Partisanship and the effectiveness of oversight

Justin Fox a,⁎, Richard Van Weelden b

a Department of Political Science, Yale University, 77 Prospect Street, New Haven, CT 06520, United States
b Department of Economics, Yale University, 28 Hillhouse Avenue, New Haven, CT 06520, United States

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A B S T R A C T

We examine the welfare effects of partisanship in a model of checks and balances. An executive makes a policy proposal and an overseer then decides whether or not to veto the executive's proposal. Both the executive and the overseer have private information as to the correct policy to pursue, and both are motivated by the desire to appear competent. A partisan overseer is one who, in addition to seeking to promote her own reputation, cares how her decision will impact the executive's reputation. Our main result is that partisanship can improve the efficacy of an oversight regime, as the distortions caused by a partisan overseer's desire to affect the executive's reputation can offset the distortions caused by her desire to enhance her own. Our results provide a new rationale for divided government, as partisan considerations are often necessary to prevent the overseer from rubber stamping all executive proposals.

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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.... It 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

The willingness of Congress to challenge executive initiatives — whether misguided, illegal, or both — is critical to the public's well-being. Nevertheless, Congress is frequently criticized for failing to exercise its checks on executive power appropriately. In some cases Congress is accused of being overly acquiescent to executive demands (Feldman, 2006; Ornstein and Mann, 2006), and in other cases it is accused of being needlessly obstructionist (Tanenhaus, 2000). Many argue that partisanship is a principal cause of such inefficiencies.1 Implicit in such arguments is the belief that members of Congress would do a better job if they were immune to partisan considerations. This faith in non-partisans, however, may not be justified. Politicians uninterested in partisan point-scoring would still have personal ambitions, and these ambitions can easily get in the way of acting in the public interest. As such, it is far from clear that a Congress populated by non-partisans would exercise its checks on the President in a more socially responsible manner.

This paper considers the value of partisanship in a formal model of checks and balances in order to better understand how partisanship influences oversight relationships. In particular, we examine a setting with an "executive" and an "overseer," and explore how partisanship affects the overseer's willingness to challenge executive policy proposals. Our central finding is that partisan rivalry, while frequently derided for leading to inefficient posturing by politicians, often enhances the effectiveness of oversight.2 This is because the distortions caused by a partisan overseer's desire to affect the executive's reputation can offset the distortions caused by her desire to enhance her own.

As reflected in the opening quotes, critics of partisanship are particularly concerned that partisans may oppose a policy simply because of who proposed it. In what follows we examine the welfare

1 An earlier version of this manuscript was circulated under the title "Partisanship, Reputational Cascades, and the Value of Oversight." Authors are listed alphabetically.
2 That partisanship could improve the efficacy of checks and balances is an idea that has a long history. For example, an article in New York Gazette from the 1730s made the argument that "some opposition, though it proceed not entirely from a public spirit, is not only necessary in free governments but of great service to the public. Parties are a check upon one another, and by keeping the ambition of one another in bounds, serve to maintain public liberty." (Bailyn, 1968, 126).
effects of this incentive. We abstract away from ideological conflict and consider a setting in which the only difference among politicians is in their ability to recognize which policy is in the public’s interest, but where politicians are more concerned with the outcome of elections than with the outcome of the selected policy. As such, all overseers — whether they are partisans or non-partisans — are motivated by a desire to appear competent. A partisan overseer, in addition, is motivated by a desire to influence the executive’s reputation for being competent.\(^3\)\(^4\) Whether a partisan overseer profits when the executive’s reputation is damaged or enhanced depends upon the nature of their relationship — whether it is adversarial or collegial. For example, a partisan overseer may seek to damage the reputation of an executive from the other party while seeking to protect the reputation of an executive from her own party.\(^5\) As our model abstracts away from ideological conflict, our notion of partisanship corresponds to the most base motive ascribed to partisans — the simple desire to hurt one’s rivals and help one’s friends;\(^6\) yet, we identify many circumstances under which a partisan does a better job than a non-partisan in using her veto to promote the public’s welfare.

That partisanship can have value in our model stems from the fact that an overseer’s concern about her own reputation (for being competent) can lead her to use her veto in a sub-optimal manner from the public’s perspective. This sub-optimality can take one of two forms: either the overseer is too reticent in exercising her check, approving even those initiatives it would be in the public’s interest to veto, or she is too aggressive, rejecting initiatives it would be in the public’s interest to accept. The former inefficiency can be particularly dramatic, manifesting itself in the overseer never exercising her veto. This possibility arises from the sequential nature of oversight: At the time the overseer is called upon to act, everyone knows what the executive believes should be done. So if the overseer were to oppose the executive, then the public would know that either the executive or the overseer is misinformed about the correct course of action; not knowing which policymaker is mistaken, the reputation of both can then suffer. The oversight mechanism is thus potentially vulnerable to “reputational herding” (Ottaviani and Sorensen, 2001; Scharstein and Stein, 1990), whereby the incentive to safeguard one’s own reputation can lead experts to conceal disagreement.\(^7\) When such herding results, oversight is completely useless.

We show that one way to prevent a socially harmful herd from forming is with an overseer who profits when the executive’s reputation falls. As such, a partisan overseer may outperform a non-partisan one. Since vetoes damage the executive, such partisans will be more inclined than non-partisans to resist misguided executive initiatives — even if they damage their own reputations in the process. Surprisingly, if the overseer has private information about her own competence, it is not necessary for the overseer to care more about the executive’s reputation than her own in order to induce her to reveal disagreement by exercising her veto. This is because, in addition to revealing disagreement between the executive and overseer, a veto also reveals positive information about the quality of the overseer’s signal. That is, an overseer who observes a signal that the executive’s proposal is misguided will have greater incentive to act on that signal the greater her perception of her own ability. This “selection effect” lessens the reputational penalty the overseer suffers from revealing disagreement with the executive. As there is no comparable selection for the executive — who must make his proposal before the overseer’s decision — the reputational damage from a veto is greater for the executive, provided this selection effect is sufficiently important. A partisan overseer will then have the necessary incentive to exercise her check even if her primary concern is with her own reputation. It is not always the case, however, that a non-partisan overseer will be too reticent in exercising her veto. In fact, a non-partisan overseer may veto too often than is warranted in an effort to signal that she perceives herself to be high ability. We show that when a non-partisan is too aggressive in exercising her veto, the public benefits from an overseer who has a stake in the executive appearing competent. So, whether it is optimal for the overseer to have an adversarial or collegial relationship with the executive — i.e., whether divided or unified government is desired — depends on how much private information policymakers have about their respective abilities.

While we show that partisanship of an appropriate level can enhance the efficacy of the oversight regime, this does not mean that partisanship will always be beneficial. In some instances, the incentive to herd on the executive is so strong that even an overseer with significant animus toward the executive never uses her veto; in other instances, there is a danger that an overseer with too much hostility toward the executive will be excessively obstructionist. Finally, if the overseer is of the “wrong” partisanship (e.g., the overseer is a member of the executive’s party when it is divided government that is desired), partisanship will only reinforce the distortions that arise in a non-partisan setting.

Before proceeding to the formal 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 benefits of partisanship considered here are distinct from the benefits of political parties articulated elsewhere.\(^8\) In addition, our rationale for divided government — a rationale based on the need for effective oversight of the executive — is distinct from 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 is part of a large literature on political agency problems in which career concerns can cause policymakers to select policies that differ from those that their private information indicates would maximize their constituents’ welfare (Canes-Wrone et al., 2001; Maskin and Tirole, 2004; Prat, 2005). 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 re-elect the incumbent if and only if the incumbent is expected to deliver a higher future payoff than the challenger.\(^9\)

\(^3\) The executive also cares about his reputation for being competent and may also entertain partisan considerations.

\(^4\) Thus, one could formally belong to a party but not be a partisan, in the sense defined here, if one did not care about the electoral prospects of fellow party members.

\(^5\) Similarly, one could be a partisan without being a member of a party: the period after the American Revolution is regarded as a period of hyper-partisanship despite the fact that parties did not formally exist.

\(^6\) This could reflect an intrinsic preference of the overseer for the executive to be a member of her own party. Alternatively, it could reflect additional benefits or patronage derived from having one’s friends in positions of power. For example, a senator might wish to see her party’s candidate elected president in the hopes of being appointed to the cabinet.

\(^7\) This type of partisanship is the subject of a recent book by Lee (2009).

\(^8\) This approach is distinct from the approach taken in the literature following Ferejohn (1986), a literature that characterizes the voting rules citizens should commit to so as to provide proper incentives for politicians. This “contracting” approach has been applied to settings of checks and balances in Persson et al. (1997) and Stephenson and Nolte (2010). 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 papers differ from that in ours, but so too does the substantive focus.

\(^9\) It is often argued that political parties provide information to voters about candidate positions, helping voters to select appropriate candidates. Others argue that strong parties enhance government accountability. See, for example, American Political Science Association Committee on Political Parties (1950) and Fiorina (1980).

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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 sub-optimal 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 report truthfully its best estimate of the appropriateness of the executive’s policy proposals. Our approach differs from Ashworth and Shotts’s in that our focus is not on the effects of oversight on executive behavior, but on whether overseers will do their job properly. In this sense, the paper most closely related to ours is Glazer (2007), which considers a model with a political opposition that can comment on the appropriateness of an executive’s policy choice. He focuses on equilibria in which the opposition opposes any proposal the executive makes. As a result, Glazer’s opposition provides no socially valuable information about the appropriate course of action. Our focus, instead, is in showing how partisanship can be used to provide incentives for an overseer to provide such information.

One paper that considers a notion of partisanship related to ours is Groseclose and McCarty (2001). Like us, they examine a model of checks and balances. And like us, they allow their legislature to have a stake in the executive’s reputation. However, instead of focusing on a setting of common values, as we do, they focus on ideological conflict. They examine the possibility that the legislature will propose policies that they know will be vetoed in order to reveal that the executive is an extremist. This is inefficient because policies exist in their model that would not be vetoed and would make their constituents better off. Such distortions in proposal-making arise entirely as a consequence of partisanship, so, in contrast to our results, in their framework partisanship interferes with good policymaking.

