

VETO PLAYERS OR VETO POINTS?
THE POLITICS OF WELFARE STATE REFORMS IN EUROPE

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First Draft – Comments Welcome!

Paper to be presented at the 2003 Annual Meeting of the American Political Science Association, Philadelphia Marriott Hotel & Pennsylvania Convention Center, August 28-31, 2003. Panel 14-10: “Veto Players and Welfare Reform”, Friday, August 29, 2003, 10:00 AM. Copyright: The American Political Science Association.

Abstract

The intention of this paper is to compare two institutional approaches to public policy making and to evaluate their usefulness in explaining and understanding contemporary reforms in advanced European welfare states. I argue that both approaches, i.e. the veto player (Tsebelis 2002) and veto point (Immergut 1992) approach, are not two sides of the same coin. Common features render the question of institutional (or rather: constitutional) configurations that make policy changes less likely. But differences entail the conceptualization of the decisive political actors, the importance of societal interests in political decision-making, the perception of the nature of politics, and, finally, the intended theoretical ambition. I discuss these conceptual differences and outline the research consequences implied with each approach. In the empirical part of the paper both approaches are applied on the basis of case studies of contemporary reform patterns in the Dutch, Swedish and German welfare states. Taken together, I argue that the veto point framework is more efficient for a grounded explanation of reform patterns, as it facilitates the researcher to empirically investigate the political actors' strategies, goals and incentives to utilize specific veto points, i.e. it facilitates the researcher not to deduce but to detect the specific veto strategies of political actors. Hence, we should resist the temptation to hastily replace empirical processes by (in most cases) invalid variables and empirical 'crutches'.

1 Introduction

One of the leading questions in contemporary research concerns the extent to which institutions determine, shape or influence the capability of political actors to push through reforms in advanced welfare states. Besides the blame avoidance approach that centers on party politics and strategic decisions of party elites in a competitive framework (Weaver 1986; Pierson 1994, 1996), the veto player (Tsebelis 2002) or veto point (Immergut 1992) approaches are currently the most popular analytical frameworks that may provide possible explanations for divergent reform patterns, for reform success or reform failure. As both approaches focus on *institutional conditions* for policy change, hence, this paper tries to explore if and how institutional approaches may enhance our understanding of contemporary reform patterns in European welfare states.

In this paper, I will investigate in detail the explanatory power of the veto player and veto point approaches, their appropriateness, merits and disadvantages, i.e. the fruitfulness of these distinct institutional approaches. Therefore, I compare as a first step both ‘theories’. In contrast to mainstream views in the prevailing literature, I argue that both approaches are quite different research approaches. Commonalities render the question of institutional (or better: constitutional) configurations that make policy changes less likely. But differences entail the conceptualization of the decisive political actors, the importance of societal interests in political decision-making, the perception of the nature of politics, and, finally, the intended theoretical ambition.

Secondly, I will apply both ‘theories’ to three empirical case studies of welfare state reforms in the Netherlands, Sweden, and Germany. I argue that both approaches should not be considered as ‘theories’, but rather as analytical approaches that direct the researcher to certain observations, while at the same time obscuring – as a consequence – other empirical facts. It is doubtful whether the veto player approach really improves our understanding of the politics of welfare state reforms. In contrast, the veto point approach may be a better starting point for investigating causes of reform success and reform failure, especially as it does not over-determine the impact of institutions.

In the final chapter I conclude and discuss the usefulness of both approaches from a rather normative point of view, i.e. from the capacity of the approaches to enrich and improve policy

advising and, especially, from the standpoint of our assumptions about the nature of the political world. I argue that the formalized veto player approach is not suitable for advisory purposes, whereas the veto point approach opens up the horizon towards actors' interests and strategies which may end up in policy blockade, but which may also be able to circumvent constitutionally prescribed veto points. Further, my assumptions about the nature of politics and democratic policy making do lead me to the conclusion that the veto *player* approach is a very sophisticated model. As politics in my '*Weltsanschauung*' is, however, determined by contingencies, power and transaction costs, the veto point approach with its openness towards societal interests and the multi-dimensionality of party competition emerges as the more useful tool to understanding and explaining contemporary welfare state reforms.

2 Players or Points? The 'Theoretical' Core

In the current era of "permanent austerity" that reigns in affluent welfare states (Pierson 1998), veto power arguments have a very high plausibility, as veto preferences seem to be nearly everywhere. Because most of the policy reforms focus on consolidation or retrenchment of social rights or transfer levels, opposition and protest is virtually omnipresent. Hence, the theoretical excess value of both approaches, the veto player (Tsebelis 2002) as well as the veto point (Immergut 1992) approach is that both prescribe from an institutional point of view *systematically who* the veto players are or at *which points* veto power may become effective.

To begin with, George Tsebelis has made the most intensive efforts to put forward a coherent 'theory' of veto players (Tsebelis 2002), and as Tsebelis hopes, "veto players theory can become the basis of an institutional approach to comparative politics" (Tsebelis 2002: 289). His main argument is summarized by Tsebelis himself:

“In a nutshell the basic argument of the book is the following: In order to change policies (or as we will say from now on: change the (legislative) status quo) a certain number of individual or collective actors have to agree to the proposed change. I call such actors *veto players*. Veto players are specified in a country by the constitution (the President, the House, and the Senate in the US) or by the political system (the different parties members of a government coalition in Western Europe). I call these two different types of veto players *institutional* and *partisan* veto players respectively. I provide the rules to identify veto players in each political system. On the basis of these rules, every political system has a configuration of veto players (a certain number of veto players, with specific ideological distances among them, and a certain cohesion each). All of these characteristics affect the set of outcomes that can replace the status quo (the *winset* of the status quo, as we will call the set of these points). The size of the winset of the status quo has specific consequences on policymaking: significant departures from the status quo are impossible when the winset is small, that is, when veto players are many, when they have significant ideological distances among them, and when they are internally cohesive. I will call this impossibility for significant departures from the status quo *policy stability*” (Tsebelis 2002: 2).

This long quotation indeed highlights the fundamental components of the veto player theory. First of all, the focus and ambition of the theory is to explain policy change or policy stability, but more far-reaching, the ‘theory’ “can make *accurate predictions* about policy outcomes as a function of who controls the agenda, who the veto players are, and the rules under which they decide” (Tsebelis 2002: 284, italics SJ). Secondly, it claims that policy stability is more likely in political settings with many veto players with significant ideological distances and a distinctive internal cohesiveness. Thirdly, Tsebelis circumscribes the preference pattern as indifference curves, and the range of the ‘winset’ indicates the possibility of policy change.

In contrast, the veto point approach, introduced by Ellen M. Immergut in her study on health politics in Europe (Immergut 1992), is not as elaborate as the veto player ‘theory’. In accordance with Tsebelis, Immergut, claims that different political patterns or specific policy choices (over time or in different countries) can be “understood” by applying her “common framework” (Immergut 1992: 227). In contrast to Tsebelis, Immergut’s intention is not to put forward a “general theory of institutions” (Immergut 1992: 231). It is, therefore, necessary to extract the important passages from a comparative ‘Small-N’ study in order to enable a systematic comparison with Tsebelis’ theory. Immergut claims that veto points

“depend both on constitutional rules and electoral results. These points are not physical entities but points of strategic uncertainty where decisions may be overturned; even a small shift in electoral results or constitutional provisions may change the location and strategic importance of such veto points. The political system taken as a whole, with all of its institutional provisions and a particular distribution of partisan representatives – which I call an ‘institutional configuration’ – comprises an environment of conduct” (Immergut 1992: 27-28).

And:

“Institutional veto points comprised barriers to legislative action that served as useful tools for the interest groups that wished to block legislation. By making some courses of action more difficult and facilitating others, the institutions determined where the balance point between different interest group demands and the programmatic goals of the executive was to be found” (Immergut 1992: 31).

Later on in her study, she exemplifies this point:

“(T)he ability of interest groups to influence these political decisions (...) depends precisely on the number of veto points within these political systems. Therefore, it is the closing-off of these veto points that creates the opportunity for legislators to push their program unscathed through the political process” (Immergut 1992: 227).

Both approaches rest, therefore, on some common basic arguments. Firstly, Tsebelis as well as Immergut do claim that they provide us with a common framework that makes it possible to analyze and understand policy change (and stability) in different constitutional settings and different periods of time. Secondly, both adopt a dynamic perspective on policy making, as they see policy making as a chain of decisions. Thirdly, the basic rule of thumb in both approaches is that the more veto players or veto points that exist, the less is policy change likely, i.e. a change in the status quo.

These shared features may be the reason for the widespread fusion of both concepts. However, I argue that the differences in both approaches are crucial. In the following, I will compare both approaches with regard to mainly two criteria: Firstly, who can veto policies, i.e. who acts and how are the political actors and their preferences or strategies conceptualized? Secondly, what is each conception of the nature of politics and policy change? Additionally, some contemporary amendments of both approaches are also discussed.

