THE OXFORD HANDBOOK OF

POLITICAL ECONOMY

Edited by

BARRY R. WEINGAST

and

DONALD A. WITTMAN

OXFORD
UNIVERSITY PRESS

OXFORD
UNIVERSITY PRESS

Great Clarendon Street, Oxford OX2 6DP

Oxford University Press is a department of the University of Oxford.
It furthers the University's objective of excellence in research, scholarship,
and education by publishing worldwide in

Oxford New York

Auckland Cape Town Dar es Salaam Hong Kong Karachi
Kuala Lumpur Madrid Melbourne Mexico City Nairobi
New Delhi Shanghai Taipei Toronto

With offices in

Argentina Austria Brazil Chile Czech Republic France Greece
Guatemala Hungary Italy Japan Poland Portugal Singapore
South Korea Switzerland Thailand Turkey Ukraine Vietnam

Oxford is a registered trade mark of Oxford University Press
in the UK and in certain other countries

Published in the United States
by Oxford University Press Inc., New York

First published 2006

British Library Cataloguing in Publication Data
Data available

Library of Congress Cataloging in Publication Data
Data available

Typeset by SPI Publisher Services, Pondicherry, India
Printed in Great Britain
on acid-free paper by
Biddles Ltd., King's Lynn, Norfolk

ISBN 0-19-927222-0 978-0-19-927222-8

1 3 5 7 9 10 8 6 4 2

CHAPTER 13

THE POLITICAL ECONOMY OF THE US PRESIDENCY

CHARLES M. CAMERON

By virtue of the extraordinary economic and military might of the United States, the American president is the most powerful elected official in the world. Not surprisingly, the American president is also the most intensively studied of all political executives. Nonetheless, a distinctly *political economic* understanding of the presidency is a recent undertaking. Despite this novelty, progress has been rapid and continues apace.

As the political economy approach has developed, several features distinguish it from the earlier legalistic, biographical, historical, and behavioral schools of presidential analysis. First, the political economy approach consciously suppresses the details of presidents' individual personalities in favor of an admittedly simplistic but highly tractable psychology. Typically, analysts assume that straightforward goals, such as advancing policy objectives or securing re-election, motivate presidents. In adopting this view, the new approach to the presidency emulates modern work on Congress, the bureaucracy, and the judiciary.

Second, the political economy approach self-consciously embeds the president in the American separation-of-powers (SOP) system.[1] The SOP system, hardwired into American government by the Constitution, compels the president to interact repeatedly with Congress and, to a lesser degree, the federal courts. And, from the time of the New Deal, the SOP system also compels the president to interact with huge

[1] De Figueiredo, Jacobi, and Weingast (this volume) survey the emerging literature on the new separation-of-powers approach as applied to the major American national institutions.

standing bureaucracies filled with a *mélange* of civil servants and political appointees. Accordingly, the political economy approach emphasizes presidential interaction with the other branches of government. This emphasis on cross-branch interaction distinguishes the political economic approach from traditional, White House-centric approaches.

Third, the political economy approach is relentlessly strategic. The SOP system obliges the president to anticipate how others will respond to his actions. Not surprisingly, then, non-cooperative game theory is the lingua franca of the new approach.

Fourth, the new work focuses on concrete actions—e.g. making veto threats or actually vetoing bills, selecting nominees for the Supreme Court or independent regulatory agencies, issuing executive orders, crafting a presidential program, "going public" to direct mass attention to particular issues—rather than amorphous entities like "presidential decision-making," "presidential power," or "crisis management."

This hard-nosed emphasis on how presidents actually govern leads naturally to the fifth and sixth attributes of the political economy approach: its emphasis on presidential activism rather than passivity, and its drive to combine theoretical rigor with rich empirical tests. The former distinguishes the political economy approach from much of the work inspired by Richard Neustadt's *Presidential Power*, which emphasized how little presidents can do ("presidential power is the power to persuade"). The political economy approach recovers a puissant presidency, albeit one ever constrained by the separation-of-powers system.

Finally, the emphasis on the tools of governance neatly finesses the "small *n* problem" that hamstrung presidential studies. The political economy approach shifts the unit of analysis from individual presidents to episodes of governance—from a handful of people to a multitude of vetoes, executive orders, nominations, speeches, presidential program items, and so on. As a result data are no longer scarce; they are abundant. Somewhat surprisingly, then, the new work on the presidency has assumed a distinguished position in the "empirical implications of theoretical models" (EITM) movement in political science, an effort to combine formal models with systematic data.

This chapter is organized as follows. In the following section I briefly review how the American constitutional and political order shapes presidents' incentive structure and defines the available tools of governance. This background material is critical because the political economy approach emphasizes how presidents use specific governance tools within the confines of the separation-of-powers system. I then examine the intellectual roots of the political economy approach and provide an overview of significant developments. Somewhat provocatively, I claim that scholars have identified three causal mechanisms at work in presidential governance. The three causal mechanisms are veto power, proposal power, and strategic pre-action. The first two are somewhat self-explanatory but explained carefully below. In strategic pre-action, the president initiates action by unilaterally altering a state variable, whose value then shapes his own or others' subsequent behavior in a game typically involving veto or proposal power. I then review specific works, organized around the three causal mechanisms. The new work has considerable normative import, conceivably altering how one evaluates American politics. I gesture in this normative direction, but conclude by pointing to under-exploited research opportunities and new frontiers for analysis.