In considering how the efficiency of the oversight mechanism varies with the partisan feelings of the overseer, our analysis also relates to a recent literature considering the principal’s preferences over different types of agents. This literature has shown that the principal may prefer an agent who is “biased,” as such an agent may have greater incentive to acquire information (Che and Kartik, 2009; Gerardi and Yariv, 2008) or to act in the principal’s interest in order to be retained (Van Weelden, 2009). Among the papers in this literature, one paper that is similar to ours in that it considers how an agent’s bias can be used to counterbalance other distortions is Ivanov (2010); he introduces a strategic mediator to Crawford and Sobel’s (1982) model of information transmission and shows that the optimal mediator is biased in the direction opposite to the expert’s bias.

The rest of this paper is organized as follows: Section 2 presents the model. Section 3 highlights some of the mechanics of our setup which drive the intuitions underlying our results. Section 4 formally characterizes the overseer’s equilibrium behavior, both with and without partisanship. Section 5 explores the executive’s incentives and briefly considers how our conclusions concerning the value of partisanship hold up under alternative model specifications. Finally, we offer our conclusions. The proofs of our main results are included in Appendix A, with the proofs of some supporting lemmas relegated to Appendix B.

2. Model

An Executive (E) and an Overseer (O) determine policy on behalf of a representative voter, henceforth referred to as the Principal, where it is assumed that all politicians share the Principal’s state-contingent policy preferences. The game begins with the Executive deciding whether to propose an alternative to the status quo. 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 re-elected), both wish to be perceived as being of high ability. Our objective is to understand how partisanship affects the Overseer’s willingness to use her veto in a manner that promotes the Principal’s welfare.

2.1. Policy setting

We consider an environment with two policies: the status quo, which we denote by s, and a new policy, which we denote by n. Since the policy is familiar with the status quo, the payoff from maintaining it is known. We normalize this payoff to be −1. What is not known is the payoff that would result from the new policy. This payoff depends on the underlying state of the world \( \omega \in \{N, S\} \). When \( \omega = N \), the payoff under the new policy is 0, and when \( \omega = S \), the payoff under the new policy is \(-\kappa\), where \( \kappa \in [2, 4] \). So, it is optimal to choose the new policy if and only if \( \omega = N \). That \( \kappa \geq 2 \) means that the net loss from implementing the new policy when \( \omega = S \) is greater than the net gain from implementing it when \( \omega = N \), so to justify implementing the new policy, the probability placed on \( \omega = N \) must be more than one-half.

2.2. Uncertainty about the State of the World

Each state of the world occurs with equal probability — i.e., \( Pr(\omega = N) = \frac{1}{2} \). 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 \( \sigma_E \in \{n, s\} \) and \( \sigma_O \in \{n, s\} \), respectively, about the state of the world. Depending on policymaker j’s ability \( a_j \) — which can either be high (H) or low (L) — his or her signal of the state \( \sigma \) is either perfectly accurate or pure noise: \( Pr(\sigma = \omega | a_H = H) = 1 \) and \( Pr(\sigma = \omega | a_L = L) = \frac{1}{2} \). Thus, a high-ability policymaker’s signal of the state is perfectly informative and a low-ability policymaker’s signal of the state is completely uninformative.

10 That is, partisanship has a negative effect on the payoff to the voter in this period. If a partisan legislature successfully reveals that the executive is an extremist to the voters this may benefit the voter in future periods as the extreme executive would not be re-elected. In our setting, in contrast, partisanship can result in a better policy being selected in the current period as well.

11 Since there is no heterogeneity in policy preferences, we can without loss of generality assume a representative voter.

12 We use male pronouns for the Executive and female pronouns for the Overseer.

13 Note, this asymmetry in payoffs is consistent with using a veto mechanism, whereby the status quo is only altered if both the Executive and Overseer agree.

14 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 \( \sigma_E \in \{n, s\} \) and \( \sigma_O \in \{n, s\} \), respectively, about the state of the world. Depending on policymaker j’s ability \( a_j \) — which can either be high (H) or low (L) — his or her signal of the state \( \sigma \) is either perfectly accurate or pure noise: \( Pr(\sigma = \omega | a_H = H) = 1 \) and \( Pr(\sigma = \omega | a_L = L) = \frac{1}{2} \). Thus, a high-ability policymaker’s signal of the state is perfectly informative and a low-ability policymaker’s signal of the state is completely uninformative.
2.3. Uncertainty about the abilities of politicians

The Principal does not know the ability of either the Executive or the Overseer. In addition, neither the Executive nor the Overseer knows his or her own ability with certainty. That said, we allow for the Overseer to know more about her own ability than the Principal knows. Specifically, the Overseer receives a private signal $\tau_O \in \{l, h\}$ of her own ability that is accurate with probability $q \in \left(\frac{1}{2}, 1\right)$. We interpret $q$ as the degree of private information the Overseer has about her own ability. Allowing the Overseer to have private information about her own ability means that more information than just her signal of the state can be revealed via her veto decision. As will be seen, $q$ will play a critical role in determining whether the Principal desires the Overseer to have an adversarial or collegial relationship with the Executive.

Nature determines the underlying ability of both the Executive and the Overseer. With probability $\pi_E$, the Executive is of high ability, and with probability $\pi_O$, the Overseer is of high ability. To simplify the analysis, we set $\pi_O = \pi_E$ and we focus on the case in which $\pi_O \equiv \pi_E \geq \frac{1}{2}$. So, the ex-ante probability that the Executive’s ability level is high is at least as large as the probability that the Overseer’s is high.

2.4. Objectives of policymakers

The Executive and the Overseer want the Principal to make favorable inferences about their respective ability levels. In fact, we assume that this is their primary objective. Nevertheless, both policymakers place a small weight on policy considerations as well. Letting $\lambda^E$ denote the probability the public assigns to the Executive being of high ability and letting $\gamma > 0$ denote the weight attached to policy, the Executive’s payoff is specified as $\lambda^E + \gamma u(\sigma, \alpha, \omega)$, where $u(\alpha, \omega)$ is the common policy payoff that is received when policy $\alpha \in (n, s)$ is implemented and $\omega$ is the state of the world. We will refer to $\lambda^E$ as the Executive’s reputation. That the Executive’s payoff increases linearly in $\lambda^E$ provides a simple and tractable reduced-form approximation of the Executive’s long-term career concerns.

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 if she cares not only about her own reputation for being of high ability, which we denote by $\lambda^O_\alpha$, but also cares about the reputation of the Executive. Formally, the Overseer’s payoff is specified as $\lambda^O_\alpha = -\beta \lambda^E + \gamma u(\sigma, \alpha, \omega)$. Note that an overseer for whom $\beta > 0$ profits when the Executive’s reputation takes a hit, an overseer for whom $\beta < 0$ has an incentive to make the Executive look good, and an overseer for whom $\beta = 0$ is unconcerned with the Executive’s reputation. Hence, an overseer for whom $\beta \neq 0$ is a partisan, whereas an overseer for whom $\beta = 0$ is a non-partisan. Finally, we assume that $\beta \in (-1, 1)$, so the Overseer places more weight on her own reputation than on 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 concerns, both would be perfect agents of the Principal. However, we assume that reputational considerations swamp policy considerations — i.e., $\gamma$ is taken to be close to zero. Allowing policy to enter the Executive’s and the Overseer’s respective payoff functions then serves two roles. First, when two alternative actions yield nearly identical reputational payoffs, policy considerations break the tie. Second, that the Overseer takes account of policy will allow us to pin down the beliefs of the Principal upon observing an “out-of-equilibrium” action taken by the Overseer.

2.5. Timing of interactions

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

1. The Executive observes his signal of the state $\sigma_E$, and the Overseer observes both her signal of the state $\sigma_O$ and her signal of her ability $\tau_O$.
2. The Executive proposes a policy $p \in \{n, s\}$, where $p = n$ is the new policy and $p = s$ is the status quo.
3. If the Executive proposes the new policy, then the Overseer decides whether to accept ($A$) or reject ($R$) it. We denote the Overseer’s decision by $d$, where $d \in \{A, R\}$. The realized policy, denoted $\alpha(p, d)$, is

$$\alpha(p, d) = \begin{cases} n & \text{if } p = n \text{ and } d = A \vspace{1mm} \text{ or } s \text{ otherwise}. \end{cases}$$

4. Upon observing the interaction between the Executive and the Overseer, the Principal assigns reputations $\lambda^E \in [0, 1]$ and $\lambda^O_\alpha \in [0, 1]$ 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 the policy payoff $u(\alpha, \omega)$.

While we assume reputational payoffs accrue prior to the state of the world being revealed, even when this assumption is relaxed, it is still the case that the Principal can be better off with a partisan overseer: As discussed in the extensions, partisanship can (potentially) mitigate the inefficiencies in overseer behavior which arise from her desire to appear competent so long as the state of the world is not revealed with certainty prior to the reputational payoffs accruing. As such, our model applies to settings in which politicians choose policies whose appropriateness may not be fully learned until after the next election. Any policy that is written to achieve a long-run objective, such as alleviating global warming or improving public health, or for which key provisions do not take effect immediately will likely have this feature.

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, but not the Executive, to have private information about her ability, and we allow the Overseer, but not the Executive, to be a partisan. We do this to simplify the analysis of executive behavior, as our focus is on overseer behavior. In the extensions, we discuss why our conclusions about the value of having a partisan overseer continue to hold even when the Executive has private information or is a partisan.

2.6. Strategies and solution concept

We refer to a policymaker’s private information as his or her type. Thus, the Executive’s type is his signal of the state $\sigma_E$ and the Overseer’s type is her signal of her ability $\tau_O$ together with her signal of the state $\sigma_O$. We refer to an overseer for whom $\tau_O = h$ as the high type and an overseer for whom $\tau_O = l$ as the low type.