Actors With the Asset to Veto

“Veto players are individual or collective actors whose agreement is necessary for a change of the status quo” (Tsebelis 2002: 19). Hence, Tsebelis follows as a first step the formal constitutional rules which prescribe which actors have the right and opportunity to agree or block policy change. If the constitution prescribes this right towards an individual actor, as for example the President in the U.S., we have an individual veto player. If the veto

opportunity can be solely deduced from the constitution, the veto players are labeled as ‘institutional’ veto players. Tsebelis further adds that “(i)f veto players are generated by the political game, they are called *partisan* veto players” (Tsebelis 2002: 19, his italics). In Figure 1 both classifications are illustrated.

Figure 1: A Classification of Veto Players

| | Institutional Veto Players | Partisan Veto Players |
|--------------------------------|------------------------------------|------------------------------|
| Individual Veto Players | President of the U.S. | Monolithic Party |
| Collective Veto Players | Both Chambers in bicameral systems | Parties in Coalition |

George Tsebelis emphasizes that individual veto players are rare¹, and indeed the main objective in his book is the differentiation and conceptual discussion of *collective veto players*. Indeed, something such as a monolithic party may be an empirical rarity, and it is highly disputable, if indeed communist parties (an example used by Tsebelis) were ever monolithic. By and large, Tsebelis argues that collective veto players – institutional as well as partisan ones – act under the same rules as individual veto players. Both have a given policy priority set, only the collective veto player may have to assure internal cohesion by specific reconciliation rules, i.e. the internal decision-making process may be more complicated than decision-making for individuals.²

¹ Individual veto players may not be as rare as Tsebelis assumes. Even in parliamentary systems, the president or head of the state has the constitutionally fixed right to overrule a policy decision. The reform of the German immigration policy (*Zuwanderungsgesetz*) in 2001/2002 was highly contested and the CDU/CSU as well as the FDP opposition hoped that *Bundespräsident* Rau would reject signing the law after it was passed in the *Bundestag* and *Bundesrat* under rather unusual conditions. After some hesitation, Rau passed the bill, but it was in turn rejected roughly half a year later by the *Bundesverfassungsgericht*, to which the opposition parties applied (cf. Busch 2003). This case shows that the German *Bundespräsident* as an *individual* veto player has the right and leeway to block policy reforms. However, I will not discuss this point in length here (cf. Wiberg 2002).

² Of course, at least since Robert Musil’s *Man without Qualities* we know that even individuals may not be seen as monolithic entities but rather as human beings that have the capacity to surprise oneself from time to time, cf. on the philosophy of individuality, Metzinger (2003).

Distinguishing between institutional and partisan veto players seems at first sight plausible. There are, however, conceptual problems involved. Firstly, the distinction obscures the fact that, at least in most European countries, parties act in these ‘institutions’, or as I prefer to call them: constitutional decision-making arenas. Despite the observable trend in these democracies to de-politicize the public sector, or to delegate policy decisions to ‘independent’ agencies or non-political arenas of constitutional decision making (such as central banks or multilateral agencies of policy-‘experts’), parties still dominate the core agencies of decision-making in most of the OECD democracies (cf. Strøm 2000). And the logic of policy making in the Federal Republic of Germany, for example, cannot be adequately understood without the interplay of party competition in *both* Chambers (Lehmbruch 2000). Hence, Tsebelis distinguishes between two groups of collective veto players that only makes sense from a conceptual point of view. I do not wish to argue that parties in the German *Bundesrat* are determined solely in their strategies by their interest in party competition, they may even – albeit rarely – articulate their specific regional interest. However, well organized and more or less disciplined parties decide on policy making under the imperative of party competition in both Chambers.

Secondly, by using this differentiation, Tsebelis evokes the problem of deducing ‘institutional’ collective veto players: the major example being bicameralism. However, given the German example (again), Tsebelis counts only the *Bundesrat* as a veto player, if the (partisan) majority in both Chambers is different. Hence, in this case the two partisan veto players (two party coalition at the federal level) are supplemented by a third ‘institutional’ veto player which in fact – as Tsebelis himself states (2002: 80) – has to be at least one party from the opposition in the Bundestag. To put it simply, the ‘institutional’ veto player in the German federal system becomes a modified partisan veto player.³

³ I cannot reconstruct why Tsebelis states that “the government coalition consisting of two parties will have to request the approval from one party of the opposition” (Tsebelis 2002: 80), and codes the number of veto players with ‘3’ (cf. his homepage for the data set: < <http://www.polisci.ucla.edu/tsebelis/> > (15. July 2003). It could be in the best case one additional partisan actor that could veto policy making in the *Bundesrat*, but given the increased heterogeneity in the *Länder* coalitions (König 2001), there may be the need for the government to negotiate with more than one party to avoid a policy blockade in the *Bundesrat* (cf. the German case study below).

A further example would be constitutional courts. In his empirical study, Tsebelis concludes that constitutional courts as collective ‘institutional’ veto players are “most of the time (...) absorbed as veto players by the existing political ones” (Tsebelis 2002: 246). The *absorption rule* claims that if a new veto player is added to a given veto player constellation and this player is located within the “*unanimity core*” of the other veto players (i.e. the new veto player adds no new policy preference), then the additional veto player is ‘absorbed’.⁴ One could criticize this treatment of constitutional courts because constitutional courts in most of the OECD democracies do not act on their own will and preference. Political actors have to appeal to them and the judiciaries decide in turn on the basic principles of the constitution and not on the basis of their political preferences, hence, they are explicitly excluded from the political day-to-day business (Zohlnhöfer 2003b: 257) – albeit the gray area might be decisive in this respect.

Tsebelis therefore *mainly focuses on partisan veto players* despite the conceptual differentiation and the institutional ambition under which the approach is drawn up. Additionally, there is one highly counter-intuitive assumption as Tsebelis counts all parties in a governmental coalition as veto players, but in minority cabinets the opposition party that is necessary for a parliamentary majority – the pivotal party – is not counted as a veto player. Tsebelis argues in this respect that minority governments usually occupy the center of the political space and they should possess agenda setting power (Tsebelis 2002: 97-99). This assumption may be seen as a consequence of Tsebelis’ spatial conception of party competition, without including the transaction costs that occur to negotiate for parliamentary majorities and the underlying potential strategies of the opposition parties to back the minority government or to block policy change (cf. the Swedish case study below).

⁴ It is crucial in this respect that Tsebelis claims that his whole analysis of policy making is “carried out under the assumption that there are no transaction costs in the interaction of different veto players” (Tsebelis 2002: 29). Cf. the next section on the nature of policy change for a critical discussion of this argument.

Taken together up to this point, Tsebelis undermines his own typology to a certain extent, as in most empirical applications, partisan veto players are the only players in the veto player game. “Almost all explanatory work is performed by the distance of preferences among veto players in the legislative arena because only a handful of polities possess institutional arenas that potentially produce additional veto players” (Kitschelt 2002: 6). The crucial question is, then, how Tsebelis deduces the political *preferences* of the political (veto) actors involved in the legislative game.

The most important question, in fact, is how Tsebelis captures conceptually the policy preferences of the actors in order to construct a spatial model of actor constellations. In his empirical illustrations, Tsebelis refers, firstly, to the work of Castles and Mair (1984), Laver and Hunt (1992), Warwick (1994), and Huber and Inglehart (1995). Hence, he deduces the policy preferences of partisan veto players from other studies. Following the critique put forward by Steffen Ganghof (2002), one could argue that Tsebelis does not discriminate sufficiently between political *means* and *ends*. The measurements of party ideology mentioned above focus rather on general outcome beliefs and goals. However, political struggles “are about means rather than ends” (Ganghof 2002: 13). And the choice of different policy instruments or the subtle adjustment of policy measures is not covered by existing measures of party ideology. Indeed, the task of systematically capturing valid policy preferences seems to be most urgent research question for the veto player approach (Bräuninger 2002). The reliance on highly abstract surveys in this matter cannot be more than a conceptual ‘crutch’.

Secondly, the policy preferences of the political actors rely solely on policy characteristics, the vote- and/or office-seeking preferences are by definition neglected in this approach. This is the price Tsebelis has to pay for his spatial model of party competition, and his deduction of (fixed) policy preferences. Ganghof (2002) proposes relaxing the assumption of pure policy-seeking actors and introduces a so-called “*sacrifice ratio*” that is a function of policy ambition of the party x and their vote seeking strategy. Ganghof exemplifies this point with German tax policy, where the Liberal Party as minor party in the center-right government blocked a policy compromise with the opposition Social Democratic Party not because of insurmountable policy differences, but because of their willingness to use this issue to enhance the party’s standing in federal party competition. However, as Ganghof himself states, this additional factor of the political actors preference may be difficult to integrate into

the formal veto player model. More far reaching is Wiberg's (2002) criticism that the spatial model would not only imply the researcher knowing the policy preferences, but that the political actors would even know the 'ideal points' of all players. However, this seems to him a rather heroic assumption, which is not justified by empirical studies that emphasize strategic voting in legislative games and the veiling of real preferences in political struggles.

