer might be induced to exercise her check is if she where to profit from the hit the Executive's reputation takes when vetoed: for vetoes to occur when $q < q^{*}(\pi)$ and $\gamma \approx 0$, the Overseer must be a partisan for whom $\beta > 0$.

Since we have restricted the maximal level of partisanship to be less than one – meaning that the Overseer cares more about her own reputation than that of the Executive's – if vetoes are to occur in an equilibrium, then the fall in the Executive's reputation that results from a veto must be larger than the fall that results in the Overseer's reputation. That this is a possibility follows from that fact that in the class of equilibria being examined (i.e., those where $p = \sigma_E$), the only actor whose actions are related to their signal of their ability is the Overseer, with those for whom $s_O = h$ being more likely to veto than those for whom $s_O = l$. The fact that Principal learns something about the Overseer's signal of her ability when a veto occurs limits the damage that would otherwise result from vetoing and revealing that $\sigma_O \neq p$. At the same time, this learning about the Overseer exacerbates the damage that results to the Executive's reputation in the event of a veto. Nevertheless, for a veto to damage the Executive more than the Overseer, not only must the Overseer's veto decision be correlated with her signal of her ability, it must also be the case that the Overseer's signal of her ability is a relatively accurate indicator of her underlying ability – i.e., q must be sufficiently large.

Proposition 3 *(Partisanship can break overseer rubber stamping) Suppose* $q \in (q^{\#}(\pi,\kappa), q^{*}(\pi))$. *And restrict attention to universally divine sequential equilibria in which the Executive sets* $p = \sigma_E$.

For each value of π, there exists a number $\bar{q}(\pi) \equiv \frac{1}{2+\pi-2\pi^2} < q^*(\pi)$ such that we have:

(a) If $q < \bar{q}(\pi)$ and γ is sufficiently small, vetoes never occur, regardless of the level of partisanship.

(b) If $q > \bar{q}(\pi)$ and γ sufficiently small, there exists an interval of partisanship levels $[\beta_*(\pi, q, \gamma), \beta^*(\pi, q, \gamma)] \in (0, 1]$ such that only the high-type vetoes, doing so if and only if $\sigma_O \neq p$.[27]

We know from Lemma 1, when $q \in (q^{\#}(\pi, \kappa), q^*(\pi))$, vetoes are socially valuable. Yet we know from Proposition 1, when $q < q^*(\pi)$ and policy considerations are given short thrift by the Overseer, a non-partisan will never veto. So Proposition 3 identifies conditions under which vetoes have social value, partisans exercise their check on the Executive, and non-partisans do not. Thus, we have established that not only can a partisan provide more effective oversight than a non-partisan, when $q < q^*(\pi)$ and $\gamma \approx 0$, partisanship is necessary for oversight to have any value whatsoever.

Two additional observations concerning Proposition 3 worth noting are: The first is that with partisanship, it is sometimes possible to induce the Overseer to employ the first-best veto rule. For example, consider a double (π, q), where $q^{\#}(\pi, \kappa) > \frac{1}{2}$ and $q \in (\max\{q^{\#}(\pi, \kappa), \bar{q}(\pi)\}, q^*(\pi))$.[28] We know from Lemma 1 that at such π and q, the Principal desires that only the high-type veto, and then, only when her signal of the state contradicts the Executive's policy choice. And we know from part (b) of Proposition 3 that at such π and q, when $\beta \in [\beta_*(\pi, q), \beta^*(\pi, q)]$, this is exactly what the Principal is incentivized to do. So with partisanship, the first-best can sometimes be achieved. The second take-away point is that while there is a danger of too much partisanship in regions I and II,[29] no such danger exists in region III, a region where the Principal would like the

[27] It is straightforward to show that for $\beta > \beta^*(\pi, q, \gamma)$ low-types veto with probability between 0 and 1.

[28] The set of π and q combinations that satisfy these conditions is a subset of region II.

[29] To see that there can be too much partisanship, consider the following example: Suppose $\kappa = 2$, so $q^{\#}(\pi, 2) = \pi$ and $q^{\#}(\pi, 2) > \bar{q}(\pi)$. In addition, suppose that $q \in (\bar{q}(\pi), q^{\#}(\pi, 2))$. For all such q, we have that the Principal prefers

Overseer to veto if and only if $\sigma_O \neq p$.[30]

We now characterize the optimal level of partisanship when $q > q^*(\pi)$. In contrast to when $q < q^*(\pi)$, we saw that regardless of the weight γ attached to policy, vetoes are exercised in a non-partisan environment when $q > q^*(\pi)$. However, when γ is sufficiently small, a non-partisan is either too reticent or too aggressive in checking the Executive vis-a-vis the first-best veto rule. Reticence arises when $q < q^{\#\#}(\pi, \kappa)$ (region IV), while obstructionism arises when $q > q^{\#\#}(\pi, \kappa)$ (region V).[31] Partisanship can partially correct for these inefficiencies.

