

Chapter 5: Constitutional Exchange and Divided Governance

The theory of territorial governance developed in the previous chapters provides an explanation for the existence of territorial governments, why they tend to be rule driven, and why we rarely observe a ruler without an advisory council or a ruling council without a chief executive officer. It also explains why every government tends to have its own relatively stable “law of the land,” and why that law will not generally be the same for all members of the communities ruled. The rules are partly informal (or spontaneous) and partly the result of conscious efforts to adopt and enforce policies that advance organizational interests and, more specifically, the interests of formateurs and their successors.

To say that governments are constrained by the advantages of stable rules and their own institutional conservatism is not to say that the policymaking procedures and policies of governments are entirely determined by standing routines. Many persons inside governments will have some discretion to make informal adjustments to standing policies at the margins. Moreover, formal reforms of the core procedures of governance may be adopted when they appear to be useful—that is to say, when they appear to benefit the members of the organization’s rule-making bodies.

The multidimensionality of policy and policymaking authority implies that many reforms of standing policymaking procedures can be adopted through bargaining and exchange. Specific divisions of authority have more or less predictable effects on policy outcomes, which provides a possible basis for constitutional bargaining and reform. Authority-sharing arrangements can also serve as a method for obtaining additional resources or services from person’s affiliated with an territorial government, as a method of reducing losses from internal and external conflict, and as a method of obtaining preferred policy outcomes within already divided governments.

Within the unitary hierarchical governments favored by Hobbes and many others, there are few opportunities for constitutional exchange, because by definition, only one formal assignment of policymaking authority is possible. The sovereign always retains complete control over policy. Even in such organizations, however, it is possible to reallocate delegated authority among offices to take advantage of the talents and interests of persons in the organization, although such changes formally require the approval of the sovereign and can be changed by the sovereign at will.

Within divided governments, however, the degree of control and assignment of authority among policy areas can be varied among persons and centers of policymaking authority. For

example, within the king and council template, authority can be divided between the king and council, policy-by-policy. The authority of individual council members can also be varied by, for example, using weighted voting, giving subsets of council members additional agenda control, or by dividing the parliament into separate chambers with more or less veto and agenda control.

These institutional possibilities create numerous possibilities for dividing up and shifting policymaking authority. And, as in ordinary markets, it will at least occasionally be possible for policymaking authority to be “reallocated” among insiders in a manner that advances the interests of all those whose authority is changed. The result will often be forms of government that depart from the near polar cases of king-dominated and council-dominated governance.

This chapter analyzes gains to trade that can be realized by sharing policymaking authority and by reassignments of agenda control and veto power within the king and council template. It notes advantages and disadvantages for the parties involved in the constitutional bargaining, and demonstrates that cases exist in which a reassignment of authority can advance the interests of all those at the bargaining table. The analysis focuses on standing territorial governments that have passed beyond their formateur stage and so are led by persons who take the organization’s present assignment of power as “given.” In such cases, the initial assignments of policymaking authority can be regarded as initial endowments of “political property rights” that can be traded, whether the status quo distribution of authority is characterized in writing or not.

A. Shared Sovereignty as a Method of Increasing Organizational Resources

The persons who have the authority to adjust an organization’s standing procedures for making policy decisions are normally all insiders who occupy the highest policymaking “offices” within the organizations of interest. Insiders, as noted above, have many reasons to support the existing procedures and assignments of policymaking authority, although this does not mean that they are opposed to all changes in the procedures through which their organization’s policies are chosen, nor does it imply that they are always opposed to changes in the procedures through which high “officials” in their organization are selected. Institutional conservatism simply implies that they will be opposed to most such reforms and tend to prefer modest to major reforms.

Sharing Policymaking Authority To Obtain Organizational Resources

Organizational effectiveness can occasionally be increased by sharing policymaking authority. For example, in the case of our illustrative pear cooperative and cherry-picking firm, prospective

team members with ladders or who are especially adept at climbing trees may be more willing to participate in the annual harvests of these organization, if they have some veto authority over the use of the ladders or the trees to which they are assigned. Exit is, of course, always possible if they are misused, but risk of damages (broken ladders and legs) can be reduced by giving such valuable team members the right to participate in decisions regarding the use of their ladders and assignments to particular tree tops.

