Partisanship and the Effectiveness of Oversight*

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Abstract

This paper examines how partisanship influences the willingness of an overseer to exercise her check on executive power. In doing so, we provide a theory of divided government based on the need for effective oversight. The sequential nature of oversight means that by the time the overseer is called upon to act - either to accept or veto an executive initiative - it has already been revealed what the executive believes should be done. This information can then lead a career-minded overseer to distort her behavior in order to protect her reputation. Our main result is that partisanship can mitigate such inefficiencies, 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.

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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.

[1]See, for example, Bennett 2006 and Drew 2006. More generally, see Hofstadter 1969 and Rosenblum 2008 for an overview of anti-party thought in American political discourse.

[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).

Our model abstracts away from ideological conflict and examines a setting in which the only difference among politicians is in their ability to recognize which policy is in the public's interest. 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 depends upon the nature of her relationship to the executive – i.e., whether it is adversarial or collegial. By abstracting away from ideological conflict and assuming that all politicians share the public's policy goals, 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; 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

[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.

both can then suffer.[5] In particular, we establish that a veto always harms the executive's reputation and, under a range of conditions, also harms the overseer's.

Partisanship's value is in offsetting the distortions that arise from an overseer's desire to enhance her own reputation. We show that when a non-partisan is too reticent in exercising her veto, the public can benefit from an overseer who profits when the executive's reputation falls. 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. In contrast, 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. 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, in part, upon the public's perception of the executive's competence.[6]

Before proceeding to the formal details of our model, we discuss our work's connections

[5]That the desire to appear competent can lead experts to conceal disagreement was first formalized by Ottaviani and Sorensen (2001), who characterize the optimal speaking order in a committee setting. They refer to the phenomena whereby later speakers refuse to reveal disagreement with earlier speakers as "reputational herding." Herd-like behavior is a familiar theme in accounts of Congressional behavior. For example, in explaining the 98 to 1 vote in favor of the 2001 Patriot Act, Democratic Senator Robert Byrd observed: "The original Patriot Act is a case study in the perils of speed, herd instinct and lack of vigilance when it comes to legislating in times of crisis" (Associated Press 2006).

[6]It is not always the case that partisanship will be beneficial in our model. 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 of selecting an overseer with too much hostility toward the executive. 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.

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.[7] 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 reelect the incumbent if and only if the incumbent is expected to deliver a higher future payoff than the challenger.[8]

Recently, an important line of scholarship has begun to examine whether the media or

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

[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 Nzelibe 2008. Both works concern themselves with whether checks on the executive can limit the agency slack that can arise when the policy objectives of lawmakers diverge from those of the public. Consequently, not only does the modeling approach taken in these papers differ from that in ours, but so too does the substantive focus.

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, partisanship is unambiguously bad in their framework.

The rest of this paper is organized as follows: First, we formally describe the model. We then consider the overseer's behavior, both with and without partisanship, assuming that the executive always proposes the policy that he thinks is best. The next section 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 this paper's appendix, with the proofs of some supporting lemmas relegated to a supplemental appendix.

Model

An Executive (E) and an Overseer (O) determine policy on behalf of a representative voter,[9] henceforth referred to as the Principal. 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 reelected), 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.[10]

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 polity 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 $\kappa > 2$ 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.[11]

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

[9]Since there is no heterogeneity of preference, we can without loss of generality assume a representative voter.

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

[11]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.

probability – i.e., $\Pr(\omega = N) = \frac{1}{2}$.[12] 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 σ_j is either perfectly accurate or pure noise: $\Pr(\sigma_j = \omega | a_j = H) = 1$ and $\Pr(\sigma_j = \omega | a_j = L) = \frac{1}{2}$.

Uncertainty about the Abilities of Politicians. The Principal does not know the ability of either the Executive or the Overseer. In addition, neither 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 $q \in (\frac{1}{2}, 1)$.[13] We interpret q as the degree of private information the Overseer has about her own ability. As will be seen, the fact that the Overseer is uncertain about her ability is critical to many of our results. In particular, it ensures that even if the Principal knew the Overseer's signal τ_O, further updating by the Principal about the Overseer's underlying ability level would still be possible.

Nature determines the underlying ability of both the Executive and the Overseer. With probability π_E, the Executive is of high ability, and with probability π_O, the Overseer is of high ability. To simplify the analysis, we set $\pi_O \equiv \frac{1}{2}$ and we focus on the case in which $\pi_E \equiv \pi \geq \frac{1}{2}$. 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.[14]

[12]That the states are equally likely does not drive our main results. What is important for our analysis, however, is that the Executive's policy choice is related to his private information about which policy he thinks is best (see footnote 40 for more details).

[13]That is, $Pr(\tau_O = h | a_O = H) = Pr(\tau_O = l | a_O = L) = q$.

