Abstract
Over the last ten years, Britain has undergone major reform of its political system, encompassing the territorial organisation of power, the status of the judiciary, the method of electing representatives, the nature of the legislature, and the allocation of policy competences between elected and unelected actors. For political analysts, two questions arise from these changes: what caused the reforms, and what are their effects? This paper focuses on the latter. A light industry of research has been devoted to the British reforms. However, much of this work is descriptive or only lightly analytical; little attention has been paid in theoretical terms to the way the new institutions will work and their implications for policy decisions. Yet there is a well-developed literature, based on rational choice/economic models of politics, devoted to the nature and effects of political institutions. The paper draws on this literature to provide an account of the likely effects of institutional reform in Britain.

Words: 10,943
Over the past decade, the British state has undergone a profound restructuring. Political authority has been decentralised to new tiers of government, the judiciary has been granted more extensive powers to review government actions, new systems for electing public representatives have been introduced, the membership of the second chamber has been recast, access to official information has been liberalised and power over monetary policy has been delegated to an independent agency. The reforms raise two key questions: why were they introduced, and what are their effects? This article concentrates on the second issue. I argue that, in spite of the now voluminous literature on Britain’s constitutional reforms, few accounts deal satisfactorily with their effects. This partly reflects the descriptive nature of much of the literature, which often focuses merely on outlining the nature of the new institutions, without considering their implications. It also reflects the limited reach of more analytical treatments. Some studies consider what the constitutional reforms mean for the nature of Britain’s political system, but remain silent on the implications of this recast architecture. Others explore these implications, but devote their attention to particular reforms rather than widening their analytical scope to encompass a range of institutional reforms. In addition, the implications of institutional change tend to be conceived in narrow terms, in the form of recast political structures and processes rather than a broader set of policy and economic outcomes.

Underlying these shortcomings is a failure within the British literature to consider what political institutions are and how they operate. Existing studies tend to focus on macro-level constitutional structures, such as the executive, legislature and judiciary, along with sub-national and supra-national tiers of authority. Yet defining the objects of study in organisational terms tells us little about the nature of these structures and how they might work to effect outcomes. For this, a more micro-level analytical focus is required, that engages with the nature and operating logic of political institutions. Among the various theoretical perspectives that grapple with the design and effects of institutions, the economic or rational choice approach promises particular dividends. This account pares down institutions to their constituent elements, namely bundles of specific incentives and constraints which work to encourage certain forms of action and preclude others. By identifying the incentives and constraints manifested in an institution, and by specifying how these work to shape patterns of behaviour, the rational choice approach can map a precise link between the design of institutions and their potential outcomes.

In this paper, I draw on some simple assumptions from rational choice institutionalism to identify some of the possible effects of constitutional reform in Britain. I begin by reviewing existing analyses of these reforms, identifying the shortcomings in these accounts. I then introduce the economic approach to political institutions, and highlight the potential benefits – along with some pitfalls – of this approach for constitutional analysis. In the following sections, I deploy assumptions drawn from economic analyses to identify the possible implications of constitutional change for three areas: government accountability, patterns of economic distribution and government policy making.
1. Existing analyses of constitutional reform in Britain

The constitutional reforms introduced in Britain over the past decade have been extensively analysed in a now large literature. This literature essentially consists of three types of work. The first is normative and prescriptive, and examines the adequacy of the reforms against the constitutional arrangements of an idealised polity. The second type is historical and descriptive, concerned with identifying the rationale behind the reforms and outlining the essential features, powers and operating methods of the new political institutions. The third type is designed to explore the outcomes of institutional change.

Each of these forms of constitutional analysis is useful and important. But, collectively, they fail to provide a sufficient account of the implications of Britain’s new political institutions. Studies in the normative/prescriptive genre are usually too concerned with the desirability of particular constitutional arrangements to consider their effects (beyond those outcomes deemed normatively desirable). Many historical/descriptive studies, too, devote little attention to the effects of new institutions, focusing instead on their genesis, formal powers and operating procedures. Such descriptive studies seek to map the ‘layout of the land’ rather than to explore the effects of this new constitutional topography (Kelso, 2008: 546). Granted, some accounts move beyond the description of particular institutions to consider the implications of the reforms for the wider political system. These accounts usually proceed without reference to an underlying theoretical model or comparative reference, drawing instead on an intuitive logic to identify a set of effects: the dispersal of power from the central executive, the imposition of more powerful constraints on ministers, the establishment of a more constitutionally based politics, the extension of individual rights over collective obligations and the introduction of more transparent decision making processes (eg. Oliver, 2003; Judge, 2006; King, 2007; McDonald, 2007; Bogdanor, 2009). These effects are sometimes seen as sufficiently strong to trigger a shift in the basic logic of the political system. Thus, constitutional change may be effecting a shift away from an electoral democracy towards a ‘juridified’, ‘judicialised’ or ‘constitutionalised’ politics, with executive authority constrained by formal regulatory codes, policed by judicial actors and independent enforcement agencies (Oliver, 2003; King, 2007: 356-8; Bogdanor, 2009: ch11). Or, the representative nature of Britain’s democracy may be shifting in favour of more participatory or ‘deliberative’ arrangements, in which citizens are directly involved in policy decisions (Morison, 2007). In seeking to understand the systemic implications of the constitutional reforms, scholars occasionally adopt a more explicit comparative framework; a notable example is Flinders’ use of Lijphart’s distinction between ‘majoritarian’ and ‘consensus’ forms of democracy (Flinders, 2005, 2009, 2010; Flinders and Curry, 2008; Hazell, 2008).

Thus, some of the studies I label ‘historical/descriptive’ raise their sights above particular institutions to consider the effects of multiple institutional changes on the distribution of political authority. However, these observations remain primarily descriptive, since they tell us more about the nature of a recast political system than about its effects. Only occasionally do such accounts extend beyond description to consider the possible consequences of institutional change. For example, Anthony King considers the implications for accountability of
fragmenting political authority between numerous agencies, service delivery bodies and watchdogs (King, 2007: 360-2). However, this effect is examined only fleetingly, and few others have attempted to extend or deepen the analysis.

