Veto Player and Fiscal Policy Stability *

Hao Wang *Arizona State University*

Veto player theory (Tsebelis, 2002) predicts that the number of veto players influencing policy stabilities. While studies in OECD countries have shown supportive evidence (Tsebelis and Chang, 2004), there is few work on policy stability in nondemocracies. This project uses a new dataset from GSRE (Global State Revenues and Expenditures dataset) and perform an empirical test on veto player and budget stability in authoritarian countries. Preliminary analysis show that even in authoritarian countries, institutional constrians (veto players) lead to incremental budget changes.

Keywords: veto player, public policy

Punctuated Equilibrium Theory (PET) argues that government budget shifts over and under attention to certain policy areas lead to long periods of stability and short periods of radical changes. Most empirical evidence, however, is drawn from developed democracies. Following Baumgartner et al. (2015) and Lam and Chan (2015), we explore the determinants of policy stability in different authoritarian regimes. We extend the existing theory by examining the variations among authoritarian countries. Our results suggest that institutionalization in the policy making process is an important factor that explains cross national variation.

Argument

Veto player $\Rightarrow$ unable to change policy rapidly $\Rightarrow$ long term incremental changes and short-term rapid changes $\Rightarrow$ punctual equilibrium (Epp and Baumgartner, 2016).

*Replication files are available on the author's Github account (http://github.com/haowang666). **Current version**: April 09, 2017

Data

```
library(readstata13)
library(MASS)
library(ggplot2)
library(plm)
library(Zelig)
library(MASS)
mydata <- read.csv("https://raw.githubusercontent.com/haowang666/Veto-Fiscal/master/vdem
```

Get ready for the dependent variables:

I measure the budget stability as the simple euclidean distance of the between-year percentage differences. It can be written in the following equation: S_t is the stability index of a certain year t. Since government budget has various categories: p_{it} denotes the percentage of ith category of total expenditure. S_t will increase as the difference between p_{it} and p_{it-1} increases.

$$S_t = \sqrt{\sum_{i=1}^{i}(p_{it} - p_{it-1})^2} \qquad (1)$$

References

Epp, Derek A. and Frank B. Baumgartner. 2016. "Complexcity, Capacity and Budget Punctuations." *Policy Studies Journal* 00(00):1–16.

Tsebelis, George. 2002. *Veto Players: How political institutions work*. Princeton: Princeton University Press.

Tsebelis, George and Eric Chang. 2004. "Veto players and the structure of budgets in advanced industrialized countries." *European Journal of Political Research* 43(3):449 – 479.