Consequentially, the spatial model of party competition does lead Tsebelis to exclude interest groups by and large as veto players. To be frank, on page 81 of his book (Tsebelis 2002), he states that "in corporatist countries the veto players of the political system may be replaced by labor and management", however, from a systematic point of view, their veto power may be restricted to policy domains where governments have delegated the authority to make policy decisions, such as the bipartite negotiation of labor contracts – there, the number of partisan veto players is by definition zero, as this represents an example of "private interest government" (Streeck/Schmitter 1985). Tsebelis does not discuss the handling of tripartite administrative boards and the issue, of whether these collective actors may have veto power in the implementation stage of the policy chain. Furthermore, the impact of interest groups on the issues that are raised in party competition and on the *internal cohesion* of partisan veto players is not possible to estimate in the formal context of the veto player 'theory', as preferences are exogenously fixed. Again, he frequently concedes that such an analysis would be possible and desirable. However, I agree with Ganghof (2002) that including these effects and considerations would cause enormous problems for such a highly formalized model. The veto player model hinders the systematic observation and integration of the impact of interest groups (or to put it more generally, societal interests) on partisan preferences, on the choice of partisan strategies, and on public policy making.

Taken together, the veto player approach put forward by George Tsebelis is an approach that results in party competition being placed at the center of interest. The count rule is basically the number of incumbent parties, and the policy preferences are determined exogenously, which in turn neglects other strategically incentives of competitive parties such as vote- and/or office-seeking. Being at first sight an institutional and constitutional approach, the veto player model highlights in fact the importance of *party competition* for public policy making.

In contrast, Ellen M. Immergut does not provide us with a sophisticated ‘theory’ of veto mechanisms. Her starting point for analyzing health politics in Europe is not the classification and a priori conceptualization of political actors, quite the opposite, she prefers “to start thinking about politics with the institutions” (Immergut 1992: 243). Institutions in her usage of the term are mainly constitutionally fixed rules of the game about where the “effective point of decision” in a political system at a given time may be. Her argument further states that all public policies have to pass along this political decision chain, i.e. that national patterns of public policy making constantly re-emerge (Immergut 1992: 4). As far as I understand this approach, Immergut is in this point highly formalistic as she takes the constitutionally fixed rules of the game as a political *modus vivendi* in which interest groups or potential interests are embedded. Hence, to deduce the veto points for a given country, one has first to analyze the constitutional rules and the informal practices that structure the policy making process per se: “Rather than emphasizing particular actors or parts of the political system, (the approach, sj) focuses on the organization of political systems as wholes and the overall logic by which they work” (Immergut 1992: 24-25). Hence, our first question of where the veto points may be in a political system is not as easy to answer in Immergut’s approach. To start with, a systematic descriptive analysis of the constitutional conduct for policy making should therefore open up the analytical work. Until this is accomplished, we cannot answer how many veto points there are in a given political system (and hence, it is not surprising that Immergut presents the number and location of veto points in France, Switzerland and Sweden at the *end* of her book).

Hence, Immergut locates veto points inductively in different political systems. And partly as a consequence, the strategies of political actors, too, have to be identified empirically. Political parties are certainly the main focus of Immergut’s approach, as they are the key actors in the legislative process. But parties are treated as contingent actors. Firstly, in Immergut’s conception, institutions or the constitutionally predetermined rules of the game do *not determine* the preferences and strategies of the political actors. “The actors assessed their goals, interests, and desires independently of the institutions; the institutions affected only the strategic opportunities for achieving these objectives. Moreover, these actors were free to make mistakes” (Immergut 1992: 231).

Political parties are the crucial actors in the executive and in legislative decision-making processes, however, they are open to societal interests and interest group power. The

importance of interest groups “depends on whether they are politically essential to the executive, or whether they can count on concentrations of politicians to overturn executive decisions at a later stage in the legislative process” (Immergut 1992: 28). Hence, interest group power aims at political parties and at the actors that are crucial at different veto points, i.e. the “strategic points of uncertainty” in the legislative process. Taken together, Immergut’s approach is open for political parties with different and sometimes erratic strategies and, hence, she can argue that in her approach we do “not have veto *groups* within societies, but rather veto *points* within political systems” (Immergut 1992: 8, her italics). And consequently, the focus in the veto point approach is not on actors at first sight, but on the constitutional (‘institutional’) rules of the political game and their *interplay* with electoral results.

Table 1: Comparison of the ‘Player’ and ‘Points’ Approaches

| | Veto Player Approach (Tsebelis) | Veto Point Approach (Immergut) |
|--------------------------------|---|---|
| <i>Actors</i> | Differentiation of actors (individual/collective, institutional/partisan); in fact only incumbent partisan veto players count | Points emerge from the interplay between constitutional rules and electoral results; parties may or may not intervene at these points of ‘uncertainty’ |
| <i>Party Competition</i> | Spatial model; policy seeking as driving force, externally fixed preferences | Multi-dimensional model; parties with contingent preferences and strategic incentives |
| <i>Role of Interest Groups</i> | By and large excluded | Interest groups and societal interests may exploit their influence on parties at the veto points in order to veto the policy or change the content of the policy reform |
| <i>Overall Research Mode</i> | Deductive | Inductive |

From the basic principles of both approaches, at least three conclusions can be drawn. Firstly, Tsebelis focuses on political actors, almost without exception political parties that – as it is assumed – do have the power and opportunity to veto policy changes. Immergut however focuses on certain points in the legislative process that may *enable* certain actors to veto policies, however, whether they do so is an open question for empirical research. Secondly,

Tsebelis uses a spatial model of party competition as a basis for his argument as opposed to Immergut who applies a multidimensional model, which is open for different strategies, historical accidents and even ‘mistakes’ by the political actors. Thirdly, Tsebelis neglects by and large the role of interest groups in the policy making process, whereas interest groups or societal interests are focused on by the Immergut approach, because they may influence political parties or policy makers to veto policy changes (cf. Table 1). Ironically, the veto *player* approach rather masks the preferences of the political actors, whereas the veto *point* approach emphasizes just this aspect as crucial for policy change.

The ‘Nature’ of Politics and Policy Change

Perhaps the most striking difference between both approaches concerns their particular view of the nature of the political world. This issue has recently been raised by Peter A. Hall (2000) who argues that our understanding of the nature of politics (*‘ontology’* in his terms) not only influences the choice of methodological approaches, but also judges different methods in respect of their appropriateness. “Ontology is ultimately crucial to methodology because the appropriateness of a particular set of methods turns on assumptions about the nature of the causal relations they are meant to discover” (Hall 2000: 3).

In this respect, George Tsebelis occupies a rather functional perspective on politics. Firstly, he excludes *transaction costs* from politics. “(T)he whole analysis is carried out under the assumption that there are no transaction costs in the interaction of different veto players. The reason that I make this assumption is that it is difficult to find any way to operationalize such costs across countries and time” (Tsebelis 2002: 29). To exclude political phenomena out of our analysis because they are ‘difficult to measure’ is hardly convincing. And Tsebelis himself does undermine his position as he argues later in the book: “Indeed, there are serious transaction costs for every legislative decision: one may, for example, take the initiative to present a bill, put together a coalition to support it, or eliminate opponents who may have a different opinion by buying them out or by solidifying allies” (Tsebelis 2002: 224). By neglecting transaction costs systematically, Tsebelis is paying a high price in order to defend and justify his formal model.

The veto point approach in contrast is nothing else but about transaction costs in politics (cf. Kitschelt 2002). Throughout her book Ellen Immergut highlights the length of the policy

chain in certain institutional settings and the necessity of the actors in government to renegotiate policy reforms again and again with political actors. The longer the policy chain is, and the more veto points there are along it, the less realistic a change in the status quo is in the sense the government originally intended. In the same vein, Immergut argues convincingly that the more political arenas a policy change has to pass, the more realistic a veto or substantial modification is to the policy reform.

Secondly, the goal and content of policy change is differently conceptualized in both institutional approaches. For Tsebelis, a change of the status quo is the dependent variable. However, he states – in the first part of the book – that the veto player approach will neither predict change (here he is stressing the freedom of the players to act in institutions),⁵ nor will he make statements over the *direction* of the change (Tsebelis 2002: 17-18). Hence, in one of his empirical applications a change of the status quo is measured as the volume of “significant legislation” (Tsebelis 2002: 172). It remains highly disputable whether counting legislative changes is a dependent variable that is of interest to political science.⁶ The pure number of legislative changes says very little about the capacity of the reforms to cure specific policy diseases. An overview of the legislative productivity in the German model (Jochem 1999), for example, comes to the conclusion that, since the early 1980s, legislative change per se was respectable, however, it could not solve the problems of ‘welfare without work’ (Esping-Andersen 1996).

Thirdly, the nature of the status quo may be crucial for the veto player approach (Kitschelt 2002). In this respect, Tsebelis frankly admits that in “political science analysis it is not always easy to start by locating the status quo” (Tsebelis 2002: 23). Again he refers to measurement problems and hopes that further research would enable improved valid conceptions (for a discussion of this subject cf. Bräuninger 2002). However, the location of the status quo is crucial at this point, as it allows the researcher to make predictions (given the additional veto players are located in the model) about the probability of policy changes that may occur. To describe and operationalize the ‘nature’ of the problem to be solved by policy

⁵ As far as I can see, in this point the veto player approach is contradictory, cf. the above cited argument that this approach shall in fact enable “accurate predictions about policy outcome” (Tsebelis 2002: 284). In this respect, Tsebelis aspires a forward looking goal for social sciences (as is common in economics), in contrast to Immergut who applies a backward looking explanatory strategy that is even influenced by Max Weber’s goal of a ‘*verstehende Sozialwissenschaft*’.