[14]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

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 λ^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 $\lambda^E + \gamma u(\alpha, \omega)$, where $u(\alpha, \omega)$ is the common policy payoff that is received when policy $\alpha \in \{n, s\}$ is implemented and ω is the state of the world. We will refer to λ^E as the Executive's *reputation*. That the Executive's payoff increases linearly in λ^E provides a simple and tractable reduced-form approximation of the Executive's long-term career concerns.[15]

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 λ^O, but also cares about the reputation of the Executive. Formally, the Overseer's payoff is specified as $\lambda^O - \beta\lambda^E + \gamma u(\alpha, \omega)$. 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.[16] Finally, we assume that $\beta \in (-1, 1)$, so the Overseer places more weight on her own reputation than

even when $\pi < \frac{1}{2}$.

[15]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 λ^E corresponds to the Executive's probability of re-election.

[16]Thus, when $\beta > 0$, we have a situation similar to divided government, in which the executive and legislative branches are controlled by different parties. When $\beta < 0$, we have a situation similar to one in which both branches are controlled by the same party. And when $\beta = 0$, we have a situation similar to one in which the executive branch is overseen by a non-partisan agency.

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., γ 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.

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 σ_E, and the Overseer observes both her signal of the state σ_O and her signal of her ability τ_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

$$\alpha(p,d) = \begin{cases} n & \text{if } p = n \text{ and } d = A \\ s & \text{otherwise} \end{cases}.$$[17]

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

5. After the Executive and Overseer receive their reputational payoffs, the state of the

[17]In the event that $p = s$, set $d \equiv \emptyset$, as the Overseer is not called upon to act.

world is revealed and all players receive the policy payoff $u(\alpha, \omega)$.

Since the Principal does not know the state of the world when assigning reputations to the Executive and the Overseer, the model captures settings in which politicians choose policies on issues whose appropriateness will not be fully learned until well after the next election. We will discuss the effect of learning the state before assigning reputations in the extensions.

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.

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 σ_E and the Overseer's type is her signal of her ability τ_O together with her signal of the state σ_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*.

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

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

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 ψ, the probability that player j's ability level is high when the path of play is (p, d) is then

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

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 (ψ). 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 ψ; the Overseer's veto decision is optimal given her belief about the Executive's type and the Principal's beliefs ψ; and the beliefs of the Overseer and the Principal are *consistent* with the specified strategies.[18, 19]

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.[20] In what follows,

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

[19]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 $\sigma_E = n$.

[20]See either Cho and Kreps 1987 or Banks and Sobel 1987 for a comprehensive discussion of this matter.

we analyze the behavior of the Overseer following informative proposals by the Executive.[21] So our concern is with specifying beliefs following an off-path veto decision. To specify such beliefs, we apply the concept of universal divinity (Banks and Sobel 1987).[22] 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 ψ^* in which the new policy is proposed with positive probability and all overseer-types choose action d. Such an equilibrium is* ***universally divine*** *if for $d' \neq d$, $\psi^*(n,d')(\sigma_E,(\tau_O,\sigma_O)) = 0$ whenever there exists an overseer-type $(\hat{\tau}_O,\hat{\sigma}_O)$ such that*

$$\begin{aligned}
&\{\psi : \lambda^O(n,d';\psi) - \beta\lambda^E(n,d';\psi) + \gamma E[u(\alpha(n,d'),\omega)|n,(\tau_O,\sigma_O)] \geq \\
&\qquad \lambda^O(n,d;\psi^*) - \beta\lambda^E(n,d;\psi^*) + \gamma E[u(\alpha(n,d),\omega)|n,(\tau_O,\sigma_O)]\} \quad \subsetneq \\
&\{\psi : \lambda^O(n,d';\psi) - \beta\lambda^E(n,d';\psi) + \gamma E[u(\alpha(n,d'),\omega)|n,(\hat{\tau}_O,\hat{\sigma}_O)] > \\
&\qquad \lambda^O(n,d;\psi^*) - \beta\lambda^E(n,d;\psi^*) + \gamma E[u(\alpha(n,d),\omega)|n,(\hat{\tau}_O,\hat{\sigma}_O)]\}.
\end{aligned}$$

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.[23]

[21] 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.

[22] We adapt the original definition slightly, as our model is not a standard sender-receiver game.

[23] So for γ 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 $(\tau_O,\sigma_O) = (h,n)$.

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 2008).[24] 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 β.

Overseer Behavior

This section characterizes 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

[24]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.

exist.[25]

Lemma 1 *For any π, κ, q, and β, there will exist a universally divine sequential equilibrium in which the Executive always follows his signal of the state.*

We will 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.

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 $\alpha = n$ 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 $\frac{\kappa-1}{\kappa}$. Recall that the Overseer knows her private signal of her ability (τ_O) and her private signal of the state (σ_O). And since the Executive follows his signal of the state, the Overseer can infer the Executive's signal (σ_E) from his proposal.

