The Role of Parliamentary Committees in the Budgetary Process within Europe

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Abstract

Recent theoretical work on the US Congress has focused on two different conceptions of the function of committees. The "distributional" perspective posits that committees are established to guarantee deals made among legislators to distribute spending across different policy areas. The "informational" perspective in contrast contends that committees are designed primarily to provide information to the legislature at large about a bill. Building upon Mattson and Strøm (1995), which expands the consideration of these theories to European parliaments, this paper considers why differences across European parliaments exist. It argues that the key difference concerns the regularly of one-party versus multi-party governments. In countries that experience one party governments regularly, weak committees develop that have neither the power to make significant changes to government bills nor to collect information on the compliance of the ministers. In countries where coalition governments are common, however, and, importantly, where fiscal contracts are the norm, committees will be more likely to be strong information providers because they will provide a forum for coalition partners to monitor each other. These patterns are particularly apparent when one examines the budgetary process.

1. Introduction

Theoretical work in the study of the American Congress has focused on two different conceptions of the function of committees. The "distributional" perspective posits that committees are established to guarantee deals made among legislators to distribute spending across different policy areas. Legislators represent distinct constituencies and seek to maximize spending for their supporters. Since those constituencies also pay taxes, a given legislator has an incentive to renege on a deal to swamp support with others once the spending most important to her has passed. Committees provide an institutional solution to this prisoner's dilemma that develops especially when votes on spending are not made at the same time. Committee members establish "property rights" on certain issue areas, so that, for example, a defense committee determines how many fighters will be built while a farm committee sets the level of subsidies on grain production. Two implications that follow are, first, that committee members should be "high demanders," or advocates for increased spending in the committee's area of specialization, and second, that committees should possess the power to affect legislation that becomes law, such as closed rules or gatekeeping power. (Weingast and Marshall 1988; Shesple and Weingast 1994).

An alternative perspective that is critical of the distributional approach argues that committees exist to provide information. While not denying that distributional concerns are at the heart of any legislature, information theorists insist that the primary task of committees is not to guarantee log rolls. Committees allow their members to develop specialized knowledge about a given field. This knowledge is important because there is always some uncertainly about the effects of a given piece of legislation. Committees therefore are designed to provide information to the legislature at large about a bill, and all legislators can gain from understanding the likely effects of a new law. Committees will have mechanisms that are designed to further the acquisition of knowledge, and members will generally not be "high demanders" who wish above all to increase spending in the committee's area of expertise but instead of persons with many different opinions. In addition, committees may be granted some restrictive rules to control the consideration of a given bill, but such rules will be given only to committees with high levels of specialization. Committees will not be designed to guarantee gains of trade across all policy areas. (Gilligan and Krehbiel 1989; Krehbiel 1991, 98-99).[1]

While writers may disagree about the functions of committees even in just one legislature, the American Congress, it is clear in a comparative framework that functions and, more specifically, the relative "strength" of committees varies. Mattson and Strøm (1995) and Strøm (1998) confirm that there is great variation in the functions that committees play in European parliamentary systems. They find that information collection is of primary importance in many legislatures, and that drafting authority and the property rights that accompany them are also relevant. They therefore find some support for both the distributional and information perspectives. They do not seek, however, to explain the variation in committee structure that they measure.

This paper considers why these differences exist. It pays particular attention to the role of committees in the budget-making process. First, it presents a model that is based on Hallerberg and von Hagen (1997). The formation of the budget determines the amount of funding all ministries receive, and hence can serve as a proxy for the formation of policy as a whole. The model stipulates that the determination of budgets for different ministries can approximate a common pool resource problem. Within one-party governments a solution to this problem is to delegate power to a finance minister who can monitor the respective ministers and punish them if they propose budgets that exceed the optimal budget for the government. In multi-party governments the problem may be worse because the parties likely have different spending priorities. In addition, they are also unlikely to delegate the monitoring and enforcement mechanism to one central actor who inevitably must come from one of the parties. An alternative solution to the common pool resource problem is for the parties to agree to fiscal contracts in the form of negotiated budgetary targets.