The third type of study I identified deals more squarely with the outcomes of constitutional reform. Thus, the electoral system has been examined for its effects on the party system (Dunleavy, 2005), the allocation of legislative seats (Curtice and Steed, 2000), and the nature of constituency representation (Lundberg, 2006); devolution has been considered for its effects on public policy (Greer, 2004; Keating, 2005) and on government accountability (Curtice, 2009); reforms to the second chamber have been explored for their effect on government policy (Russell and Sciarra, 2008); the enhancement of judicial review has been analysed for its bolstering of individual rights (Leigh and Masterman, 2008); while freedom of information has been examined for its effects on citizen attitudes to politicians (Hazell et al, 2010). But as the inventory suggests, this type of analysis focuses on the implications of reforms to individual institutions, eschewing the effects of multiple reforms taken together. In addition, these studies tend to restrict the potential outcomes of institutional change to political structures and processes; the focus is typically on the effect that changing one political structure (e.g. the electoral rule) induces in another (the party system).\(^1\) This neglects the potential effects of institutions on policy and economic decisions. Occasionally, studies extend the dependent variable beyond political structures to consider the implications for public policy. However, these studies tend to treat public policy in substantive terms (for example, what does devolution mean for the nature of health policy? Greer, 2004; Keating, 2005) rather than in procedural terms, as an issue of government capacity.\(^2\)

Thus, for all its size, the existing literature fails to provide answers to basic questions about the likely implications of Britain’s constitutional reforms.\(^3\) This shortcoming is largely due to scholars’ reluctance to consider what political institutions are, and how they work. Similar points have been made by Evans (2001), who bemoans the fact that the existing literature on constitutional reform pays scant attention to how these rules might be analysed, and by Flinders (2010: 66-73), who notes the paucity of attempts to explore these rules in comparative or theoretical terms. These deficiencies largely remain, in spite of some attempts to address them. Laffin’s (2000) brief account identifies various ways of thinking about, and analysing, political institutions, although these are not subsequently applied to the domestic case. McLean considers constitutional rules as ‘veto points’ that structure political games; but

---

1 In this, analysts in Britain follow the vast bulk of the comparative and country case study literature within political science, as the quotation by Persson, below, suggests.
2 The link between political institutions and public policy appears to be more squarely addressed by older studies of British politics. This may reflect concern about the decisions of particularly vigorous and/or controversial governments in Britain between the 1970s and 1990s. For instance, among students of electoral systems, there was a perception that Britain’s single member plurality model led to wholesale government turnover, in turn contributing to extreme policy variation and preventing the kind of policy continuity deemed necessary for long term economic success (Finer, 1975; Rose, 1992). But the focus of these earlier studies – on the impact of political institutions on government policy making – has not generally been maintained. An exception is Taylor’s recent (2007) analysis of how electoral rules shape stable, or equilibrium, policy outcomes.
3 It is no real defence to highlight the recent introduction of many of these reforms although, as Vernon Bogdanor (2005: 77) points out, the impact of institutional change often becomes apparent only in the medium to long term. But this should not preclude attempts to predict – even if in provisional terms – what these changes might be.
although the effects of vetoes on public policy are noted (McLean, 2009: 30-33), the implications are not extended in any detail in the discussion of recent constitutional reforms. Kelso (2009) sets her analysis of parliamentary reform within an explicit theoretical framework, using assumptions derived from ‘historical institutionalism’ to explain the success of some reform proposals and the failure of others. However, the theoretical approach employed is more productive in explaining the nature and fortunes of the institutional rules themselves than in identifying their effects.

The literature on constitutional change in Britain remains stymied by an unwillingness to consider what institutions are, and how they should be studied. This is somewhat puzzling, since for the last two or more decades, self-conscious reflection about the study of social institutions has been at the forefront of political science (Goodin, 1996; Peters, 2005). Yet, in the British literature, we rarely encounter definitions of the subject matter and consideration of how it should be studied. Anthony King’s analysis is once again a partial exception, in that he begins by considering the nature of a constitution, which he defines as a set of rules and understandings that regulate relations between governing actors, and between these actors and citizens (2007: 3; see also Bogdanor, 2009: 8-10). However, while this definition helps define the scope of what is to be studied (ie. which institutions will be analysed?), it tells us little about the nature or properties of these objects (ie. what are institutions and how do they work?). We may learn something about the effects of constitutional reform in Britain from a literature that focuses on precisely these questions.

2. Economic treatments of institutions

Accounts going under the broad labels ‘political economy’ or ‘rational choice’ define institutions as the ‘rules of the game’; the accepted procedures that lay down how a particular game or decision making process is conducted. Institutions originate in the uncertainties inherent in bargaining between actors; faced with the risks of cooperation, actors introduce institutions to monitor and enforce any agreements they reach (North, 1990). Institutions delineate the terms on which bargaining takes place; they define who the relevant actors are, what actions they are permitted to take, what range of outcomes their actions can shape, how actions are to be aggregated to achieve an outcome, what information is available to actors and how the costs and benefits of actions are to be allocated. More generally, institutions comprise bundles of incentives and constraints; incentives raise the cost of certain actions and lower them for others, while constraints close off certain actions. Institutions thus provide individuals with clear payoffs from alternative courses of action. Assuming that individuals are motivated by a concern to maximise their utility (however conceived) and are at least minimally informed (so as to accurately understand the incentives and constraints represented by particular institutions), institutions are seen to present individuals with strong inducements to act in a particular way. In this way, so its proponents suggest, rational choice approaches provide a

---

compelling account that links institutional design to discernible behavioural patterns among political actors.

This approach to institutions has been more prevalent among economists than among political scientists. Economists are concerned with identifying and explaining the choices made by individuals, and institutions are seen as significant because they shape the calculations on which individual choices are made. Political scientists are more preoccupied with the nature of collective decisions, with institutions seen as significant because they represent sites of public deliberation and binding rules. Political scientists thus tend to focus on those characteristics of institutions – their resources and powers, the way they are constituted, their representative coverage – that shape the legitimacy and authoritative character of social decisions (Blondel, 2006: 721-3). As one exponent of the economic approach to political institutions notes:

“Traditional political science does not really deal with the direct consequences of constitutional rules, operating through incentives for policymaking ... it deals very much with the consequences for the structure of political representation – the number of parties, the types of governments, and so on.” (Persson, 2004: 140)

Given their concern with the role and legitimacy of institutions as decision making structures, political scientists tend to focus on the organisational complexity of institutions. By contrast, economic analyses – more concerned to explain how and why individuals make choices – pare down institutions into a set of underlying incentives and constraints. This approach holds a number of benefits for students analysing the design and effects of political institutions. First, by treating institutions as sets of incentives and constraints – that reward some actions and punish others – a precise causal light can to be shone on the linkages between institutional design and social outcomes. Second, because these incentives and constraints are seen to shape individual choices, institutions are consequential for decisions and policy outcomes, not simply for other political structures. Third, because the key features of an institution are the incentives and constraints they present, economic analyses tend not to be unduly discriminatory in their coverage of the subject. The relevance of an institution lies not in whether it is sufficiently basic to be labelled ‘constitutional’, but whether it presents sufficiently powerful inducements and restraints to shape patterns of individual behaviour. In this sense, constitutions are merely a special case of a more general set of institutions. The catholic coverage of institutions found in the economic approach is helpful, since it brings into analytical focus many important institutions that only rarely appear in standard accounts of constitutional politics.