1 Constitutional and Electoral Foundations

In contrast to parliamentary systems, the American separation-of-powers system prohibits legislative parties from selecting the chief executive. Similarly, the US Constitution explicitly prohibits congressmen from serving simultaneously in the executive. The president cannot introduce legislation in Congress, nor can cabinet ministers or agency officials. The president's government does not fall if Congress modifies the president's "budget" (simply a set of suggestions to Congress, with no direct constitutional authority) or disregards his avowed legislative priorities, no matter how important. Thus, cabinet government cannot exist in the United States; top officials have no sense of collective responsibility to a legislative party; the policy preferences of the president routinely differ from that of the majority party in one or both chambers of the legislature ("divided party government" occurs about 40 per cent of the time); and there is little sense in which the president himself is an agent of a legislative principal or, needless to say, vice versa. Instead, the mass electorate selects the president, using a baroque voting system (the Electoral College) reflecting the population size of states. An elected president then serves for a fixed four-year term (subject to impeachment) whose timing is uncoupled from political crises or major events of the day. And, the president may be re-elected at most once (post-1951).[2] Consequently, the president's "principal," if he may be said to have one at all, is a geographically based coalition in the mass public. Even this coalition may exert a reduced pull in a second term.

Understanding the consequences of this peculiar constitutional design has long constituted the core of US presidential studies (Ford 1898; Wilson 1908; Corwin 1948; Neustadt 1960; Edwards 1989). In this system, presidential governance involves (1) using a small number of constitutionally protected powers (e.g. nominating Supreme Court justices and ambassadors, exercising a qualified veto over legislation, negotiating treaties), (2) utilizing additional statutorily granted or judicially protected powers (e.g. executive orders), and (3) innovating around various constitutionally or statutorily ambiguous powers (e.g. war-making as commander-in-chief, "prerogative" powers supposedly inherent in the idea of a chief executive). It also involves (4)

[2] Serving two and one-half terms is possible, if a vice-president succeeds to a president's uncompleted term.

setting agency policy in the vast federal bureaucracy, within the bounds of delegated statutory authority and judicial oversight, using decentralized appointments and centralized administrative review, (5) leveraging the president's direct relationship with the mass electorate into legislative influence, via public exhortations ("going public"), and (6) crafting for Congress a comprehensive "federal budget" (a mammoth set of explicit recommendations) and a "legislative program" (specific bills drafted and proffered to Congress), exploiting the superior resources and information of the federal bureaucracy and presidential advisers. Tasks auxiliary to presidential governance include selecting personal staff, defining their jobs, organizing them bureaucratically, and directing their efforts.

2 Development of the Political Economy Approach

The political economy approach to the presidency emerged in the mid to late 1980s as scholars influenced by the rational choice revolution in congressional studies puzzled over the role of the executive in this peculiar constitutional order. Methodologically, the pioneering studies wove together concepts from organization economics, agency theory, and transactions cost economics to form heuristic frameworks for interpreting case studies or structuring quantitative analysis (Moe 1985, 1989; Miller 1993). Particularly influential were Moe's "structure" and "centralization" hypotheses: presidents have incentives to construct administrative agencies responsive to their desires, and to centralize many of their own tasks, such as crafting a legislative program. Also influential was his "politicization" hypothesis: presidents have incentives to control the bureaucracy by appointing loyal, if inexpert, lieutenants.[3] Moe's creative syntheses have continued to inspire empirical studies of centralization (Rudalevige 2003) and the politics of agency design (Lewis 2003).

More recent studies construct explicitly game-theoretic models of presidential governance, often with an eye to empirical application. Broadly speaking, the contemporary game-theoretic approach has produced substantial insights about three tools of governance: (1) the presidential veto (Matthews 1989; McCarty 1997; Cameron 2000; Groseclose and McCarty 2001), (2) executive orders (Howell 2003), and (3) presidential rhetoric (Canes-Wrone 2006). In addition, some progress has been made analyzing the use of three others: (1) presidential nominations, especially to the US Supreme Court (Moraski and Shipan 1999), but also to executive agencies (McCarty 2004) and independent regulatory agencies (Snyder and Weingast 2000), (2) presidential budgets (Kiewiet and McCubbins 1989; Kiewiet and Krehbiel 2002), and

[3] Within this tradition, considerable empirical effort went into parsing the degree of presidential versus legislative influence over bureaucratic policy; references may be found in Hammond and Knott 1996 (*inter alia*).

(3) the presidential program (Cameron 2005). Studies on budgeting were discussed in de Figueiredo, Jacobi, and Weingast's introductory chapter; I discuss the others below.