This model has several implications for the structure of parliamentary committees. First, in countries that experience one party governments regularly, one would expect weak committees to develop that have neither the power to make significant changes to government bills nor to collect information on the compliance of the ministers. Both functions would undermine the effectiveness of delegation, and more generally would enable backbenchers to undercut the authority of the prime minister even in places lacking a strong finance minister. In countries where coalition governments are common, however, and, importantly, where fiscal contracts are the norm, committees will be more likely to be strong information providers. Their function is to provide a forum for coalition partners to monitor each other. One would also expect most issues to be settled in the coalition negotiations, and that committees would not have strong legislative powers. In countries where negotiations about the direction of policy for the entire government are not the norm, however, committees may be weak information providers. If possessing a portfolio means that the given party determines the budget for a given ministry the respective parties may not have the same incentive to monitor each other.[2]

This paper is organized as follows. Section 2 presents a formal model for the negotiation of budgets within a cabinet, and it indicates how the common pool resource problem arises. Section 3 investigates how this problem is reduced in one-party governments through the delegation to a strong finance minister, and how committees would be expected to be structured to support this central player. Section 4 indicates how moving to a multi-party government changes the dynamics of the budget-making decision both within the cabinet and within parliamentary committees. Section 5 presents evidence for European Union countries that indicates that systematic differences among committee structures exist according to the type of government and type of institutional solution to the common pool resource problem they adopt. Section 6 concludes.

2. The Common Pool Problem in Cabinets

A principal reason for large budget deficits is that governments do not resolve a common pool problem endemic in the budgetary process. A brief review of this problem within the cabinet will set the stage for the institutional discussion within the legislature that follows.[3] Spending ministers seek full funding for those programs that they consider important to reach their policy goals, and their proposals will affect the spending side of the budget. They may also benefit simply from having larger budgets, and as a consequence they will request funds that are greater than the minimum needed to reach their policy goals (Niskanen 1971). They will seek to minimize the taxes that their given constituencies must pay, and they will thus be concerned about the revenue side of the budget as well. Assuming that the excess burden of taxation is quadratic, the ith minister will possess the utility function

$$U_i = \lambda x_i - \frac{\alpha}{2}(x_i - x_i^*)^2 - \frac{m_i}{2}T^2 \quad (1)$$

where λ is equal to the value a given minister places on larger budgets, x_i the amount of funding the ministry receives, x_i^* the ideal spending level for minister i, m_i the amount of the total tax burden that the minister's constituency is expected to pay, and α the relative weight that the minister places on spending concerns.[4] The spending minister j desires a budget for his ministry which takes the form

$$b_{sj} = \frac{\lambda + \alpha x_j^* - m_j \sum_{i=1, i\neq j}^{n} x_i}{\alpha + m_j} \qquad (2)$$

If the ministers consider only the effects of total spending and total taxation, their joint utility function is:

$$U_o = -\sum_{i=1}^{n} \frac{\alpha}{2}(x_i - x_i^*)^2 - \frac{\sum_{i=1}^{n} m_i}{2} T^2, \quad (3)$$

and the budget for minister *j* would be

$$b_{oj} = \frac{\alpha x_j^* - m\sum_{i=1, i\neq j}^{n} x_i}{\alpha + m}, \quad (4)$$

where $m = \sum_{i=1}^{n} m_i$. Clearly, $b_{sj} \succ b_{oj}$ so long as there is more than one actor or so long as $\lambda \succ 0$, and this inequality indicates that the budget a given spending minister would like to propose is larger than the optimal budget.[5]

3. One-Party Majority Governments

a. Negotiations within the Cabinet

The first step is to consider the shape the total budget takes within one-party majority governments. I begin with a simplified version of the budgetary game with just two spending ministers, A and B, who can select either a low budget for her ministry, equivalent to equation (2), or a high budget, equivalent to equation (4). The payoffs that the two ministers receive in a one-period budget game are as follows:

[Table 1 About Here]