Having identified what I believe to be the beneficial properties of the economic approach to institutions, I should also acknowledge some of its potential shortcomings. Two are particularly acute for the claim of economic analysts to be able to discern the behavioural implications of different institutional rules. The first is that reducing institutions to a set of incentives and

---

5 Economic approaches might distinguish between higher level rules, or the ‘formal constitution’, and lower level rules, or the ‘effective constitution’ (Berggren and Kurrild-Klitgaard, 2002), but the point is that the latter are seen as no less important in shaping behaviour than the former.
constraints may present too simplistic a picture of institutions, and may unduly narrow the
variety of ways in which institutions may shape political behaviour. Rational choice accounts
deliberately abstract from the minutiae of institutions, providing a stylised depiction of their
nature and properties. Other forms of institutionalism suggest that institutional detail matters,
since it provides the specific context within which political actors decide how to behave.
‘Sociological’ approaches view institutions as norms, shared understandings and routines,
reflective of a wider social culture. ‘Historical’ approaches similarly define institutions as
patterns of established norms and procedures developed incrementally over time. Both
accounts suggest that entrenched assumptions and routines constitute powerful influences on
the way individuals behave (indeed, certain behavioural patterns are sometimes held to
constitute such norms). To ignore such features of institutions, by focusing only on a narrow
set of incentives and constraints, risks under-specifying the features of institutions that may
shape the choices made by individuals (Rothstein, 1996; Hall and Taylor, 1996; Peters, 2005). In
particular, while economic approaches anticipate that altering the incentives and constraints
presented by a particular set of institutions will generate discernible behavioural adjustments
by political actors, sociological and historical approaches suggest less immediate behavioural
shifts, due to the influence of well established routines and assumptions.

The second potential shortcoming of economic approaches to institutions is the assumption
that individuals act solely from a concern to maximise their utility, ignoring other plausible
determinants of choice such as values, tastes, ideology and identity. If institutions comprise
more than a bare set of incentives and constraints, so individual actors may be more complex
than a simple concern to maximise their welfare. While rational choice analysts justifiably
argue that ‘utility’ can encompass a variety of individual desires and goals, and need not be
limited to economic gain, they have more difficulty in reconciling these desires with other
potential elements in the choice-forming calculus such as beliefs, values and ideology. The
economic approach assumes that, if we can specify in broad terms what the utility of an actor
consists of, then we can predict how that actor will respond faced with the incentives and
constraints presented by a particular institutional rule. Moreover, all actors will respond in
roughly the same manner. Yet if actors do not manifest a common motivating utility – because
they possess a variety of different beliefs and values – then such causal generalisations become
misleading.

Economic approaches to institutions are subject to other criticisms beyond the parsimony of
their institutional exegis and the restrictive assumptions about actor motivations and stimuli.
In particular, concerns have been raised – not least by scholars working within the rational
choice field – about how far institutions are independently determinate for social outcomes, as
opposed to being themselves shaped by various background conditions – such as the
preferences of powerful political actors – which then play the primary role in driving the
observed outcomes. If institutions are thus ‘endogenous’, doubt is cast on whether they can
also be ‘exogenous’ for social outcomes (Moe, 1990, 2005; Przeworski, 2004; Acemoglu, 2005;
Shepsle, 2006a).
The claim that economic approaches can clearly and accurately identify the behavioural effects of different institutional configurations is highly contentious among social scientists. Without devoting more time to a complex set of issues, I can perhaps clarify what role I believe economic analyses can play in exploring the implications of institutions. Economic approaches are based on a set of assumptions that, while not necessarily fully reflecting the real world circumstances in which actors deliberate and make choices, capture at least some of the criteria likely to be involved in these calculations. A focus on utility does not populate actors' deliberations to the exclusion of all other factors (neither do the norms and routines emphasised by sociological and historical variants of institutionalism). But consideration of the costs and benefits of different actions – relating to some underlying utility – is likely to feature sufficiently prominently in actors' deliberations, and among a sufficient number of actors, to constitute a plausible determinant of behaviour. Thus, treating institutions as sets of incentives and constraints that shape individual choices provides a reasonable approximation to reality, and thus a useful way of exploring the potential consequences of particular institutional rules.  

What kind of consequences do these models suggest institutions might give rise to? Economic, or rational choice, oriented scholars have explored a variety of such effects, particularly in relation to the structure or determinacy of individual choices, and the nature of cooperation between individuals in collective forms of action (see Peters, 2005: 51). Three other issues, however, have been extensively explored in the economic literature (see Brennan and Hamlin, 2000: ch5; Shepsle, 2006b), and are highly relevant to the task of identifying the potential implications of institutional reform in Britain. The first asks what role political institutions play in securing the accountability of those wielding decision making authority. Given the powers delegated by citizens to politicians, how can political institutions be designed to help citizens retain control over what their representatives do in office? The second issue asks about the effect of institutions in making politicians responsive to particular social groups. Given the multiplicity of preferences among the population, by what rules are preferences aggregated into determinate social outcomes, and how do different aggregation rules shape the way politicians cater to the interests of different social groups? The third issue centres on the impact that institutions have on the way policy decisions are taken. In particular, how does the distribution of authority to propose and block decisions affect the way agreement is reached and the substance of this agreement? On each of these issues, economic analyses suggest that political institutions have substantial effects. In the following three sections, I draw on some of the basic hypotheses in these studies to explore the potential effects of constitutional reform in Britain on political accountability, government responsiveness and executive capacity.

3. The accountability of politicians

A perennial concern in politics is to ensure that those in political office remain accountable to those forced to comply with their decisions. Political institutions are designed to meet this

---

6 This is not to say, however, that political institutions are introduced or modified solely with such consequences in mind. Sometimes instrumental rationales dominate the choice of new institutions (in the British case, the granting of independence to the Bank of England would be an example, as set out below). But institutional choice is also driven by many other factors, such as partisan concerns and ideological principles or values.
concern, with different institutions provide different types of response. We can use the theories that underpin these responses to explore the effects that reform of Britain's institutional arrangements might have on the accountability of its politicians.

These theories draw on the basic problem inherent in delegating authority from one set of actors (designated the ‘principal’) to another (the ‘agent’). Such delegation involves a risk that the agent will fail to observe the principal's interests, either because the agent holds different preferences to the principal, or because the principal possess limited information about their agent’s preferences and actions (Lupia, 2003). A central function of political institutions is to minimise the risk of ‘agency loss’ by providing agents with incentives to act in a manner compatible with the principal’s interests (Kiewiet and McCubbins, 1991: ch2; Strom, 2003). If the political process is thought of as a sequence of delegation – from voters to their political representatives – then institutions work at two points. First, before any delegation has taken place, institutions encourage potential agents to reveal information about themselves, reducing the risk that the principal will make an unsuitable choice (a problem known as ‘adverse selection’). Second, once delegation has taken place, institutions encourage agents to reveal information about their behaviour, minimising the chances of agents slacking or ‘shirking’ on the job, or seeking to use office for their own advantage (a problem of ‘moral hazard’).