Proposition 4 *(Partisanship can ameliorate overseer reticence/obstructionism) Suppose $q > q^*(\pi)$. And restrict attention to attention to universally divine sequential equilibria in which the Executive sets $p = \sigma_E$. Finally, assume that the low-type vetoes with a non-degenerate probability in a non-partisan environment (i.e., γ is sufficiently small). The we have the following:*

(a) If $q < q^{\#\#}(\pi, \kappa)$, the probability that the low-type vetoes is strictly higher when $\beta > 0$ than when $\beta = 0$. Moreover, the probability the low-type vetoes is non-decreasing on $[0, 1]$.

(b) If $q > q^{\#\#}(\pi, \kappa)$, for all $\beta \in [\beta_{**}(\pi, q), \beta^{**}(\pi, q)] \subset [-1, 0)$, only the high-type vetoes, doing so with probability one when $\sigma_O \neq p$. Moreover, the probability that the low-type vetoes when

that the Overseer always accepts executive initiatives. However, since $q > \bar{q}(\pi)$, if $\gamma = 0$ and $\beta = 1$, we have that in any universally divine sequential equilibria in which only the high-type vetoes, the high-type's net payoff from vetoing is positive. (To verify, see the proof of Proposition 3.) So when $\gamma \approx 0$ and $\beta \approx 1$, equilibria exist where the high-type vetoes with positive probability. Since such vetoes harm the Principal, and since a non-partisan would never veto for the specified values of π, q, and γ, the Principal is better off with an overseer for whom $\beta = 0$ than one for whom $\beta \approx 1$.

[30] This point, of course, hinges on the fact that β is bounded above by 1. For if the Overseer cared only about bringing down the Executive (i.e., $\beta \approx \infty$), she would have an incentive to veto the Executive even when, from the perspective of the Principal, she should not.

[31] Recall from Lemma 1, that $q^{\#\#}(\pi, \kappa)$ is the maximal accuracy of the Overseer's signal of her ability for which it is socially beneficial for the low-type to veto.

$\sigma_O \neq p$ is strictly increasing on $[\beta^{\#}(\pi, q), 0]$.

So part (a) implies that in region IV, a region where the Principal would like the Overseer to veto whenever $\sigma_O \neq p$, the Principal's welfare is maximized when $\beta = 1$. And part (b) implies that in region V, a region where the Principal would like the Overseer to veto if and only if she is the high-type, the Principal's welfare is maximized when $\beta < 0$. In short, when a non-partisan is too reticent in exercising her check, the public is best off with an overseer who seeks to bring down the Executive, and when a non-partisan is too aggressive in exercising her check, the public is best off with an overseer who seeks to prop up the Executive.

3.4 Discussion

We have shown that in regions II through V of the model's parameter space, the Principal can be better off with an Overseer of the appropriate partisanship than a non-partisan. So while opponents of partisanship have grounds to be concerned about its excess, our analysis points to the potential danger of too little partisanship. In fact, our analysis suggests that in system of governance that depend on Madisonian checks-and-balances, under a range of conditions, for checks to be exercised, a sufficient level of partisanship among elected officials is required.

We conclude this section with the positive implications of our model for the incidence of divided government: If we think of an overseer for whom $\beta > 0$ as a member of the party the seeks to replace the Executive, and an overseer for whom $\beta < 0$ as a member of the Executive's own party, one can summarize Propositions 3 and 4 as follows: In regions II through IV of the model's parameter space, the Principal is best off with divided government, and in region V, the Principal is best off with unified government. So we see from Figure 2 that holding q fixed, an increase in the prior π that the Executive is high ability makes it less likely for vetoes by the low-type to be beneficial, but also more likely that divided government is necessary to have even the high-type veto. Finally, note that the only situation where unified government can be beneficial is when π is high enough that vetoes by the low-type are harmful.[32]

4 Robustness

The main argument of the paper has been that in a system of checks and balances, not only will an overseer of the appropriate partisanship outperform a non-partisan one, but, sometimes, partisanship is necessary for checks to have any value whatsoever. That said, we have made a number of assumption along the way that could possibly affect our conclusions. This section briefly discusses the consequences of modifying some of the more salient ones.