Similarly, a regional government that confronts an external threats from pirates or Vikings may benefit from the use of commercial ships in defense of their communities. The owners of such ships, however, may be unwilling to allow their ships to be entirely subject to the command of the regional government. They might fear, for example, that the government would assign their ships to the most dangerous missions, while holding the government’s own ships in reserve. Granting the commercial ship owners some authority to veto or at least influence how their ships will be used may make them more willing to allow their ships to be used for regional defense.

Table 5.1 illustrates patterns of risk and rewards that can lead to authority-sharing bargains in such cases. The initial state is the one characterized by the upper left-hand cell in which the resource is entirely controlled by the potential team member. The organization’s leadership is better off if it obtains complete control over the prospective team member’s resources, than if it obtains shared or no control ($14 > 12 > 10$). The prospective team member is better off with shared control than with complete or no control ($10 > 8 > 6$). Retaining complete control requires sacrificing advantages from team production. Giving up complete control, however, places his or her resources at greater risk than under shared control.

		Organizational Leadership		
		No Authority	Shared Authority	Complete Authority
Potential Team Member	Complete Authority	8, 10	--	--
	Shared Authority	--	10, 12	--
	No Authority	--	--	6, 14

There are gains to trade that can be realized by sharing policymaking authority in a fairly narrow range of the organization’s activities. Both the organization’s leadership and the prospective team

member benefit from shared control in this case. The organization has additional output (more pears, more cherries, or better defense) and the prospective team member profits from the advantages of team production, while avoiding some risks associated with delegating control to an organization's leadership.

Similar gains from sharing authority may also exist when organizations or communities decide to merge their governments to realize economies of scale, diversify risks, or reduce transactions costs. In such cases, sharing policymaking authority allows the interests of the merging organizations or communities to be protected against rent extraction by the other, while the additional joint output or reduced risks make governmental officeholders better off. (The latter is, of course, necessary for a voluntary exchange of authority to take place at the level of organizations or governments.)

B. Shared Sovereignty as a Method of Reducing Losses from Conflict

Similar gains to trade may also arise in settings in which control over resources is disputed. Conflict over control over resources does not always involve violence or threats of revolution, but nonetheless tends to reduce organizational output and surplus by diverting time, attention, and other scarce resources from more productive activities. Losses can arise from both "civil" and "uncivil" conflict. Such losses are naturally taken into account when an organization is initially formed, and when reward and governance systems are reformed through time.

The game matrix characterized in table 5.2 characterizes an asymmetric contest in which two parties clash over the control of some policy, territory, theology, or ideology. The case of interest is one in which the weaker of the two parties is able to resist the stronger, and complete control is costly for the stronger party to implement. The Nash equilibrium of this game implies that both parties devote resources to the contest, because each party's private payoff increases as it invests more resources in the conflict, other things being equal. The weaker party benefits from resisting the stronger party, because resistance achieves a better result than unconditional surrender, which may simply be the pride of having resisted the takeover.

The Nash equilibrium implies that existing procedures for adopting policies are suboptimal for both the strong and weak parties. Eight units of resources are wasted at the Nash equilibrium [$8 = (6+14) - (2+10)$]. As in a conventional rent-seeking contest, both parties would be better off if they could alter the contest so that they achieve the same result without using so many resources in conflict.