Comparative analyses have shown how different countries' institutional configurations provide for accountability either by screening and selecting appropriate politicians, or by monitoring their activities in office. Political systems rarely provide for both functions to any extensive degree, since doing so would incur heavy costs relative to the benefits gained. Instead, the risk of agency loss tends to be addressed in parliamentary systems primarily through ex ante mechanisms of screening and electoral competition, while in presidential systems ex post monitoring and constraint are dominant (Strom, 2003). In reality, the numerous forms of parliamentarism undermine this simple distinction. Some parliamentary systems – corresponding to Lijphart's 'consensus' model – incorporate multi-party executives and extensive constraints on governments. Both weaken the electoral connection between citizens and their rulers, and thus downgrade electoral competition as the basic source of political accountability. By contrast, Britain’s 'majoritarian' system accords closely with the parliamentary ideal, with government accountability resting primarily on robust electoral competition between disciplined political parties. Voters are able to use the ballot to signal their preference for future government policy, or their displeasure at past government performance, safe in the knowledge that elections are usually decisive for government outcomes. In between elections, disciplined parties ensure that the electoral ‘contract’ made with voters serves to bind legislators and members of the executive.

This stylised depiction highlights the extent to which, in majoritarian political systems, accountability incentives and constraints operate through a very narrow channel. Policy makers are encouraged to act in the public interest almost wholly through the discipline of electoral sanctions and internal party scrutiny; few external monitoring or constraining devices exist. This restricts the transparency of agents' behaviour, and risks agency loss (Strom, 2003: 95-7). To compound the problem, the basic mechanisms for accountability in countries like
Britain – namely _ex ante_ political screening and selection – may be atrophying. As Saalfeld (2003) points out, the last few decades in Britain have been marked by limited turnover between governments, weaker linkages between social groups and political parties and lower levels of cohesion within legislative parties. If the ideal majoritarian political model risked some agency loss, these developments have further undermined its preventive mechanisms. How far do new political institutions introduced since 1997 bolster accountability? Many of these new institutions ‘go with the grain’ of majoritarian systems, in seeking to strengthen the way political agents are screened and selected. But other reforms seek to compensate for the declining vitality of these mechanisms, by introducing more extensive monitoring of government.

### 3.1 Screening and selecting politicians

Screening procedures force potential office-holders to reveal information about themselves; this information can then be used by citizens to select among these personnel. Screening and selection devices are means by which voters reduce the risk of choosing ‘knaves’ to represent them, instead ensuring that those elected to office possess appropriate motivations and skills (Besley, 2005; 2006: 36-43). The motivations deemed to be appropriate depend, of course, on the activity to which the agent is being recruited. In Britain’s highly partisan political system, potential office-holders are likely to be evaluated against a willingness to uphold party values and abide by the terms of its electoral programme. However, where partisanship is weaker, other goals – competence, representativeness, integrity – become more important. A number of initiatives have been introduced recently to more rigorously screen candidates for political office. Some of these screening processes take place within political parties, although there is a growing trend for screening outside parties.

Recent years have seen the introduction of more formalised procedures for selecting party candidates, with informal processes being replaced by more rule-bound and intensive screening of candidates. The rationale for more formal screening mechanisms is twofold (Electoral Reform Society, 2003: 17). One motivation is the desire of party leaderships – here, the principal – to exert greater control over their representatives – or agents – by screening and selecting those tasked with upholding the party line. A second motivation arises from the declining linkages between political parties and citizens. If citizens are no longer strongly attached to parties, then parties’ vote-seeking strategies must move beyond traditional appeals – such as social class – in favour of alternative entreaties. One such strategy is to emphasise the responsiveness and competence of party candidates. Recent studies have pointed to the more intensive screening procedures within the Conservative and Labour parties, designed to ensure the selection of competent, ideologically congruent and representative – particularly in terms of gender – personnel (Quinn, 2004: 111-12; Russell, 2005: 81-3; McIlveen, 2009). The desire to forge stronger links with voters has led, in some cases, to reforms that eschew altogether party-centred screening and selection mechanisms in favour of involving local electors directly in the process. Thus the Conservative Party adopted

---

7 Manifested in such indicators as class voting, party identification and party membership.
‘open primary’ contests – which extend screening and selection rights outside the party membership – in over 100 parliamentary constituencies before the 2010 general election, and for the important post of London mayor.8

Attempts to bolster the screening and selection of political personnel also extend beyond the parties. One of the most significant institutional reforms in Britain in recent years has been the ‘division’ or ‘partition’ of executive authority, with specific functions allocated to third party agencies (such as an independent Bank of England). The delegation of political authority from elected politicians to unelected agencies raises obvious accountability issues. Since one reason for partitioning authority was to remove partisan actors from sensitive policy decisions, there is no place for partisan screening of office-holders. Instead, new forms of screening and selection have been introduced. For many non-partisan positions, covert party screening has been replaced by more overt mechanisms, based on clearly specified criteria for holding public office, reviewed and enforced by non-partisan agencies, such as the Commissioner for Public Appointments (Flinders, 2009a). For other positions, internal party screening has given way to non-partisan review of appointments. For a variety of important executive positions – such as the chairs of the utility and transport regulators, the education, prisons and health inspectorates, and the public ethics and spending watchdogs9 – those nominated for office are now subject to formal hearings conducted by the legislature. As their name suggests, pre-appointment hearings involve the screening of candidates, but not their selection, since the legislature has no power of appointment, nor of rejecting nominations made by the executive.10

3.2 Monitoring politicians and governments

In political systems dominated by strong political parties, governments tend to be faced with only minimal oversight and weak constraints. This places the burden of ensuring accountability squarely on periodic elections, allied to party discipline in between elections. In some majoritarian parliamentary systems, concern over the adequacy of these mechanisms has prompted a move to more formalised monitoring of government redolent of separation of powers systems. Such monitoring can either be undertaken by party actors themselves (‘internal’ monitoring) or by agencies outside the parties (‘external’ monitoring) (Strom, 2003).

The most important form of internal monitoring consists of legislative scrutiny of the executive. It is well known that, in comparative terms, Britain exhibits weak legislative oversight of the government, since the incentives for party cohesion outweigh the incentives for MPs to scrutinise governments (Strom, 2003: 72-3). Since 1997, we have seen little attempt to boost the scrutinising authority of the legislature, and occasional shifts in the other direction.11 But

---

8 Information from Conservative Central Office, January 2010. The coalition government’s programme for political reform includes a proposal to extend primary contests to 200 constituencies during this parliament.
9 There are currently sixty such positions for which pre-appointment hearings can be conducted by the legislature (Waller and Chalmers, 2010).
10 The one exception to this is the Chair of the Statistics Board, whose appointment is subject to a confirmatory vote of the House of Commons.
11 As when the Labour Government sought to remove such independent chairs of select committees as Gwyneth Dunwoody and Donald Anderson in 2001, and encouraged MPs to vote against removing party whips from the process of selecting
while little has been done to strengthen legislative monitoring of the executive, more extensive non-partisan, or external, forms of scrutiny have been introduced. A variety of monitoring bodies has been established, with a remit to force governments to divulge information and to enforce agreed standards of behaviour. Monitoring agencies or ‘watchdogs’ scrutinise the way governments use public money and appoint people to official positions, and review how far their conduct accords with ethical standards (Gay and Winetrobe, 2008). Noteworthy new watchdog agencies are the Committee on Standards in Public Life (established in 1994 and responsible for monitoring the ethical quality of officials’ behaviour), the Statistics Authority (established in 2000 and responsible for scrutinising government figures), the Electoral Commission (established in 2000 and responsible for the conduct of elections) and the Information Commissioner (established in 2001 and responsible for enforcing public access to government information).