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

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

where π is the prior probability that the Executive is of high ability. Since $\pi \geq \frac{1}{2}$ and $\kappa \leq 4$, it follows that $Pr(\omega = N|\sigma_E = n) \geq \frac{\kappa-1}{\kappa}$. So, the Principal would like the Overseer to veto

[25] For some parameters there will also exist equilibria in which the Executive pools (e.g., the Executive always proposes s and the Overseer vetoes any proposal). However, we are interested in examining the Overseer's behavior when the Executive behaves informatively.

only if her private information (τ_O, σ_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.[26] Recall that the Overseer's perception of her ability depends on both her signal of her ability τ_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 π, κ, 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 $q^{\#}(\pi, \kappa) \in [0, \pi)$.*

(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 $q \leq [1 - q^{\#}(\pi, \kappa)] \equiv q^{\#\#}(\pi, \kappa)$ 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.[27] Figure 1 provides a graphical characterization of the Overseer's first-best strategy in terms of parameters π 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 π that the Executive is of high ability is sufficiently high, the Overseer should never veto; for moderate values of π, only the high type should ever veto; and for low enough values of π, both the high type and the low type should veto whenever $\sigma_O = s$.[28]

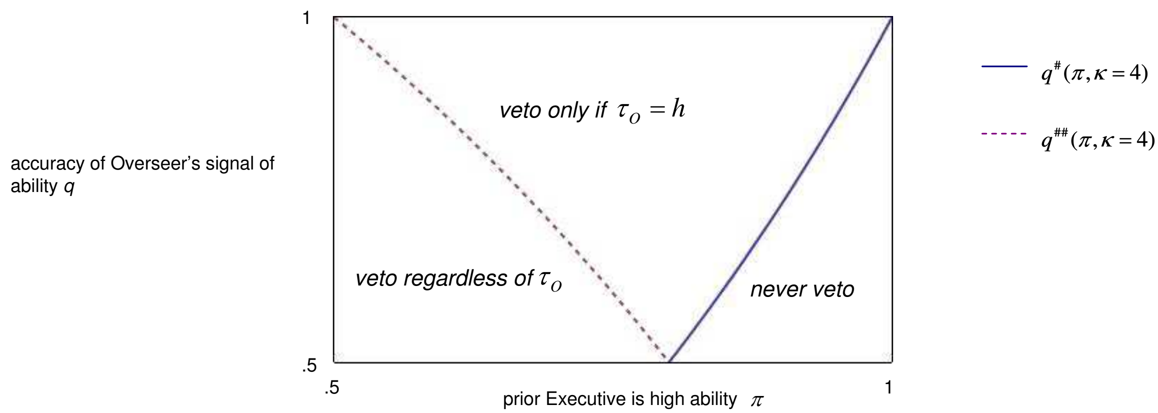
[26] If the Overseer knew herself to be of low ability with certainty, her signal of the state would be uninformative.

[27] 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.

[28] Note that when $q = \pi$ and $\tau_O = h$, the probability that the Overseer is of high ability

Figure 1: First-Best Veto Rule

When the Overseer's signal of the state favors the status quo ($\sigma_O = s$) the Overseer *should:*



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 $\sigma_O = s$. However, if vetoes occurred only when $\sigma_O = s$, 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 $\sigma_E = n$, conditional on it being proposed, the probability that $\omega = N$ is greater than one-half. So, a signal of $\sigma_O = s$ is more likely to be observed by an overseer whose ability is low than one whose ability is high.[29] Thus, all else being equal, revealing that $\sigma_O = s$ 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 τ_O. This is because a high-type overseer ($\tau_O = h$) has more reason to be skeptical of a proposal that contradicts her signal of the state than a low-type overseer ($\tau_O = l$). And since the Overseer places positive weight on policy, in equilibrium, a high

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 $\kappa > 2$, the threshold accuracy $q^{\#}(\pi, \kappa)$ for which vetoes are potentially beneficial is then lower than π.

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

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 $\tau_O = h$ veto.[30]

Via Bayes's rule, the probability that the Overseer is of high ability when the new policy is proposed (so $\sigma_E = n$), $\tau_O = h$, and $\sigma_O = s$ is

$$Pr(a_O = H | \sigma_E = n, \tau_O = h, \sigma_O = s) = \frac{q - q\pi}{1 - q\pi}.$$

As the prior probability that the Overseer is of high ability equals one-half, the selection effect of revealing that $\tau_O = h$ compensates for the "disagreement effect" of revealing $\sigma_O = s$ when $\sigma_E = n$ if and only if the accuracy q of the Overseer's signal of her ability is at least $q^*(\pi) \equiv \frac{1}{2-\pi}$. So if $q < q^*(\pi)$, a career-minded overseer would not be willing to reveal that $\sigma_O = s$, even if it also revealed that $\tau_O = h$, as doing so would harm her reputation. Vetoes would then never be exercised in equilibrium.

Proposition 1 *(Non-partisan is a rubber stamp) Fix π, κ, q, and let $\beta = 0$. Suppose that $q < q^*(\pi) \equiv \frac{1}{2-\pi}$ and that the weight γ attached to policy is sufficiently small.*[31] *In the unique universally divine sequential equilibrium in which the Executive always follows his signal of the state, the Overseer always approves the Executive's proposals.*[32]

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[30]That high-ability experts could be more willing to choose the ex-ante less likely option is emphasized in Levy 2004.