[16] That is, $Pr(\tau_O = h | \lambda_O = H) = Pr(\tau_O = h | \lambda_O = L) = q$.
[17] Setting $\pi_O = \frac{1}{2}$ is not essential for our results and has the effect of simplifying the algebra that follows. Also, our conclusions about partisanship promoting more effective oversight hold even when $\pi_O > \frac{1}{2}$.
[18] We assume then that policymakers share the public’s policy preferences: By examining the value of partisanship in an environment in which there are no ideological differences among politicians, we stack the deck against partisanship having any value.
[19] For example, consider a two-period model. Suppose that in between periods an election is held in which the incumbent faces a challenger whose reputation is uniformly drawn from $[0, 1]$. If voters select the candidate thought to be of higher ability, then $\lambda^E$ corresponds to the Executive’s probability of re-election.
[20] In the event that $p = s$, set $d \equiv \infty$, as the Overseer is not called upon to act.
[21] For instance, key provisions of the Bush tax cuts of 2001 were phased in incrementally, making it difficult to accurately assess their effects on the budget and the economy until well into George W. Bush’s second term.
The Principal is not an active player in our model; he simply assigns reputations using Bayes’s rule. So if the Principal knew the Executive’s type $\sigma_e$ and the Overseer’s type $(\tau_o, \sigma_o)$, then the reputation $\lambda$ that the Principal would assign to policymaker $j$ is:

$$Pr[q_j = H | (\sigma_e, (\tau_o, \sigma_o))] = \frac{Pr[\lambda | (\tau_o, \sigma_o), q_j = H]}{Pr[\lambda | (\tau_o, \sigma_o)]}.$$  

However, the Principal will usually not know the policymakers’ types with certainty. Thus, to assign reputations to the Executive and the Overseer, for each policy choice $p$ and veto decision $d$, the Principal must have a belief $\psi(p, d; \cdot)$ about their respective types. Formally, $\psi(p, d; \cdot)$ is a probability measure over the model’s type space. Given a belief $\psi$, the probability that player $j$’s ability level is high when the path of play is $(p, d)$ is then

$$\lambda(p, d; \cdot) \equiv \sum_{(\tau_o, \sigma_o)} \psi(p, d; (\sigma_e, (\tau_o, \sigma_o)))Pr[q_j = H | (\sigma_e, (\tau_o, \sigma_o))].$$  \hspace{1cm} (R1)

Hence, the Principal uses his beliefs $\psi$ together with Eq. (R1) to assign reputations to the Executive and the Overseer.

A candidate for an equilibrium to our model consists of: 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 ($\psi$). These elements constitute 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 $\psi$; the Overseer’s veto decision is optimal given her belief about the Executive’s type and the Principal’s beliefs $\psi$; and the beliefs of the Overseer and the Principal are consistent with the specified strategies.22, 23

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 beliefs at off-path information sets; consequently, “unnatural” pooling equilibria can be supported by specifying “unnatural” beliefs at these information sets.24 In what follows, we analyze the behavior of the Overseer following informative proposals by the Executive.25 So our concern is with specifying beliefs following an off-path veto decision. We will restrict attention to sequential equilibria with beliefs which satisfy Criterion D1 from Cho and Kreps (1987).26 In effect, this refinement requires that if an out-of-equilibrium veto decision is ever observed, the Principal believes it was made by the overseer type who would make this decision for the largest set of Principal beliefs.

**Definition 1.** Fix a sequential equilibrium with beliefs $\psi^*$ in which the new policy is proposed with positive probability. Such an equilibrium satisfies criterion D1 if, for any $d' \in \{A, R\}$ that is never chosen on the equilibrium path, $\psi^*(n, d') | (\sigma_e, (\tau_o, \sigma_o)) = 0$ whenever there exists an overseer-type $(\tau_o, \sigma_o)$ such that for $d \neq d'$

$$\psi : \lambda^*(n, d ; \cdot) - \beta \lambda^*(n, \psi ; d) + \gamma \psi \alpha(n, d, \omega) f(n, \omega) \neq 0.$$  \hspace{1cm} (R2)

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.27

### 2.7 Interpretation

One interpretation of our model is that of the President needing approval from Congress in order for his policy initiatives to take effect. This is literally the case when it comes to formally declaring wars (see Article II, Section 7, of the U.S. Constitution). Further, although the Constitution specifies that all legislation emanate from Congress, in practice, many important policy proposals in recent years have been led by the White House (Posner and Vermeule, 2009).28 The model also captures aspects of the process of administrative lawmaking, whereby the President must decide how to apply statutory law to new cases and Congress must decide whether to let the President’s interpretation stand. In applying our model to executive-legislative interactions in the U.S., we are treating Congress as a unitary actor. This basically amounts to assuming that Congress is controlled by the majority party or, alternatively, by the median member of Congress in terms of our partisanship parameter $\beta$.

### 3. Overview and intuition

Before proceeding to the formal analysis of our model, we provide some intuitions as to how to design an overseer who can outperform a non-partisan overseer. We begin by considering the case in which the Overseer has no private information about her own competence. (That is, suppose that $q = \frac{1}{2}$, so the Overseer’s signal of her ability is pure noise.) Further, suppose the Executive only proposes the new policy after observing a signal that the new policy is appropriate ($\gamma_E = n$). In order for the problem to be interesting, consider parameters under which the Principal desires that the Overseer veto if her signal of the state is $\sigma_o = s$. However, if the Overseer cares almost exclusively about her own reputation, vetoes will not be exercised in equilibrium.

From Eq. (R1), a policymaker’s reputation from a given decision is a convex combination of her reputation in the event that the Overseer and Executive receive contradictory signals $(\sigma_e = n, \sigma_o = s)$ and the event that they receive identical signal $(\sigma_e = n, \sigma_o = n)$. Importantly, the former event results in a lower reputation than the latter. When $\sigma_o = n$ and $\sigma_e = s$, the Principal can infer that at least one of the two policymakers must have observed an incorrect signal and so must be

22 Formally, let $\beta$ denote a strategy profile (possibly mixed); let $\psi_0$ denote a totally mixed strategy profile, and let $\psi_0$ denote a collection of beliefs for the Principal, where these beliefs are derived from $\psi_0$ via Bayes’s rule. The Principal’s beliefs $\beta$ are consistent with strategy profile $\psi_0$ if there exists a sequence $(\psi_0)$ of totally mixed strategy profiles that converges to $\psi$ such that $(\psi_0)$ converges to $\psi$.

23 As the Principal must update on two players, we use sequential equilibrium to ensure that the Principal’s belief about the Executive is derived from the Executive’s strategy even after an off-path veto decision by the Overseer. For example, suppose the Executive proposes $p = n$ if and only if $\sigma_e = n$ and the Overseer always rejects. Sequential equilibrium requires that after observing an off-path acceptance, the Principal believes the Executive observed $\sigma_e = n$.


25 In particular, we will restrict attention to equilibria in which the Executive always follows his signal of the state (i.e., he sets $p = \sigma_e$). Within this class of equilibria, there are no off-path actions for the Executive.

26 We adapt the original definition slightly, as our model is not a standard sender-receiver game. In earlier versions of this paper we referred to this as an adaptation of universal divinity (Banks and Sobel, 1987), which corresponds to criterion D2 of Cho and Kreps (1987), and is a more stringent restriction on off-path beliefs than we are imposing. We thank the anonymous referee for pointing this out.

27 So for $\gamma$ sufficiently small, if the Overseer is pooling on always accepting, the Principal should believe a rejection came from an overseer of type $(\tau_o, \sigma_o) = (h, s)$, and if pooling on always rejecting, the Principal should believe an acceptance came from type $(\tau_o, \sigma_o) = (h, n)$.

28 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.
of low ability. As a result, the greater the probability the Principal assigns to the Executive and Overseer receiving contradictory signals, the lower the reputation of both. But this means that vetoing damages the reputations of the Executive and the Overseer in any putative equilibrium in which vetoing is indicative of the Overseer observing a signal that the Executive’s policy proposal is misguided. So, when reputational concerns dominate, the only equilibria are those in which the Overseer always accepts or always rejects; as the Overseer places positive weight on policy, the latter equilibrium is ruled out using criterion D1. Hence, the Overseer’s desire to protect her own reputation will result in her being unwilling to challenge the Executive. In contrast, because the Executive’s reputation is also damaged by a veto, if the Overseer has sufficient animus towards the Executive — that is, $\beta$ is sufficiently high — she will be willing to suffer the reputational hit associated with casting her veto in order to damage the Executive. Hence, the distortions generated by partisanship can counteract the distortions created by the Overseer’s desire to protect her own reputation.

Notice, however, that when the Overseer has private information about her ability (that is, $q > \frac{1}{2}$), so the Overseer’s signal of her ability is informative), the Overseer can be induced to veto more easily. As the Overseer places positive weight on policy, the most likely candidate to veto is a high-type overseer ($\tau_o = h$) who observes signal $\sigma_o = s$; hence, vetoes can reveal positive information about the Overseer’s perception of her own ability, thereby muting the reputational penalty from disagreeing with the Executive. It is thus possible to induce vetoes with much lower levels of partisanship when the Overseer has private information about her ability than when she does not. In fact, for sufficiently large values of $q$, the Overseer would be willing to veto in the absence of partisanship, and may even be overly-aggressive in doing so. We will show such a distortion can be mitigated by choosing an overseer who seeks to protect the Executive’s reputation ($\beta < 0$).