Alongside greater independent monitoring of government business has been a move to require greater transparency and openness on the part of public institutions. All public bodies are now covered by a Freedom of Information regime, established in 2000, requiring them to disclose information about their activities. Political parties are also required to disclose the sources of their election funding, ending the secretive arrangements that endured until 2000. These requirements for transparency are again examples of ‘external’ monitoring, since their force derives from an external source – namely a legal requirement – which is enforced by an independent third party (the Information Commissioner in the case of freedom of information; the Electoral Commission in the case of party funding).

Overall, the institutional reforms introduced in Britain over the past decade or so have significantly changed the mechanisms by which governments are made accountable to citizens. Prior to 1997, accountability derived almost wholly from electoral competition, facilitated in between elections by cohesive political parties. However, the perils of restricting controls on government to periodic elections, alongside the weakening of political parties as accountability mechanisms, have driven moves to more stringent screening and selection of political agents, and more explicit monitoring of politicians’ behaviour in office. I suggest that a number of institutional reforms introduced in Britain since 1997 can profitably be analysed in terms of their contribution to strengthening politicians’ accountability to citizens. How far these reforms succeed in this task is a separate judgement.

4. Preference aggregation and the responsiveness of politicians

A second potential effect of institutions, and thus a way of analysing them, is in terms of politicians’ responsiveness to social groups. The underlying principle of representative democracy is that, in taking decisions that impose costs on citizens, rulers must be responsive
to popular demands. But unless citizens form a unified group with homogenous preferences – unlikely in today's large states – then politicians will be faced with multiple groups to whom they might potentially be responsive. Assuming that politicians are motivated by the prospect of holding political office, then responsiveness is likely to be a function of whichever group can provide sufficient votes to win an election. The designation of such groups is largely shaped by the electoral system, which determines how voter preferences are aggregated into collective outcomes (ie. who shall fill public office).

If we assume that politicians seek to demonstrate responsiveness through the policy decisions they take and the patterns of economic distribution they effect, then we can see that different electoral systems might affect the nature and substance of policy making and government spending. Of course, we have seen only limited reform of the electoral rules in Britain thus far. Since 1997, Britain has moved away from plurality electoral rules only for contests to sub-national and supra-national tiers of government: the devolved assemblies in Scotland, Wales and London (plus Northern Ireland) and the European Parliament. Elections to the House of Commons, as well as for local government in England and Wales, continue under the plurality formula. While a referendum will be held in 2011 on changing the electoral system for the Commons, this will only offer a majoritarian alternative to the plurality formula, the Alternative Vote (AV). The qualities of AV are not that dissimilar to those of single member plurality, making it unlikely that any shift from a plurality to a majority formula would bring significant shifts in government decision making. Only if the electoral rules shifted from a plurality or majority formula to a proportional one could we anticipate significant effects on economic policy making. The following discussion therefore explores the effects we might anticipate from a switch in the electoral rule from a plurality to a proportional model.

These effects build on the assumption that politicians' decisions on government spending will be sensitive to the demands of voters identified as pivotal to electoral success; the intuition is that government allocations will be disproportionately directed towards these groups. If pivotal voters are concentrated in a small number of marginal seats, then public spending is likely to be lower than if electoral competition extends across more constituencies. Under a plurality electoral formula, party competition is more likely to centre on a small number of marginal districts, entailing a lower level of public spending, all other things being equal, than under a proportional formula where more districts are competitive (Persson and Tabellini, 2000: 205-24). Moreover, governments elected on a proportional electoral formula are likely to represent a larger share of voters than those elected on a plurality formula, where parties often take office without commanding a majority of the vote. A larger electoral constituency is again likely to trigger more extensive public spending (Persson and Tabellini, 2003: 16-18).

Finally, a proportional electoral rule is likely to yield a more fragmented party system, increasing the likelihood of multi-party governments. Such coalitions are less united than single party governments, since their constituent parties often compete electorally with one another. Given this competition, coalition parties have an incentive to distribute benefits to their own

---

13 This is the dominant assumption in the theoretical and comparative literatures on the policy effects of electoral systems. The assumption is also mirrored in a recent domestic analysis of the effects of changing the rules for electing MPs (Hix et al, 2010).
supporters, while transferring the cost to their coalition partners (the ‘common pool resources’ problem). Such mismatch in the allocation of benefits and costs tends to ratchet up levels of government spending. Single party governments avoid such problems, since they can more easily internalise the cost of distributive decisions. As a result, levels of public spending among multi-party governments are typically held to be higher than those among single party governments (Persson and Tabellini, 2000: 345-72; Tsebelis, 2002: 187-90; Bawn and Rosenbluth, 2006; Persson et al, 2007).

Electoral rules have implications for the nature of public spending as well as for its aggregate level. In particular, where electoral competition is weak or highly personalised, legislators are more likely to engage in ‘rent-seeking’ activities. Assuming that legislators seek personal gain from public office, their incentives decline the greater the electoral competition they face. Competition arises from the availability of alternative parties or – in the case of intra-party preference voting – of candidates. Where voters face a choice of candidates, they can easily penalise corrupt or lazy incumbents; this becomes more difficult where each party only puts forward a single candidate, since here voters must effectively choose between party and candidate. Thus, levels of legislator rent-seeking are hypothesised to decline the more seats are available in each constituency (large district magnitude), since this drives up electoral competition between the parties (Persson and Tabellini, 2003: 18-19; Persson et al, 2003). Competition between politicians is highest when the ballot structure allows for personalised voting; this prevents party elites from shielding politicians from voters’ preferences over candidates. However, intra-party preference voting might also encourage politicians to seek a personalised appeal beyond their party’s collective appeal. This could involve dedicated constituency service via diligently pursuing constituents’ concerns. But such activities are often unattractive to legislators, since they involve high personal costs with limited payoffs (constituency activism being hidden from view to all except those directly involved). More rewarding for legislators is to seek electoral support by directing public provision to their constituencies, in the form of particularistic goods, or ‘pork barrel’ (Cox and McCubbins, 2001).

These hypotheses suggest that the existing plurality electoral rules for Westminster, and the main proportional alternatives to these rules, have substantive policy effects that go beyond the issue of political representation that dominates domestic debates over electoral systems. These hypotheses suggest that, under the plurality rule used to elect MPs, we should anticipate the geographical targeting of public spending towards marginal constituencies. The limited accountability of many MPs, that may have led to the abuse of the expenses system uncovered in 2009, may also be traced to the plurality electoral system. The argument here is that many constituencies (‘safe seats’) are dominated by support for one party, and thus fail to provide effective competition for that party and its representative. Absent such competition, the

---

14 A range of non-institutional factors will, of course, also shape levels of public spending. But in cross-national tests, electoral system variables are found to predict public spending over and above the influence of the most plausible among these factors, including the left-right position of governing parties (Milesi-Ferretti et al, 2002). Party ideology matters for government spending, but so do the electoral rules in use.