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

[32]Given that the Executive sets $p = \sigma_E$, 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 λ^O 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 requirements of universal divinity. The overseer-type with the greatest policy incentive to accept is one for whom $\tau_O = h$ and $\sigma_O = n$. Universal divinity requires that the Principal

Thus, when the Overseer has little private information about her own ability (i.e., q is low) or the Executive's prior reputation is sufficiently high (i.e., π is high), the Overseer will abdicate her responsibilities and act as a rubber stamp (see Figure 2).[33] Regardless of whether vetoing is in the Principal's interest, the Overseer will never do so for fear of the reputational hit she would take. Notice that $q^*(\pi) > \pi > q^{\#}(\pi, \kappa)$; so, for any feasible (π, κ), there is a non-trivial range of q for which vetoes could be socially beneficial, yet are never exercised.

We now turn to characterizing the Overseer's equilibrium behavior when $q > q^*(\pi)$. For such parameters, if vetoes occur only when $\tau_O = h$ and $\sigma_O = s$, vetoing would enhance the Overseer's reputation. The requirements of divinity then rule out the equilibrium in which the Overseer always accepts. So in equilibrium, the high type vetoes with probability one when $\sigma_O = s$, and when reputational concerns are paramount, the low type vetoes with positive probability as well.

Proposition 2 *(Non-partisan vetoes) Fix π, κ, q, and $\beta = 0$. Further, suppose that $q > q^*(\pi)$. In the unique universally divine sequential equilibrium in which the Executive always follows his signal of the state, the Overseer always accepts when $\sigma_O = n$; the high type vetoes with probability one when $\sigma_O = s$; and so long as γ is sufficiently small, the low type vetoes with a probability strictly between zero and one when $\sigma_O = s$.*[34]

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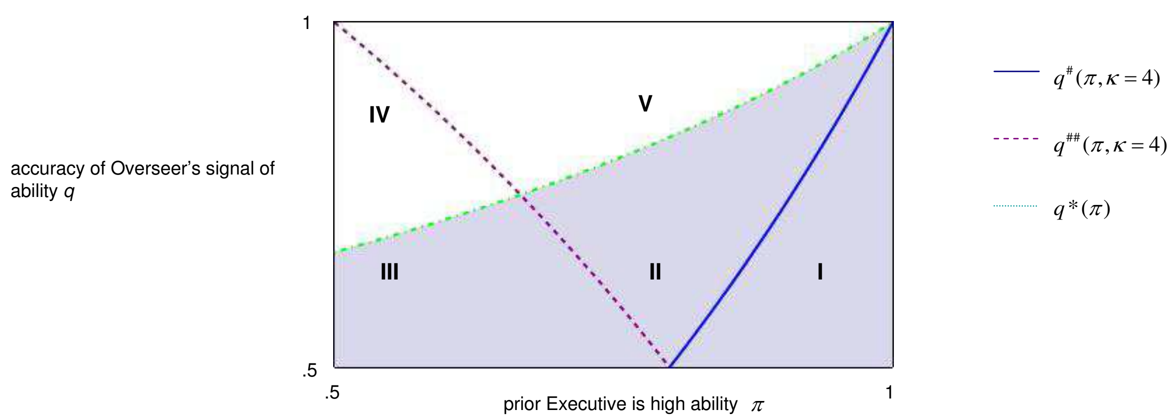
place probability one on the Overseer's type being such. However, if this were the Principal's belief, an overseer for whom $\tau_O = h$ and $\sigma_O = n$ would have both a policy and a reputational incentive to accept when $p = n$, thus breaking the putative sequential equilibrium.

[33] This is an example of a reputational cascade (see Ottaviani and Sorensen 2001).

[34] 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 is not universally divine. The equilibrium in which the Overseer always accepts is not universally divine because the overseer-type with the greatest policy incentive to veto is one for whom $\tau_O = h$ and $\sigma_O = s$. Universal divinity then

Figure 2: Behavior of Careerist Non-Partisan Overseer (i.e., $\gamma \approx 0$)



-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.

We conclude this subsection by discussing how a non-partisan overseer's equilibrium behavior compares to the first-best strategy specified in Lemma 2. Figure 2, where we overlay the graph of q^* onto Figure 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 $\sigma_O = s$. 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 exercise her veto when observing $\sigma_O = s$.

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 σ_O is correlated with the true state ω, being vetoed decreases the probability that the Executive's signal is correct. Therefore, vetoes always damage the Executive's reputation.[35]

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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 $\tau_O = h$ and $\sigma_O = s$ would have both a policy and a reputational incentive to accept when $p = n$, thus breaking the putative sequential equilibrium.

[35]This will always be true in any equilibrium in which the Overseer vetoes with a non-degenerate probability. When γ is small, divinity is sufficient to enure that this is also the case in pooling equilibria.