4. Analysis of model

Our analysis focuses on the behavior of the Overseer given that the Executive always follows his signal of the state — i.e., the Executive sets $p = \sigma_E$. This is natural behavior for the Executive. In the absence of oversight, there is no opportunity for updating on the Executive’s ability, so the Executive would propose the policy that maximizes the Principal’s welfare. Under the parameters considered, this means that the Executive would follow his signal. The addition of a (potentially) active overseer will not, in expectation, change the Executive’s reputation, so the Executive will still propose the policy that is in the Principal’s best interest. As such, an equilibrium in which the Executive follows his signal will always exist.

**Lemma 1.** For any parameter profile of the model, there exists a sequential equilibrium satisfying criterion D1 in which the Executive always follows his signal of the state.

In light of the Executive setting $p = \sigma_E$, 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. In fact, for reasonable parameters, oversight will have no value whatsoever, as the Overseer never exercises her veto. We then establish our main result: an overseer of the appropriate partisanship outperforms a non-partisan overseer in terms of promoting the Principal’s welfare. Before characterizing the Overseer’s equilibrium behavior, however, we characterize how the Overseer “should” behave from the perspective of the Principal.

4.1. Normative benchmark

Suppose the new policy ($p = n$) has been proposed, so the Overseer must decide whether to veto. When the expected payoff from the new policy is less than the status quo payoff of $-1$, the Principal would like the Overseer to exercise her veto. Since the Principal’s payoff from $\omega = n$ is $0$ when $\omega = N$ and $-\kappa$ when $\omega = S$, the Overseer should veto if and only if, conditional on her information, the probability that $\omega = N$ is less than $\frac{-\kappa}{2}$. Recall that the Overseer knows her private signal of her ability ($\tau_O$) and her private signal of the state ($\sigma_O$). And since the Executive follows his signal of the state, the Overseer can infer the Executive’s signal ($\sigma_E$) from his proposal.

Now note that the probability that $\omega = N$ given that $\sigma_o = n$ is

$$\Pr(\omega = N|\sigma_o = s) = \frac{(n + (1 - n)^{\kappa - 1})^\frac{1}{\kappa}}{(n + (1 - n)^\frac{1}{\kappa} + ((1 - n)^\frac{1}{\kappa})^\frac{1}{\kappa}} = \frac{1 + n}{2},$$

where $n$ is the prior probability that the Executive is of high ability. Since $n \geq \frac{1}{2}$ and $\kappa \leq 4$, it follows that $Pr(\omega = N|\sigma_o = n) \geq \frac{1}{2}$. So, the Principal would like the Overseer to veto only if her private information ($\tau_O, \sigma_O$) leads her to doubt the appropriateness of the new policy — i.e., $\sigma_o = s$ and the Overseer believes herself to be of high ability with sufficient probability. Recall that the Overseer’s perception of her ability depends on both her signal of her ability $\tau_O$ and on the signal’s accuracy $q$.

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

**Lemma 2.** (First-best strategy) Fix $\pi, \kappa$, and $q$, and suppose that the Executive always follows his signal of the state. Then the Overseer’s first-best strategy is characterized by a threshold $q^*(\pi, \kappa) \in (0, n)$.

(a) When $\tau_O = h$, the Overseer should veto if and only if $q \geq q^*(\pi, \kappa)$ and $\sigma_o = s$.

(b) When $\tau_O = l$, the Overseer should veto if and only if $q \leq 1 - q^*(\pi, \kappa)$, and $\sigma_o = s$.

Given that the Overseer’s signal of the state is evidence in favor of the status quo, Lemma 2 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. The low type should also veto when $\sigma_o = s$, provided the accuracy of her signal of her ability is not too high. Fig. 1 provides a graphical characterization of the Overseer’s first-best strategy in terms of parameters $\pi$ and $q$ for the case in which $\kappa = 4$. Fixing $q$, the accuracy of the Overseer’s signal of her ability, we see that when the prior $\pi$ that the Executive is of high ability is sufficiently high, the Overseer should never veto; for moderate values of $\pi$, only the high type should ever veto; and for low enough values of $\pi$, both the high type and the low type should veto whenever $\sigma_o = s$. 33

31 If the Overseer knew herself to be of low ability with certainty, her signal of the state would be uninformative.

32 Recall the distinction between type and ability. A high-type (low-type) overseer is one who observed a signal that she is of high (low) ability.

33 Note that when $q = \pi$ and $\tau_o = h$, the probability that the Overseer is of high ability is equal to the probability that the Executive is of high ability. Thus, in the event that the Executive and Overseer receive contradictory signals of the state, each state is equally likely. As $\kappa \to 2$, the threshold accuracy $q^*(\pi, \kappa)$ for which vetoes are potentially beneficial is then lower than $\pi$.33
4.2. Behavior of a non-partisan Overseer

In this subsection, we consider the incentives of a non-partisan overseer ($\beta = 0$) while maintaining our assumption that the Executive always follows his signal of the state. We show that there is a divergence between the equilibrium behavior of a careerist non-partisan and the behavior described in Lemma 2. This should not be too much of a surprise, as there is no reason to expect that the actions that maximize the Overseer’s reputation would correspond to those that maximize the Principal’s welfare.

We begin by noting that for oversight to be beneficial, the Overseer must be willing to veto when her private information indicates that the new policy is misguided — necessary for this is that $q_{\sigma_0} = s$. However, if vetoes occurred only when $q_{\sigma_0} = s$, a veto would reveal the Overseer’s signal of the state. A career-minded overseer may be unwilling to reveal that her signal favors the status quo. Why? Since the Executive only proposes the new policy when $c_\ell = n$, conditional on it being proposed, the probability that $\omega = N$ is greater than one-half. So, a signal of $\sigma_0 = s$ is more likely to be observed by an overseer whose ability is less than one whose own ability is high.34 Thus, all else being equal, revealing that $q_{\sigma_0} = s$ harms the Overseer’s reputation.

Before concluding, however, that vetoing is reputationally costly for the Overseer, we note that by exercising her veto, the Overseer may reveal favorable information about her signal of her ability $\tau_0$. This is because a high-type overseer ($\tau_0 = h$) has more reason to be skeptical of a proposal that contradicts her signal of the state than a low-type overseer ($\tau_0 = l$). And since the Overseer places positive weight on policy, in equilibrium, a high type is more likely than a low type to exercise her veto. So there is a (potentially) reputation enhancing “selection effect” from vetoing, with this selection effect being strongest when only those overseers for whom $\tau_0 = h$ veto.35

Via Bayes’s rule, the probability that the Overseer is of high ability when the new policy is proposed (so $\sigma_0 = n$), $\tau_0 = h$, and $q_{\sigma_0} = s$ is

$$Pr(a_0 = H|\sigma_0 = n, \tau_0 = h, q_{\sigma_0} = s) = \frac{q - \gamma n}{1 - q - \gamma n}.$$  

The selection effect of revealing that $\tau_0 = h$ compensates for the “disagreement effect” of revealing $q_{\sigma_0} = s$ when $\sigma_0 = n$ if and only if $Pr(a_0 = H|\tau_0 = n, \tau_0 = h, q_{\sigma_0} = s)$ is greater than $\frac{1}{2}$, the prior probability the Overseer is of high ability. This will be true if and only if the accuracy of $\sigma$ of the Overseer’s signal of her ability is at least $q'((\pi)) = \frac{1}{2}$, 36

$$q'((\pi)) = \frac{1}{2} + \frac{\gamma n}{2},$$

34 Formally, $Pr(\sigma_0 = s|a_0, p = n) = Pr(\sigma_0 = s|p = N, a_0)Pr(a_0 = N|p = n) + Pr(\sigma_0 = s|a_0 = S, \ a_0)Pr(a_0 = S|p = n)$. So, $Pr(\sigma_0 = s|a_0 = H, p = n) = \frac{1}{2}$ and $Pr(\sigma_0 = s|a_0 = L, p = n) = \frac{1}{2}$.

35 That high-ability experts could be more willing to choose the ex-ante less likely option is emphasized in Levy (2004);

36 Formally, “$\gamma$ sufficiently small” means that there exists a $\gamma((\pi, q, n, p))$ such that the claim holds for all $\gamma(\gamma((\pi, q, n, p)))$.

37 Given that the Executive sets $p = \sigma_0$, the only other sequential equilibrium is one in which the Overseer always vetoes following the proposal of the new policy. So, along the path of play, the Overseer’s reputation $k_\ell$ for being of high ability is equal to one-half. The latter equilibrium, however, is supported by off-path beliefs that are not consistent with the criterion D1. The overseer-type with the greatest policy incentive to accept is one for whom $\tau_0 = h$ and $\sigma_0 = n$. Criterion D1 requires that the Principal place probability one on the Overseer’s type being such. However, if this were the Principal’s belief, an overseer for whom $\tau_0 = h$ and $\sigma_0 = n$ would have both a policy and a reputational incentive to accept when $p = n$, thus breaking the putative sequential equilibrium.

38 This is an example of a reputational herd (see Scharfstein and Stein, 1990; Ottaviani and Sorensen, 2001).
In regions I, II, and III, vetoes never occur.

In regions IV and V, vetoes occur when the Overseer’s signal of the state favors the status quo. In such instances, the high-type vetoes with probability one, and the low-type vetoes with a non-degenerate probability.

Fig. 2. Behavior of careerist non-partisan overseer (i.e., $\gamma \approx 0$).

**Proposition 2.** (Non-partisan vetoes) Fix $\pi$, $\kappa$, $q$, and $\beta = 0$. Further, suppose that $q > q^*(\pi)$. In the unique sequential equilibrium satisfying criterion D1 in which the Executive always follows his signal of the state, the Overseer always accepts when $\sigma_O = \eta$; the high type vetoes with probability one when $\sigma_O = \gamma$; and so long as $\gamma$ is sufficiently small, the low type vetoes with a probability strictly between zero and one when $\sigma_O = \delta$.