Table 5.2
Asymmetric Power Game

		Stronger Party		
		Little Aggression	Moderate Aggression	Intense Aggression
Weaker Party	Little Resistance	6, 14	3, 16	0, 18
	Moderate Resistance	7, 10	4, 12	1, 14
	Intense Resistance	8, 8	5, 9	2, 10

One possible solution is to revise the rules of the game in a manner that changes the nature of the conflict in a manner that benefits both players (Buchanan 1975, Congleton 1980, North 1987). For example, the leader of a conquering army may exchange local autonomy to well-run communities in exchange for veto power over local foreign policies and tax (tribute) payments in order to avoid an expensive conquest. Alternatively, a new council representing the interests of the weaker party might be formed and given limited control over future policy with partial agenda control or veto power (Congleton 2004b, 2007a). Or, the weaker party may be given seats in an existing council and/or additional votes within that council. Insofar as conflict within political institutions tends to be less costly than on the battlefield (or within an organization’s production teams), adopting such procedures tends to be advantageous for both parties.³²

An effective collective choice mechanism does not eliminate all losses from conflict, but reduces its cost by inducing more “civil” forms of rivalry (Congleton 1980). Persuasion and coalition building may replace warfare on the battlefield or assassination and counter-assassination (Hobbes 1959, Bush 1972, and Buchanan 1975). The same logic also implies that changes in circumstances that create new conflicts may also induce changes in a preexisting distribution of policymaking authority. Modest procedural reforms do not require existential threats to advance the interests of pragmatic governmental leaders.

C. The Geometry of Divided Authority within King and Council Governments

Within the king and council template, policymaking authority can be shared in many ways and control over particular policy areas can be subdivided in even more ways. For example, a person or

³² See Congleton, Kyriacou and Bacaria (2003) for an analysis of bargaining between central and regional governments.

committee might have complete control over specific policy areas and none in other areas. Control may be shared in some areas and complete in others.

Shared control may entail different assignments of veto power and agenda control over some or all policy areas. A person or committee may be said to have partial control if he, she, or they have veto power, but not agenda control, or when veto power is distributed among several decisionmakers or centers of authority. Complete control over an area of public policy can be said to exist if a single decisionmaker or decisionmaking body has complete veto power and agenda control in that area of policy. Such persons can choose which possibilities to consider and unilaterally decide whether to accept or reject them.

Constitutional gains to trade between the king and the council emerge when reassignments of agenda, veto power or jurisdiction are mutually beneficial. Such gains can emerge entirely within the domain of policy assignments or may arise when money (tax receipts etc.) or other services are traded for authority. There are two choice settings of interest. In some cases, the parliament or council may not have its own policy agenda. In others, it may. With respect to the former, Black (1948) and Arrow (1963) demonstrate that committees that choose policies using majority rule will not always be able to reach a final decision because of majoritarian cycles. With respect to the latter, there are cases in which council member ideal points are identical, linear, or symmetrically arrayed, in which case the cycling problem will not exist, as noted by Black (1987) and Plott (1967). In such cases, the council will make consistent recommendations and consistently exercise its veto power. Such alignments produce “decisive councils,” rather than nondecisive ones.³³

Veto and Agenda Control with Decisive Councils

Consider, first, a near polar case in which the king confronts a small decisive council. An example of a “decisive” alignment of council preferences is depicted in figure 5.1, with the three committee members’ ideal points lying on a straight line and denoted with the capital letters *A*, *B*, *C*.