Executive Behavior. For the sake of simplicity, we introduced two asymmetries between the Executive and Overseer: the Executive is non-partisan and the Executive has no private information regarding his own ability. These assumptions simplify the analysis but do not change our results in a meaningful way. First, consider the incentives of a partisan Executive. In equilibrium, the expected reputation of the Overseer if the Executive makes a proposal,and the reputation if they do not, must be equal to the average ability of Overseers: $\frac{1}{2}$. There are only two possible deviations to consider: the Executive who observes signal 1 could choose the status quo - this will not, in expectation, change the Overseer's reputation and so the incentives will not be affected by the Executive's partisanship - or the Executive who observed signal 0 could propose 1. Such a deviation would result in a higher than equilibrium probability of vetoing (provided vetoes a! re exercised), and so effect the Overseer's expected reputation. However, we have established that, in

[32]Existing forecasting models of midterm election often include a variable for presidential popularity (cf. Jones and Cuzán 2006), with most finding that when the president is unpopular, his party does worse. While perceptions of a president's competence almost surely influences his popularity, competence is distinct from popularity, and our model predicts that it will have an independent influence on the seat share of the president's party.

equilibrium, when γ is small the Executive's reputation must be affected more by a veto than the Overseer's reputation as the Overseer must be (almost) reputationally indifferent between vetoing and accepting and the Overseer places more weight on her own reputation than on the Executive's. So, provided the Executive places more weight on his own reputation as on the Overseer's, he will not have an incentive to deviate and make a proposal he believes is misguided.

Now consider an Executive who has private information about his own ability. Since the veto possibility only exists when the Executive proposes altering the status quo, more information about the Executive is (potentially) revealed in this case. Consequently, a low-type Executive who observes a signal that the state is 1 would have an incentive to stick with the status quo rather than risk subjecting their proposal to an informative veto decision. In equilibrium then we will have the low-type Executive randomizing between altering the status quo and not after observing a signal of 1. This distortion is small in magnitude and so is not of first-order concern in this model. More importantly, the decision for the Overseer would be unchanged: the average ability of Executives who propose altering the status quo may simply be higher than π [33]. So our results about Overseer behavior would not be affected if we incorporated a richer model of Executive action.

The No Feedback Assumption. We have assumed that the appropriateness of the policy implemented in not revealed until after the Principal assigns reputations to the Executive and the Overseer. It turns that relaxing this assumption does not lead to better performance by a nonpartisan overseer when $q < \frac{1}{2-\pi}$. In particular, the equilibrium in which the Executive always follows his signal and the Overseer always accepts survives.[34]

[33] If $q < \frac{1}{2-\pi}$ a nonpartisan Overseer acts as a rubber stamp so there is no possibility of being vetoed and hen! ce no distortion in Executive behavior. Consequently, our results about the necessity of partisanship for effective Oversight would still hold.

[34] The reason why feedback does not deter the Executive from taking action is identical to our argument (in Section 4) as to why the threat of being vetoed does not deter the Executive from taking action. And the reason why feedback

Where feedback about the state matters is for the performance of a partisan overseer. For the Overseer's veto to affect the Executive's reputation it must reveal information about the state that would not be revealed anyway. So if Principal were to learn the state of the world with certainty prior to assigning reputations, then the Overseer's veto decision would no longer affect the Executive's reputation. And if vetoing does not affect the Executive's reputation, a partisan would not be willing to veto if vetoing damaged her own reputation. Thus, when feedback about the state is certain and $q < \frac{1}{2-\pi}$, the Overseer is a rubber stamp regardless of whether she is a partisan or a non-partisan.[35] That said, a partisan can still outperform a non-partisan when feedback about the state is imperfect.

The Assumption that the Overseer and the Executive cannot Deliberate. We have assumed that the Overseer and the Executive cannot share their private information with each other. As it is plausible that non-partisans might wish to do so, some might worry we are underestimating the benefits of non-partisanship. The simplest way to explore this possibility is to have the Overseer and Executive act jointly: deliberating privately and then selecting a policy. In many situations this would outperform an oversight regime, regardless of partisanship.[36] However, this is not true in general.

Suppose the Executive and Overseer are acting jointly and seek to maximize a weighted average of their reputations:

$$\theta\lambda^E + (1-\theta)\lambda^O,$$

is not sufficient to break the reputational cascade that develops when $q < \frac{1}{2-\pi}$ is that all of the Overseer's private information is revealed if she were to veto (i.e., $s_O = h$ and $\sigma_O \neq p$), so learning the state would not, in expectation, change the Overseer's reputational payoff from vetoing.

[35]It is interesting to note that in canonical agency models (Maskin and Tirole 2004; Prat 2005), feedback about the state improves the performance of policymakers. Clearly, this is not necessarily so in our setting.