⁶ And it is evident that the justification on which legislative change is ‘significant’ opens up an intensive discussion over the content and impact of policy reforms.

changes is in my perception an imperative. Again in contrast, the veto point approach in itself rests ultimately on the elaboration of policy content. Without this, the veto point approach does not apply, because this information is needed in order to understand the actors' strategies. Therefore, Ellen Immergut is able to differentiate the politics of health between a 'market' and a 'state' solution. And policy reforms in the countries under review can be located somewhere between both end points. It is not of interest whether this conceptual distinction holds in contemporary reform efforts, but it serves as an heuristic map of the contours of the policy field without which every argument over the actors' strategic preferences and choices would be impossible to make (cf. Svensson 2002 for a similar approach).

To sum up, both researchers have distinct views on the nature of politics. A rather functional view is indicated in the veto player approach that ignores transaction costs in political disputes and the content of policies (the location of the status quo and the direction of the policy change). Again, measurement problems serve as justification. On the other hand, the veto point approach implies a content analysis of the status quo as well as the direction of change as a *condition sine qua non*. Only by gathering this information can grounded statements be made with regard to the salience of actors' preferences and strategies.

Contemporary Modifications

Both approaches have attracted a significant following in the political science community. However, some amendments have been made to the original concepts. The first amendment was put forward by Markus M. Crepaz (and collaborators cf. Birchfield/Crepez 1998, Crepez/Moser 2002) who differentiated between specific kinds of veto players. Concerning the second amendment, I will refer mainly to the work of Giuliano Bonoli (2001) who has argued that pro-welfare coalitions, i.e. in Europe in most cases powerful trade unions, occupy "de facto veto points". It is doubtful, whether such amendments are conducive in strengthening the veto player or veto point concept, as both amendments further increase the already impressive arbitrariness of both approaches and open up a user-defined cornucopia which makes it even more difficult to apply these approaches systematically in empirical research.

Veto Players that Do Not Veto Policies?

Different scholars have argued that the conception of veto players should be diversified. Birchfield and Crepaz, for example, introduced in their seminal work the distinction between ‘collective’ and ‘competitive’ veto players (Birchfield/Crepaz 1998). As Crepaz shows in a recent paper (together with Ann Moser; Crepaz/Moser 2002) different veto players affect the expansion of the welfare state in a different way.⁷ I do not wish to discuss the empirical results in detail here, however, the distinction of veto players rests on the argument that “not all veto points (sic) are created equal. Some, such as political parties, tend to have expansionary effects, while institutional vetoes, such as federalism and bicameralism, in which separate agencies are empowered by vetoes, tend to inhibit government expansion” (Crepaz/Moser 2002: 10).

Crepaz and Moser distinguish two types of veto players: “‘collective veto points’ so named because the actors share collective authority and responsibility and interact with each other ‘personally’ (...) Competitive veto points, are so named because the actors represent separate agencies with mutual veto powers which compete against each other” (Crepaz/Moser 2002: 14). In the case of ‘collective’ veto players, the authors emphasize the ‘sanctified’ role of coalition agreements in European countries such as Belgium, Finland or the Netherlands. Indeed, this argument strengthens the specific logic of coalition governments, where it might not be justified treating every party in government *a priori* as a veto player – at least not without further empirical investigations. On the other hand, in their conception of the ‘competitive’ veto player the authors rely on formal institutions or as I choose to call them, constitutional decision-making arenas.

⁷ It should be emphasized that Crepaz and Moser (2002) mix the usage of the terms veto player and veto points quite arbitrarily, interpreting the overall argument they want to make, I connect their amendment with the veto *player* approach.

In the latter, Crepaz and his collaborators see the principle of competition rooted, and the interaction of the specific actors may not be ‘personal’. However, I do not see why this should be an impersonal mode of interaction. In fact, the competitiveness between two chambers in bicameral systems, at least in an European context, is highly dependent on the way party competition is structured. The German example may again be instructive (Lehmbruch 2000). The negotiations between the *Bundesrat* and the majority fractions of the *Bundestag* are not always competitive, even if the majorities in both chambers are not identical. Furthermore, the interaction may in fact become highly personal, as the negotiation process in the decisive Conciliation Committee (*Vermittlungsausschuss*) mainly depends on *personal* interaction and rather secret package deals behind closed doors to overcome or avoid policy gridlock (cf. Bauer 1998). Hence, as Tsebelis, Crepaz and his collaborators do indeed treat constitutional decision making arenas as if they were not embedded in the games of party competition, an assumption that is not convincing.⁸

To conclude: To further disaggregate the concept of veto players into ‘collective’ and ‘competitive’ does not automatically produce a conceptual excess value. Firstly, the ‘collective’ veto player loses its core characteristics, i.e. to have assets to *veto* policy reforms. I agree with Crepaz and Moser that in fact coalition governments in Europe have certain mechanisms that may increase the opportunity costs for partners in a coalition to break agreements. However, as they a priori deduce all parties in coalitions as ‘collective’ and hence not competitive veto players, they do not solve this problem empirically, but further complicate the basic model. Secondly, the concept of the ‘competitive’ veto player is more in line with the argument of Tsebelis. As Tsebelis, Crepaz and his collaborators neglect the fact that in most cases parties act in these constitutional decision making arenas and as a consequence party politics and personal interaction decide to a large extent over veto or agreement.

⁸ Similarly, Wagschal (1999) distinguishes between ‘consensual’ and ‘competitive’ veto players. He, opens up the veto player concept to all individual or collective actors that can “significantly influence policy decisions or alter them ex post” (Wagschal 1999: 232). This in fact widens the horizon of the approach to in fact nearly all actors that are somehow integrated in the process of public opinion making and public policy framing. I argue that a lot of actors may influence the content of policy reforms, but it seems not conceptually fruitful to label them as *veto players*.

Interest Groups as Veto Points?

In his innovative contribution, Bonoli (2001) reviews the veto point approach, thereby explicitly referring to Immergut (1992), and applies and modifies this model on the ground of his empirical observations of welfare state reforms in Switzerland, France and the U.K. His main argument is that in corporatist countries, the necessity for governments to negotiate welfare state reforms with the parties in the labor market (and especially trade unions) creates an additional *de facto* veto point. “ In such contexts, the potential threat of the trade unions can de facto amount to an additional veto point” (Bonoli 2001: 241). Convincingly he refers to the original contribution of Immergut, and stresses the function of formal (constitutional) rules of the game and their interplay with the imperatives of electoral competition in modern democracies. However, by ‘bringing in’ the assumed veto power of trade unions, the prototype of a pro-welfare actor in Bonoli’s conception, he merges the point and player perspective. To recap, Immergut started with the rules, and the rules in her conception do not act – actors act and they are even free to ignore or break the rules (if they can). Bonoli assigns interests groups de facto power to and the opportunity to veto policy reforms. As an illustration, he refers to concertated welfare state reforms in Europe where governments had to make concessions to trade unions (and employers’ associations, one could add). Such trilateral reforms would entail, so Bonoli, lower electoral risks and higher capacity to retrench and modernize the welfare state simultaneously.

In a similar vein, Schludi (2001) argues that for pension reforms in European social insurance countries, the political game in parliament could be supplemented and in fact circumvented by reform consensus in the corporatist arena. Schludi, however, argues that this logic of reform politics holds true even if trade unions cannot be taken as formal veto players. In his empirical investigation he refers to *linkages* between interest groups and political parties, showing convincingly how, especially in the German case, the left wing of the Social Democratic Party (SPD) sought and finally relied on the backing of the traditionalist trade union movement in order to influence the *intra party politics* of welfare state reforms.

This is not the place to discuss the ‘social pact literature’ (cf. Molina/Rhodes 2002) and the implicit or explicit argument that corporatist reforms enable effective alternative reform routes in addition to partisan politics in advanced welfare states. Elsewhere, we argue (Siegel/Jochem 2003) that the reform potential of tripartite reform packages is in some cases

not only overestimated (especially in the Dutch case) but concerted reform packages additionally rely on specific political conditions. Concertation without a powerful state, does not appear to be a viable strategy (for Germany, cf. Streeck 2003). Especially specific patterns of party competition seem to be crucial (cf. the case studies below), and in this sense, the veto point perspective comes back in focus, as strong governments may be governments which do not have to negotiate with other actors at several veto points and where interest groups cannot influence partisan actors (or partisan factions) to make their partisan veto power become real.

Again, Bonoli's modification is not as convincing as it might look on first sight. I argue, taking up some arguments put forward by Schludi, that partisan actors are the major players in the policy chain. But as they were open for interest groups (and even shifts in public opinion or potential interests) the intra-party politics and the role of the linkages between parties and interest groups becomes a salient issue. The internal cohesion (in the words of Tsebelis) seems to be one of the most urgent research questions in the contemporary research of welfare state reforms (cf. Mulé 2002, Zohlnhöfer 2003a).