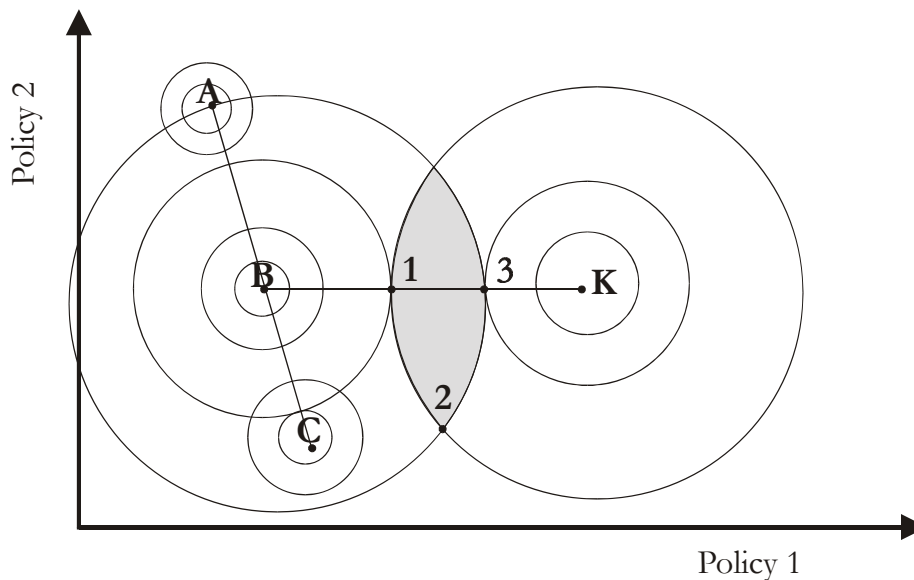
³³ The cyclic majority problem can also be avoided through various institutional devices, as has been noted by Shepsle (1979), Shepsle and Weingast (1981) and Baron and Ferejohn (1989), among others. In cases in which cycle majority (and the related majority coalition instability) problems are avoided through institutions the analysis would parallel that of the decisive committee analysis below. The cyclic majority examples indirectly suggest that an executive (king) may profit by blocking reforms that eliminate cycles or stabilize coalitions and so strengthen the council. Although there is considerable evidence that parliaments and royal councils are reasonably stable in their policy preferences, there is also evidence of cycling through time (as with tax reform) and also of executives playing factions against each other.

The ideal point of the king is denoted with the letter K. Assume that initially the king has complete control over both dimensions of policy and that the initial policy is thus his ideal point, K.

The king is assumed to exercise complete control over two separate dimensions of policy and is considering transferring some veto power or agenda control to the council. Whenever political circumstances are stable, the king can shift either veto power or agenda control to the council at essentially no cost. Note that if the king gives the council veto authority and retains agenda control, he can propose K, which confronts the council with a “choice” between K and K. Because only K is possible, K continues as the law of the land, regardless whether the council vetoes the policy or not. On the other hand, if the council is granted agenda control, rather than veto power, the king can veto any proposal made by council to move away from K.

In stable times, retaining either agenda control or veto power is sufficient to protect the king from reforms that would make him worse off.

Figure 5.1. Effects of Veto and Agenda Power



The other polar case is that in which a decisive council initially has both agenda control and veto power. In that case, the initial policy is B (the median council member’s ideal point). In stable circumstances, a decisive council can also share policymaking authority with the king at little cost. Note that if the council gives the king (CEO) agenda control, the pivotal council member can use its veto power to block any policy proposal by the king that makes the median council member worse

off. On the other hand, if the council gives the king veto power and retains agenda control, it can simply propose that policy *B* be continued, and policy combination *B* will remain in place regardless of the king's veto, since *B* is also the reversion point.

Either branch of government's ideal point can be defended, as long as it has either veto or agenda control and circumstances are stable in the sense that the policy preferences of high officials do not change during the period of interest. In stable settings, sharing power with the weaker branch of government is surprisingly inexpensive for the initially stronger branch. The willingness of the weaker branch to "purchase" authority from the stronger, however, would consequently be very limited in stable times, unless the weaker chamber expects more turbulent times to emerge in the near future.

Sharing Power with Decisive Councils in Unstable Times

During unstable periods policy interests may change and power-sharing arrangements will affect the policy adjustments that can be made. Suppose that political circumstances change in a manner that affects officeholder policy preferences. A change ideal points, for example, tends to occur at times of succession, insofar as policy preferences are not entirely induced by institutional factors. Scientific advance may also change policy rankings by producing new estimates of the consequences of policies. Technological advance may allow formerly impossible policies to become possible and necessary.

Suppose that prior to the change in circumstances, the status quo (reversion point) had been policy combination "2" in figure 5.1, which should now be interpreted as the ideal point of the previously dominant branch of government. The ideal points characterized by the indifference curves of the king and council should now be interpreted as those associated with their "new" ideal points. In the absence of a veto by the weaker chamber, the stronger chamber will simply adopt its new ideal point as the official policy of the realm, *K* or *B*, according to which chamber is dominant. However, if the weaker chamber has veto power, it can now block such moves.