[36]An example is: ...

where $\theta \in (0,1)$. And suppose that $p = \frac{1}{2}$ and (q, π) belong to region II of Figure 2. For these parameters, the first-best decision rule is to follow the Executive's signal, except when $s_O = h$ and $\sigma_O \neq \sigma_E$; in this case, the status quo is to be selected. We know from Proposition 3 that this can be achieved with an overseer of the appropriate partisanship. On the other hand, if the Executive and Overseer are acting jointly, they cannot be following a strategy that chooses the status quo if and only if they observe $s_O = h$ and $\sigma_O \neq \sigma_E$. For if they were to employ this strategy, the selection of the status quo would reveal disagreement, resulting in a lower joint reputation than that which results when a non-status-quo policy is pursued. So there are situations in which partisan oversight outperforms not only non-partisan oversight, but also cooperative decision making by non-partisans.

5 Conclusions

This paper has examined the value of partisanship in a model of executive action and oversight. We first demonstrated that oversight conducted by a non-partisan is not the panacea it is often made out to be: under reasonable conditions, a non-partisan overseer is unwilling to challenge an executive's policy initiatives. The reason for this reticence in challenging the executive is that conflict between the two leads the public to be less confident not only in the ability of the executive, but also in the ability of the overseer. We then demonstrated that partisanship is a mechanism by which such reticence can be overcome. In particular, an overseer that profits when the Executive's reputation is damaged will be more willing to challenge the Executive than a non-partisan. Moreover, even in situations where a nonpartisan overseer does not completely abdicate her responsibilities, there may still be distortions which can be mitigated if the overseer is of the appropriate partisanship. So we have the surprising result that a partisan overseer can often outperform a nonpartisan one.

The insights about partisanship and its value developed in this paper are quite general, and apply beyond the setting of checks and balances we examine. For example, Ottaviani and Sorenson (2001) consider the question of who should speak first in a committee setting, where the key concern is that later speakers may suppress their disagreement with earlier speakers. In that setting, our results suggest that later speakers could be induced to reveal their disagreement with earlier speakers if they benefited from damaging their reputations. Thus, a certain level of animosity and competition between advisors may not necessarily be a bad thing. Another setting where reputational considerations lead to information loss is Gentzkow and Shapiro's (2006) model of media reporting. They illustrate how a media outlet motivated by the desire to be appear accurate may suppress information that challenges its readers' pre-conceived beliefs. When applied to reporting on the conduct of government, our results suggests that a partisan media may be more willing to challenge its readers beliefs than one that has no preference over which party holds power.

One interesting feature of our model of oversight is that since there is no heterogeneity in the policy preferences of policymakers, there is no notion of ideology. While this feature has the virtue of allowing us to identify a role for an entirely venal form of partisanship – i.e., the simple desire to manipulate the reelection prospects of others – it comes with limitations, as many policy areas are characterized by ideological conflict. For such issues, there is usually a "Republican" way and a "Democrat" way in which it can be approached. Examining the value of partisanship when ideological conflict is important is a matter we leave to future work.

6 Appendix

Proof of Lemma 1. Suppose the Executive always follows his signal of the state. We argued in the main text that an overseer whose signal of the state is σ_O and signal of her ability is s_O should veto if and only if $Pr(\omega = 1|\sigma_E = 1, \sigma_O, s_O) \leq \frac{\kappa-1}{\kappa}$.

We first prove that when $\sigma_O = 1$, vetoing is suboptimal. Note that

$$Pr(\omega = 1|\sigma_E = 1, s_O, \sigma_O = 1) > Pr(\omega = 1|\sigma_E = 1) = \frac{1+\pi}{2} \geq \frac{\kappa - 1}{\kappa},$$

where the last inequality follows because $\kappa \leq 4$ and $\pi > \frac{1}{2}$. Hence, vetoing is suboptimal when $\sigma_O = 1$.

Now consider the case where $\sigma_O = 0$ and $s_O = h$. Then by Bayes' rule,

$$Pr(\omega = 1|\sigma_E = 1, s_O = h, \sigma_O = 0) = \frac{1+\pi}{2} \frac{(1-q)}{q(1-\pi) + (1-q)}.$$

This probability is less than or equal to $\frac{\kappa-1}{\kappa}$ if and only if $q \geq \frac{2-(1-\pi)\kappa}{2\pi+(1-\pi)\kappa} \equiv q^{\#}(\pi, \kappa)$. Thus, when $\sigma_O = 0$ and $s_O = h$, vetoing is optimal if and only if $q \geq q^{\#}(\pi, \kappa)$. Notice also that $q^{\#}(\pi, \kappa)$ is decreasing in κ and that $q^{\#}(\pi, 2) = \pi$. These facts, taken together with our assumption that $\kappa > 2$, imply that $q^{\#}(\pi, \kappa) \in [0, \pi)$.