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 β, 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 an equilibrium, the damage to the Executive's reputation that results from a veto must be larger than the damage to the Overseer's (provided γ 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 π, κ, and q. Suppose $q \in (q^{\#}(\pi, \kappa), q^*(\pi))$. In addition, restrict attention to universally divine sequential equilibria in which the Executive sets $p = \sigma_E$. For each value of π, there exists a number $\bar{q}(\pi) \equiv \frac{1}{2+\pi-2\pi^2} < q^*(\pi)$ such that we have:*

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

(b) If $q > \bar{q}(\pi)$ and γ is sufficiently small, there exists a non-degenerate interval of

partisanship levels $[\beta_*, \beta^*] \in (0,1]$ *such that for any* β *in this interval, only the high type vetoes, doing so if and only if* $\sigma_O = s$*. For* $\beta \in (\beta^*, 1]$*, the high type vetoes if and only if* $\sigma_O = s$*, and the low type who observes* $\sigma_O = s$ *also vetoes with positive probability.*

We know from Lemma 2 that when $q \in (q^{\#}(\pi,\kappa), q^*(\pi))$, 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 $q < q^*(\pi)$ and $\gamma \approx 0$, 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 $q \in (\max\{q^{\#}(\pi,\kappa), q^{\#\#}(\pi,\kappa), \bar{q}(\pi)\}, q^*(\pi))$,[36] 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 $\sigma_O = s$. 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 $\sigma_O = s$.[37] Finally, while partisanship is potentially beneficial, there are situations in which a partisan overseer can be worse than no overseer at all. Recall that $q^{\#}(\pi,\kappa)$ 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 γ is sufficiently small. The ranking of these numbers is ambiguous. So when $\bar{q}(\pi) < q < q^{\#}(\pi,\kappa)$, a sufficiently partisan overseer would exercise her veto even though vetoes are never desired.

[36] This is a subset of region II.

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

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

Proposition 4 *(Partisanship can ameliorate overseer reticence/obstructionism) Fix π, κ, q, and γ. Suppose $q > q^*(\pi)$, and restrict attention to universally divine sequential equilibria in which the Executive sets $p = \sigma_E$. 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 β.*

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.

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 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 Figure 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 π that the Executive is of high ability is high enough that vetoes by the low type are undesirable. In contrast, when π is low, so there is little confidence in the Executive's ability, divided government is the optimal arrangement.[38] The effect of a change in π on the desirability of divided government is not unambiguous, however. Increasing π 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.

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.

Executive Behavior. We have not allowed the Executive to have private information about his ability or to be a partisan, 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 partisan (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

[38] Existing forecasting models of midterm election often include a variable for presidential popularity (cf. Jones and Cuzán 2006), with most finding that when the president is unpopular, his party does worse.

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., π and $\frac{1}{2}$, respectively. Now, the Executive could deviate by proposing the status quo when $\sigma_E = n$. Doing so has no effect on the expected reputation of either policymaker (relative to proposing $p = n$ when $\sigma_E = n$), yet leads to a lower expected policy payoff for the Executive. Alternatively, the Executive could deviate by proposing the new policy when $\sigma_E = s$. Doing so raises the Executive's risk of being vetoed relative to when he observes $\sigma_E = n$. Since a veto has a greater effect on the Executive's reputation than on the Overseer's reputation (provided γ is sufficiently small),[39] 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 $\tau_E \in \{l, h\}$ that is correlated with his true underlying ability. Since the low-type executive's signal of the state is less accurate than the high type's, conditional on $\sigma_E = n$, the low type's probability of being vetoed is greater (provided that vetoes are being exercised), and so the low type has a greater incentive to stick with the status quo. Therefore, in an equilibrium in which vetoes are informative, the high type will still follow his signal, but the low type will propose the status quo with positive probability after observing $\sigma_E = n$. While such a change in the Executive's strategy results in the average ability of executives who propose the new policy being higher than the average ability in the population, it does not affect the analysis of the Overseer's

[39]Fix $\mid \beta \mid < 1$. If vetoes are informative and $\gamma \approx 0$, we have that

$$\lambda^O(n, A; \psi^*) - \lambda^O(n, R; \psi^*) \approx \beta[\lambda^E(n, A; \psi^*) - \lambda^E(n, R; \psi^*)].$$

Since $|\beta| < 1$, the damage that results to the Executive's reputation from a veto must be greater than the change that results in the Overseer's reputation.

decision. Moreover, when $q < q^*(\pi)$ and $\gamma \approx 0$, equilibria continue to exist in which the Executive follows his signal of the state and a non-partisan never vetoes. Consequently, even when the Executive has private information about his ability, partisanship can have value in promoting more effective oversight.[40]

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.[41] So even with feedback about the state, a partisan overseer can potentially outperform a non-partisan one. This requires, however,

[40]This is also true when the probability that $\omega = n$ is not equal to one-half, provided that the Executive's signal of his ability is sufficiently accurate. In such an environment, there will remain equilibria in which the Executive behaves informatively even though the prior on the new state is not one-half.