3 Causal Mechanisms and Presidential Governance

The political economy approach identifies a small number of causal mechanisms at work in presidential governance, especially *veto power*, *proposal power*, and (for want of a better phrase) *strategic pre-action*. I will describe each shortly, illustrating by reference to specific models. However, a critical feature of all three is that their operation depends crucially—but predictably—on the *strategic context*. Depending on the model, the strategic context includes the policy preferences of the president and Congress, the alignment of the president's policy preferences with those of voters, the ideological character of pre-existing policies (the location of the 'status quo'), the strength of the president's co-partisans in Congress, the extent of ideological polarization in Congress, and the alignment of civil servants' policy preferences with those of the president. The operation of the three causal mechanisms also depends on available "technology," such as the capability of the president to reach mass audiences with messages and information.

Veto power. Political economy analyses of the veto typically employ variants of Romer and Rosenthal's celebrated monopoly agenda-setter model (1978).[4] (See Krehbiel's discussion of "pivotal politics" in this volume.) In the basic model, a proposer (Congress) makes a take-it-or-leave-it offer (a bill) to a chooser (the president). If the president vetoes the bill, a status quo policy remains in effect.

Figure 13.1 illustrates how the course of veto bargaining depends crucially on the strategic context, which in this case is the policy preferences of the president and Congress and the location of the status quo. In the figure, both Congress and president have single-peaked preferences over policies (bills). The most preferred policy for the president is denoted p, that of Congress c, and the location of the status quo q. For ease of exposition, the president's utility function is scaled so that the value of the status quo is zero. Note that there is a point, $p(q)$, located on the opposite side of the president's utility function from q, that affords the president the same utility as q. Clearly, the president will (weakly or strongly) prefer any bill in the interval $[q, p(q)]$ to q and prefer q to any bill outside this interval. Therefore the president will veto any bill outside this interval in order to preserve q. And, equally clearly, Congress should pass the bill in the interval $[q, p(q)]$ it most prefers to q, as the president will accept this bill in preference to the status quo.

[4] As exceptions, McCarty 2000*a* and 2000*b* investigate an executive veto within a Baron–Ferejohn legislative bargaining game.

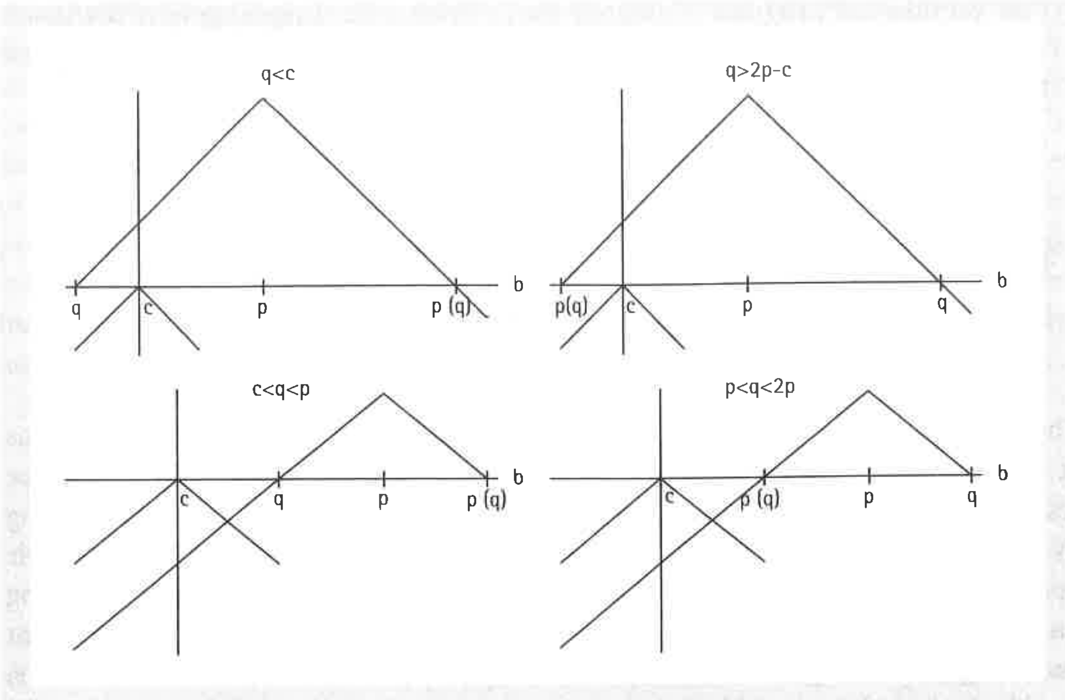

Fig. 13.1 Policy-making and the presidential veto

In the upper left-hand panel, the status quo is located to the left of c. In this configuration, Congress's most preferred policy c lies within the interval $[q, p(q)]$, so Congress can enact a bill at c, and the president will accept the bill. Thus, the president may be said to be "accommodating" (Matthews 1989) in this strategic context. In the lower left-hand panel, the status quo is located in the interval between the two players' ideal points. The policy in $[q, p(q)]$ most preferred by Congress is simply q itself. In other words, in this strategic context there is no policy that Congress prefers to the status quo that the president will not veto—the president is "recalcitrant." The only possible outcome is q (presumably, under these circumstances Congress would not enact a bill). In the lower right-hand panel, the status quo is located to the right of the president's ideal point p. In this configuration, the element of $[p(q), q]$ most preferred by Congress is $p(q)$. So Congress enacts a bill located at $p(q)$, which the president will accept—in this strategic context the president is "compromising," because he will accept a compromise bill. In the upper right-hand panel, q is so far to the right of p that $p(q) < c$. In this configuration, Congress can again enact its ideal policy c, which the president will accept—once again, the president is accommodating. Note that as p moves closer to c, the president will be accommodating for most status quos.