B_{Hi} and B_{Li} represent the payoff player i receives from choosing a high budget and a low budget respectively, $B_{Hi}>B_{Li}$. One factor not considered in the utility equations given above is the disutility a player suffers because of a larger aggregate budget, and, as a likely result, a larger budget deficit as well (Hallerberg and von Hagen 1999, Velasco 1999). Large deficits hurt the government as a whole, and they may also affect the total utility of the individual ministers. The manner in which this disutility can occur varies—larger deficits generally lead to higher interest rates, lower growth, and less discretionary spending, and these consequences have at least an indirect effect on the ministers, albeit often at some future date. D_A equals the damage done to both parties if a given party defects because of the larger deficit, while D_B is the damage the players receive if both players defect. For simplicity, it is assumed that the damage done is independent of the player who defects and is always equal. If the following assumptions hold, the situation is a Prisoner's Dilemma game:

$$D_B>D_A \qquad (5)$$

$$B_{Hi}-D_A>B_{Li} \qquad (6)$$

$$B_{Li}>B_{Hi}-D_B \qquad (7)$$

Indeed, these assumptions exist in most cases. Equation (5) holds as long as one's disutility to a budget deficit increases along with the size of the deficit. In order for this inequality not to be valid only one must value an increase in the size of the budget for its own sake. Equation (6) also exists in almost every case because spending ministers will usually value every additional currency unit of spending for one's own department over the negative effects of that additional currency unit on the size of the deficit. Since equation (7) is simply a restatement of Equation (6) for the other player, the same reasoning holds for it as well.[6]

If these three inequalities are present in a one-period game, the dominant strategy for both players is to propose high budgets.[7] If one assumes for simplicity and without loss of generality that $x^* = x_1^* = x_2^*$, the aggregate level of spending will then be equal to

$$B_S = \frac{2(\alpha x^* + \gamma)}{\alpha + m}, \qquad (8)$$

which is larger than the collectively optimal budget of

$$B_O = \frac{2\alpha x^*}{\alpha + 2m} \qquad (9)$$

which follows if both players propose a low budget.[8]

A large literature has developed examining the conditions under which the players will choose to cooperate with each other in such situations (Olson 1965; Ostrom, Gardner, and Walker 1994). One possible solution to the collective action problem is to have a central player serve as an entrepreneur, whose function is to assure that all actors choose to cooperate. To be effective, this entrepreneur must have the ability to monitor the others, possess selective incentives that he can use to punish defectors and/or reward those who cooperate, and have some motivation to bear the costs of monitoring himself (Olson 1965; Cox and McCubbins 1993).

Among the relevant cabinet members, the finance minister can play the role of a 'fiscal' entrepreneur. His interests generally coincide with the general interests. He has the responsibility to coordinate the formation of the budget, and, fair or not, the size of the budget deficit is often the principal indicator that others use to judge his effectiveness. He often also has a trivial budget when compared with other ministers, and he cannot defect in the prisoner's dilemma game being played in the cabinet. The finance minister's staff also gives him the means to monitor the actions of the other ministries, and, since his prestige and hence his personal benefits depend on the effectiveness of his ministry, he has a private incentive to guarantee that the monitoring occurs. The only question is whether the finance minister has the power to offer selective incentives and/or punishments to the spending ministers.

If the spending ministers delegate this responsibility to the finance minister, the nature of the game changes in the following manner. The finance minister monitors the players, and, to keep the game simple, I assume that he has perfect information about the choices that the players make. This structure is what Hallerberg and von Hagen 1999 refer to as "delegation." The game in this model can then assume an extensive form. The spending ministers move first, and they choose either a high budget or a low budget. If the finance minister detects that a player chooses a high budget, he imposes a cost, denoted C, to that player.

[Figure 1 About Here]

In this case, as long as $B_{Hi}<B_{Li}+D_A+C$, a spending minister will choose not to defect. Such a minister cannot gain from a situation where he defects and his opponent cooperates, and, since $D_B>D_A$, he also does better when his opponent defects and he cooperates. The dominant strategy of both players therefore is to cooperate. For this result to hold, the finance minister must be able to levy a cost such that the inequality $C>B_{Hi}-B_{Li}-D_A$ is met.[9]

The size of C is dependent on the finance minister's relative power in cabinet, and here we return to the importance of the prime minister. Prime ministers have, other things equal, more power within the cabinet when one party controls the government, as is common under plurality systems, than under multi-party governments, which are the norm in PR systems. The prime minister in the former case is usually the leader of the governing party as well, and this position reinforces her power within the cabinet. The prime minister usually also selects cabinet members and can reshuffle her government.[10] If a given spending minister consistently presents unsatisfactory budgets, the prime minister can replace him with someone who will develop more sympathetic policies. The prime minister can usually delegate her power to the finance minister, and, since the two have nearly identical policy preferences, the finance minister acts as a faithful "agent" of the prime minister.[11]