15 For such results, see Ward and John (1999). These authors note (p50) the implications for the territorial allocation of government spending of shifting electoral rules, from plurality to a proportional formula.
economic literature informs us, one would anticipate greater rent-seeking behaviour among MPs.16

If MPs were elected through a proportional formula, rather than a plurality one, the hypotheses just reviewed suggest implications for the level and nature of government allocations. The assumption in the economic literature is that proportional voting rules – by virtue of extending electoral competition across districts, increasing the representative coverage of governments and encouraging multi-party executives – stimulate higher levels of public spending relative to plurality rules. A proportional voting rule may also affect the nature of these allocations, if it provides for more personal voting. At present, the plurality rule for Westminster elections encourages party discipline, reinforced by legislative procedures which prevent the adoption of individualised spending commitments characteristic of the decentralised US legislature. Together, electoral and legislative rules restrict the potential for particularised or ‘pork barrel’ allocations. Although the single member plurality electoral system nominally allows for a ‘personal vote’, the party label is a strong constraint on electoral choice. However, if Britain ever adopted a form of proportional representation that allowed voters to select among candidates as well as among parties – as with the ‘open’ variant of the list system favoured by the Jenkins Commission in 1998 and supported in the House of Lords its deliberations on the new rules for European Parliament elections17 – then the universalistic patterns of public spending characteristic of strong party systems might give way to more particularistic spending allocations, reflecting the candidate-based nature of the new electoral rules.

5. The decision making process

A third potential effect of institutional reform in Britain is on the way governments and political elites make policy decisions. In the economic account, institutions comprise the rules that govern the decision making process; they identify which groups can influence the decisions being made, at what stages of the process and on what terms. In defining these procedural features of decision making, institutions affect not only the nature of the decision process, but also its substantive outcomes.

A basic distinction is between political systems whose institutional configuration provides government with extensive discretion over decision making, and those whose institutions constrain what governments may do. Prior to 1997, political power in Britain was heavily concentrated; governments at Westminster were largely unconstrained by formal checks or alternative centres of authority, and could thus dominate the decision making process. Because their discretion was so extensive, governments found it difficult to commit to a policy decision with any credibility (Moe, 1990: 238-48; see also Moe and Caldwell, 1994: 176-82). Any government commitment could be broken either by the same government or by a

16 However, empirical tests have failed to substantiate the hypothesised link between the electoral competitiveness (or marginality) of a constituency and the level of expenses claims among MPs. While simple bivariate correlations suggest a relationship in the anticipated direction (see Toynbee, 2009), this relationship disappears when additional potential causal factors are controlled for (Besley and Larcinese, forthcoming).

17 See the debate in the House of Lords on 9th April 1998.
successor administration. Thus, while British governments may have enjoyed the luxury of extensive discretion, this came at the expense of limited credibility in establishing policy positions.\textsuperscript{18} If Britain’s majoritarian political arrangements endowed governments with extensive discretionary authority to pursue redistributive policies and to switch policy direction, then we might anticipate that the introduction of institutional constraints would have implications for these aspects of policy making. In thinking through these consequences, we should distinguish between two types of constraint: those that ‘separate’ or ‘divide’ authority between multiple bodies, and those that ‘partition’ power by delegating specific functions to a third party.

\textit{5.1 Separated, or divided, political power}

The basic intuition here is that taking the political authority wielded by one agent and dispersing it between multiple agents serves to increase the cost of reaching consensus on policy change. If agreement on policy change is more costly to negotiate, this reduces the likelihood of defection from a policy commitment and enhances the policy status quo (Falaschetti and Miller, 2001). In general, the more that political authority is dispersed between agents, the higher the likelihood that the policy status quo will endure. Policy stability is not only a function of the number of agents involved in policy decisions; it also depends on their ideological distance from one another, since agents whose policy preferences overlap effectively function as a single blocking authority, or ‘veto player’ (Tsebelis, 2002: 26-32, 48-51). In assessing particular institutional arrangements, then, we need to examine the dispersal of decision making authority (how many veto players are there?), and the ideological distinctiveness of the relevant players (are veto players’ goals similar or different?).

What are the specific consequences of separating the ‘powers’ and ‘purposes’ (Cox and McCubbins, 2001) between different political agents? In political systems marked by multiple veto players, we should find lower rates of significant policy legislation, and more protracted processes of economic adjustment – such as correcting budget deficits – than in systems with few veto players (Tsebelis, 2002: chs 7-8). As the number of veto players increases, policy making becomes more ‘stable’ (Tsebelis, 2002) or ‘resolute’ (Cox and McCubbins, 2001). The presence of veto players may also induce particular substantive effects on policy decisions. If policy measures can only be introduced with the agreement of multiple political groups, then any proposal that imposes significant losses on a particular social constituency is likely to be rejected; only proposals that distribute benefits widely are likely to be passed. Policy making in

\textsuperscript{18} Britain’s majoritarian political system does not rob governments of all ability to provide credible commitments, since their discretion is restrained through informal mechanisms. One such is that political competition is repeated, so parties reneging on promises in the short term damage their long term reputation among voters. A second restraint is government turnover between parties. High rates of turnover encourage parties to observe self-restraint (a ‘norm of reciprocity’; Moe, 1990: 246), avoiding highly redistributive policies in office so as not to encourage tit-for-tat responses among opposition parties. (It is noteworthy that proposals for constitutional reform in Britain have often appeared during periods – between the mid-1970s and 1990s, say – in which governments have acted in a highly redistributory manner and/or in which there has been limited turnover of administrations, thus blunting reciprocity norms (Foley, 1999: 49-53).) However, informal restraints may be less effective today, particularly due to lower rates of government turnover during the past thirty years, which serve to weaken reciprocity norms.
systems with extensive veto players is thus less likely to be 'redistributive', and more likely to be 'efficient', than in systems with few veto players (for such an argument in the context of bicameralism, see Bradbury and Crain, 2006). If deviations from the policy status quo involve allocating costs and benefits in a way that is unpalatable to any veto player, then few spending commitments are likely to be made, serving to limit the likelihood of budget deficits (for such an argument in the context of bicameralism, see Heller, 2001).

In Britain since 1997, two institutional reforms have seemingly enhanced the separation or division of political authority: the strengthening of judicial review, and reforms to the legislature. How far do these reforms establish judicial and legisliative vetoes on government activity, sufficient to deliver some of these hypothesised effects on economic policy making?