The policies that can be proposed by the agenda setter without being vetoed are identified by the shaded lens or football shaped area. Note that the presumed status quo policy combination 2 is preferred by the king to *B*, and by the median council member to *K*. In the new setting, the best result that a king with agenda control can achieve is policy 3, given the veto power of the council. In the converse regime, the best policy that an agenda-setting council can hope for, given the veto power of the executive, is policy 1.

In unstable circumstances, the consequences of alternative assignments of veto power and agenda control are no longer identical. The party with agenda control does better relative to the party with veto power in the illustration, although neither party is able to obtain their ideal policy.

These cases also demonstrate that policy tends to be more stable within divided forms of the king and council than in polar forms, because shifts in policy tend to be smaller. The geometry of figure 5.1 implies that the policy shifts induced by political shocks are often smaller and cannot be larger than those which would have been adopted under either polar form of governance. (A movement from 2 to either 1 or 3 is smaller than a movement from 2 to either K or B.) Insofar as stable policies tend to promote economic growth by, for example, making the legal and regulatory framework more predictable, divided governments may help promote economic development in an uncertain world.

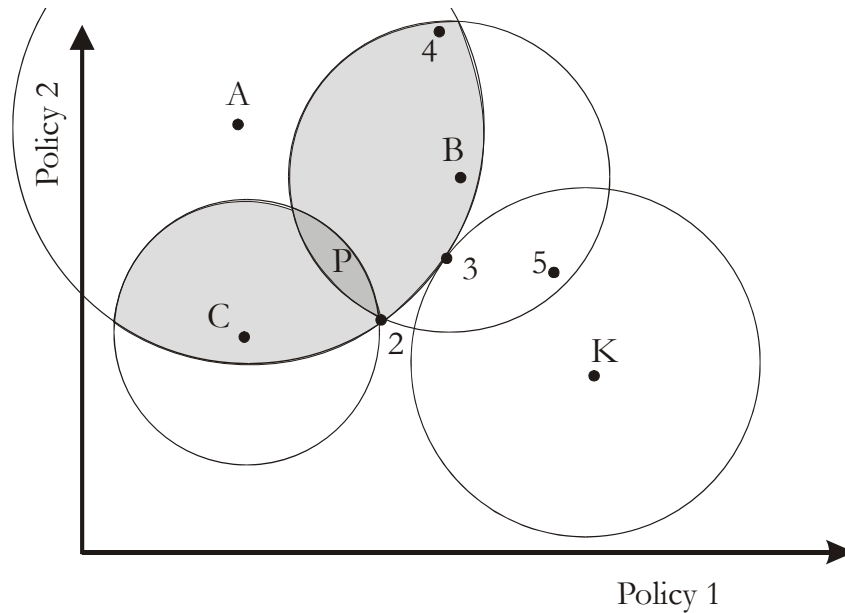
Veto Power and Agenda Control with Nondecisive Councils

Consider next the case in which the council is *nondecisive* in the sense that no pivotal voter exists. The geometry of figure 5.2 illustrates a case in which the preferred policies of council members are such that they cannot make a final decision because of majoritarian cycles. Cycles of this sort are observable to those outside government as a lack of decisiveness. Such councils may be regarded as weak, factional, or disorganized. Every possible proposal can be defeated by some counter proposal.

In such cases, it can be argued that only one division of agenda control and veto power is possible, because nondecisive councils can exercise veto power, but cannot exercise agenda control. Given a nondecisive council, the executive branch can use agenda control to obtain very good results for the king (or queen).³⁴ To see this, suppose that a political or technological shock has changed the ideal points of the council and/or king so that the status quo policy is neither the ideal point of the king nor in the Pareto set of the council. For purposes of illustration, assume that the status quo is again policy 2, which is Pareto-dominated for council members by policies within lens-shaped area P. However, if the council uses majority rule rather than consensus to make decisions, a king with agenda control can propose policy 3, which will secure majority approval over policy 2.