Spending ministers also have reason delegate power to a finance minister. While most players have an individual incentive to "defect" or overspend, they usually prefer the solution where all players cooperate to the solution where all defect. A strong finance minister can act as the ministers' agent in facilitating the collectively optimal outcome by monitoring the actions of spending ministers and punishing those ministers who "defect." He can use his ministry to audit the accounts of government ministries and to publicize any spending minister deviations. He can also punish intransigent ministers directly and indirectly. As long as he has the ability to modify a spending minister's budget proposal, he can punish defectors in future years. If immediate action is required, he can appeal to the prime minister to take action, and, in the most extreme case, he can insist that the prime minister relieve the spending minister of his position.

b. Implications for the Legislative Stage

Once the decision has been made at the cabinet level, there is little left for the parliament to do except to pass the legislation. Any "interference" on the part of committees in the affairs of government could potentially undermine the authority of the finance minister. Committees that can rewrite legislation, for instance, can change the very agreement reached in the cabinet, while the ability to provide consistent information provides a rival to the finance minister which can undermine the finance minister's authority. If the policy preferences of the majority on the committee were the same as the party's optimal budget the additional committee player would not pose a problem. Yet it is possible that strong committees would back a given spending minister instead of the finance minister in any conflict because the committees would attract members who sought to provide spending for their respective constituencies.Although committee members in "Westminster" parliaments often appear to be nothing more than a random sampling of the legislature more generally (Mattson and Strøm 1995), this would presumably change if the committees had any real power. MPs who represent districts with large defense subcontractors would flock to the defense committee, while MPs from rural districts would fight spots on the agriculture committee. The median voter of a given committee, who would be a member of the majority party, would therefore have preferences that are closer to the preferences of the given spending minister. For delegation to function well, parliamentary committees should not be able either to make significant change on their own which would contravene the decision made at the cabinet level. This means that they should have weak distributive power. These committees should also not provide enough information that can potentially undercut the finance minister. Such information, especially if it is selected to benefit a given constituency for which a given spending minister is responsible, can only help the case of a given spending minister against the finance minister.

Two examples help illustrate the points about the ability to make budget decisions in committees and to provide selective information respectively. In the United States, the Director of the Office of Management and Budget, David Stockman, attempted to play the role of the "fiscal entrepreneur" in 1981. Along with Secretary of the Treasury James Baker and a few other senior cabinet members, Stockman negotiated budgets for each department on an individual basis and made deep cuts in many cases. When the cuts got to the respective congressional committees, however, they were invariably added back to the budget (Greider 1981: 33). In parliamentary democracies such changes to the budget may lead to a fall of the government or, at a minimum, to a vote of confidence (Huber 1996), but more generally this example indicates the ability of spending ministers under any system to use allies in the legislature to win battles in the cabinet in cases where the committees have some bill-writing power.

Ireland is a parliamentary democracy that is instructive about the desires of governments to reduce even the information collection abilities of committees. Parliamentary committees in the country were traditionally created anew after each election, and they were considered to be quite weak. Even when there was an effort to strengthen them in 1983, the Minister responsible for the reform, John Breton, argued successfully that committees should not match completely the responsibilities of a given government ministry because they would then have the ability to argue for more resources for "their" departments (Gallagher 1992, 125). As will be discussed in greater detail later in the paper, a match between committee responsibility and a given department does increase the ability of committees to collect information on the government. One reason for this reluctance to grant committees greater powers is the expectation that parties may govern alone in the future. Fianna Fail in particular has usually refused to enter into coalition governments and has enjoyed the privilege of leading a one party government for over 25 years after World War II. In a reference to the role of committees in the Dail in 1983, the Fianna Fail leader Charles Haughey asserted his party's position that "the running of the country... is a matter of clear hard decisions by the Government." (Gallagher 1992, 127.) In recent years both Fine Gael and Fianna Fail have had to establish coalition governments to gain power, and in 1993 there were efforts again to strengthen committees (Gallagher, Laver, and Mair 1995, 45). The implications of a norm of coalition government instead of the one-party government are discussed below. Yet one should not forget the essential point--even for one-party governments who seek to reduce the size of their budgets and their budget deficits, parliamentary committees should have no ability to rewrite government-sponsored legislation and they should have only a limited capacity to collect information.