We conclude this subsection by discussing how a non-partisan overseer’s equilibrium behavior compares to the first-best strategy specified in Lemma 2. Fig. 2, where we overlay the graph of $q^*$ onto Fig. 1, facilitates this comparison. When reputational considerations dominate (i.e., $\gamma \approx 0$), we have that a non-partisan is too reticent vis-a-vis the first-best strategy in regions II, III, and IV, whereas in region V, a non-partisan is too aggressive. Recall that in region V, the Principal prefers that only the high type veto, but we know from Proposition 2 that the low type vetoes as well. The divergence between what the Principal wants and what the Overseer does is most dramatic in region III, a region in which the Principal would like the Overseer to veto whenever $\sigma_O = \gamma$. However, as we know from Proposition 1, a non-partisan will be a rubber stamp in region III, as she will always sign off on the new policy. So for such parameters, a non-partisan is not just too reticent but is entirely ineffective. The Overseer will also act as a rubber stamp in region II, a region in which the Principal desires that the high type exercises her veto when observing $\sigma_O = \delta$.

### 4.3. Oversight with partisanship

We have yet to discuss the effect of a veto on the Executive’s reputation. Regardless of the Overseer’s partisanship, since she places positive weight on policy, those most skeptical of the Executive’s proposal (i.e., those who observed a signal that the status quo is appropriate) will be the ones to veto. Since the Overseer’s signal of the state $\sigma_O$ is correlated with the true state $\sigma$, being vetoed decreases the probability that the Executive’s signal is correct. Therefore, vetoes always damage the Executive’s reputation.

**Remark 1.** Being vetoed will decrease the Executive’s reputation in equilibrium.

That vetoes result in the Executive’s reputation taking a hit is critical for 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 varying the level of partisanship $\beta$, one can affect the Overseer’s incentive to check the Executive.

To see the potential benefits of partisanship, recall that when $q > q^*(\pi)$ and career concerns dominate, a non-partisan is a rubber stamp. So only an overseer who profits from damaging the Executive’s reputation ($\beta > 0$) would ever veto. Since we have assumed that the Overseer cares more about her own reputation than about the Executive’s, if vetoes are to occur in equilibrium, the damage to the Executive’s reputation that results from a veto must be larger than the damage to the Overseer’s (provided $\gamma$ is small). This possibility arises because the Overseer has a greater incentive to veto if she is the high type. Vetoing can then signal that the Overseer is more likely to be the high type, which mitigates the damage to the Overseer’s reputation from vetoing. At the same time, learning that the disagreeing overseer is more likely to be the high type only exacerbates the damage to the Executive’s reputation. Still, for a veto to damage the Executive more than the Overseer, it is necessary that learning about the Overseer’s signal of her ability is sufficiently important. That is, $q$ must be sufficiently large.

**Proposition 3.** (Partisanship can break overseer rubber stamping) Fix $\pi$, $\kappa$, and $q$. Suppose $q \in (q^*(\pi), q^*(\pi))$. In addition, restrict attention to sequential equilibria satisfying criterion D1 in which the Executive sets $q$. In the unique sequential equilibrium, the damage to the Executive’s reputation that results from vetoing is (almost) the same from vetoing as it is from accepting. This requires that $|q - q^*(\pi)|$ is sufficiently small, the low type vetoes with a probability strictly between zero and one when $\sigma_O = \delta$.

In addition to the sequential equilibrium specified, all other sequential equilibria (in which the Executive follows his signal) involve the Overseer pooling following the proposal of the new policy, either always accepting or always rejecting. We have already explained why the equilibrium in which the Overseer always rejects does not satisfy criterion D1. The equilibrium in which the Overseer always accepts does not satisfy D1 because the overseer-type with the greatest policy incentive to veto is one for whom $\sigma_O = \delta$ and $\sigma_O = \delta$. Criterion D1 then requires the Principal to place probability one on the Overseer’s type being such. However, if this were the Principal’s belief, the fact that $q - q^*(\pi)$ ensures that an overseer for whom $\sigma_O = \delta$ and $\sigma_O = \delta$ would have both a policy and a reputational incentive to reject when $\beta = 0$, thus breaking the putative sequential equilibrium.

39 In addition to the sequential equilibrium specified, all other sequential equilibria (in which the Executive follows his signal) involve the Overseer pooling following the proposal of the new policy, either always accepting or always rejecting. We have already explained why the equilibrium in which the Overseer always rejects does not satisfy criterion D1. The equilibrium in which the Overseer always accepts does not satisfy D1 because the overseer-type with the greatest policy incentive to veto is one for whom $\sigma_O = \delta$ and $\sigma_O = \delta$. Criterion D1 then requires the Principal to place probability one on the Overseer’s type being such. However, if this were the Principal’s belief, the fact that $q - q^*(\pi)$ ensures that an overseer for whom $\sigma_O = \delta$ and $\sigma_O = \delta$ would have both a policy and a reputational incentive to reject when $\beta = 0$, thus breaking the putative sequential equilibrium.

40 This will always be true in any equilibrium in which the Overseer vetoes with a non-degenerate probability. When $\gamma$ is small, criterion D1 is sufficient to ensure that this is also the case in any sequential equilibrium in which the Overseer pools on always accepting.
Reticence arises when vetoes are exercised, when although non-partisan oversight has value at such parameters (i.e., $q^\ast$), there is the threshold accuracy for which vetoes can ever be desirable. Notice that the ranking of these numbers is ambiguous. So when $q - q^\ast$, there exists an interval of partisanship levels $[\beta_a, \beta_b] \subseteq (0, 1]$ such that for any $\beta$ in this interval, only the high type vetoes, doing so if and only if $\alpha_o = s$. For $\beta \in (\beta_a^*, 1]$, the high type vetoes if and only if $\alpha_o = s$, and the low type who observes $\alpha_o = s$ also vetoes with positive probability.

We know from Lemma 2 that when $q \in (\hat{q}(\pi, \kappa), q^\ast(\pi))$, vetoes are socially valuable. Yet, we also know from Proposition 1 that when $q - q (\pi)$ and reputational concerns dominate, a non-partisan will never veto. So Proposition 3 identifies conditions under which vetoes have social value but only partisans ever exercise them. Thus, not only can a partisan provide more effective oversight than a non-partisan, but when $q - q^\ast$, partisanship is necessary for oversight to have any value whatsoever.

Three additional observations concerning Proposition 3 are worth noting. The first is that with partisanship, when $q^c = \{\max (q^c(\pi, \kappa)), q^ax(\pi, \kappa), \bar{q}(\pi)|q^\ast(\pi)\}^{42}$ it is possible to induce the Overseer to employ the first-best veto rule. We know from part (b) of Proposition 3 that for these parameters there exists an interval of partisanship levels under which only the high-type overseer vetoes, doing so if and only if $\alpha_o = s$. This is exactly the behavior desired by the Principal. Our second observation is that while there is a danger of too much partisanship in regions I and II, no such danger exists in region III, a region where the Principal would like the Overseer to veto if and only if $\alpha_o = s$. Finally, while partisanship is potentially beneficial, there are situations in which a partisan overseer can be worse than no overseer at all. Recall that $q^\ast = q^\ast(\pi, \kappa)$ is the threshold accuracy for which vetoes can ever be desirable. Notice also that $\bar{q}(\pi)$ is the threshold accuracy for which it is possible to induce vetoes with a partisan overseer, provided $\gamma$ is sufficiently small. The ranking of these numbers is ambiguous. So when $\bar{q}(\pi) - q - q^\ast$, a sufficiently partisan overseer would exercise her veto even though vetoes are never desired.

Before proceeding, we note an additional potential benefit of partisanship that we have not considered so far. We have evaluated the welfare of the Principal only in terms of the payoff from the policy implemented in this period. It is possible, however, that the Principal also benefits from learning about the respective competencies of the Executive and Overseer — something that will only occur if the Overseer exercises her veto with positive probability. In that case our welfare analysis would underestimate the benefit of inducing vetoes and, hence, also the value of partisanship.

We now examine the value of partisanship in the context of $q^c$. Although non-partisan oversight has value at such parameters (i.e., vetoes are exercised), when $\gamma$ is small, a non-partisan will be either too reticent or too aggressive vis-a-vis the first-best veto rule. Reticence arises when $q < q^\ast(\pi, \kappa)$ (region IV), while obstructionism arises when $q > q^\ast(\pi, \kappa)$ (region V). Partisanship can partial correct for these inefficiencies.

Proposition 4. (Partisanship can ameliorate overseer reticence/obstructionism) Fix $\pi, \kappa, q$, and $\gamma$. Suppose $q \geq q^\ast(\pi)$, and restrict attention to sequential equilibria satisfying criterion D1 in which the Executive sets $p = c_o$ if the low type vetoes with a non-degenerate probability in a non-partisan environment, then the probability with which she vetoes in a partisan environment is locally increasing (at 0) in $\beta$.

Thus, when a non-partisan is too reticent (region IV), an overseer for whom $\beta > 0$ would give the Principal higher utility. And when a non-partisan is too aggressive (region V), an overseer for whom $\beta < 0$ would give the Principal higher utility.

4.4. Discussion

We have shown that for a range of parameters, the Principal can be better off with an overseer of the appropriate partisanship than with a non-partisan. So while opponents of partisanship have grounds to be concerned about its excess, our analysis reveals a potential benefit: in systems of governance that depend on Madisonian checks and balances, under a range of conditions, a sufficient level of partisanship among elected officials is required for checks to be exercised. This means that the very “spirit of the faction” that the inventors of checks and balances were so concerned about constraining (see, for example, Federalist #10) may well be necessary for these checks to be effective.

We conclude this section with a discussion of our model’s positive implications for the incidence of divided government. If we think of an overseer for whom $\beta > 0$ as a member of the party that seeks to replace the Executive and of an overseer for whom $\beta < 0$ as a member of the Executive’s own party, we can summarize Propositions 3 and 4 as follows: provided that partisanship is of an appropriate level, in regions II through IV of Fig. 2, the Principal is best off with divided government, whereas in region V, the Principal is best off with unified government. Consequently, the only situation in which unified government can be beneficial is when the prior $\pi$ that the Executive is of high ability is high enough that vetoes by the low type are undesirable. In contrast, when $\pi$ is low, so there is little confidence in the Executive’s ability, divided government is the optimal arrangement.44 The effect of a change in $\pi$ on the desirability of divided government is not unambiguous, however. Increasing $\pi$ not only decreases the value of vetoes by the low type but also increases the probability that divided government is necessary to prevent the Overseer from becoming a rubber stamp.