Finally, consider the case where $\sigma_O = 0$ and $s_O = l$. Then by Bayes' rule,

$$Pr(\omega = 1|\sigma_E = 1, s_O = l, \sigma_O = 0) = \frac{1+\pi}{2} \frac{q}{(1-q)(1-\pi) + q}.$$

This probability is less than or equal to $\frac{\kappa-1}{\kappa}$ if and only if $1 - q \geq q^{\#}(\pi, \kappa)$, or equivalently, $q \leq 1 - q^{\#}(\pi, \kappa) \equiv q^{\#\#}(\pi, \kappa)$. Thus, when $\sigma_O = 0$ and $s_O = l$, vetoing is optimal if and only if $q \leq q^{\#\#}(\pi, \kappa)$. ■

Proof of Lemma 2. See supplemental appendix for details. ■

It follows from Lemma 2 that in any universally divine sequential equilibrium where the Executive follows his signal of the state, if vetoes occur, they occur only when $\sigma_O = 0$. Hence, the Overseer's strategy can be fully characterized by a double (z_h, z_l), where z_h denotes the probability with which the high-type vetoes when $\sigma_O = 0$, and z_l denotes the probability with which the low-type vetoes when $\sigma_O = 0$. It turns out that in any sequential equilibrium, the low-type vetoes only if the high-type does so with probability one.[37] So in any sequential equilibrium, the Overseer's strategy take a "cut-point form," where either $z_h \in [0, 1)$ and $z_l = 0$, or $z_h = 1$ and $z_l \in [0, 1]$.

With the above facts in hand, we now turn to specifying respective reputations that would be assigned to the Executive (λ^E) and the Overseer (λ^O) following a proposal of $p = 1$ and a veto decisions of $d \in \{A, R\}$ given that: (1) the Executive's strategy is to follow his signal of the state; (2) the Overseer's strategy takes a cut-point form in which she vetoes only when $\sigma_O = 0$; (3) the Principal's beliefs ψ are consistent with the strategies of the Executive and the Overseer; and (4) when $z_h = z_l = 0$, if the Principal were to observe an off-path veto, she places probability one on the Overseer's type being $(h, 0)$, a belief that happens to be consistent with the requirements of universal divinity.

When $z_h \in [0, 1)$ and $z_l = 0$, we have:

$$\begin{aligned}
\lambda^O((1, R); \psi) &= \frac{q(1-\pi)}{1-q\pi} \\
\lambda^E((1, R); \psi) &= \frac{(1-q)\pi}{1-q\pi} \\
\lambda^O((1, A); \psi) &= = \frac{2 - qz_h + q\pi z_h}{4 - z_h + q\pi z_h} \\
\lambda^E((1, A); \psi) &= \frac{4\pi - \pi z_h + q\pi z_h}{4 - z_h + q\pi z_h}
\end{aligned}$$

[37] This is a consequence of three facts: policy enters the Overseer's payoff function; the high-type's signal the state is more accurate, on average, than the low-type's; and the reputational payoffs from one's veto decision are independent of one's private information about one's ability. So if a low-type gains from vetoing, then a high-type gains even more.

And when $z_h = 1$ and $z_l \in [0,1]$, we have:

$$\begin{aligned}
\lambda^O((1,R);\psi) &= \frac{(1-\pi)[q+(1-q)z_l]}{1-q\pi+z_l[1-\pi+q\pi]} \\
\lambda^E((1,R);\psi) &= \frac{\pi[(1-q)+qz_l]}{1-q\pi+z_l[1-\pi+q\pi]} \\
\lambda^O((1,A);\psi) &= \frac{2-(1-\pi)[q+(1-q)z_l]}{3+q\pi-z_l[1-\pi+q\pi]} \\
\lambda^E((1,A);\psi) &= \frac{4\pi-\pi[(1-q)+qz_l]}{3+q\pi-z_l[1-\pi+q\pi]}
\end{aligned}$$

To derive these reputations, we first characterize the Principal's beliefs ψ as a function of the strategies of the Executive and the Overseer. And then we plug ψ into $\lambda^j(\cdot;\cdot)$. Doing so involves a bit of tedious algebra, so the computations are relegated to the supplemental appendix.