³⁴ This point was first developed by Schap (1986), although his analysis differs somewhat from that developed here.

Figure 5.2 Agenda Control with a Weak Council



Policy combination 3 is a stable outcome only until the king can propose another policy. Indeed, the king can propose a series of policy proposals that allows his ideal policy combination to be realized—notwithstanding the veto power of the council (McKelvy 1976). In effect, the king plays the three council factions off one another, which occasionally require the king to sacrifice his own interests strategically in the short run, as with proposal 4, rather than 3, which allows the more desirable policy combination 5 to be achieved in the next round.

How long such governmental deliberations might take in real historical time is beyond the scope of the present analysis, but this possibility suggests that a strong forward-looking king faced by a weak (nondecisive) council can offer veto power in exchange for council acquiescence on other pressing issues or as compensation for service to the sovereign at a very low cost in both stable and unstable circumstances. Nondecisive alignments of council interests allow kings to use agenda control to achieve their own ends, perhaps surprisingly, without undermining the council's veto power over new policies.

Constitutional Barter

A forward-looking council can rationally make concessions to the king or provide extraordinary services in exchange for veto power or agenda control, whenever they anticipate future circumstances in which the council will be both decisive and able to constrain the choices of the king. (Indeed, a council or parliament may modify its internal procedures to make it more likely to be decisive.) In the long run such constitutional contracts can provide a future decisive council, however unlikely, with greater authority over public policy than even a hard-pressed king would have agreed to.

As will be seen in part II of this book, such decisive councils did emerge in the eighteenth and nineteenth centuries, as new economic interests, new ideological interests, and new politically active organizations affected the policy preferences of the persons holding seats in parliament.

D. Constitutional Bargaining and Royal Secession

Another systematic source of drift away from executive control is variation in the talent, age, and planning horizon of kings and queens through time. The bargaining positions and constitutional interests of kings tend to vary during their time in office. The interests of young and old kings often differ because of age and energy, but also because of training, education, and experience. New sovereigns tend to depend more on the judgment of their advisors than experienced sovereigns, and are also less familiar with the biases of their advisors and the negotiating techniques of their councils and parliaments. Young kings have world views that are shaped by their tutors rather than by past experience in real policy settings. Older kings may also rely heavily on their advisors when their health fails or their interest in day-to-day politics fades.

The vagaries of training, tastes, and genetics imply that the talent and interests of successive kings and queens also tend to vary through time. (Substantial evidence exists of reversion toward the mean in the children of talented persons.) Countries thus can be a bit fortunate or unfortunate in the persons who accede to the throne at times when major reform issues arise, as historians often emphasize.

In contrast, competition for membership in the royal council and parliament tends to be relatively open and intense, so the talent of councils and parliaments tends to remain relatively high and constant through time. A disinterested or relatively untalented king may be out-bargained by his relatively energetic and talented prime minister and/or members of parliament. Even if an

occasional ambitious and talented king is able to recapture most the authority given up by their less engaged forebears, genetic trends produce a systematic drift away from direct royal control of public policy—other things being equal.

Executive councils are normally the direct beneficiaries of royal delegation during such periods, especially prior to the nineteenth century. Parliaments, nonetheless, indirectly benefit from genetic trends, insofar as executive councils are chosen from members of parliament, and prime ministers need continued support in parliament to obtain the policies required to keep the sovereign's support. Parliamentary bargaining power also tends to increase in cases in which the next person in line for the crown is less than perfectly obvious, because this allows the terms of the next "elevation" to be controlled by parliament. Parliaments never unexpectedly dies, although important members may.

E. Divisions of Authority through Time: Random Walk or Trend?

To this point, we have explored three possible settings in which policymaking authority may be adjusted through a process of constitutional exchange. At any moment in time, most such gains from trade will already have been realized, because doing so advances the interests of most of the persons involved. New gains from trade may occasionally arise when technologies change, when ideology changes, when the persons occupying high office change, or when new military threats emerge.