As this exposition suggests, the ability to pass a take-it-or-leave-it bill confers a strong advantage on Congress. This is a fundamental fact about take-it-or-leave-it bargaining, and a foundational issue in the American separation-of-powers system. A recurrent challenge for the president is to find devices that undercut or offset Congress's inherent advantage. Many of the models discussed below indicate how presidents can do so, for example by building a reputation as a policy extremist or skillfully employing veto threats. Of course, the president does not have it all his own way: the blame game model discussed below shows how the presence of attentive publics wary of extremist presidents can actually strengthen Congress's hand.

The basic model offers insights about veto power, but very little about actual vetoes since none occur in equilibrium. Six variants on the basic model have proven useful in understanding the details of actual veto bargaining.[5] The first variant adds some uncertainty about presidential preferences. In this variant, vetoes occur when Congress mistakenly places a bill outside the interval the president will accept. This will occur with much frequency only when the president and Congress have disparate preferences, e.g. during divided party government. Otherwise, Congress's ideal point almost always lies in the interval. The second variant adds a veto override player, whose identity may be somewhat uncertain. This variant is useful for understanding override politics, including failed override attempts. The third variant retains uncertainty about presidential preferences and additionally allows Congress to modify and re-pass a bill after a veto.

This model of "sequential veto bargaining" has considerable strategic complexity, because Congress uptakes its beliefs about the president's preferences during the course of bargaining and adjusts its subsequent offers accordingly. In turn, the president has an incentive to veto an initial bill in order to extract later concessions. But holding out for a better bill can be risky since a breakdown in bargaining will saddle the president with an unattractive status quo. Cameron 2000 shows that many of the most consequential laws of the postwar era were shaped through sequential veto bargaining in a fashion consistent with the model. The fifth variant, "blame game vetoes," adds an electorate which is somewhat uncertain about the president's policy preferences. In this case, a hostile Congress may present the president with "veto bait," a bill whose veto will confirm the public's adverse impressions of the president. This model makes the interesting prediction that vetoes will decrease the president's popularity, a prediction which receives support in Groseclose and McCarty (2001).

A final variant of great empirical relevance allows the president to issue a cheap-talk veto threat before Congress presents him with a bill. I discuss this variant below as it hinges on strategic pre-action. Finally, it is important to note that Ferejohn and Shipan (1990), Krehbiel (1998), and Brady and Volden (1998) all embed the presidential veto in larger models of policy-making in separation-of-powers systems, as discussed in de Figueiredo, Jacobi, and Weingast's introductory chapter.

Proposal power. Presidents can sometimes turn the tables, and present Congress with take-it-or-leave-it offers. Examples include nominations, treaties, and reorganization plans. Again, variants of the Romer–Rosenthal model are useful for studying these governance tools, where a strong advantage accrues to the president.[6] To illustrate I consider two models. The first concerns nominations, the second the president's legislative program.

[5] Readers interested in the presidential veto may wish to consult Cameron and McCarty 2004, which provides more details on the indicated variants as well as several others.

[6] As an alternative, Conley 2001 examines a simple legislative bargaining model in which an "electoral mandate" may advantage the president, conferring a kind of proposal power. She examines systematic data on presidential mandate claiming, and uses the model to interpret many episodes of political history.

Moraski and Shipan's model of Supreme Court nominations examines presidential proposal power in a setting of great intrinsic interest (1999). In addition, many of the issues raised there recur in Snyder and Weingast's interesting model of appointments to independent regulatory commissions (2000). In the nominations model, the players are Supreme Court justices, the president, and the median voter in the Senate. All players are purely policy motivated, so the goal of the president is to alter the Supreme Court's policy choices by reconfiguring the membership of the court. Justices are treated exactly as if they were legislators in a standard one-dimensional setting, so Supreme Court decisions correspond to the ideal point of the median justice. In a court with a single vacancy there are eight justices. Arraying the ideal points of the justices from left to right, denote the ideal points of the two middle justices, justices 4 and 5, as j_4 and j_5. It will be seen that a successful nomination can move the median to a point in the interval $[j_4, j_5]$ but no further. (Of course, in a polarized court this interval can be quite large.) The model treats the nomination as a one-shot game, with the implicit status quo being policies set at the midpoint between j_4 and j_5. Thus, the effective choice facing the Senate is between the new median created by the addition of the president's nominee to the court, and the midpoint between the two middle justices on an eight-judge court. Moraski and Shipan make the (strong) auxiliary assumption that if the president is indifferent over a range of confirmable nominees who all produce the same median on the court, the president picks one at or as close as possible to his own ideal point. Given this assumption, the model makes strong predictions about how the ideology of the president's nominee will change with the location of the president's ideal point, that of the median senator, and j_4 and j_5. (Thus, these four ideal points constitute the strategic context in the model.)