[41]Fix π, κ, q, $\beta = 0$, and $\gamma \approx 0$. Further, suppose that $q < q^{\#\#}(\pi, \kappa)$. For such parameters, $Pr(\omega = N | \sigma_E = n, \tau_O = l, \sigma_O = s) \in (\frac{1}{2}, \frac{\kappa-1}{\kappa})$, which means that the Principal desires that the Overseer veto whenever she observes $\sigma_O = s$. There does not exist an equilibrium in which the Executive sets $p = \sigma_E$ and the Overseer vetoes if and only if $\sigma_O = s$: Letting $\lambda^O(d, \omega)$ denote the Overseer's reputation after rejection decision d when the state is revealed to be ω, under the prescribed strategies, we have that $\lambda^O(A, N) = \lambda^O(R, S) > \lambda^O(R, N) = \lambda^O(A, S)$. Letting $\lambda^O(d)$ denote the Overseer's reputation when the state is not revealed, under the prescribed strategies, we have that $\lambda^O(A) > \lambda^O(R)$ (see Lemma 4 of Appendix). Finally, the probability that $\omega = N$ conditional upon the new policy being proposed and signal profile (l, s) being realized is greater than one-half. These facts, taken together, imply that the expected reputation of an overseer who observed (l, s) is higher from accepting than rejecting. Hence, when career concerns are dominant, any equilibrium must have a low-type overseer who observed $\sigma_O = s$ accepting with positive probability.

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.

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: $\theta\lambda^E + (1-\theta)\lambda^O$, 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, π) belongs to region II of Figure 2, where $q \in (\bar{q}(\pi), \pi)$. For these parameters, the Principal desires that the selected policy match the Executive's signal, except when $\sigma_E = n$, $\sigma_O = s$, 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 $\sigma_E \neq \sigma_O$ 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.[42] So, there are situations in which partisan oversight outperforms not only non-partisan oversight but also cooperative decision-

[42]Suppose $q < q^*(\pi)$. To prove that selecting the status quo harms the joint reputation of

making by the policymakers.

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 often made out to be: under reasonable conditions, a non-partisan overseer is unwilling to challenge an executive's policy initiatives. The reason for this reticence 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. We thus 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 where 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

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the Executive and the Overseer, note:

$$Pr(a_j = H|\alpha = s) = Pr(\sigma_E = s|\alpha = s)Pr(a_j = H|\sigma_E = s) + Pr(z|\alpha = s)Pr(a_j = H|z),$$

where $z = (\sigma_E = n, \tau_O = h, \sigma_O = s)$. And since $Pr(a_j = H|\sigma_E = s) = \pi_j$ and $Pr(a_j = H|z) < \pi_j$, $Pr(a_j = H|\alpha = s) < \pi_j$, which in turn implies that $Pr(a_j = H|\alpha = n) > \pi_j$.

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 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 – i.e., the simple desire to manipulate the reelection 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.

Appendix

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 (τ_O, σ_O), the Overseer should veto if and only if $Pr(\omega = N|\sigma_E = n, \tau_O, \sigma_O) \leq \frac{\kappa-1}{\kappa}$.

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

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

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

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

$$Pr(\omega = N|\sigma_E = n, \tau_O = h, \sigma_O = s) = \frac{1+\pi}{2} \frac{(1-q)}{q(1-\pi) + (1-q)}.$$

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

Finally, consider the case in which $\sigma_O = s$ and $\tau_O = l$. Then, by Bayes's rule,

$$Pr(\omega = N|\sigma_E = n, \tau_O = l, \sigma_O = s) = \frac{1+\pi}{2}\frac{q}{(1-q)(1-\pi)+q}.$$

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

Proof of Lemma 1. See supplemental appendix. ■

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

Lemma 3 *Fix π, κ, q, γ, and $\beta \in (-1, 1)$. In any universally divine sequential equilibrium in which the Executive sets $p = \sigma_E$, vetoes occur only when $\sigma_O = s$.*

Proof See supplemental appendix. ■

It then follows that in any universally divine sequential equilibrium in which the Executive follows his signal of the state, if vetoes occur, they occur only when $\sigma_O = s$. Hence, the Overseer's strategy can be fully characterized by a double (z_h, z_l), where z_h denotes the probability with which the high type vetoes when $\sigma_O = s$ and z_l denotes the probability with which the low type vetoes when $\sigma_O = s$. Since $\gamma > 0$, in any sequential equilibrium, if the low type vetoes with positive probability, then the high type must veto with probability one.[43] So in any sequential equilibrium, the Overseer's strategy takes a "cut-point form," where either $z_h \in [0, 1)$ and $z_l = 0$, or $z_h = 1$ and $z_l \in [0, 1]$.