Technological Shocks. Changes in the patterns of trade or warfare may affect the relative cost of maintaining control over the polity and also the extent of information needed to make good policy decisions. When economic development takes place in towns and cities, the greater population densities of cities allows industrialists, tradesmen, and laborers to more easily organize to resist and advocate public policies. Insofar as the parliament represents those interests more than the king, this tends to favor parliaments in constitutional negotiations. In some cases, it is cheaper to cede a bit more authority to local governments or parliament than to suppress local resistance. When technological advance reduces the cost of overcoming resistance, royal authority tends to be favored. When the complexity of policy analysis increases, the value added by the advice of councilors tends to increase.³⁵

³⁵ Evidence of the importance of how technological developments may affect political organization is developed in Dudley (2000, 1991) argues that informational technologies can affect the size and scope of national governments. Although his analysis emphasizes technological change rather than the use of advisory councils and parliaments, his analysis of the effects of information technologies is very much in spirit of that developed here.

Ideological Shocks. Changes in the positive and normative theories of governance can similarly affect the costs of control and resistance by changing the norms against which current institutions are assessed. Ideological shifts may also reduce the costs of organizing formerly unorganized groups in a manner that increases support for (or resistance to) particular reforms and policies. Moreover, as ideology increases in importance, councils are more likely to be decisive, because liberal-conservative political spectrums tend to be fundamentally one-dimensional (Poole and Rosenthal 1991). As ideology declines in importance, councils are less likely to be decisive, which tends to increase royal control over public policy.

Genetic shocks. A systematic source of drift toward council and parliamentary control of policy making is variation in the talent or planning horizon of kings. Insofar as competition for membership in the council and parliament is generally more open and intense than that for king—particularly in dynasties—the talent of the council and parliament tends to be high and fairly consistent through time. In contrast, the vagaries of training and breeding imply that the talent and interests of kings tend to vary considerably through time. Less ambitious or talented kings may simply allow a relatively talented council to make more and more policy decisions directly. A weak king may be simply out-bargained by a talented council or parliament. An occasional farsighted or forceful king may not be able to fully recapture the authority given up by his weaker forebears, because of deference to tradition and precedent.

If such shocks occurred randomly, the division of power between king and council would tend to resemble a random walk. During some periods, the executive will be increasing its control over policy, during others the council or parliament will be gaining authority as political shocks change the bargaining positions of king and council and the reversion points of policy. Through time, one would expect to observe all constellations of power within a single polity, as has been the case during European history. Trends in constitutional exchange require trends in constitutionally relevant shocks.

Institutional Conservatism of Territorial Governments as Shock Absorption

As monopolists, regional governments normally face far less competition for resources than most other organizations. This implies that the incentives for governments to alter their decisionmaking procedures and reward systems tend to be somewhat weaker than for most other organizations—although formateurs and their successors remain interested in reforms that improve the efficiency of their organizations insofar as this is likely to increase the expected rewards of office. The durability of regional governments also implies that more policy decisions are made by

successors than formateurs, who tend to be relatively more dependent on existing procedures and routines for their positions of authority and so are less prone to experiment than are the organization's founders (formateurs). The reforms that regional governments adopt, consequently, tend to be relatively infrequent and relatively modest ones that advance "insider" interests, rather than great revolutionary reforms that advance the interests of "outsiders."

A territorial government's relatively great control over resources implies that its top officials are subject to fewer exogenous shocks that can only be survived by adopting major reforms. Even in cases in which reforms are literally imposed by external military events, preexisting institutions and interests are rarely ignored. Terms of surrender are usually negotiated by losing governments, and, predictably, the terms of surrender tend to reflect the interests of the officials sitting around the negotiation table. In cases in which internal military events such as a civil war or *coup de état* induce a change in government, preexisting templates for governance are normally retained, rather than revolutionized: a change of leadership takes place rather than a wholesale change of institutions. Institutional conservatism is nearly as appealing for those "taking over" existing organizations, as for those who inherit them.