As one would expect from the one-shot veto model, in some configurations the president can successfully offer a nominee at the president's ideal point. These configurations correspond to the accommodating regime in the veto model. In other configurations, the president will offer a nominee whose ideology the Senate finds utility equivalent to the midpoint between justices 4 and 5 (this is analogous to the compromising regime in the veto model). Finally, in some configurations the president can do no better than offer the effective status quo (these configurations correspond to the recalcitrant regime in the veto model). Broadly speaking, the president has a strong inherent advantage: in many configurations the Senate will confirm the president's most preferred nominee or one who moves the court's median a considerable distance toward the president's ideal policy.

Testing the model requires a determination of which strategic configuration governed each nomination, because the model predicts different nominee locations across the three regimes. Not surprisingly, accurately measuring the location of ideal points on a common scale becomes critical. Moraski and Shipan claim considerable empirical support for the model, although Bailey and Chang (2001), who test the model with arguably better data on the location of the players' ideal points, contest the claim. In both cases, however, the number of cases considered is quite small (less than two dozen). Thus, one may say the jury is still out on the model's detailed predictions. But the model surely casts light on the strategic issues facing a policy-minded president who wishes to alter the composition of the Supreme Court or (by extension) regulatory commissions.

Cameron (2005) presents another model in which presidential proposal power looms large. In this simple formal model of the president's legislative program, crafting well-formulated bills is costly of time and effort. But the president can utilize the vast resources of the executive establishment to craft bills at little cost to himself. This creates an opportunity for him. By drafting a well-formulated bill in the executive branch and presenting it to Congress gratis, the president can save Congress much of the cost of legislating. The president can use this opportunity to "pull" the content of enactments in his preferred direction. More specifically, consider a status quo outside the gridlock region (see Krehbiel's chapter in this volume) that presents Congress with a target worth the cost of legislating. As indicated in the discussion of the veto model, Congress will craft a bill located either at its ideal point or at a point that president finds utility-equivalent to the status quo (that is, assuming the benefit of legislating outweighs the cost). By crafting a "free" bill at a point he prefers to this bill, the president can present Congress with the choice between a "status quo" composed of the president's "free" bill and the costly bill Congress would draft on its own.

This burden-sharing model of the legislative program turns the traditional approach to the presidential program on its head. The traditional approach suggests that somehow the president forces Congress to adopt his legislative proposals. In the burden-sharing model, the president anticipates congressional activism and moves to shape or steer it by offering Congress bills broadly similar to what Congress would have written anyway, but "bent" somewhat to the president's advantage.

This extremely simple model makes some clear empirical predictions. For example, presidential legislative activism should surge when the gridlock region is small and social movements active. Under those circumstances, congressional activism is both practical and attractive; hence, the president has an incentive to proffer many bills in order to shape congressional activism. Using time series data on the size of the gridlock region and on social movement activism, Cameron finds that presidential legislative activism surges and slumps in the predicted fashion.

Strategic pre-action. In some circumstances, the president can take an irreversible action that alters the value of a state variable affecting the subsequent strategic interaction between the president and other actors.[7] Models of this kind often have rich and tractable comparative statics, facilitating systematic empirical work. Three examples illustrate the basic idea: the politics of executive orders, the strategy of going public, and the use of veto threats.

Using an executive order, the president can unilaterally modify a status quo policy (the state variable), at least within certain legal limits. Congress can then respond legislatively—but Congress's bill must survive a presidential veto and possibly a filibuster. In addition, congressional committees with gatekeeping power may not wish to release bills to the floor, if they prefer the president's policy to that the floor

[7] Models of this kind have a conceptual, and in some cases mathematical, resemblance to certain models of firm strategy in industrial organization (see e.g. Fudenberg and Tirole 1984)

will enact. By carefully choosing the ideological location of the policy in the executive order, the president can assure a more favorable outcome in the subsequent legislative game. Howell (2003) extensively analyzes the strategy of executive orders, developing game-theoretic models and testing them against systematic data, with success. [8]

The president can "go public" on an issue, raising its saliency (the state variable) to the public (Kernell 1993; Cohen 1997). Congress then legislates on the issue. To understand the strategy of going public, consider the following simple model, inspired by Canes-Wrone (2001). If the median voter in Congress writes and passes a bill (a point on the line) he receives a benefit proportional to the proximity of the bill's content to his ideal policy. But he suffers an electoral loss whose magnitude depends, first, on the distance between the policy and the desires of his constituents and, second, on the public saliency of the issue.[9] More specifically, if the issue's saliency is low, the congressman suffers little electoral loss from a policy distant from his constituents' wishes; if its saliency is large, the electoral loss is considerable.