Finally, in considering how voters adjust the makeup of Congress at midterm elections in response to their perceptions of the President, it is sensible to assume that the relevant parameters ($\pi$ and $q$) are known before $\beta$ is determined. We may, however, also be interested in the case where $\beta$ must be determined before these parameters are known — for example, before learning $\pi$. In such a situation, whether divided or unified government is preferable will depend on the beliefs about the relevant parameters. So while partisanship of a particular form may be beneficial for certain realizations of the parameters, these potential gains must be balanced against the risk of a realization in which this form of partisanship either exacerbates or induces distortions in the Overseer’s behavior.

5. Extensions

The main argument of this 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 assumptions along the way that could possibly affect our conclusions. This section briefly discusses the consequences of modifying some of the more salient ones.

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42 This is a subset of region II.

43 This point, of course, hinges on the fact that $\beta$ is bounded above by 1. If the Overseer cared primarily about bringing down the Executive (i.e., $\beta \rightarrow -\infty$), she would have an incentive to veto the Executive even when from the perspective of the Principal she should not (i.e., when $c_o = n$).

44 Existing forecasting models of midterm election often include a variable for presidential popularity (e.g., Jones and Cuzan, 2006), with most finding that when the president is unpopular, his party does worse.
5.1. Executive behavior

We have not allowed the Executive to have private information about his ability or to be a partisian, as we have the Overseer. While this has simplified our analysis, our conclusions about the value of partisan oversight hold when either asymmetry is relaxed. This follows from the fact that the Executive will still behave informatively in equilibrium, and so the Overseer’s incentives will not be changed in a meaningful way.

We first consider the case in which the Executive is a partisian (who cares more about his own reputation than the Overseer’s) and show that the equilibrium constructed in the previous section survives. To do so, we need only check that the Executive has no incentive to deviate from his prescribed strategy of following his signal of the state. First, note that in the proposed equilibrium, the expected reputations of the Executive and the Overseer are independent of the policy proposed: when either $p = n$ or $p = s$ is proposed, the expected reputations are simply the average abilities in the population — i.e., $r_n$ and $r_s$ respectively. Now, the Executive could deviate by proposing the status quo when $o = n$. Doing so has no effect on the expected reputation of either policymaker (relative to proposing $p = n$ when $o = n$), yet leads to a lower expected policy payoff for the Executive. Alternatively, the Executive could deviate by proposing the new policy when $o = s$. Doing so raises the Executive’s risk of being vetoed relative to when he observes $o = n$. Since a veto has a greater effect on the Executive’s reputation than on the Overseer’s reputation (provided $\gamma$ is sufficiently small), the net reputational effect (relative to choosing the status quo) of this increased veto-risk is negative from the Executive’s perspective. As such, the Executive has no incentive to deviate from his strategy.

We now consider the effect of allowing the Executive to have private information about his ability. In particular, suppose the Executive receives a private signal that results in the Overseer’s reputation.

5.2. The no feedback assumption

We have assumed that the appropriateness of the policy implemented is not revealed until after the Principal assigns reputations to the Executive and the Overseer. Even when this assumption is relaxed — i.e., the Principal observes the state of the world with probability $\rho > 0$ prior to assigning reputations — a non-partisan overseer will not necessarily behave as the Principal desires. So even with feedback about the state, a partisan overseer can potentially outperform a non-partisan one. This requires, however, that feedback about the state is not certain ($\rho < 1$). If the Overseer’s veto decision is to affect the Executive’s reputation, it must reveal information about the state of the world that would not be revealed anyway. Thus, if feedback were certain ($\rho = 1$), the Overseer could not influence the Executive’s reputation; consequently, the Overseer’s partisanship would not influence her incentive to exercise her veto. However, when feedback about the state of the world is uncertain ($\rho < 1$), the Overseer’s veto decision will impact the Executive’s reputation in the event that the state is not revealed. Consequently, when $\rho = 1$, partisanship can potentially increase the effectiveness of oversight.

5.3. The assumption that the Overseer and the Executive cannot deliberate

It is worth considering what would happen if the Executive and the Overseer could share their private information with each other. The simplest way to explore this possibility is to have the Executive and the Overseer act jointly, deliberating privately and then selecting a policy. In acting jointly, we assume that their objective is to maximize a weighted average of their reputations: $\theta \lambda^2 + (1 - \theta) \lambda^2$, where $\theta \in [0, 1]$. While there are situations in which this decision-making mechanism would outperform an oversight regime with partisanship, this is not true in general.

Suppose that $(q, \pi)$ belongs to region II of Fig. 2, where $q \in (q^*(\pi), \pi)$. For these parameters, the Principal desires that the selected policy match the Executive’s signal, except when $o = n$, $o = s$, and $\tau_o = h$: in this case, the Principal desires that the status quo be selected. We know from Proposition 3 that this can be achieved with an oversight regime, provided partisanship is of the appropriate level. On the other hand, if the Executive and Overseer are acting jointly, this cannot be achieved. Note that the signal profile $o_\pi \neq o_\pi^*$ and $\tau_o = h$ lowers each policymaker’s probability of being of high ability. So if the Principal’s preferred decision rule were being employed, the average abilities of both policymakers would be strictly higher when the new policy is selected. Reputational concerns would then prevent the policymakers from ever selecting the status quo. So, there are situations in which partisan oversight outperforms not only non-partisan oversight but also cooperative decision-making by the policymakers.

6. Conclusions

This paper has examined the value of partisanship in promoting effective oversight. We first demonstrated that oversight conducted by a non-partisan is not the panacea it is made out to 46

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46 Fix $\{q_n, q_s, \beta, \rho\} = 0$, and $\gamma \approx 0$. Further, suppose that $q = q^*(\pi, \pi)$.

47 Fix $n, q, \pi, \beta = 0$, and $\gamma \approx 0$. Further, suppose that $q = q^*(\pi, \pi)$.

48 Suppose $q = q^*(\pi)$. To prove that selecting the status quo harms the joint reputation of the Executive and the Overseer, note: $Pr(o = H_o|o = s) = Pr(o = n|o = s)Pr(o = n|H_o = s) + Pr(o = s|o = s)Pr(o = s|H_o = H_o|o = s)$. Since $Pr(o = n|o = s)$, $Pr(o = s|o = s)$, and $Pr(o = H_o|o = s)$ are independent of $\pi$, it follows that the expected reputation of an overseer who observed $o = s$ is higher from accepting than rejecting. Hence, when career concerns are dominant, any equilibrium must have a low-type overseer who observed $o = s$ accepting with positive probability.

49 Fix $\{\pi, q, \beta = 0\}$.
be: under reasonable conditions, a non-partisan overseer is unwilling to challenge an executive's policy initiatives. The reason for this reticence is that revealing disagreement 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: an overseer is more willing to reveal disagreement if she also desires to see the executive's reputation fall. Moreover, even if a non-partisan would not completely abdicate her responsibilities, there may still be distortions which can be mitigated if the overseer is of the appropriate partisanship. Thus we obtain the surprising result that a partisan overseer can often outperform a non-partisan one.

The insights about partisanship and its value developed in this paper are quite general and apply beyond the setting of checks and balances that we examine. For example, Ottaviani and Sorensen (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. Our results suggest that, in a committee environment, later speakers could be induced to reveal disagreement if they benefited from damaging the reputations of previous speakers. So a certain level of animosity and competition between advisors may not necessarily be a bad thing. Another setting in which reputational considerations lead to information loss is Gentzkow and Shapiro's (2006) model of media reporting. They illustrate how a media outlet's desire to appear accurate may lead it to suppress information that challenges its readers' pre-conceived beliefs. Consequently, when the government is popular, some degree of animus between the media and the government may be necessary if the media is to challenge the government's assertions.

One interesting feature of our model is that there is no heterogeneity in the policy preferences of politicians, so there is no notion of ideology. As such, we have provided a novel theory of a divided government, one based on the need for effective oversight rather than policy compromise. While abstracting from ideological differences has the virtue of allowing us to identify a role for the most base form of partisanship — the simple desire to manipulate the re-election prospects of others — it comes with limitations, as most policy questions have an element of ideological conflict. Examining the value of partisanship in such a setting is left for future work.

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Appendix A

Proof of Lemma 1. See Appendix B. □

Proof of Lemma 2. Suppose the Executive always follows his signal of the state. We argued in the main text that, conditional on her private information ($\tau_0$, $\alpha_0$), the Overseer should veto if and only if

$$P_r(\omega = N(\alpha_E = n, \tau_0, \alpha_0)) \leq \frac{\kappa - 1}{\kappa}. $$

We first prove that when $\alpha_0 = n$, vetoing is sub-optimal. Note that

$$P_r(\omega = N(\alpha_E = n, \tau_0, \alpha_0 = n) > P_r(\omega = N(\alpha_E = n)) = \frac{1 + \pi}{2} \geq \frac{\kappa - 1}{\kappa}. $$

where the last inequality follows because $\kappa \leq 4$ and $\pi \geq \frac{1}{2}$. Hence, vetoing is sub-optimal when $\alpha_0 = n$.