4. Multi-Party Majority Governments

a. Cabinet Negotiations

In a multi-party cabinets the situation becomes more complex.[12] In comparison to one-party governments the prime minister has less power. The distribution of portfolios is, as far as the sitting prime minister is concerned, exogenously given, since coalition negotiations determine which parties get which ministries, and a prime minister cannot easily dismiss intransigent spending ministers. This power relationship takes away an important tool finance ministers can use to punish defecting ministers. While possible punishments could in theory be negotiated as part of the coalition agreement, in fact the punishment may be difficult to enforce, especially on ministers who are not of the same party as the finance minister. In the model given above, C may approach zero for the spending minister who is from a different political party, and his incentive to defect will accordingly increase.

Unlike in the one-party government case, the spending ministers themselves also have little interest in supporting a strong finance minister because they have reason to doubt that their "agent" will faithfully represent their collective interest instead of the private interests of his own party. The following game tree illustrates the changed payoff structure.

[Figure 2 About Here]

Assume in this case that the finance minister belongs to spending minister 2's party. He will always impose the cost C on spending minister 1 if he detects that the minister chooses a high budget, while he will impose a cost on spending minister 2 only a certain amount of time, denoted as p. Since the payoff structure for spending minister 1 is identical to the one-party case, he will always cooperate. For spending minister 2, he will cooperate only when $B_{H2}<B_{L2}+D_A+pC$, or when $C>(B_{H2}-B_{L2}-D_A)/p$. We know by equation 2 that the spending minister will always defect if no cost is imposed. In such a situation a finance minister may wish to pre-commit to a high cost, such as the loss of a given minister's position if he defects, in order to convince the other parties in the coalition that he can force his party's spending ministers to cooperate.

Yet this strategy is not convincing, since the other parties will not know the true value of p. A finance minister can simply choose to use most of his resources to monitor spending minister 1 instead of spending minister 2, in which case p becomes the likelihood that a finance minister catches a given spending minister defecting. In such a situation, p will approach one for spending minister 1 and approach zero for spending minister 2. The anticipated outcome is that spending minister 1 cooperates and spending minister 2 defects. Since the relevant parties must agree to play the game in the first place, spending minister 1's likely response is to refuse to accept the structure of the game in the coalition agreement in the first place.

Going back to the role of the finance minister, there are two reasons why the finance minister is not a trustworthy partner, and those reasons deserve further attention. First, as long as the parties expect to compete with each other in future elections the finance minister has an incentive to "defect" in his role in the game presented above in order to enhance the chances of success of his party relative to his rivals. In some countries with coalition governments this condition with not necessarily hold. In Germany the coalition partners almost always support each other in upcoming elections.[13] Delegation to a strong finance minister could therefore be possible in such countries. During most of the post-war period in Ireland Fine Gael similarly could expect to enter government only with support of the Labour Party. Yet in general when the parties expect to run against each other, such as in the Netherlands, delegation to a strong finance minister represents a threat to the other coalition partners.

A second important factor is that the coalition partners will usually have different spending priorities. Recall that, in Equations (8) and (9), it was assumed that the ministers possessed the same ideal budgets, represented by x_i^*. How do the equations change if one assumes that the ministers have different x_i^*? At first glance the change may appear rather benign, but if one assumes that parties actively seek portfolios that benefit their constituencies and that they believe that spending should naturally be higher for those ministries, it becomes clear that spending levels will be much higher if the ministers can determine the level of spending on their own. With regard to the finance minister, it is also not clear what "optimal" level of spending he should safeguard.

One solution is for the different actors to commit to *fiscal contracts* in the form of negotiated spending targets for each of the ministries. Collective decisionmaking is the rule, since all parties must agree with the fiscal contracts, with the important constraint that the budget figures must sum to a pre-set limit. If the parties negotiate such targets before the formal creation of the budget, ministers are forced to consider the entire budget, not just the spending request of their own particular ministry. Fiscal contracts therefore confront the ministers with the collective implications of their actions.