It is easy to see that if the electoral loss displays increasing differences in policy distance and saliency (as is plausible), Congress will shift the location of a bill away from its preferred policy and toward that of constituents as saliency increases. This creates a strategic opportunity for the president: going public increases the issue's saliency thereby altering the content of Congress's bill. However, going public will serve the president's interest only if he prefers Congress's policy choice when saliency is high to its choice when saliency is low—that is, when the president favors popular policies. Canes-Wrone 2004 explores the strategy of going public in depth using models with this flavor, and tests their predictions against multiple data-sets, with success.

Matthews's pioneering model of veto threats provides a third example of strategic pre-action. The state variable is Congress's beliefs about the president's policy preferences. In the first period, the president manipulates those beliefs using a cheap-talk veto threat. In the second period, Congress and president play a standard veto game, as outlined above.

The logic of the veto threat model is rather subtle. Suppose Congress is uncertain whether the president's preferences make him accommodating, compromising, or recalcitrant. If Congress believes too firmly that the president is accommodating and offers a bill at its ideal point when in fact the president is actually compromising, it will trigger a veto that could have been avoided by a less aggressive but nonetheless Pareto improving bill. In addition, there is a range of accommodating presidents who prefer Congress's ideal policy over a more distant bill aimed at a compromiser.[10] So there is the possibility for mutually advantageous communication between president and Congress. On the other hand, this communication cannot be perfect. For example, if the president is actually a compromiser, Congress would exploit perfect information about the president's preferences to offer a bill at $p(q)$,

[8] Policy-making by executive agencies, analyzed in Ferejohn and Shipan 1990, has strong similarities to the politics of executive orders.

[9] The congressman's preferred policy may differ from that of his constituents because of the influence of special interest groups, or because Congress is disproportionately composed of extremist ideologues who gained public office despite the disparity in their views from that of their constituents.

[10] If $c = 0$ and $q > 0$, then for these types $p < 0$, since Congress will then offer a bill at 0 rather than something higher.

leaving the president no better off than with the status quo. Moreover, there is a range of accommodating presidents who benefit from a bill oriented toward compromising presidents rather than accommodating ones.[11] These types of president would like Congress to believe them more extreme than they actually are.

Matthews shows that there exists an equilibrium in which the president begins play by employing one of two somewhat ambiguous messages.[12] In equilibrium, the president's first message has the meaning "I will accept your ideal point." Upon receipt of this message (corresponding to no veto threat), Congress offers a bill at its ideal point, which the president accepts. The second message (the veto threat message) has the equilibrium meaning, "I may not accept your ideal point." Upon receipt of this message, Congress offers a compromise bill shaded toward the president, which he may or may not veto. Cameron 2000 tests the model empirically, using data on veto threats in the postwar era. He finds that presidents almost never veto bills absent threats; threats almost always lead to congressional concessions; and the larger the concession, the more likely the president is to accept the bill. Matthews's model predicts exactly these patterns.

4 Normative Implications of Presidential Governance

Because the new game-theoretic models of presidential governance make crisp predictions based on explicit causal mechanisms, they sometimes raise normative issues in a particularly clear fashion. For example, models of veto bargaining typically imply that final policies lie between the ideal points of president and Congress. In a period in which most voters are ideologically moderate relative to extreme politicians (Fiorina, Abrams, and Pope 2004), this property of veto bargaining can be seen as normatively attractive.

A second example concerns pork-barrel politics. It is often claimed that presidents have an incentive to veto Congress's pork-barrel bills. McCarty (2000*a*) examines this claim in a formal model of pork-barrel legislation, the Baron–Ferejohn model (see the chapter by Diermeier in this volume). He finds that presidents have an incentive to veto allocations of pork that disadvantage the president's co-partisans in Congress—but little incentive to do so if the allocation favors his co-partisans. Thus, the presidential veto need not dramatically reduce overall levels of pork, only who receives it. McCarty's findings call into question a favorite bromide of presidential scholars.

Perhaps the most interesting example concerns mass opinion and presidential governance. A long-standing question among presidential scholars is: do the president's public appeals or high-visibility actions facilitate democratic outcomes? Or are they

[11] For example, if $c = 0$ and $q = 1$, a president with $p = \frac{1}{2}$ would prefer Congress believe $p = 3/4$, as it would then offer a bill at $3/4$.

[12] As is typical in cheap-talk models, there is another equilibrium in which messages do not convey information.

merely cynical pandering to an ill-informed electorate (Jacobs and Shapiro 2000)? Canes-Wrone, Herron, and Shotts (2001) address this question in an explicit way, using a model in which presidents may have an incentive to take actions that are popular in the short term but possibly harmful to public welfare over a longer horizon. (Obvious examples are manipulating monetary and fiscal policy, as in models of the political-business cycle.) They note that pandering carries a risk to the president, since later events may expose the president's cynical manipulations in disastrous fashion. Given this risk, Canes-Wrone et al. argue that pandering requires rather special conditions, i.e. a marginally popular president (relative to a challenger) facing a proximate election. Otherwise, the risks tend to outweigh the benefits. The model suggests distinctive patterns in the popularity of presidential policies—for example, the likelihood the president chooses a popular policy—should be unrelated to his personal popularity when elections are distant (since under those circumstances his primary incentive is to "get it right" rather than pander). Canes-Wrone and Kenneth Shotts test many of these predictions using budgetary and public opinion data (Canes-Wrone 2004). They find some evidence of pandering late in the first term of moderately popular incumbent presidents. Canes-Wrone 2004 discusses alternative institutional designs that might mitigate this tendency (e.g. limiting presidents to a single term), but is careful to note that every obvious alternative has substantial costs as well as benefits.[13]

5 Research Opportunities

The political economic approach to the presidency is still in its infancy. Research opportunities abound.