Now consider the case in which $\alpha_0 = s$ and $\tau_0 = h$. Then, by Bayes's rule,

$$Pr(\omega = N(\alpha_E = n, \tau_0 = h, \alpha_0 = s) = \frac{1 + \pi}{2} \frac{(1 - q)}{q(1 - n) + (1 - q)}. $$

This probability is less than or equal to $\frac{\kappa - 1}{\kappa}$ if and only if $q \geq \frac{2}{(1 - n) + eq^p(\pi, \kappa)}$. Thus, when $\alpha_0 = s$ and $\tau_0 = h$, vetoing is optimal if and only if $q \geq q^p(\pi, \kappa)$. Notice also that $q^p(\pi, \kappa)$ decreases in $\kappa$ and that $q^p(\pi, 2) = \pi$. These facts, taken together with our assumption that $\kappa > 2$, imply that $q^p(\pi, \kappa) \in [0, \pi]$. Finally, consider the case in which $\alpha_0 = s$ and $\tau_0 = l$. Then, by Bayes's rule,

$$Pr(\omega = N(\alpha_E = n, \tau_0 = l, \alpha_0 = s) = \frac{1 + \pi}{2} \frac{q}{(1 - q)(1 - n) + q}. $$

This probability is less than or equal to $\frac{\kappa - 1}{\kappa}$ if and only if $q \geq q^p(\pi, \kappa)$, or equivalently, $q \leq 1 - q^p(\pi, \kappa) \equiv \frac{\pi - q^p(\pi, \kappa)}{1 - \pi}$. Thus, when $\alpha_0 = s$ and $\tau_0 = l$, vetoing is optimal if and only if $q \leq q^p(\pi, \kappa)$. □

Before proceeding, we note that there cannot exist an equilibrium in which the Overseer vetoes after observing that $\alpha_0 = n$.

Lemma 3. Fix $\pi, \kappa, q, \gamma$ and $\beta \in (-1, 1)$. In any sequential equilibrium satisfying criterion D1 in which the Executive sets $p = \alpha_E$, vetoes occur only when $\alpha_0 = s$.

Proof. See Appendix B. □

It then follows that in any sequential equilibrium satisfying D1 in which the Executive follows his signal of the state, if vetoes occur, they occur only when $\alpha_0 = s$. Hence, the Overseer's strategy can be fully characterized by a double $(z_0, z_1)$, where $z_0$ denotes the probability with which the high type vetoes when $\alpha_0 = s$ and $z_1$ denotes the probability with which the low type vetoes when $\alpha_0 = s$. Since $\gamma \geq 0$, in any sequential equilibrium, if the low type vetoes with positive probability, then the high type must veto with probability one.49 So in any sequential equilibrium, the Overseer's strategy takes a "cut-point form," where either $z_0 \in [0, 1)$ and $z_1 = 0$, or $z_0 = 1$ and $z_1 \in [0, 1]$. We now turn to specifying the respective reputations that would be assigned to the Executive ($\lambda^1$) and the Overseer ($\lambda^2$) following a veto decision 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 $\alpha_0 = s$; (3) the Principal's beliefs $\psi$ are consistent with the strategies of the Executive and the Overseer; and (4) when $z_0 = z_1 = 0$, if the Principal were to observe an off-path veto, she would place probability one on the Overseer's type being $(h, s)$. This belief is uniquely determined by criterion D1 when career concerns dominate.50

49 This is a consequence of three facts: policy enters the Overseer's payoff function; the high type's signal of 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 when $\alpha_0 = s$, then a high type gains even more from doing so when $\alpha_0 = s$.

50 For D1 to have bite, there must be beliefs for which the Overseer is willing to veto. This will always be possible when $\gamma$ is not too large. When pooling on always accepting, the Overseer's reputation is one-half. When $p = n$ is proposed, the overseer-type with the highest reputation is $(h, n)$, whose reputation is $\frac{1 + n}{1 + n}$. As the policy loss from vetoing is never greater than one (for any profile of feasible parameters), $\gamma \in [0, \frac{1}{2}]$, $\frac{1 + \gamma}{1 + \gamma}$ ensures that vetoing is not equilibrium dominated. For such $\gamma$, Criterion D1 will then uniquely determine the Principal's beliefs following an off-path veto.
When \( z_0 = [0, 1) \) and \( z_1 = 0 \), we have:

\[
\lambda^0(n, R; \psi) = \frac{q(1-n)}{1-q}\n
\lambda^e(n, R; \psi) = \frac{(1-q)n}{1-q} + qz_1[1-n + qn]
\]

\[
\lambda^0(n, n; \psi) = \frac{2-qz_1 + qnqz_0}{4-qz_1 + qnqz_0}
\]

\[
\lambda^e(n, n; \psi) = \frac{4n-nz_1 + qnz_0}{4-qz_1 + qnqz_0}
\]

And when \( z_0 = 1 \) and \( z_1 \in [0, 1) \), we have:

\[
\lambda^0(n, R; \psi) = \frac{(1-n)q + (1-q)z_1}{1-qn + z_1[1-n + qn]}
\]

\[
\lambda^e(n, R; \psi) = \frac{n(1-q)q}{1-qn + z_1[1-n + qn]}
\]

\[
\lambda^0(n, n; \psi) = \frac{2-(1-n)q + (1-q)z_1}{3 + qn - z_1[1-n + qn]}
\]

\[
\lambda^e(n, n; \psi) = \frac{4n-n[(1-q)q + z_1]}{3 + qn - z_1[1-n + qn]}
\]

To derive these reputations, we first characterize the Principal's beliefs \( \psi \) (about the respective types of the Executive and Overseer) as a function of the strategies of the Executive and the Overseer. We then derive reputations \( \lambda^0(\cdot; \cdot) \) from beliefs \( \psi \) via Eq. (R1). As these calculations are straightforward but algebraically intense, they are left to Appendix B.

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

\[
V(z_0, z_1; \beta) = \sqrt[2]{\lambda^0(n, R; \psi) - \beta \lambda^e(n, R; \psi)} - \sqrt[2]{\lambda^0(n, A; \psi) - \beta \lambda^e(n, A; \psi)}
\]

So,

\[
V(z_0, z_1; \beta) = \begin{cases} 
\sqrt[2]{q(1-n) - \sqrt[2]{1-qn + z_1[1-n + qn]}} & \text{if } z_1 \in [0, 1) \text{ and } z_0 = 0 \\
\sqrt[2]{2-qz_1 + qnqz_0 - \sqrt[2]{4n-nz_1 + qnz_0}} & \text{if } z_1 = 1 \text{ and } z_0 \in [0, 1].
\end{cases}
\]

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

**Lemma 4.** Some properties of \( V \) are:

(a) \( V \) is increasing in \( \beta \);
(b) \( V(z_0, 0; \beta) \) is monotone in \( z_0 \): when \( V(0, 0; \beta) = 0 \), \( V(z_0, 0; \beta) \) is constant in \( z_0 \) when \( V(0, 0; \beta) \neq 0 \), \( \frac{\partial V(z_0, 0; \beta)}{\partial z_0} \neq 0 \);
(c) \( V(0, 0; \beta) > 0 \) if \( q > q^*(\pi) \), \( V(0, 0; \beta) < 0 \) if \( q < q^*(\pi) \), and \( V(0, 0; \beta) = 0 \) if \( q = q^*(\pi) \);
(d) \( V(0, 0; 1) > 0 \) if \( q > q^*(\pi) \), \( V(0, 0; 1) < 0 \) if \( q < q^*(\pi) \), and \( V(0, 0; 1) = 0 \) if \( q = q^*(\pi) \);
(e) \( V(1, z_1; \beta) \) is decreasing in \( z_1 \);
(f) \( V(1, 1; \beta) < 0 \).

**Proof:** See Appendix B.

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 \( \tau_0 \), write \( u(\tau_0) \) for the Overseer’s net policy payoff from exercising her veto when \( \gamma_0 = s \). Formally, \( u(\tau_0) \equiv E_\lambda[u(s, \omega)|\tau_0 = n, \{\tau_0, \gamma_0 = s\}] - E_\lambda[u(n, \omega)|\tau_0 = n, \{\tau_0, \gamma_0 = s\}] \). Thus, an overseer who observes \( \tau_0 = (l, h) \) and \( \gamma_0 = s \) is willing to veto if and only if \( V(z_0, z_1; \beta) + \gamma_0(\tau_0) \geq 0 \).

**Proof of Proposition 1.** Fix \( \pi, q, \gamma \) and set \( \beta = 0 \). Further, suppose that \( q < q^*(\pi) \) and restrict attention to sequential equilibria satisfying criterion D1 in which the Executive always follows his signal of the state. We need to show that there exists a threshold \( \gamma \) such that for all \( \gamma < \gamma \), the Overseer never vetoes. We begin by demonstrating that the net reputational payoff from vetoing \( V(z_0, z_1; \beta) \) is negative for all \( z_0 \) and \( z_1 \) which are consistent with a cut-point strategy. To see that this is so, note:

\[
0 > V(0, 0; \beta = 0) \geq V(z_0, z_1; \beta = 0).
\]

The first inequality follows from our supposition that \( q < q^*(\pi) \) and part (c) of Lemma 4. The second inequality follows from the first inequality and parts (b) and (e) of Lemma 4. Defining \( \Upsilon = \frac{V(0, 0; \beta = 0)}{u(h)} \), it follows that for all \( \gamma < \Upsilon \), \( V(z_0, z_1; \beta = 0) + \gamma u(\tau_0) < 0 \). Thus, when \( \gamma < \Upsilon \) and the Executive follows his signal of the state, the net payoff from vetoing is negative. Consequently, when \( \gamma < \Upsilon \), given that the Executive sets \( p = \sigma_0 \), there is a unique sequential equilibrium satisfying D1, and in this equilibrium, the Overseer always accepts.

**Proof of Proposition 2.** Fix \( \pi, q, \gamma \) and set \( \beta = 0 \). Further, suppose that \( q < q^*(\pi) \) and restrict attention to sequential equilibria satisfying criterion D1 in which the Executive sets \( p = \sigma_0 \).