In proving our main result, it will be useful to work with a function that maps overseer strategies (that have a cut-point form) into a net-reputational payoff to the Overseer from vetoing. We denote this function by V, where

$$V(z_h, z_l;\beta) \equiv [\lambda^O((1,R);\psi) - \beta\lambda^E((1,R);\psi)] - [\lambda^O((1,A);\psi) - \beta\lambda^E((1,A);\psi)].$$

So

$$V(z_h, z_l;\beta) = \begin{cases} \left[\frac{q(1-\pi)-\beta((1-q)\pi)}{1-q\pi}\right] - \left[\frac{2-qz_h+q\pi z_h-\beta(4\pi-\pi z_h+q\pi z_h)}{4-z_h+q\pi z_h}\right] & \text{if } z_h \in [0,1) \text{ and } z_l = 0 \\ \left[\frac{(1-\pi)[q+(1-q)z_l]-\beta(\pi[(1-q)+qz_l])}{1-q\pi+z_l[1-\pi+q\pi]}\right] & \\ -\left[\frac{2-(1-\pi)[q+(1-q)z_l]-\beta(4\pi-\pi[(1-q)+qz_l])}{3+q\pi-z_l[1-\pi+q\pi]}\right] & \text{if } z_h = 1 \text{ and } z_l \in [0,1] \end{cases}.$$

Hence, when $V(\cdot) > 0$ (< 0), there is a reputational incentive to reject (accept).

Lemma 3 *Some properties of V are:*

(a) V is increasing in β;

(b) $V(\cdot, 0;\beta)$ is increasing in q;

(c) $V(\cdot, 0; 0)$ *is decreasing in* z_h *when* $q < q^*(\pi) \equiv \frac{1}{2-\pi}$, *is increasing in* z_h *when* $q > q^*(\pi)$, *and is equal to 0 when* $q = q^*(\pi)$*;*

(d) $V(\cdot, 0; 1)$ *is decreasing in* z_h *when* $q < \bar{q}(\pi) \equiv \frac{1}{2+\pi-2\pi^2}$, *is increasing in* z_h *when* $q > \bar{q}(\pi)$, *and is equal to 0 when* $q = \bar{q}(\pi)$*.*

(e) $V(1, \cdot; \beta)$ *is decreasing in* z_l*;*

(f) $V(1, 1; \beta) < 0$*;*

(g) If $V(1, 0; \bar{\beta}) = 0$, *then* $V(z_h, 0; \bar{\beta}) = 0$ *for all* z_h*.*

The proof is left to the supplemental appendix as these results follow from straightforward algebra. Recall from Section 3.1 that $q^*(\pi)$ is the threshold signal accuracy for which a non-partisan overseer is indifferent between vetoing and accepting given that only the high-type vetoes. So when $z_h > 0$ and $z_l = 0$, and $q = q^*(\pi)$, the selection effect from vetoing exactly offsets the disagreement effect. And remember from Section 3.3 that $\bar{q}(\pi)$ – where $\bar{q}(\pi) < q^*(\pi)$ – is the threshold signal accuracy for which an overseer who cares equally about damaging the Executive's reputation and enhancing her own is indifferent between vetoing and accepting given that only the high-type vetoes. So at $\bar{q}(\pi)$ the net-damage to the Overseer's reputation from vetoing exactly equals that which results to the Executive's.

We introduce one final piece of notation that proves useful in the subsequent proofs. Conditional on receiving a signal of one's ability equal to s_O, write $u(s_O)$ for the Overseer's net policy payoff from exercising her veto when $\sigma_O = 0$. Formally, $u(s_O) \equiv E_\omega[u(0, \omega)|(s_O, 0)] - E_\omega[u(1, \omega)|(s_O, 0)]$. Thus, an overseer whose signal of her ability is s_O and signal of the state $\sigma_O = 0$ is willing to veto if and only if $V(z_h, z_l; \beta) + \gamma u(s_O) > 0$.

Proof of Proposition 1. Fix π and fix $\beta = 0$. Suppose that $q < q^*(\pi)$. And restrict attention to universally divine sequential equilibria in which the Executive always follows his signal of state.

We need to show that there exist a threshold $\bar{\gamma}$ such that for all $\gamma < \bar{\gamma}$, the Overseer never vetoes. We begin by demonstrating that the net-reputational payoff from vetoing $V(z_h, z_l; \beta)$ is negative for all feasible z_h and z_l. To see that this is so, note:

$$V(z_h, z_l; \beta = 0) \leq V(0, 0; \beta = 0) = \frac{q(1-\pi)}{1-q\pi} - \frac{1}{2} < 0.$$

The first inequality follows from our supposition that $q < q^*(\pi)$ and parts (c) and (e) of Lemma 3. The second inequality follows from the fact that $q < q^*(\pi)$. Defining $\bar{\gamma} \equiv \left|\frac{V(0,0;\beta=0)}{u(h)}\right|$, it follows that for all $\gamma < \bar{\gamma}$, $V(z_h, z_l; \beta = 0) + \gamma u(s_O) < 0$. Thus, when $\gamma < \bar{\gamma}$ and the Executive follows his signal of the state, the net payoff from vetoing is negative regardless of the Overseer's strategy. So when $\gamma < \bar{\gamma}$, in any universally divine sequential equilibrium in which the Executive sets $p = \sigma_E$, the Overseer never vetoes. ■

Proof of Proposition 2. Fix π and fix $\beta = 0$. Suppose that $q > q^*(\pi)$. And restrict attention to universally divine sequential equilibria in which the Executive sets $p = \sigma_E$.