We now turn to specifying the respective reputations that would be assigned to the Executive (λ^E) and the Overseer (λ^O) 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

[43] 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 $\sigma_O = s$, then a high type gains even more from doing so when $\sigma_O = s$.

a cut-point form in which she vetoes only when $\sigma_O = s$; (3) the Principal's beliefs ψ are consistent with the strategies of the Executive and the Overseer; and (4) when $z_h = z_l = 0$, if the Principal were to observe an off-path veto, she would place probability one on the Overseer's type being (h, s). This belief is uniquely determined by universal divinity when career concerns dominate.[44]

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

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

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

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

[44]For divinity to have bite, there must be beliefs for which the Overseer is willing to veto. This will always be possible when γ 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 $\frac{q(1+\pi)}{1+q\pi}$. As the policy loss from vetoing is never greater than one (for any profile of feasible parameters), $\gamma < \frac{q(1+\pi)}{1+q\pi} - \frac{1}{2}$ ensures that vetoing is not equilibrium dominated. For such γ, universal divinity will then uniquely determine the Principal's beliefs following an off-path veto.

To derive these reputations, we first characterize the Principal's beliefs ψ (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 $\lambda^j(\cdot;\cdot)$ from beliefs ψ via equation (R1) on page 10. As these calculations are straightforward but algebraically intense, they are left to the supplemental appendix.

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

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

So,

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

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

Lemma 4 *Some properties of V are:*

(a) V is increasing in β;

(b) $V(z_h, 0; \beta)$ is monotone in z_h: when $V(0,0;\beta) = 0$, $V(z_h, 0; \beta)$ is constant in z_h; when $V(0,0;\beta) \neq 0$, sign $\left[\frac{\partial V(z_h,0;\beta)}{\partial z_h}\right]$ = sign $[V(0,0;\beta)]$;

(c) $V(0,0;0) > 0$ if $q > q^*(\pi)$, $V(0,0;0) < 0$ if $q < q^*(\pi)$, and $V(0,0;0) = 0$ if $q = q^*(\pi)$;

(d) $V(0,0;1) > 0$ if $q > \bar{q}(\pi)$, $V(0,0;1) < 0$ if $q < \bar{q}(\pi)$, and $V(0,0;1) = 0$ if $q = \bar{q}(\pi)$;

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

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

The proof is left to the supplemental appendix, as these results follow from straightforward algebra.

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 τ_O, write $u(\tau_O)$ for the Overseer's net policy payoff from exercising her veto when $\sigma_O = s$. Formally, $u(\tau_O) \equiv E_\omega[u(s,\omega)|\sigma_E = n,(\tau_O,\sigma_O = s)] - E_\omega[u(n,\omega)|\sigma_E = n,(\tau_O,\sigma_O = s)]$. Thus, an overseer who observes $\tau_O \in \{l,h\}$ and $\sigma_O = s$ is willing to veto if and only if $V(z_h, z_l; \beta) + \gamma u(\tau_O) \geq 0$.

Proof of Proposition 1. Fix π, q, and κ and set $\beta = 0$. Further, suppose that $q < q^*(\pi)$ and restrict attention to universally divine sequential equilibria in which the Executive always follows his signal of the state. We need to show that there exists a threshold $\bar{\gamma}$ such that for all $\gamma < \bar{\gamma}$, the Overseer never vetoes. We begin by demonstrating that the net reputational payoff from vetoing $V(z_h, z_l; \beta)$ is negative for all feasible z_h and z_l. To see that this is so, note:

$$0 > V(0,0;\beta = 0) \geq V(z_h, z_l; \beta = 0).$$

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 $\bar{\gamma} \equiv \left|\frac{V(0,0;\beta=0)}{u(h)}\right|$, it follows that for all $\gamma < \bar{\gamma}$, $V(z_h, z_l; \beta = 0) + \gamma u(\tau_O) < 0$. Thus, when $\gamma < \bar{\gamma}$ and the Executive follows his signal of the state, the net payoff from vetoing is negative. Thus, when $\gamma < \bar{\gamma}$, given that the Executive sets $p = \sigma_E$, there is a unique universally divine sequential equilibrium, and in this equilibrium, the Overseer always accepts. ■

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

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

$$0 < V(0,0;0) \leq V(z_h,0;0).$$

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

We now turn to establishing that when γ is sufficiently small, the low type vetoes with a non-degenerate probability when $\sigma_O = s$. 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 $\bar{\gamma} > 0$ such that for all $\gamma \in (0,\bar{\gamma})$, $V(1,0;0) + \gamma u(l) > 0$ and $V(1,1;0) + \gamma u(l) < 0$. So, suppose that $\gamma < \bar{\gamma}$. Then we cannot have an equilibrium in which the low type either always accepts or always rejects when observing $\sigma_O = s$. As an equilibrium must exist, it must involve the low type randomizing. Hence, we have an equilibrium in which $z_h^* = 1$ and $z_l^* \in (0,1)$, where z_l^* is a solution to $V(1,z_l;0) + \gamma u(l) = 0$. Since $V(1,z_l;0)$ is decreasing in z_l (part (e) of Lemma 4), uniqueness of the low-type's mixing probability follows. ■

Proof of Proposition 3.