The first part of the paper is meant to serve several purposes: Firstly, my aim was to show that it is important from a 'theoretical' or conceptual point of view to distinguish between the veto player approach (Tsebelis 2002) and the approach that puts veto points at the center of interest (Immergut 1992). It would be megalomaniac to hope that this intention would reduce mixed usages of the terms in the relevant literature. However, my purpose was to clarify certain conceptual commonalities and differences – and not to neologize. Secondly, both approaches focus on constitutional rules and their impact on policy changes. However, the differences imply different research strategies. They compel researchers to use specific lenses in the research process. As I argue, the most crucial point is the conception of actors' preferences and the empirical investigation of these preferences in both approaches. Which consequences each usage of these specific lenses may have, is what I wish to illustrate in the next part of the paper by comparing recent welfare state reforms in three European countries, the Netherlands, Sweden, and Germany, from the perspective of the veto player and veto point approach, respectively.

3 Welfare State Reforms in Europe

To frustrate ambitious expectations from the beginning, the following case studies are not intended to answer the question to whether each of the *models* were more or less renewed from a holistic perspective, i.e. if for example their classification as being examples of the ‘conservative’ world of welfare states (the Netherlands, Germany) or the ‘social democratic’ world (Sweden) are still valid (Esping-Andersen 1999). In contrast, I wish to illustrate how the veto player or veto point approach may be conducive in explaining policy change and policy stability in these cases (without addressing the model discussion).

Using the veto player framework, one could deduce how many veto players may complicate policy changes in each country.⁹ Somewhat surprisingly, the number of veto players in Germany since the early 1980s is lower than for example in Sweden (during the bourgeois governments in the early 1990s Tsebelis counts four veto players). As a reminder, the information provided by George Tsebelis focuses mainly on the *number of incumbent parties*, and therefore, in the Netherlands and in Sweden the number of veto players is identical with the number of parties in coalition. The German number is only three when the majority in the *Bundesrat* differs from the majority in the *Bundestag*. As a further consequence of this approach, the number of veto players remains constant for many years. Interpreting a change in government with the *same number* of incumbent parties (as in Germany after 1982 or in the Netherlands after 1989), we have to refer to additional information as to the ideological range and policy positions of the various actors. Here, Tsebelis provides only limited information (see the critique above), however, George Tsebelis would certainly encourage us to use other valid information, not only in respect of the ideological positions of the veto players but also in respect of the internal cohesion of the various veto players. Hence, at the aggregate level of analysis, we can only detect incomplete information, and so we should apply the approach in a more open way and look at the parties’ strategies and on internal party politics in case studies.

⁹ The data here and in the following parts are taken from the home page of George Tsebelis <<http://www.polisci.ucla.edu/tsebelis/>>, 28th July 2003.

This, however, is exactly the approach, a veto point analysis would encourage us from the very beginning, without recurring to some deduced guidelines with questionable usefulness. The decisive difference, in my opinion, is that the veto point approach would not lead our attention to the *number* of incumbent parties but the constitutional configuration of the political system and the “*points of strategic uncertainty*” a government has to manage along the policy chain.

The Netherlands

The main explanation for the ‘Dutch Miracle’ (Visser/Hemerijck 1997) emphasizes concerted policy compromises and the reform impact of the accord from Wassenaar (1982). The government installed in 1982 (a center right coalition of two parties, the Christian democratic CDA and the liberal D’66, which was soon replaced by a more right wing liberal party, VVD) launched wide spread consolidation measures of the social security schemes and tied the Dutch economy towards the rules of the German model (price stability, autonomous monetary policy etc.) In addition, the government increased pressure on the labor market parties to change their wage bargaining strategies, i.e. to moderate nominal and real wage growth.

It is a common thesis that the policy of moderate wage growth, widespread subsidization of wage costs and the reduction of social security contributions (mainly for the employers) did enhance the creation of (mostly part-time) jobs (Hinrichs 2002). Hence, the interpretation of the Dutch success model is mainly focused on the performance to create jobs, albeit wage inequality increased and the generosity of different welfare programs were drastically reduced (cf. Siegel 2002). With regard to programmatic reforms of social security schemes, the Dutch performance is, however, less impressive: “there surely is no Dutch social security ‘miracle’” (Hemerijck 2003: 255), as there were only some minor programmatic adaptations besides the overall reduction of generosity levels.

It is beyond the scope of this paper to review all Dutch social policy changes since the early 1980s (cf. Green-Pedersen 2003). However, the most controversial and influential reform policy targeted the disability-pension scheme, which a coalition of the CDA and the Social Democratic PvdA agreed upon in the early 1990s. How could this reform be explained through the lenses of the veto player approach? First of all, the number of the veto players remained stable (two parties in coalition), albeit the ideological range has changed since the

change in government of 1989 and the end of center-right cooperation in government. Hence, the veto-player approach would lead us to neglect the *number* of veto players and focus upon the ideological range and the internal cohesion of both veto players.

The problem of the growing number of disability benefit claimants did not figure prominently in the coalition agreement. There, the coalition signaled as a policy goal only a *stabilization* of the number of disability pensioners. A report of the Government Scientific Council, published in 1990 stated the low labor market participation rate as the Achilles heel of the Dutch economy, and this report can be interpreted as a “paradigmatic shift” in thinking on welfare state reforms in the Netherlands (Wijnbergen 2000: 12), which was further expressed by the Dutch Prime Minister Lubber in his famous speech, in which he complained that obviously “the Netherlands is sick”.

The coalition, however, was split on this issue. The CDA favored strict measures and the introduction of duration limits for those receiving disability benefits. In contrast, the PvdA was more cautious. Additionally, in the PvdA, several factions did favor different reform measures, whereas the social democratic Finance Minister, Wim Kok, did impose strong pressure on all Ministers to save money, in fact he imposed *cutbacks* on all budgets and hence forced the party to decide on how to *save* money in the disability scheme instead of stabilizing this scheme.

Policy deliberation took place in a corporatist body, the ‘*Social-Economische Raad*’. There, the impartial representatives of the government (Crown Members) did stress the need for drastic changes, the unions, however, rejected any measures that would reduce the level or duration of benefits. Hence, no clear signal was given to the government, and so the decision was to be made by the government. The PvdA Cabinet members, surprisingly, passed the SER on the right (Wijnbergen 2000: 15-17). Despite protests in the rank-and-file, these politicians promoted an overall limit of the duration of benefits without exceptions. The ‘*point of strategic uncertainty*’, I would like to argue, was not between both incumbent parties, but rather in the internal politics of the PvdA and the opportunity for the trade unions to encourage party members to block the framed decision (a strategy that was affirmed by far reaching public protests of the trade unions). Finally, the party leadership favored office taking to vote-seeking. During the protests and internal struggles, the PvdA leader Wim Kok could restore his position in the party through a personal vote of confidence at a specially

convened party conference. Additionally, in opinion polls the social democratic party plummeted to historic lows and a significant number of members left the party. The CDA threatened in 1993 to conclude a settlement with the conservative liberals. The PvdA could however, with the active help of the CDA Minister of Social Affairs get some concessions (exceptions for those currently in the scheme), and finally agreed on the policy change.

This reform could not effectively dampen the inflow of claimants into this scheme (Hemerijck 2003), and both parties had to pay a high price, as both faced subsequently severe electoral losses. The PvdA however could continue their office-seeking strategy, as for the first time since World War II, the party was able to build and lead a coalition government in 1994 with two liberal parties and *without* a Christian-Democratic party in the Netherlands (this coalition governed the country until the eruptions in the Dutch party system in 2002 with the success of the populist List Pim Fortuyn).

To summarize, this case study shows that beyond the notion of the ‘Dutch miracle’ that rests on corporatist negotiations, party politics prevail as the decisive origin of change and continuity. The tripartite bargaining was not in a position to promote policy consensus. Hence, is the veto player approach right in highlighting party politics? Counting incumbent parties as the only veto players (in the Dutch case) is, however, misleading. Given that the shift in public opinion and the strategic choices of party leaders (and the office-seeking strategy of the PvdA leadership) enabled this reform, this case study is an indication of the dimensions that not much attention is given to in the veto player approach: the internal politics of collective actors and the multidimensional causes of strategic choices. The veto point approach would in fact focus on this point from the beginning, as the federal, but nevertheless centralized, decision-making pattern (Braun 2000: 51) leads the researcher to the contingencies of party politics. And the researcher could locate the internal politics of the PvdA as an ‘*effective point of decision*’ where different interest groups tried to block policy reform – albeit without success in this case. Therefore, we certainly can amend the veto player approach, but in doing so, important components of the formalized model are sacrificed. In contrast, the veto point approach is more oriented towards the multi-dimensional struggle for majorities in a political system, the internal politics of parties and the endeavor of interest groups to affect relevant partisan actors to veto policy changes.

Sweden

After the constitutional reform in the early 1970s, party competition was aggravated because the dominant Social Democratic Party (SAP) could no longer use the First Chamber as a veto point (Immergut 2002). As a consequence of the programmatic competition between the parties, party competition was more and more divided between the two political camps of the left parties (SAP, Communist Party, Green Party) and the bourgeois camp [Liberal Party (Fp), Center Party (C), and, as the most powerful party since the 1980s in this camp, the Conservative Party (M)]. Hence, one important political foundation of the Swedish model, cross class collaboration in party competition under the conditions of (mostly) minority governments vanished rapidly since the 1970s and in the 1980s.