We first show that in any such equilibrium the high-type vetoes with probability one when $\sigma_O = 0$. If we have an equilibrium where the low-type vetoes with positive probability when $\sigma_O = 0$, then it immediately follows that the high-type vetoes with probability one when $\sigma_O = 0$. So consider an equilibrium where the low-type never vetoes. Since $q^*(\pi) > \pi > q^{\#}(\pi)$, our supposition that $q > q^*(\pi)$ taken together with Lemma 1 implies that $u(h) > 0$. Thus, to show that the high-type vetoes with probability one in an equilibrium where $z_l = 0$, it is sufficient to show that $V(z_h, 0; 0)$ is positive for all feasible z_h. To see that this is so, note:

$$V(z_h, 0; 0) \geq V(0, 0; 0) = \frac{q(1-\pi)}{1-q\pi} - \frac{1}{2} > 0.$$

The first inequality follows from our supposition that $q > q^*(\pi)$ and part (c) of Lemma 3. The second inequality follows from the fact that $q > q^*(\pi)$.

We now turn to establishing that when γ is sufficiently small, the low-type vetoes with a non-degenerate probability when $\sigma_O = 0$. We just established that $V(1,0;0) > 0$. And from part (f) of Lemma 3, we know that $V(1,1;0) < 0$. That $V(1,0;0) > 0$ and $V(1,1;0) < 0$ implies that when $\gamma \approx 0$, the low-type cannot be either always accepting or always rejecting. ■

Proof of Proposition 3.

Proof of part (a). Fix π, fix β, and suppose that $q < \bar{q}(\pi)$. In addition, restrict attention to universally divine sequential equilibria in which the Executive sets $p = \sigma_E$. We need to show that there exists a threshold $\bar{\gamma}$ such that for all $\gamma < \bar{\gamma}$ the Overseer always accepts. We begin by establishing that $V(z_h, z_l; \beta) < 0$ for all feasible (z_h, z_l) and β. To see that is so, note:

$$V(z_h, z_l; \beta) \leq V(z_h, z_l; 1) \leq V(0,0;1) = \frac{q - \pi}{1 - q\pi} - \frac{1 - 2\pi}{2} < 0.$$

The first inequality follows from part (a) of Lemma 3. The second inequality follows from our supposition that $q < \bar{q}$ and parts (d) and (e) of Lemma 3. The last inequality follows from our supposition that $q < \bar{q}(\pi)$ along with parts (d) and (b) of Lemma 3 – i.e., $V(0,0;1) = 0$ when $q = \bar{q}(\pi)$ and $V(0,0;1)$ is decreasing in q when $q < \bar{q}(\pi)$. Defining $\bar{\gamma} \equiv \left|\frac{V(0,0;1)}{u(h)}\right|$, it follows that for all $\gamma < \bar{\gamma}$, we have that $V(z_h, z_l; \beta) + \gamma u(s_O) < 0$. Thus, when $\gamma < \bar{\gamma}$ and the Executive follows his signal of the state, the net payoff from vetoing is negative regardless of the Overseer's strategy. So when $\gamma < \bar{\gamma}$, in any universally divine sequential equilibrium in which the Executive sets $p = \sigma_E$, the Overseer never vetoes.

Proof of part (b). Fix π, suppose $q \in (\max\{q^{\#}(\pi), \bar{q}(\pi)\}, q^*(\pi))$, and suppose that γ is sufficiently small that the Overseer is a rubber stamp when $\beta = 0$. Finally, restrict attention to universally divine sequential equilibria in which Executive sets $p = \sigma_E$. We need to show that there exists an interval of partisanship levels $(\beta_*(\pi, q), \beta^*(\pi, q)) \subset (0, 1]$ such that only the high-type vetoes, doing so with probability one when $\sigma_O = 0$. In effect, there are two claims here. First, if $z_h = 1$ and $z_l = 0$, then there exists an interval of partisanship levels $(\beta_*(\pi, q), \beta^*(\pi, q))$ such that neither the high-type nor the low-type has an incentive to deviate. Second, the low-type vetoing with positive probability cannot be part of a universally divine sequential equilibrium in which the Executive sets $p = \sigma_E$ on this interval of partisanship.