Most obvious are extensions of existing work. For example, further analysis of presidential proposal power, including nominations and treaties, is clearly warranted. Formalizing Moe's structure, centralization and politicization hypotheses would sharpen our understanding of the causal mechanisms at work, and supply firmer foundations for empirical work. Politicization is seriously understudied, in particular. More work on the theoretical foundations of the presidential program would be a useful advance, as would further work on models of the president's budgetary recommendations.[14]

Beyond these extensions lie new areas for research. A tractable topic of great appeal is the president's use of favors and patronage in pursuit of legislative objectives.[15]

[13] Chappell and Keach 1983 consider the welfare consequences of moving to a single six-year term, in the context of a political-business cycle model.

[14] Larocca 2004 presents an informational model of lobbying, potentially applicable to presidential lobbying of Congress.

[15] Kelley 1969 pioneered the rational choice analysis of this subject, which certainly could be treated in detail with modern tools (note Snyder 1991). Appropriate data are known to exist in the presidential libraries. Brady and Volden 1998 and Krehbiel 1998 present suggestive empirical evidence on vote switchers.

This topic is vastly under-studied relative to its importance. More speculative is the development of "presidential personnel economics," taking off from analytical work in organization and personnel economics in the private sector (see e.g. Lazear 1995). This work would analyze the analytics of staffing and organizing the White House and presidential agencies. This is an area in which traditional scholars have compiled impressive data but have not laid much in the way of theoretical foundations. Finally, applying the political economy approach to specific policy arenas, such as presidential governance of national security, is a potentially worthwhile endeavor.

With a wider variety of explicit, empirically powerful models in hand, analysts could study complementarities across the instruments of governance: for example, how a centralization strategy, legislative program, presidential budget, public rhetoric, executive orders, and administrative appointments hang together in a sensible way, in a given strategic context. In other words, scholars could study *integrated presidential strategy*. In my opinion, a well-developed theory of integrated presidential strategy would be a landmark achievement in presidential studies. It could revolutionize our understanding of specific presidencies and revise our overall evaluation of the institution itself. I suspect we will see efforts of this kind within a decade.

6 Conclusion

The political economy approach shifts the analytic focus from the personality or psychology of individual *presidents* to the institutional character of the *presidency*. Despite its novelty, this approach has already advanced our substantive understanding of presidential governance, particularly vetoes, executive orders, public rhetoric, nomination politics, the presidential program, and budgetary politics. It has also stimulated creative thinking about, and valuable empirical work on, the design of executive agencies and the centralization of executive functions. The deep insight driving the political economic approach is that presidential governance in a separation-of-powers system involves a few, relatively simple causal mechanisms whose operation depends predictably on the strategic context. This insight is surely portable to the study of chief executives in other countries.

References

Bailey, M., and Chang, K. 2001. Comparing presidents, senators, and justices: interinstitutional preference estimation. *Journal of Law, Economics, and Organization*, 17: 477–506.

Brady, D. W., and Volden, C. 1998. *Revolving Gridlock: Politics and Policy from Carter to Clinton*. Boulder, Colo.: Westview Press.

Cameron, C. 2000. *Veto Bargaining: Presidents and the Politics of Negative Power*. New York: Cambridge University Press.

CAMERON, C. 2005. A primer on the president's program. Working paper, Woodrow Wilson School, Princeton University.

____ and MCCARTY, N. 2004. Models of vetoes and veto bargaining. *Annual Review of Political Science*, 7: 409–35.

CANES-WRONE, B. 2001. A theory of presidents' public agenda-setting. *Journal of Theoretical Politics*, 13: 183–208.

____ 2006. *Who Leads Whom? Presidents, Policy Making, and the Mass Public.* Chicago: University of Chicago Press.

____ HERRON, M. C., and SHOTTS, K.W. 2001. Leadership and pandering: a theory of executive policy making. *American Journal of Political Science*, 45: 532–50.

CHAPPELL, H. W., and KEECH, W. R. 1983. Welfare consequences of the six-year presidential term evaluating in the context of a model of the U.S. economy. *American Political Science Review*, 77: 75–91.

COHEN, J. E. 1997. *Presidential Responsiveness and Public Policy-Making: The Public and the Policies That Presidents Choose.* Ann Arbor: University of Michigan Press.

CONLEY, P. H. 2001. *Presidential Mandates: How Elections Shape the National Agenda.* Chicago: University of Chicago Press.

CORWIN, E. S. 1948. *President, Office and Powers, 1787–1948.* New York: New York University Press.