With the severe economic crisis of the early 1990s, the foundations of Swedish welfare programs came under pressure, as unemployment soared and social spending patterns reached new limits. Therefore, the incoming bourgeois minority government (1991-1994) had to manage a welfare state crisis, as well as a currency and banking crisis – a crisis management that was partially continued by social democratic one-party minority cabinets since 1994. Viewed from the data commonly analyzed (unemployment rate, public deficits etc.), the Swedish model recovered surprisingly fast from this shock (cf. for a more detailed description Svensson 2002, Jochem 2003). However, the pension reform that the political parties decided upon in the 1990s is considered to be one of the most radical pension reforms undertaken in the last decade. Given that four parties formed the bourgeois coalition (hence, we count four veto players) and that the coalition in addition had no parliamentary majority, how could such a far reaching reform occur?

To start with, the Swedish pension system was changed in at least three important dimensions: Firstly, the reform was a significant step towards a contribution-defined system, as pensions would be based on all contributions paid during a 40-year qualifying period, replacing the previous system, which based the size of the earnings-related pension on the best 15 years of earnings during a 30-year qualifying period. Secondly, the financing mode was now evenly split between employers and employees. Thirdly, the pension reform opened up the way for the expansion of other pension pillars, such as 2%-points of the total 18-5% in pension contributions being placed in a premium reserve (for a more detailed account of the pension reform cf. Anderson 1998).

No Swedish party picked up the pension reform issue as a major theme during the electoral campaign in 1991, which was dominated by the economic turmoil and the quarrel over European integration.¹⁰ The election resulted in a major defeat of the SAP, which obtained its worst result since the 1930s, especially younger voters turned their back on the SAP and moved to the Conservative Party (Gilljam/Homberg 1993). In the bourgeois camp, the Christian-Democratic Party (KDS) entered the parliament for the first time, as well as the right-wing populist NyDemokrati (NyD). As the KDS had a rather pro welfare stance, the NyD scored rather with anti-establishment resentments against the political elite without clear programmatic welfare positions. To sum up, the election demonstrated the increasing volatility in the Swedish party system and a further increased heterogeneity in the bourgeois camp. In fact, the government had to rely either on the Left Party (former Communist Party), which in fact was only a theoretical opportunity, on the SAP or on the NyD in their crisis management.

From the beginning, the bourgeois coalition was inclined to push through a major pension reform. Immediately after investiture, a commission was established in which interest groups were excluded but all seven parties in parliament were invited to collaborate. Very rapidly, this working group was able to draft the corner stones of reform (Ds 1992: 89) and publish a final report in January 1994 (SOU 1994: 20), in which the final content of the reform was already fixed to a very great extent. The Left Party and NyD left the working group partly due to programmatic reasons, partly due to the speed of negotiations, which they deemed too high. In June 1994, the four incumbent parties and SAP voted in favor of the reform in the Swedish *Riksdag*. Hence, the main explanation for the Swedish pension reform emphasizes this (almost) overall party consensus, which is mainly seen as a result of the severe economic crisis in the early 1990s and the pure necessity to stabilize the pension system in the near future.

¹⁰ In the budget proposal from January 1991, the SAP government issued a major pension reform as necessary, and in fact, this may be seen as a 'decisive turning point' in the SAP strategy (Anderson 1998: 225), but nevertheless, the pension issue was not taken up in the electoral campaign.

Why did the SAP support this reform? Firstly, the bourgeois government lost rapidly in the opinion polls. As early as October 1992 some 47,5% of the electorate preferred the SAP as the best Swedish party (DN 17th October 1992, A8). Insofar, the SAP was in a secure position to wait until the incumbent government would resign, or until the next election would bring a (rather) secure majority for the SAP. Secondly, the reform was highly disputed especially in the rank-and-file of the party and in the trade unions. These protests increased even further after 1994, as the SAP minority government still did not correct the pension reform, despite the fact that very many aspects were contradictory to the party's programmatic stance (splitting of contributions between employers and employees, introduction of a capital funded scheme). On two party convents in 1996 and 1997, the party leadership had to reject 88 and 28 proposal, respectively, which aimed at a significant change of the pension reform (Lundberg 2001: 42). And as the SAP further increased cost saving measures in most of the welfare programs (*stålbadspolitiken*), the party plummeted in the opinion polls after 1994 to historic lows. Hence, why did the party choose this strategy?

Firstly, we have to state that the bourgeois coalition indeed tried to reach several agreements with the populist NyD from the beginning, however, in the field of partial pensions, several reform attempts were finally blocked by the NyD, which revealed a rather erratic strategy in political negotiations. Hence, the coalition had to rely on a more stable partner and here only the SAP entered the stage. In other words, the *liability* to contribute to the pension reform was acknowledged by the SAP leadership. But, secondly, why did the party make so many policy concessions towards the incumbent coalition? The final reform implied a decisive break with the ATP-scheme, which was once the major reform project of the SAP (Svensson 1994). The party had to agree upon the introduction of partial funding, changing of the indexing formula, the replacement of the universal '*folkpension*' and the party even rejected the demand for a prolonged investigation period (a major demand of LO). Hence, the SAP leadership broke with major features of their welfare program and with the interests of former 'natural' allies in the trade union movement.

I argue that this strategy can be explained through the imperatives of party competition under the conditions of minority governments. The SAP lost the strategically important position in the middle of the party spectrum in 1991 (which was then occupied by the KDS), but was able to regain this position again rapidly by 1994 because of partly dramatic swings in the programmatic profile (cf. Bergman 1995). This position in the middle of the party spectrum

is not only important for collaboration on both sides, but also because exactly in the middle of the party spectrum volatility is highest in Sweden (Wörlund 1992). In fact, the SAP followed a pronounced office-seeking strategy, thereby sacrificing their vote- and policy-seeking ambitions. This strategy was in fact risky, as the party's performance reached an all time low in the election of 1998. But as the dominant party in the middle of the party spectrum, the SAP could defend its claim to form a new one-party minority government with changing support from the left and the right until today.

This programmatic 'flexibility' of the SAP depended, at least partly, on a loosening of the ties to the blue-collar trade union movement (LO). Since the conflicts in the labor movement of the late 1980s ('*war of roses*') and the suspension of collective membership for trade union members in the party in the early 1990s, the organizational and programmatic independence of the SAP gradually increased (cf. Aylott 2003). This does not mean that the SAP is by definition *against* trade union interests (in fact the LO backed the SAP in its last electoral campaign in 2002), but the impact of the "electoral power" of trade unions (Ebbinghaus 2001: 7) or common tradition between both wings of the labor movement do not automatically decide over the willingness of the party to incorporate interests of the trade unions in policy reforms.

To sum up, the Swedish case study shows that the veto player approach – even if it is disaggregated and amended – does contain severe shortcomings. Firstly, the high number of incumbent parties and, hence, veto players, are in this case not decisive. The veto player approach focuses on the number of incumbent parties, whereas the veto point approach focuses on the relationship between the government and the opposition and tries to explain how the executive can get its program through all subsequent decision-making arenas. Secondly, the conditions of minority government make some parties in opposition *pivotal*. The agenda setting competence of the government was no doubt important. The content and possibility of the reform, however, was decisively decided upon by the negotiations between the government and the SAP. The SAP was the *pivotal party* that had the potential to veto the reform, but – as I tried to show – backed the reform in order to realize some strategic goals which were not compatible with their pure policy preferences or vote-seeking ambitions. Hence, the veto player approach could not enlighten the complex bargaining incentives and conditions, whereas the veto point approach would focus directly on the '*strategic point of*

uncertainty' in the policy chain, the necessity to form a parliamentary majority with the SAP and the challenged party discipline of the SAP

Germany

The German welfare state is not only a paradigmatic example for a 'conservative' (Esping-Andersen 1999) or Christian-Democratic welfare state. Because of the federal constitution, the passage of legislation is in times of 'divided government', i.e. in times of different partisan majorities in *Bundestag* and *Bundesrat*, particularly cumbersome. In fact, this institutional design and the centripetal party competition with two major *Volksparteien* which are always in government either on the federal or the *Länder* level, are made responsible for '*Reformstau*' and the declining performance of the German model (for an overview cf. Kitschelt/Streeck 2003, Wiesenthal 2002). A diagnosis that Fritz W. Scharpf already pointed out more than twenty years ago as the danger of a 'joint-decision trap' (Scharpf 1988).

Indeed, the German situation may be characterized by a specific problem overload that does not only have its roots in economic changes but also in the historically special case of German unification. As in the other case studies, I will not provide an overall review of the legislative output in the German welfare state since the early 1980s (cf. Jochem 1999), but concentrate on one single reform: the pension reform of 2001 (with some further comments on the current ongoing attempts to reform health insurance).

The veto player approach does inform us about the number of partisan veto players (traditionally two parties in coalition, hence two partisan veto players) and the interference of a third veto player, the *Bundesrat*, which may become crucial in times of 'divided government'. Judging only by the number of veto players, policy change should be easier in Germany even under the conditions of 'divided government' than for example in Sweden in the early 1990s. And if we look at the number of legislative changes, in fact legislative change in the German welfare state did occur rather often (Jochem 1999), however, the German malaise of low employment growth and overburdened social security schemes could not be cured effectively.