A potential problem with this approach is that one still cannot predict what the negotiated *ideal* budgets look like, since the parties have different x^*_{i}.; that is, if a social democratic party prefers higher spending in the labor ministry and a green party higher spending in the environment ministry, one cannot state *a priori* which ideal budgets figure in the joint utility equation. There are, however, two likely possibilities. First, assume that the party which is awarded a given ministry also has its ideal budget figured into the joint utility equation. The Nash bargaining solution for the budget in the two minister game then takes the form

$$B_T = \frac{2\lambda + \alpha \sum_{i=1}^{n} x_i^*}{\alpha + 2m} \qquad (10)$$

This result resembles Equation (8), but the denominator is larger because the negotiating process eliminates the spending bias from the common pool problem. Since λ remains in the equation, however, this budget does not prevent ministers who prefer higher spending for its own sake from receiving more funds.

Next consider a situation where some sort of compromise emerges on which ideal budget to consider for each ministry, which I designate as x^*_{ci}., and this figure replaces x^*_i. in equation (10). To the extent that parties gain portfolios in ministries in which they would like to see higher spending, $x^*_{ci} < x^*_i$.. The individual budgets which spending minister 1 receives in a two player game takes the form

$$b_{c1} = \frac{\lambda + \alpha x^*_{c1} - m x_2}{\alpha + m}, \qquad (11)$$

but the budget she would like to receive is given in equation (2), which is

$$b_{s1} = \frac{\lambda + \alpha x^*_1 - m_1 x_2}{\alpha + m_1} \qquad (12)$$

Like under one party majority governments, the players are faced with a collective action problem. In this case, however, the monitoring and punishment functions are not needed to determine and implement the true costs of a given public good, but rather to enforce the negotiated fiscal contracts.

b. The Role of Parliamentary Committees

For commitment to fiscal contracts to be effective, some sort of mechanism is needed to monitor the actions of ministers and to punish those who overstep their targets. This paper is concerned primarily with parliamentary committees, and possible punishment mechanisms, such as the end of the coalition, are discussed elsewhere (Hallerberg and von

Hagen 1997). With regard to the monitoring function, even weak finance ministers can act as a source of information. The coalition partners presumably want other monitoring devices as well.

Parliamentary committees can serve as essential institutions that the coalition partners can use to monitor each other. If the committees are to be effective, they must have the ability to collect information both on the true costs of a given government-provided good as well as the actions of a spending minister. Several institutional mechanisms that are expected from the information perspective should also be present. Committees should be stocked with low-cost specialists, such as tax lawyers on a finance committee, who come to parliament already with some knowledge about a given field. Consistent with Krehbiel (1991), the members should also not be all "high demanders" in a given policy dimension, such as agriculture, because they are expected to monitor accurately a minister's actions for one's party. Any institutional device that allows greater specialization for all committee members should be encouraged because it will increase the accuracy of the information conveyed to the party leadership. It is therefore expected that, in countries where negotiated budget agreements are the norm, the following institutional characteristics should be present within parliamentary committees. First, committee jurisdictions should match the responsibilities of the different ministries. This construction allows committee members to specialize in a given issue area and to monitor consistently the ministry where their specialized knowledge is most helpful. Conversely, if the same committee is expected to monitor widely differing ministries, the committee members' knowledge base will be much less specific. In the extreme case where committees are created anew after each election with new members and even new jurisdictions, such as was the case in Ireland before 1993, committee members will have, all else equal, weaker knowledge of their ministries' fields and what that ministry has done in the past. A second important institutional device is the requirement that the Chairperson of the committee come from a different party than the minister. This requirement guarantees to the coalition partners that the agenda for the committee will include legitimate investigations of a minister's actions. This procedure is, for example, practiced in the Netherlands. Of course, if the parties do not negotiate fiscal contracts and instead receive in the coalition agreement more or less complete sovereignty over their respective portfolios, the monitoring function will be less important and perhaps even discouraged.