We first show that in any such equilibrium the high type vetoes with probability one when \( \sigma_0 = s \). If we have an equilibrium in which the low type vetoes with positive probability when \( \sigma_0 = s \), then it immediately follows that the high type vetoes with probability one when \( \sigma_0 = s \). So consider an equilibrium in which the low type never vetoes. Since \( q^*(\pi) = q^*(\pi) \), our supposition that \( q < q^*(\pi) \), taken together with Lemma 2, implies that \( u(h) > 0 \). Thus, to show that the high type vetoes with probability one in an equilibrium in which \( z_0 = 0 \), it is sufficient to show that \( V(z_0, 0; 0) > 0 \) is positive for all \( z_0 \). To see that this is so, note:

\[
0 < V(0, 0; 0) \leq V(z_0, 0; 0).
\]

This follows from parts (b) and (c) of Lemma 4.

We now turn to establishing that when \( \gamma \) is sufficiently small, the low type vetoes with a non-degenerate probability when \( \sigma_0 = s \). We just established that \( V(1, 0; 0) > 0 \). And from part (f) of Lemma 4, we know that \( V(1, 1; 0) < 0 \). That \( V(1, 0; 0) > 0 \) and \( V(1, 1; 0) < 0 \) implies that there exists a \( \gamma > 0 \) such that for all \( \gamma \leq 0 \), \( V(1, 0; 0) + \gamma u(\tau_0) > 0 \) and \( V(1, 1; 0) + \gamma u(\tau_0) < 0 \). So, suppose that \( \gamma < 0 \). Then we cannot have an equilibrium in which the low type either always accepts or always vetoes when observing \( \sigma_0 = s \). As an equilibrium must exist, it must involve the low type randomizing. Hence, we have an equilibrium in which \( z_0 = 1 \) and \( z_1 \in (0, 1) \), where \( z_1 \) is a solution to \( V(1, z_1; \beta) = 0 \). Since \( V(1, 0; 0) \) is decreasing in \( z_1 \) (part (e) of Lemma 4), uniqueness of the low-type’s mixing probability follows.

**Proof of Proposition 3.** Proof of part (a). Fix \( \pi, q, \gamma \) and \( \beta \). Further, suppose that \( q < q^*(\pi) \) and restrict attention to sequential equilibria satisfying criterion D1 in which the Executive sets \( p = \sigma_0 \). We need to show that there exists a threshold \( \gamma \) such that for all \( \gamma < \gamma \), the Overseer always accepts for any \( \beta \in (-1, 1) \). We begin by establishing that \( V(z_0, z_1; \beta) > 0 \) for all \( \beta \) and for all \( (z_0, z_1) \) which are consistent with a cut-point strategy. To see that this is so, note:

\[
0 > V(0, 0; 0) \geq V(z_0, z_1; 1) \geq V(z_0, z_1; \beta).
\]

The first inequality follows from part (d) of Lemma 4. The second inequality follows from the first inequality and parts (b) and (e). The final inequality follows from part (a). Defining \( \Upsilon = \frac{V(0, 0; 0)}{u(h)} \), it follows
that for all $\gamma < \gamma^*$, we have that $V(z_0, z_1; \beta) + \gamma u(\tau) < 0$. Thus, when $\gamma < \gamma^*$ and the Executive follows his signal of the state, the net payoff from vetoing is negative. So when $\gamma < \gamma^*$, in any sequential equilibrium satisfying D1 in which the Executive sets $p = \sigma_0$, the Overseer never vetoes.

**Proof of part (b).** Fix $\pi, q$, and $\kappa$. Further, suppose $q \equiv (\max(q^a(\tau), q^\beta(\tau)), q^\gamma(\tau))$ and $\gamma < \gamma^*$ in $V(z_0, z_1; \beta) + \gamma u(\tau) < 0$. Finally, restrict attention to sequential equilibria satisfying D1 in which the Executive sets $p = \sigma_0$.

We need to show that there exists an interval of partisanship levels $[\beta_n, \beta^*] \subseteq (0, 1]$ such that only the high type vetoes, doing so with probability one when $\sigma_0 = s$. In effect, there are two claims here. First, if $z_0 = 1$ and $z_1 = 0$ then there exists an interval of partisanship levels $[\beta_n, \beta^*]$ such that neither the high type nor the low type has an incentive to deviate. Second, when $\beta \in [\beta_n, \beta^*]$, there does not exist an equilibrium $(z_0^*, z_1^*)$ in which either $z_0^* > 0$ or $z_1^* < 1$.

We begin with the first claim. If $z_0 = 1$, $z_1 = 0$, 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 our supposition that $q = q^a(\tau)$ and $\gamma < \gamma^*$, we know from the proof of Proposition 1 that the left-hand side of inequality (1) is negative when $\beta = 0$. If we can show that the left-hand side of inequality (1) is positive when $\beta = 1$, then given the fact that $V$ is increasing and continuous in $\beta$, there exists a unique level of partisanship that lies strictly between 0 and 1 such that inequality (1) holds with equality.

Denoting this level by $\beta^*$, it follows that for all $\beta \geq \beta^*$, if $z_0 = 1$ and $z_1 = 0$, the high type has an incentive to veto when $\sigma_0 = s$.

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

$$0 - V(0, 0; 1) - V(1, 0; 1) = V(1, 0; 1) - V(0, 0; 1) = -V(1, 0; 1).$$

This follows from our supposition that $q = q^a(\tau)$ and (b) and (d) of Lemma 4. Finally, given our supposition that $q = q^a(\tau)$, from Lemma 2, we know that $u(h) > 0$. That $V(1, 0; 1) > 0$ and $u(h) > 0$ implies that the left-hand side of inequality (1) is positive when $\beta = 1$.

Turning to the low type’s payoff from vetoing, since the left-hand side of inequality (1) is negative when $\beta = 0$, so is the left-hand side of inequality (2), as $u(h) > u(l)$. Moreover, since the Overseer’s net reputational payoff from vetoing is both increasing and linear in $\beta$, we have: $\lim_{\beta \to \infty} V(1, 0; \beta) + \gamma u(l) = 0$. Accordingly, there exists a unique level of partisanship such that inequality (2) holds with equality. Denote this level by $\beta^*$. Consequently, when $z_0 = 1$, $z_1 = 0$, and $\beta < \beta^*$, the low type has a strict incentive not to veto. Finally, since $u(h) > u(l)$, $\beta^* > \beta$. Putting the above arguments together, it follows that when $z_0 = 1$ and $z_1 = 0$, there exists an interval of partisanship levels — namely, $[\beta_n, \beta^*]$ — such that neither the high type nor the low type has an incentive to deviate from her respective strategy. Letting $\beta^* \equiv \min[1, \beta^*]$, all that remains to show is that when $\beta \in [\beta_n, \beta^*]$, there does not exist an equilibrium $(z_0^*, z_1^*)$ in which either $z_0^* > 0$ or $z_1^* < 1$.

So, suppose that $\beta \in [\beta_n, \beta^*]$. And by way of contradiction, suppose there exists an equilibrium $(z_0^*, z_1^*)$ in which $z_0^* > 0$. This implies that the low type’s net payoff from vetoing is non-negative. Since $z_1^* > 0$, it follows that $z_0^* = 1$. Now note that

$$V(1, z_1^*; \beta) + \gamma u(l)\leq V(1, 0; \beta) + \gamma u(l) \leq V(1, 0; \beta^*) + \gamma u(l) \leq 0.$$  

The first inequality follows from part (e) of Lemma 4. The second inequality follows from our supposition that $\beta \leq \beta^*$ and part (a) of Lemma 4. The third inequality follows from the construction of $\beta^*$. Thus, the net payoff to the low type from vetoing — i.e., $V(1, z_1^*; \beta) + \gamma u(l)$ — is negative, a contradiction.

Now suppose there exists an equilibrium in which $z_0^* < 1$, even though $\beta \in [\beta_n, \beta^*]$. This implies that the high type’s net payoff from vetoing is non-positive. Since $z_0^* < 1$, it follows that $z_0^* = 1$.

Thus, the net payoff to the high type from vetoing — i.e., $V(z_0^*, 0; \beta) + \gamma u(h)$ — is positive, a contradiction.

Finally, we consider the case in which $\beta^* < 1$ and $\beta \in (\beta_n, 1]$. We need to show that in any equilibrium, $z_0^* = 1$ and $z_1^* = 0$. By the construction of $\beta^*$, we have that $V(1, 0; \beta) + \gamma u(l) = 0$. This implies that in any equilibrium in which $z_0^* = 1$, the low type must veto with positive probability. Hence, all that remains to show is that there does not exist an equilibrium in which $z_0^* < 1$. By way of contradiction, suppose such an equilibrium exists. Since $z_0^* < 1$, the high-type’s net payoff from vetoing must be non-positive. We know from (3) that $V(z_0^*, 0; \beta) + \gamma u(h) < 0$. So from part (a) of Lemma 4, $V(z_0^*, 0; \beta) + \gamma u(h) < 0$, which yields a contradiction.

**Proof of Proposition 4.** Fix $\pi, q, \kappa$, and $\gamma$. Further, suppose $q = q^a(\tau)$ and that $\gamma$ is sufficiently small so the low type vetoes with a non-degenerate probability in a non-partisan environment. We know that for any $\beta$ there exists an equilibrium in which the Executive follows his signal. We also know from the proof of Proposition 2 that the Overseer’s equilibrium behavior when $\beta = 0$ is given by the unique solution to $V(1, z_1; 0) + \gamma u(l) = 0$. Denoting this solution by $z_1^*$ and applying the implicit function theorem, we can find a function $z_1^*(\beta)$ such that

$$\frac{\partial z_1^*}{\partial \beta} = \frac{\partial V(1, z_1; 0)}{\partial \beta} = \frac{\partial V(1, z_1^*; 0)}{\partial \beta}.$$  

Parts (a) and (e) of Lemma 4 imply that this derivative is positive. □

**Appendix B. Supplementary proofs**

Supplementary proofs associated with this article can be found in the online version, at doi:10.1016/j.jspubeco.2010.05.003.

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