The prospect of breaking the '*Reformstau*' was connected with the end of the Kohl era and the first red-green government in German history. In fact, the new government not only

introduced a corporatist Alliance for Jobs to integrate the labor market parties into the reform process (Siegel 2003), but additionally removed many of the legislative reforms of the late years of the Christian-Democratic-Liberal government. Especially the ‘*Demographiefaktor*’ in the pension scheme that reduced the benefit level stepwise from 70% to 64% was abolished, as the SPD evaluated this pension mechanism as unsocial (it opposed the 1997 reform and promised its abolition during the electoral campaign). However, after only three years, the red-green government had to reform the pension scheme as contributions increased and the demographic change in Germany contributed to a severe crisis scenario for the near future.

The incumbent coalition (with the SPD as the driving force in all social policy matters) agreed on a reform package early. As an overall goal, a reduction of the contribution rate was aimed at. Additionally, a stepwise reduction of the benefit level was introduced (again down to 64%) but with the introduction of a supplementary capital-funded pension scheme that was subsidized by the state (‘*Riesterrente*’). Indeed, this introduction of a capital funded scheme – in many cases organized as occupational pension funds – can be seen as a paradigm shift in German pension politics (Schmähl 2002, Lamping/Rüb 2001).

The coalition could (in early 2001) rely on a stable majority in the *Bundestag*, however, in the *Bundesrat* it was backed by only 23 votes, the opposition had 28 votes, and up to 18 votes were classified as ‘neutral’, as the partisan competition crossed the majority-opposition constellation in the *Bundestag* (for example the coalitions between SPD and FDP, between SPD and CDU or even coalitions between SPD and PDS, the former communist party of the GDR). Hence, to get the decisive majority of 35 votes, the government had to ‘convince’ at least some of the ‘neutral’ governments to back the parts of the reform the *Bundesrat* had to approve.

The government opened the policy debate with a far reaching reform plan (to a great extent contradicting the arguments of the SPD put forward in the electoral campaign), which in turn provoked fierce protests from the unions as well as from the Christian-Democratic opposition. The trade unions mainly criticized the severe cut backs in benefit levels and that the shift towards private (capital funded) pension schemes were to be solely burdened by wage earners. The opposition in the *Bundestag*, however, rejected the policy proposal because of different reasons. Firstly, the Christian-Democratic Union demanded a large scale

subsidization of low income wage earners to build up the ‘*Riesterrente*’. Secondly, after the defeat of the tax reform in 2000, where the government could split the Christian-Democratic *Länder* in the decisive part of the reform process, the party leadership tried to ensure a united position of the party by negating the reform, i.e. the party rejected the proposal “for mainly tactical reasons” (Schludi 2001: 35).

The red-green coalition reacted in several ways. Firstly, she split the reform package into two laws, with only one of which having to pass the *Bundesrat*. Secondly, the incumbent coalition called consensus talks with the Christian-Democratic Union. In these talks, the government made far-reaching concessions (an upgrade of state subsidies for the ‘*Riesterrente*’). Thirdly, the SPD itself was split on the issue. The left wing forcefully rejected the proposal and transformed the trade unions’ criticism into the party. The party leadership again made concessions, especially the reduction of benefit levels was curbed and “collectively-agreed pension provision (was to, sj) take precedence over private provision (*Tarifvorbehalt*), thus giving the unions a voice in the area of fully-funded supplementary old-age provision” (Schludi 2001: 36). In the final stage of the decision-making process, the government made further concessions to specific *Länder*, i.e. to Berlin and Brandenburg (settlement of federal administrative departments) and to the FDP (treatment of home-ownership as old-age provision). Nevertheless, the reform proposal was rejected in the *Bundesrat*. Negotiations in the Conciliation Committee (*Vermittlungsausschuss*) induced only minor changes and finally opened the way for a consensus. Astonishingly, even the SPD-PDS coalition of Mecklenburg-Western Pomerania accepted the reform, despite the refusal of the PDS against the pension reform, which in turn led to a severe coalition crisis in this *Land* (Merkel 2003: 178).

This reform pattern sheds some light on the crucial weaknesses of the veto player approach. Firstly, the *Bundesrat* as institutional veto player is more complex than adding only a third (in fact partisan) veto player on to the account. There, the artificial dichotomy between majority and opposition camps does not reflect the mixed picture in reality. At least since German unification, coalition patterns have become more and more heterogeneous, as Grand Coalitions, coalitions between parties that cross both camps (coalitions between SPD and FDP) or even coalitions between SPD and PDS make negotiations more complicated (König 2001). Interpreting the ‘joint decision trap’ (Scharpf 1988) instead as a veto point in the policy making chain, we are able to observe multi-dimensional bargains between different

parties that have the constitutionally fixed right and opportunity to veto policy proposals. Additionally, the internal split in the SPD opened up a veto potential for the trade unions in close collaboration with the left wing of the party. In the end, a mitigated pension reform was decided upon. This downgraded reform, however, breaks with the tradition of pension politics in Germany, as on the one hand a private additional scheme was introduced (albeit not compulsory, as the SPD aimed at from the beginning) but on the other hand the state subsidization of pension provisions was increased (due to the intervention of the Christian-Democratic Union). In this sense, the reform reflects both, privatization as well as a further increased state provision (Schmidt 2003: 249).

In fact, the opportunity for interest groups to influence (in close co-operation with different factions) the content of the policy reform can also be seen in the current ongoing reform of health insurance. Given the still fixed veto point of ‘divided government’, the experts of the red-green coalition and of the Christian-Democratic Union agreed on a reform package that has the aim of containing the development of the contribution rate by mainly increasing private additional payments, excluding some medical treatments from the solidary health insurance system and the necessity to secure these treatments (dental prosthesis, for example) by private insurances. At the same time, the far-reaching goals of the incumbent government to enhance competition between the providers of medical services and a containment of the prices for medicinal products were blocked by the CDU/CSU. Hence, until today, the winners of the health care reform seem to be private insurance companies, whereas patients will have to pay more out of their income to private insurance schemes. The outcome of this reform, it is stated, is the result of the influence of specific pressure groups on the Christian-Democratic Union. The economist, Karl Lauterbach, advisor of the current Minister for Health and Social Security, Ulla Schmidt, assumed that the CDU/CSU with this policy wanted to present a ‘gift to the private insurance agencies in Germany’ (Süddeutsche Zeitung 23/07/03, p. 23, cf. Hoffritz 2003). Hence, the content of the reform was the result of the power of interest groups to influence partisan actors having the power to veto the governments’ policy proposals.

German federalism and the danger of a ‘joint-decision trap’ (Scharpf 1988) can not explain the reform blockade by itself. Certainly, the constitutional division of power *and* the functional bracket that party competition between the *Volksparteien* provides (Lehmbruch 2000), may explain not only policy blockade and policy change. It opens moreover the

horizon towards the crucial influence pressure groups can exert on parties. Again, the veto player approach does not focus on the crucial dimensions and provides rather misdirected coding rules. In contrast, the veto point approach would focus on this constitutionally provided veto point and the influence of party competition, party discipline and the strategies of interest groups to apply their influence.

What is alarming, however, is that both parties at the center of the party spectrum are incapable of neglecting vote-seeking as both act out of a rather unchallenged position. Such electoral defeats and programmatic insecurities, as the PvdA in the Netherlands or the SAP in Sweden had to manage, are significantly inhibited by the centripetal party competition between two dominating *Volksparteien* and their quasi uninterrupted status as incumbent parties either at the federal or at the *Länder* level. These conditions, one can assume make policy learning and shifts in competitive strategies difficult. It could be, as Kitschelt and Streeck argue (2003: 30), that “a political crisis has finally arrived that is as deep as the economic crisis – and deep enough to persuade the SPD to adopt a policy of liberal reform, against its own traditionalist constituencies”. This problem overload and the prospect of a deep crisis for the SPD in regional and federal elections to come, may be the reason for the strategic shift of the Chancellor Gerhard Schröder with his determination of the Alliance for Jobs on March 3, 2003, as well as his statement of policy (*‘Regierungserklärung’*, March 14, 2003) where he proclaimed several policy goals and systematically ignored the criticism of different pressure groups – especially the trade unions – and the left wing of his party. If, however, the CDU/CSU will back this strategy or will play (again) the role of defending specific interests depends not so much on the constitutional configuration of the political system or the number of partisan veto players, but on the interplay of internal politics in the Christian-Democratic Union, the party discipline of the SPD (which is currently under intense pressure) and the development of the public opinion.

4 Conclusion

The intention of this paper was to compare two distinct institutional approaches to public policy making and to evaluate their usefulness in explaining and understanding of contemporary reforms in advanced European welfare states. I argue that both approaches¹¹, i.e. the veto player (Tsebelis 2002) and veto point (Immergut 1992) approaches, are not two sides of the same coin. George Tsebelis does provide us with a highly formalized (and highly awarded) model of veto players, in which the number of veto players, their ideological distance, and the internal cohesiveness of each player (in the pure model configuration) are taken together as ‘independent’ variables that shall explain policy change, i.e. a change in the legislative status quo. The discussion of the conception of main elements of this framework and the evidence of the case studies reveal that Tsebelis makes progress in formulating a sophisticated model that tries to overcome classic distinctions of political systems. However, the formulation of his (ambitious) model as well as the empirical applications contain serious conceptual problems.