Indeed, there are cases in which the purpose of a revolution is the restoration of older institutions. For example, England's medieval constitution was restored (twice) during civil wars of the seventeenth century, once after Cromwell failed to find a sustainable alternative, and once through force of arms to restore its former balance of authority, including parliament's long-standing veto power over taxes. The first is called the *Restoration* and the second is called the *Glorious Revolution*. (See chapter 12.)

F. Conclusions: Divisions of Authority within the King and Council Template

A central claim of this book is that constitutional bargaining accounts for most of the reforms adopted in the eighteenth, nineteenth, and twentieth centuries that gradually produced Western democracy. Chapter 2 suggests that division of policymaking authority within organizations often begins with delegation, as various day-to-day policy decisions are delegated to team members, who in large organizations may have limited authority to make rules that bind others. Chapter 5 suggests that divided governments may also arise through constitutional bargains that increases the resources available or reduces the costs of conflict within or between organizations. Constitutional barter also may occur among insiders as interests in particular policies or the relative talent of the council and king change through time.

Historians that neglect the ebb and flow of authority within king and council systems tend to focus on the dominant part of government. They often ignore the existence of royalty after parliaments begin to dominate policymaking, and often ignore parliaments and councils when dominant kings or queens occupy the throne. Partially because of such historical narratives, neither the possibility of constitutional exchange within divided governments nor the continua of policymaking authority have received much attention in the rational choice–based political science and political economy literatures.

Indeed, even the properties of divided governments have largely been neglected. With respect to the latter, Schap (1986) and Carter and Schap (1987) demonstrate that an executive veto can affect the decisions of a legislature and policy outcomes in general. They also demonstrate that an executive veto can contribute to stability in policy choices. Persson, Roland, and Tabellini (1997) demonstrate that electoral feedback can induce a divided government to adopt policies that are more favorable to voters than would have been adopted by unified governments when candidates are not systematically different with respect to policy preferences. Dixit, Grossman, and Faruk (2000) analyze self-enforcing divisions of political or economic surplus between two parties within a democracy that interact repeatedly through time and find that stable rules for dividing a nation's resources can emerge in a divided government that is entirely self-interested, but whose relative power shifts randomly through time.

These lines of research generally assume that the division of policymaking power is exogenous for the purposes of analysis. Taking institutions as given is a reasonable assumption for short- and medium-run analysis. Institutional conservatism, as noted above, implies that most policymaking procedures tend to be stable for long periods of time, although, a few may be adjusted from time to time as external or internal conditions change.³⁶

To entirely neglect relatively weak branches of government entirely, however, clearly understates their influence on policy, and their ability to use their limited authority to obtain additional authority in favorable circumstances. The advice of advisory councils has to be accepted now and then if serious advice is to be obtained. Administrators have to be delegated authority to be

³⁶ Even the *Federalist Papers*, a pioneering study of divided governance, focus on a particular division of authority, without analyzing alternatives in much detail. A useful counter example that is relevant for king and council models is Dicey's (1887) overview of the manner in which the powers of royal councils ebbed in flowed during the late middle ages and early modern period.

effective, and so normally have some discretion to implement the instructions of their boards of directors, councils, or legislatures (Niskanen 1968; Breton and Wintrobe 1975).

Moreover, focusing exclusively on the polar cases of governance tends to make one forget that intermediate cases exist, and that transitions from royal to parliamentary dominance can be gradual rather than sudden. Historians that focus on the dominant branch of government tend to give readers the impression that a sudden switch occurs when a formerly weaker branch becomes dominant, rather than a slight shift of policymaking authority that led a particular historian to conclude that one or the other branch of government has become dominant. The intermediate cases provide a continuum through which gradual but substantial reforms of government policymaking procedures can take place.

In practice, some specific constitutional bargaining settings are historically more important than others. One of the most important is taken up in chapter 6, where models of the origins and effects of “the power of the purse” are developed.