Before moving on, it should be pointed out that the type of information committees collect under parliamentary systems differs from what the information perspective assumes for the United States Congress. The goal is not to delegate information collection to committees so that they can inform the legislature at large, as Krehbiel (1991) and others assume. Rather, parties need committees so that they can monitor the actions of their coalition partners. Information that the opposition could use to embarrass the coalition at large will obviously be discouraged. . One can speculate that closed meetings that discourage possibly negative press coverage may be common in such countries. More generally, there is little incentive to educate the opposition about governmental policy because everyone knows who is in the opposition and the government, and they positions generally do not change. In the US, majorities can change from vote to vote and issue to issue, and there is greater incentive in such cases to educate everyone

In contrast to the information function, real "power" to initiate bills should not exist in coalition governments. Unlike in presidential systems where distributional deals may be common in the legislature, in coalition governments (and probably in parliamentary systems generally) one would expect these deals to be made at the cabinet level when the portfolios are distributed. If pork barrel projects exist, the guarantees to the potential gains of trade are likely made when parties receive their ministerial "fiefdoms[14]." In states where the partners negotiate fiscal contracts, committee legislative power can present a strong temptation to a party to change the budgetary agreement.

6. Evidence

The implications of the budgeting model can be compared with both the distributive and information perspectives. One would expect that information collection is important only in states where fiscal contracts are the norm. Evidence in support of the distributional function, however, should be weak in all parliamentary systems discussed here. In both one-party and multi-party situations the government wants important decisions to be made in the cabinet, and, so long as party discipline is tight and seats on committees are distributed proportionately, the coalition will always have a majority of the seats on a given committee.

Table 2 provides a comparison of four informational attributes of parliamentary committees in current European Union states. The data for the committees comes from Mattson and Strøm (1995), and it is based on the state of parliamentary committees in 1990. Table 2 also examines the budgetary institutions the states used in 1990 and the frequency of one-party governments. The first column of data indicates whether or not a committee's area of responsibility corresponds with a government ministry. If this correspondence exists, a committee will presumably have a greater capacity to monitor that ministry. The second category is the appointment process for the chairperson of the committee. If the chairs are distributed proportionally, it is likely that the chair will come from a different party than the respective minister, and it will be harder for the minister to conceal her actions. The last two categories measure a committee's ability to compel either witnesses or documents from the government.

This data can only be suggestive; it does not prioritize which attributes are the most important, nor are there enough cases to indicate statistical significance. With these qualifications in mind, it is clear that, as expected, the five states that used fiscal contracts had a higher average number of these institutions at 2.6, while the non-fiscal contract states had an average of just 1.7. Just as interesting, there are clear differences between states where delegation is expected to be most effective and where fiscal contracts are expected to

With regard to the capacity to control the agenda and guarantee the passage of legislation on their own, European parliamentary systems have weaker committees than those found in the American Congress. If one examines the ability of committees to make some changes to government-sponsored bills in the form of consolidation or rewriting, there appears to be little variation. In all countries the committees have some power to affect government-sponsored legislation. While this result may contradict the predictions made above, it overemphasizes the amount of power the committees have. As Mattson and Strøm indicate, "apart from in Italy, [decisional power] is not a dominant legislative pattern in any of the parliaments under study. Instead, committees are mainly restricted to an advisory role (286)." Indeed, to use Nelson Polsby's terminology, European legislatures as a whole tend to be "arena" legislatures, bodies where ideas are debated but not where most policy is made. Decisions of importance are usually made elsewhere, either in the cabinet or in more informal settings. In contrast, the American formal theory debate is based primarily on one "transformative" legislature, the American Congress, which can initiate legislation on its own and transform executive-conceived legislation into sometimes radically different bills (Polsby 1975).

[Table 3 About Here]

6. Conclusion

This paper presents an argument for why committee structures and responsibilities differ across European parliaments. It considers the function of parliamentary committees under two different institutional solutions to the common pool resource problem at the cabinet level found in Europe and elsewhere, delegation to a strong finance minister and commitment to fiscal contracts. Delegation is possible when one party forms a majority government or in the less likely case when parties in a coalition government expect to support each other in the next election and have spending priorities that are close to each other. Under most coalition governments, the appropriate institutional solution to the common pool resource problem consists of fiscal contracts for each spending minister.