Although British governments have long been subject to review by independent judges, the incorporation into domestic law of the European Convention on Human Rights (ECHR) vastly increased these review powers by providing a more extensive set of individual rights against which government decisions could be evaluated. However, judges have no power to annul primary legislation, and thus in formal terms the judiciary does not count as a veto player within Britain's political system. In informal terms, however, the issuing of a 'declaration of incompatibility' by a court is likely to force the executive to amend the legislation under review, and in that sense amounts to a de facto, if not de jure, veto.19 The authority of the veto is not, however, matched by its scope, since the ECHR only applies to issues of individual rights. While plaintiffs may attach claims about individual rights to broad public policy decisions (as in the case of the 2005 ban on hunting with dogs, for example), the rights aspect of judicial review is unlikely to impinge significantly on the bulk of government decisions.20 Nonetheless, where individual rights can be invoked, the new authority granted to judges delimits the policy space into which government decisions may encroach. In that sense, the strengthening of judicial review reduces the potential for policy change.21

In contrast, the Labour Government's constitutional reforms have allocated no new powers to the legislature. Taking the House of Lords first, Britain's legislative arrangements remain an

---

19 In the first nine years since the Human Rights Act's introduction in 2000, judges issued 26 declarations of incompatibility, of which seventeen went unchallenged or were not challenged successfully. In all seventeen case, the Government has either taken remedial action or is considering how to take remedial action (Justice Department, 2009: 41).

20 The substantive areas on which declarations of incompatibility have been issued thus far concern issues of political procedure (eg. the powers enjoyed by ministers), personal morality (eg. sexual behaviour) and the balance between individual rights and collective security (eg. terrorism). Where policy issues affecting public spending have been the subject of declarations of incompatibility (eg. in the fields of health, housing and welfare payments), these have generally concerned individual entitlements to public goods as opposed to checks on the provision of those goods.

21 The judiciary might not be construed as a veto player if the policy preferences of its senior members (the Supreme Court) overlap with those of the governing party. This is Tsebelis's point about the judiciary being 'absorbed' into the 'unanimity core' of other veto players (2002: 226-28). The greater the restrictions on the selection of senior judges, Tsebelis suggests, the more these figures will be located towards the median of the policy spectrum, falling within the policy preferences of other veto players. On the other hand, we might anticipate that the weaker the control of ministers over the appointment of judges, the greater the chances of a senior judiciary whose median member’s policy position lay outside that of the executive. Ministerial authority over appointments has, indeed, weakened recently through the Constitutional Reform Act 2005, with judicial selection now conducted by an independent Judicial Appointments Commission, with the Lord Chancellor able to approve or veto suggestions, but not to substitute his or her own nomination.
example of ‘weak’ bicameralism, with the upper chamber unable to veto government measures (except in the last year of a parliament, when the lower chamber’s override does not work). Reforms to the Lords have instead focused on issues of composition, eliminating the hereditary basis of its membership in favour of appointment. The effect has been to restrict the chances of any party wielding majority support in both the upper and lower legislative chambers. In addition to this mild counter-majoritarian effect, the distinctive composition and ‘purpose’ of the upper chamber might also be combining to increase the constraints on governments (the Lords appears increasingly prone to reject government legislation; Russell, forthcoming). However, its limited powers over the Commons means the Lords rarely counts as a veto player in the strict sense. Britain's reformed bicameral arrangements may force governments to concede on legislation, and occasionally to forfeit entire bills, but they don’t generate the policy stability, or bias against redistributive policy, characteristic of strong bicameral systems.

Nor is this likely to change in future. Both the Labour and Conservative parties favour retaining the existing powers of the House of Lords, whereby legislation can be delayed but not blocked. However, all the main parties favour moving from an appointed to a wholly, or substantially, elected upper chamber. It remains an open question what impact such a move would have. On the one hand, an elected upper house would command greater legitimacy and be more likely to press its case against the lower house. On the other hand, direct election may move the policy position of the upper chamber – or its median member – towards that of the lower chamber, effectively ‘absorbing’ the policy position of the former within that of the latter and limiting its veto potential. The separate ‘purpose’ of the upper chamber under direct election is heavily dependent on details such as the timing of elections (coterminal with the lower chamber?), the electoral system employed (how different to that of the lower chamber?) and the tenure of membership (length of, and limits on, terms). However, the simple fact of election would alter the policy role of the upper chamber. Elected politicians must be responsive to public demands, which encourages them to focus on the way public goods are distributed between social groups; non-elected politicians can ignore such distributive concerns. Thus, while an appointed upper chamber may challenge government policy proposals, such challenges are likely to centre on their non-distributive elements. Electing the upper chamber would increase the incentive for its members to focus on the distributive aspects of government proposals.

Thus, British governments have not ‘bound their hands’ by dividing power with a strong upper chamber. Nor have they done so by substantially increasing the legislative powers enjoyed by the lower chamber, the House of Commons. However, some small concessions have been made by the government to MPs, which may force the executive into bargaining over its policy proposals. In particular, in the aftermath of the controversial decision in 2003 to go to war with Iraq, the government announced that, henceforth, commitments of troops to conflict will only be made after a confirmatory vote in the Commons. The authority wielded by the executive in Britain in relation to war making powers – demonstrated by the Iraq war episode – graphically illustrates Moe’s observation, noted above, about the limited credibility governments enjoy under majoritarian forms of parliamentarism. In binding itself, by requiring

legislative approval for any troop commitments, the government has increased the credibility of its promises to act responsibly on matters of foreign intervention.

5.2 Partitioned political power

Commitment concerns may be particularly acute on policy issues where contracting parties are asked for a financial investment, or where citizens must provide consent, even though the payoff only arises in the future. If citizens feel that decisions made by governments are unlikely to be honoured by their successors, they will face little incentive to abide by these decisions, but instead to defect. Thus, obligations imposed by governments on such long term policy issues as pension provision and environmental protection are likely to be resisted by citizens unless it is clear that the policy parameters will endure. There are various informal ways by which politicians can increase the credibility of long term policy measures. One is to draw up policy proposals in an inclusive or non-partisan way - thus trying to bind future governments - by handing the task to an independent commission (as, for example, with the Turner Commission on pensions policy, between 2002-3).

A more formal mechanism by which governments can ‘tie their hands’ is to delegate policy control over a particular issue to an independent – or ‘non-majoritarian’ – agency, operating outside the partisan motivations that shape governments, and thus facing less incentive to renege on commitments (Dixit, 1996: 62-85). Numerous areas of public policy in Britain are now overseen by non-majoritarian agencies, notably on issues around market access and behaviour (eg. utility regulation and commercial competition) and public interest promotion (eg. environmental regulation, health and safety audit and equal opportunities) (Thatcher, 2003). The new Conservative-Liberal Democrat coalition government has committed itself to an independent board to allocate funding within the NHS. The previous Labour Government, too, embraced this model, most strikingly in its first institutional reform on taking office in 1997, the granting of operational independence to the Bank of England. A prime rationale for this innovation was to imbue monetary policy with greater credibility in the eyes of global financial markets (Balls, 2006; Allsopp, 2006); a visible effect was the decline, immediately following the government’s announcement, in the level of interest demanded by the market on investments (Goodhart, 2002: 194).

The importance for governments of being seen to operate credible economic policies means attention has moved beyond monetary policy to include fiscal measures. The Labour Government after 1997 operated two explicit measures designed to restrict its discretion and thus establish a more credible commitment to a restrained fiscal policy: the ‘Golden Rule’ and the ‘Investment Rule’, which placed limits on levels of government borrowing and debt over the economic cycle (Balls, 2006: 104-7). The recent economic downturn and the pressure on the public purse has intensified attempts to establish institutions that promote fiscal credibility.