Proof of part (a). Fix π, q, and κ. Further, suppose that $q < \bar{q}(\pi)$ and restrict attention to universally divine sequential equilibria in which the Executive sets $p = \sigma_E$. We need to show that there exists a threshold $\bar{\gamma}$ such that for all $\gamma < \bar{\gamma}$ the Overseer always accepts for any $\beta \in (-1,1)$. We begin by establishing that $V(z_h,z_l;\beta) < 0$ for all feasible (z_h,z_l) and β. To see that is so, note:

$$0 > V(0,0;1) \geq V(z_h,z_l;1) \geq V(z_h,z_l;\beta).$$

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 $\bar{\gamma} \equiv \left|\frac{V(0,0;1)}{u(h)}\right|$, it follows that for all $\gamma < \bar{\gamma}$, we have that $V(z_h,z_l;\beta) + \gamma u(\tau_O) < 0$. Thus, when $\gamma < \bar{\gamma}$ and the Executive follows his signal of the state, the net payoff from vetoing is negative. So when $\gamma < \bar{\gamma}$, in any universally divine sequential equilibrium in which the Executive sets $p = \sigma_E$, the Overseer never vetoes.

Proof of part (b). Fix π, q, and κ. Further, suppose $q \in (\max\{q^{\#}(\pi), \bar{q}(\pi)\}, q^*(\pi))$ and

$\gamma < \bar{\gamma} \equiv \left| \frac{V(0,0;0)}{u(h)} \right|$. Finally, restrict attention to universally divine sequential equilibria in which the Executive sets $p = \sigma_E$.

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

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

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

and

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

That an interval of partisanship levels exists for which these conditions hold can be seen from the following argument. By our supposition that $q < q^*(\pi)$ and $\gamma < \bar{\gamma}$, we know from the proof of Proposition 1 that the left-hand side of (1) is negative when $\beta = 0$. If we can show that the left-hand side of (1) is positive when $\beta = 1$, then given the fact that V is increasing and continuous in β, there exists a unique level of partisanship such that (1) holds with equality. Denoting this level by $\beta_* < 1$, it follows that for all $\beta \geq \beta_*$, if $z_h = 1$ and $z_l = 0$, the high type has an incentive to veto when $\sigma_O = s$.

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

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

This follows from our supposition that $q > \bar{q}(\pi)$ and (b) and (d) of Lemma 4. Finally, given our supposition that $q > q^{\#}(\pi)$, from Lemma 2, we know that $u(h) > 0$. That $V(1, 0; 1) > 0$ and $u(h) > 0$ implies that the right-hand side of (1) is strictly positive when $\beta = 1$.

Turning to the low type's payoff from vetoing, since (1) is negative when $\beta = 0$, so is (2), as $u(h) > u(l)$. Moreover, since the Overseer's net reputational payoff from vetoing is both increasing and linear in β, we have: $\lim_{\beta \to \infty} V(1,0;\beta) + \gamma u(l) > 0$. Accordingly, there exists a unique level of partisanship such that (2) holds with equality. Denote this level by $\beta(l)$. Consequently, when $z_h = 1$, $z_l = 0$, and $\beta < \beta(l)$, the low type has a strict incentive not to veto. Finally, since $u(h) > u(l)$, $\beta(l) > \beta_*$.

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

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

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

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 β^*. Thus, the net payoff to the low type from vetoing – i.e., $V(1, z_l^*; \beta) + \gamma u(l)$ – is negative, a contradiction.

Now suppose there exists an equilibrium in which $z_h^* < 1$, even though $\beta \in [\beta_*, \beta^*]$. This implies that the high type's net payoff from vetoing is non-positive. Since $z_h^* < 1$, it follows that $z_l^* = 0$. Now note that since $V(1,0;\beta_*) + \gamma u(h) = 0$ and $u(h) > 0$, it must be that $V(1,0;\beta_*) < 0$. Therefore,

$$0 = V(1,0;\beta_*) + \gamma u(h) < V(z_h^*, 0; \beta_*) + \gamma u(h) \leq V(z_h^*, 0; \beta) + \gamma u(h). \tag{3}$$

The first equality is due to the construction of β_*. Since $V(1,0,\beta_*) < 0$, the second inequality follows from part (b) of Lemma 4. The last inequality follows because $\beta \geq \beta_*$ and part (a) of Lemma 4. Thus, the net payoff to the high type from vetoing – i.e., $V(z_h^*, 0; \beta) + \gamma u(h)$ – is positive, a contradiction.

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

Proof of Proposition 4. Fix π, q, κ, and γ. Further, suppose $q > q^*(\pi)$ and that γ is sufficiently small so the low type vetoes with a non-degenerate probability in a non-partisan environment. We know that for any β 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 $V(1, z_l; 0) + \gamma u(l) = 0$ in z_l. Denoting this solution by z_l^* and applying the implicit function theorem, we can find a function $z_l^*(\beta)$ such that

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

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

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