Firstly, George Tsebelis ends up with a model that focuses mainly on *partisan* veto players, i.e. the number of incumbent parties. His focus on political parties seems to me a justified position, as political parties in most European countries still dominate the policy process. However, the counting of incumbent parties alone does not enrich our understanding of the political struggles that lead to policy reforms. In this sense, he is too unspecific towards constitutional complexities (as in the case of the German ‘joint-decision trap’) or too rigorous towards the question of power the incumbent parties have in national parliaments (as in the case of the Swedish pension reform). Secondly, he refers to classical measurements of the players ideological distance. This decision, however, is not very convincing, as these data measure rather abstract ends, and with Steffen Ganghof, I argue that political conflicts in the policy process are mostly “about means rather than ends” (Ganghof 2002: 13). Hence, the gathering of (valid) policy preferences seems to be the major problem in the veto player literature (Bräuning 2002). In this respect, the veto player approach does indeed share the disadvantages of most rational choice approaches, as they see preferences externally fixed and, hence, suppress preference shifts and the reasons for these changes in actors’ preferences

¹¹ I treat both approaches not as theories but as conceptual frameworks that conduct the research process. This contradicts the theoretical ambition of Tsebelis, but I am doubtful if it is useful to invent a ‘theory’ in political science that does not account for power, conflict and transaction costs. Hence, it seems impossible for me to ‘reject’ this ‘theory’, and my goal with this paper was only to critically discuss both approaches.

(Rothstein 2001). Thirdly, Tsebelis emphasizes the importance of internal cohesion of the (collective) veto players. But in his empirical work this dimension is systematically masked out. Especially the internal politics of collective actors such as (but not only) parties, seem to be a necessary explanatory module if we want to explain and understand current politics of welfare state reforms (cf. the case studies in this paper, as well as Anderson 1998, Anderson/Meyer 2003, Laver 1999, Mulé 2002, Schludi 2001, and Zohlnhöfer 2003).

Can we avoid these disadvantages if we modify or disaggregate the veto player model? To begin with, the modification proposed mainly by Crepaz and others (Birchfiel/Crepez 1998, Crepez/Moser 2002) between ‘competitive’ and ‘collective’ veto players cannot convince from a conceptual point of view, as the crucial distinction rests on the mode of interaction (personal versus non personal), which in reality is difficult to identify (see also Ganghof 2002: 18-19). And if we disaggregate the veto player approach in single case studies? The case studies in this paper show that the veto player approach does provide partially misleading information, and the crucial importance of interest groups in the policy process is neglected. The same can be said with regard to the majority position of the government and the structures of the party system which all may enable or aggravate negotiations between political actors. These blind spots, I argue, makes it highly questionable, if indeed the veto player framework may “become the basis of an institutional approach to comparative politics” (Tsebelis 2002: 289).

Following the argument put forward by Herbert Kitschelt (2002), we can criticize that the veto player approach simultaneously incorporates *too much* and *too little institutionalism*. Too much institutionalism means that Tsebelis systematically excludes interest groups, social movements, the public opinion, or to put in a different term, the ‘*policy mood*’ (Erikson/Mackuen/Stimson 2002). And too little institutionalism means that Tsebelis systematically excludes *transaction costs* from his analysis. An institutional theory should at least focus the question of transaction cost analysis for the political actors involved in politics, as it seems to me common place that formal or informal rules of the game (i.e. institutions) imply specific transaction costs for political actors that have an impact on policy making (cf. Williamson 1985).

The last point seems crucial to me. Even a disaggregated version of the veto player approach says only “that if people who are required to agree in order to pass policy actually disagree

over their policy ideal points, then they will pass little new policy legislation. Coalitions of veto players that are stretched in the policy space get few things done” (Kitschelt 2002: 6). And even if we take into account that Tsebelis himself concedes that if veto players are located over a broad ideological range they may even then get things done by incremental change. However, even then the argument is not convincing, as *especially* incremental change implies *high transaction costs*, even if the range of the actors’ preferences may be small.

Tsebelis seems, finally, to be very strict and formalistic in his conception of the ‘*veto*’ term. As the case studies show and other policy analyses, most of the times, incumbent (agenda setting) governments are confronted with problems or obstacles to push through their policy proposals. However, the crucial question is not whether a policy proposal can be *totally blocked* (which may of course happen, but even in German federalism pure policy gridlock may be a rather rare event; cf. Bauer 1998, Wachendorfer-Schmidt 2003). Instead it is crucial, if the policy proposal (put forward in most cases by the government) can be effectively altered in content by other political actors under the threat of gridlock (cf. Benz 2003: 211-212). Hence, measuring policy change as a pure change in the *legislative status quo* simply does not grasp the interesting point, as to which problems incumbent governments have to face and which concessions they have to make in order to push through their policy proposal through several constitutional decision-making arenas.

As exactly this perspective is the focus of the veto point approach, it makes the approach so useful. Here, veto power does not automatically imply a pure blockade of policy change (i.e. the continuation of the legislative status quo), but the *degree* to which the incumbent party or the incumbent coalition has to make concessions to other actors in the policy process in order to get the original policy proposal through (or risk policy gridlock). Because the veto point approach does not aim at a deduction of relevant actors that can veto the policy proposal of the government from the beginning, but on “points of strategic uncertainty where decisions (of the government, sj) may be overturned” which in fact are “not physical entities” (Immergut 1992: 27), specifying the actors’ strategies, goals and incentives becomes an empirical question, we have to detect but not to deduce.

The veto points may be prescribed by constitutional guidelines, but may even occur because of shifts in the electoral performance of parties, shifts in public opinion or policy ‘mood’

(Erikson/Mackuen/Stimson 2002), a strategic turn-around of party leaders and the crucial question of different degrees of party discipline. Shifts in party strategy were observable in the case of the Dutch PvdA, the Swedish SAP and even in the German SPD today, where the party leader and Chancellor Gerhard Schröder tries to close-off veto points that are located in the party. But he has to assert that the Christian-Democratic Union enables, under the conditions of ‘divided government’, other pressure groups access at the veto point of the German ‘joint-decision trap’ (Scharpf 1988). Besides the different reform contents in the three countries reviewed in this paper, I argue that a crucial condition for policy change was a strategic adaptation of incumbent parties and the management of intra-party politics. And it is exactly on this point that the pattern of party competition and the structure of the party system becomes relevant for an explanation of welfare state reforms (cf. on this point Kitschelt 2001).

As I would like to stress the advantages of the veto point approach, I would at the same time cautiously advise applying the concept carefully and restrictively. In fact, interest groups are not, as Bonoli (2001) and others argue, veto points (or, here, players for the sake of clarity). Whether they can utilize several veto points to bring through their diverging policy aspirations is an empirical question and depends on the constitutional design of prescribed negotiation arenas, on electoral shifts, on the structure and coalition potential of the party system, and, last but not least, on the question of party discipline.

From a normative point of view, the veto point approach in contrast to the veto player framework opens up the possibility to make *reasonable policy advices*. It simply makes little sense to advise an incumbent party or incumbent coalition to reduce the number of (institutional or partisan) veto players. But we can advise a party over different possible strategies to ‘close-off’ potential veto points (a lack of party discipline for example) or over different strategies to reduce the conflict level in constitutionally prescribed negotiations (package deals, staging of external induced reform imperatives etc.). It is the perspective of different possible strategies that is ironically masked in the veto *player* approach but that is emphasized in the veto *point* approach. In order to constrict the deductive framework and to focus instead on rather empirical observations how political actors interact under specific conditions of the ‘negotiating state’, we can put political science in a position to provide reasonable policy advice (cf. Czada 2003).

And to conclude, the critique put forward in this paper against the veto player approach shall not imply a fundamental critique against variable oriented and highly aggregated research designs. But, the euphoria connected with this research tradition has recently given way to partial disillusion. Despite the progress in data availability and in methodological instruments, the results put forward appear unstable and the hope to detect law-like generalizations has by and large vanished (cf. Kittel 2003, Scharpf 1997: 29-34). Here my goal is not to promote some cultural, narrative or interpretative turns in political science methodology. Quite the opposite, I would like to take up old traditions in the field. The veto point approach, that borrows many concepts and prescriptions from the pluralistic framework of politics (cf. Truman 1970) may be amended by the mode how Stein Rokkan aspired theoretical progress (cf. for a synopsis of his work Rokkan 1999). His research program (and scientific philosophy) pointed at a *balance* between generalization and contextual relevance (cf. Mjøset 2000). Hence, we should perhaps resist the temptation to hastily replace empirical processes by (in most cases invalid) variables and empirical ‘crutches’: “One lesson stands out very clearly after the experiences of these years of efforts to promote cross-national research: comparative analysis will remain sterile as long as it is not rooted in detailed research on the historical developments and the structural peculiarities of each system. We cannot get further towards theoretically meaningful comparisons before we fill some of the most patent lacunae in the coverage within each country” (Rokkan/Valen 1960: 113). Such an enterprise may consume time and may even require collaborative research efforts, but it may be worth waiting for.

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