We begin with the first claim. If $z_h = 1$ and $z_l = 0$, and neither type wishes to deviate, then

$$V(1, 0; \beta) + \gamma u(h) \geq 0 \tag{1}$$

and

$$V(1, 0; \beta) + \gamma u(l) \leq 0. \tag{2}$$

That an interval of partisanship levels exists for which these conditions hold can be seen from the following argument. By supposition, the Overseer is a rubber stamp when $\beta = 0$. This means that the left-hand-side of (1) is negative when $\beta = 0$. If we can show that (1) holds when $\beta = 1$, then given that fact that V is increasing and continuous in β, there exists a unique level of partisanship such that (1) holds with equality. Denoting this level by $\beta_*(\pi, q)$, it follows that for all $\beta > \beta_*(\pi, q)$, the high-type has a strict incentive to veto when $\sigma_O = 0$ (given that $z_h = 1$ and $z_l = 0$ is played).

To see that the right-hand-side of (1) is positive when $\beta = 1$, begin by noting:

$$V(1, 0; 1) > V(0, 0; 1) > 0.$$

The first inequality follows from our supposition that $q > \bar{q}(\pi)$ and part (d) of Lemma 3. The second inequality follows from our supposition that $q > \bar{q}(\pi)$, the fact that $V(0, 0; 1)$ is increasing in q – see part (b) of Lemma 3 – and the fact that when $q = \bar{q}(\pi)$, $V(0, 0; 1) = 0$ – see part (d) of Lemma 3. Finally, given our supposition that $q > q^{\#}(\pi)$, from Lemma 1, we know that $u(h) > 0$. That $V(1, 0; 1) > 0$ and $u(h) > 0$ implies that the right-hand-side of (1) is strictly positive when $\beta = 1$.

Turning to the low-type's payoff form vetoing, since (1) is negative when $\beta = 0$, so is (2), as $u(h) > u(l)$. Moreover, since the Overseer's net reputational payoff from vetoing is both increasing and linear in β, we have:

$$\lim_{\beta \to \infty} V(1, 0; \beta) + \gamma u(l) > 0.$$

Accordingly, there exists a unique level of partisanship such that (2) holds with equality. Denote this level by $\beta(l)$. So for all $\beta < \beta(l)$, the low-type has a strict incentive not to veto given that $z_h = 1$ and $z_l = 0$. Finally, since $u(h) > u(l)$, $\beta(l) > \beta_*(\pi, q)$.

So, putting the above arguments together, it follows that when $z_h = 1$ and $z_l = 0$, there exists an interval of partisanship levels– namely, $(\beta_*(\pi, q), \beta(l))$ – such that neither the high-type nor the low-type has an incentive to deviate from their respective strategies. Letting $\beta^*(\pi, q) \equiv \min\{1, \beta(l)\}$, all that remains is to show is that when $\beta \in (\beta_*(\pi, q), \beta^*(\pi, q)))$, there does not exist an equilibrium in which either $z_l^* > 0$ or $z_h^* < 1$.

By way of contradiction, begin by supposing that $z_l^* > 0$. This implies that the low-type's net payoff from vetoing is non-negative. Since $z_l^* > 0$, it follows that $z_h^* = 1$. Now note that

$$V(1, z_l^*; \beta) + \gamma u(l) < V(1, 0; \beta) + \gamma u(l) \leq V(1, 0; \beta^*(\pi, q)) + \gamma u(l) \leq 0.$$

The first inequality follows from part (e) of Lemma 3. The second inequality follows from our supposition that $\beta \leq \beta^*(\pi, q)$ and part (a) of Lemma 3. The third inequality follows from the construction of $\beta^*(\pi, q)$. So the net payoff to the low-type from vetoing – i.e., $V(1, z_l^*; \beta) + \gamma u(l)$ – is negative, a contradiction.

Now suppose there exists an equilibrium in which $z_h^* < 1$. This implies that the high-type's net payoff from vetoing is non-positive. Since $z_h^* < 1$, it follows that $z_l^* = 0$. Now note that

$$0 = V(1, 0; \beta_*(\pi, q)) + \gamma u(h) = V(z_h^*, 0; \beta_*(\pi, q)) + \gamma u(h) < V(z_h^*, 0; \beta) + \gamma u(h).$$

The first equality is due to the construction of $\beta_*(\pi, q)$. That second equality is due to part (g) of Lemma 3. The last inequality follows from our supposition that $\beta > \beta^*(\pi, q)$ and part (a) of

Lemma 3. So the net payoff to the high-type from vetoing – i.e., $V(z_h^*, 0; \beta) + \gamma u(h)$ – is positive, a contradiction.

Proposition 4. See supplemental appendix for details.

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