---

23 The provision of a credible commitment is not the only reason why authority might be delegated to a non-majoritarian agency. Delegation might also take place to shield politicians from potentially unpopular policy decisions or to overcome information gathering costs by transferring these to more knowledgeable officials (Majone, 1997; Thatcher and Stone Sweet, 2003; Elgie and McMenamin, 2005; Gilardi, 2006).
Thus, the Labour Government introduced in December 2009 a Fiscal Responsibility Bill, imposing on itself a statutory duty to reduce the budget deficit over the next six years. More recently, the new coalition administration introduced in May 2010 an independent Office for Budget Responsibility to enforce fiscal responsibility by monitoring the state of public finances.24

If non-majoritarian agencies serve to increase the credibility of policy commitments, they do so because of their independence from the partisan incentives that tempt governments to renge on pledges. Governments may limit the discretion of agencies by maintaining some control over their operations, for example by dictating their goals, selecting their personnel and stipulating their reporting requirements (McNamara, 2003; Thatcher, 2003). On these counts, the Bank of England appears to enjoy a moderate degree of independence, judged in comparative terms (Goodhart, 2002). On the one hand, the government retains some control over personnel, by appointing the four external members of the Bank’s committee responsible for setting interest rates.25 The Bank is also accountable to politicians; in the form of the government, particularly in instances where the designated inflation range is breached, and the legislature, through the Treasury Select Committee (and, as noted earlier, parliament is involved in ‘screening’ the external members of the Bank’s Monetary Policy Committee, although not in their ‘selection’). On the other hand, the Bank enjoys substantial independence from political pressure since, while it lacks authority over the goals of monetary policy, it wields sole control over the means by which inflation objectives are met.

6. Conclusion

Faced with the extensive changes to its political system in recent years, students analysing British politics might be excused some trepidation. They must deal with a range of institutional reforms, and face a number of important questions: why were the reforms introduced, what is the nature of the new institutions, and what are their likely effects? Luckily, a slew of studies is now available to guide students through the first two questions. But the existing literature provides rather less guidance in thinking through the consequences of that architecture.

The reason for this is the failure of much of the literature to consider what political institutions are and how they work. This limited reflection on the nature of the subject matter is surprising given the attention devoted recently by social scientists to identifying the nature and characteristics of institutions and exploring their consequences for human behaviour. I have identified one such form of analysis, and suggested how its core hypotheses and propositions might be used to think through the potential consequences of the new political arrangements

24 Occasionally, government discretion may serve to enhance, rather than reduce, economic credibility. The literature on election timing suggests that countries where election timing is fixed tend to witness more government manipulation of the economy than those where election timing is flexible. This is because flexible timing allows governments to call an election that coincides with propitious economic circumstances (‘surfing’) rather than seeking to engineer such circumstances to coincide with a fixed election date (‘manipulation’) (Smith, 2004: 243; Kayser, 2005).

25 As Quaglia (2008: 22) points out, the limited terms (three years) served by external members potentially enhances the government’s control over membership of the Monetary Policy Committee, and thus the substance of its decisions. On the other hand, the external members of the Committee comprise only four out of a total membership of nine.
in Britain. The economic or rational choice approach is particularly well suited to identifying the consequences of institutions because it focuses on the underlying incentives and constraints that shape individual choices and decisions. Drawing on some fairly simple hypotheses about these incentives and constraints, I have identified some potential implications of Britain’s reformed institutions for the accountability of governments and for the nature and substance of the policy and economic choices they make.

The analysis I have presented is partial; it does not cover all the potential effects that rational choice approaches might identify, nor all the institutions that might generate such effects; nor does it deal with other possible approaches to identifying the effects of institutional change. Rational choice treatments identify many effects of institutional rules beyond those dealt with here, in particular the determinacy of choices made by multiple political actors. Such treatments also extend the list of relevant institutions beyond those considered here. In particular, economic analyses of constitutions devote much attention to the nature of the executive (presidential or parliamentary) and to the territorial division of power (federal or unitary). The first distinction is redundant in Britain, whose political system remains resolutely parliamentary in form. The second distinction is, since the establishment of devolved bodies in Scotland, Wales, Northern Ireland and London, more relevant to Britain, but is ignored here since, in the absence of more powerful regional tiers of authority and more extensive coverage of such bodies across Britain, the policy implications typically hypothesised for federal political arrangements (see Treisman, 2007) are highly unlikely in Britain. Institutional reform in Britain will not extend to a formal separation of powers model, and has not yet extended to a fully federal political system.

But although these features are central to most economic analyses of constitutions, these analyses also have useful things to say about rather ‘lower level’ institutional rules. That much of this piece has focused on such apparently mundane institutions as the way political actors are selected for office, the way governments are monitored and the status of non-majoritarian agencies represents a strength, not a weakness, of the rational choice approach. These institutional arrangements have significant consequences, which the rational choice approach helps to clarify; if these features are largely ignored in more conventional constitutional analyses, perhaps this is because these treatments lack the analytical tools to discern the effects of different institutional rules.

If the rational choice approach is a particularly valuable way of thinking through the potential implications of political institutions, it is by no means the only such approach. As already noted, there are many other ways of analysing institutions, of which the ‘historical’ or ‘sociological’ approaches offer perhaps the best alternatives to the rational choice variant in exploring the consequences of particular institutional rules. However, in presenting a simplified version of institutions, focusing in particular on a set of underlying incentives and constraints that encourage discernible behavioural responses on the part of political actors, the rational choice approach offers a particularly clear account of institutional effects. For students tasked with analysing the implications of Britain’s recast political system, the rational choice, or economic, approach to institutions thus presents many virtues.


Besley, Timothy (2005) 'Political Selection', *Journal of Economic Perspectives*, 19:3, 43-60


Besley, Timothy and Valentino Larcinese (forthcoming) 'Working or Shirking? Expenses and Attendance in the UK Parliament', *Public Choice*


Finer, S.E. (1975) *Adversary and Electoral Reform*, Anthony Wigram


Hall, Peter A and Rosemary CR Taylor (1996) 'Political Science and the Three New Institutionalisms', *Political Studies*, 44:5, 936-57


Hix, Simon, Ron Johnston and Iain McLean (2010) *Choosing an Electoral System*, British Academy


Rose, Richard (1992) *What are the Economic Consequences of PR?*, Electoral Reform Society
Toynbee, Polly (2009) 'Seize this Moment to Bring in Real Constitutional Change', The Guardian, 18th May
Waller, Patrick and Mark Chalmers (2010) An Evaluation of Pre-Appointment Scrutiny Hearings, University College London: Constitution Unit
Ward, Hugh and Peter John (1999) 'Targeting Benefits for Electoral Gain: Constituency Marginality and the Distribution of Grants to English Local Authorities', Political Studies, 47:1, 32-52