EDWARDS, G. C. 1989. *At the Margins: Presidential Leadership of Congress.* New Haven, Conn.: Yale University Press.

FEREJOHN, J., and SHIPAN, C. 1990. Congressional influence on the bureaucracy. *Journal of Law, Economics, and Organization*, 6 (Special Issue): 1–20.

FORD, H. J. 1898. *The Rise and Growth of American Politics.* New York: Macmillan.

FIORINA, M., ABRAMS, S., and POPE, J. 2004. *Culture War? The Myth of a Polarized America.* New York: Longman Press.

FUDENBERG, D., and TIROLE, J. 1984. The fat-cat effect, the puppy-dog ploy, and the lean and hungry look. *American Economic Review: Papers and Proceedings*, 74: 361–6.

GROSECLOSE, T., and MCCARTY, N. 2001. The politics of blame: bargaining before an audience. *American Journal of Political Science*, 45: 100–19.

HAMMOND, T. H., and KNOTT, J. H. 1996. Who controls the bureaucracy? Presidential power, congressional dominance, legal constraints, and bureaucratic autonomy in a model of multi-institutional policy-making. *Journal of Law, Economics, and Organization*, 12: 119–66.

HOWELL, W. 2003. *Power without Persuasion: A Theory of Unilateral Action.* Princeton, NJ: Princeton University Press.

JACOBS, L. R., and SHAPIRO, R. Y. 2000. *Politicians Don't Pander: Political Manipulation and the Loss of Democratic Responsiveness.* Chicago: University of Chicago Press.

KELLEY, S. 1969. Patronage and presidential legislative leadership. Pp. 268–77 in *The Presidency*, ed. A. Wildavsky. Boston: Little, Brown.

KERNELL, S. 1993. *Going Public: New Strategies of Presidential Leadership.* Washington, DC: CQ Press.

KIEWIET, R., and KREHBIEL, K. 2002. Here's the president, where's the party? U.S. appropriations on discretionary domestic spending, 1950–1999. *Leviathan*, 30: 115–37.

____ and MCCUBBINS, M. D. 1988. Presidential influence on congressional appropriations decisions. *American Journal of Political Science*, 32: 713–36.

KREHBIEL, K. 1998. *Pivotal Politics: A Theory of U.S. Lawmaking.* Chicago: University of Chicago Press.

LAROCCA, R. 2004. Strategic diversion in political communication. *Journal of Politics*, 66: 469–91.

LAZEAR, E. P. 1995. *Personnel Economics.* Cambridge, Mass.: MIT Press.

Lewis, D. 2003. *Presidents and the Politics of Agency Design: Political Insulation in the United States Government Bureaucracy 1946–1997*. Stanford, Calif.: Stanford University Press.

Matthews, S. A. 1989. Veto threats: rhetoric in a bargaining game. *Quarterly Journal of Economics*, 103: 347–69.

McCarty, N. 1997. Presidential reputation and the veto. *Economics and Politics*, 9: 1–26.

____ 2000*a*. Presidential pork: executive veto power and distributive politics. *American Political Science Review*, 94: 117–29.

____ 2000*b*. Proposal rights, veto rights, and political bargaining. *American Journal of Political Science*, 44: 506–22.

____ and Poole, K. 1995. Veto power and legislation: an empirical analysis of executive and legislative bargaining from 1961 to 1986. *Journal of Law, Economics, and Organization*, 11: 282–312.

Miller, G. 1993. Formal theory and the presidency. Pp. 289–336 in *Researching the Presidency: Vital Questions, New Approaches*, ed. G. Edwards, III, J. H. Kessel, and B. Rockman. Pittsburgh, Pa.: University of Pittsburgh Press.

Moe, T. 1985. The Politicized Presidency. Pp. 235–72 in *The New Direction in American Politics*, ed. J. Chubb and P. Peterson. Washington, DC: Brookings Institution.

____ 1989. The politics of bureaucratic structure. Pp. 235–72 in *Can the Government Govern?* ed. J. Chubb and P. Peterson. Washington, DC: Brookings Institution.

Moraski, B., and Shipan, C. R. 1999. The politics of Supreme Court nominations: a theory of institutional constraints and choices. *American Journal of Political Science*, 43: 1069–95.

Neustadt, R. 1960. *Presidential Power*. New York: Macmillan.

Romer, T., and Rosenthal, H. 1978. Political resource allocation, controlled agendas, and the status quo. *Public Choice*, 33: 27–44.

Rudalevige, A. 2002. *Managing the President's Program: Presidential Leadership and Legislative Policy Formulation*. Princeton, NJ: Princeton University Press.

Shugart, M. S., and Carey, J. M. 1992. *Presidents and Assemblies: Constitutional Design and Electoral Dynamics*. Cambridge: Cambridge University Press.

Snyder, J. 1991. On buying legislatures. *Economics and Politics*, 3: 93–109.

Snyder, S., and Weingast, B. R. 2000. The American system of shared powers: the president, Congress, and the NLRB. *Journal of Law, Economics, and Organization*. 16: 269–305.

Wilson, W. 1908. *Constitutional Government in the United States*. New York: Columbia University Press.