If these cabinet-level institutions are to function properly, committees should be constructed in the following fashion. In multi-party governments, committees should have the ability to provide information to the coalition partners. In one-party governments, however, committees should be weak, both in their ability to guarantee gains from trade and in their information-gathering capacity. It should be emphasized that this line of reasoning, as well as the evidence, does not constitute a functional argument; that is, the presence or absence of a given budgetary institution does not translate effortlessly into a committee change. In fact, this paper does not even establish an unambiguous direction of causality. It may be that fiscal contracts are able to thrive in some countries and not in others precisely because committees can provide coalition partners with the information that they need. Conversely, a given institution may be ineffective because of the structure of parliament--von Hagen (1992) indicates that countries which allow unlimited amendments to budget bills are more likely to have higher budget deficits.

Regardless of the direction of the causality, however, it is clear that the construction of committees can have an important impact on the success of budgetary institutions in solving the common pool resource problem. This lesson is especially relevant in "Euroland," where states are expected to keep their annual budget deficits below 3% of GDP. The two institutional solutions mentioned above, delegation a strong finance minister and fiscal contracts, have been demonstrated to help keep budget deficits down (Hallerberg and von Hagen 1999). These institutions, if enacted, will have a greater chance of success if they are accompanied with changes to parliamentary committees. Institutional changes in Ireland may prove to be an example for other countries with debt problems. In 1986 the Irish yearly debt as a percent of GDP was 10.7%, its total debt a staggering 116% of GNP (Brookes 1995). In 1988 the country began to use fiscal contracts under the Fianna Fail minority government, and these have been continued under the other coalition governments that followed. While the institution change within parliament came a few years later, in 1993, a major reform of the committee system gave committees greater scope in monitoring the government, providing the coalition partners with the means to check each other. These changes appear to have had an impact on the budget deficit. In 1997 Ireland had a general government surplus of 0.9%, and, from the time of the committee reforms in 1993 to 1997, the country reduced its debt-to-GDP ratio an astounding 30 percentage points, from 96.3% to 66.3% (European Monetary Institute 1998). If other countries are considering an attempt to go down the Irish path, they should think seriously about making reforms to their committee structures that correspond with the introduction and use of one of the budget institutions.

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Figure 1: The Budget Game in a One-Party Government with Delegation to a Strong Finance Minister

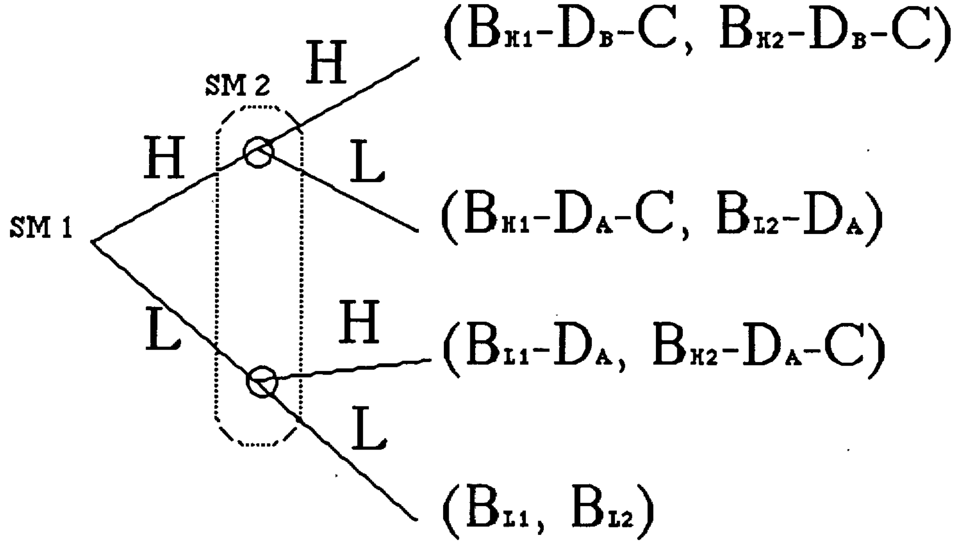

Figure 2: Extensive Game in a Multi-Party Government with a Finance Minister Acting as a Fiscal Entrepreneur

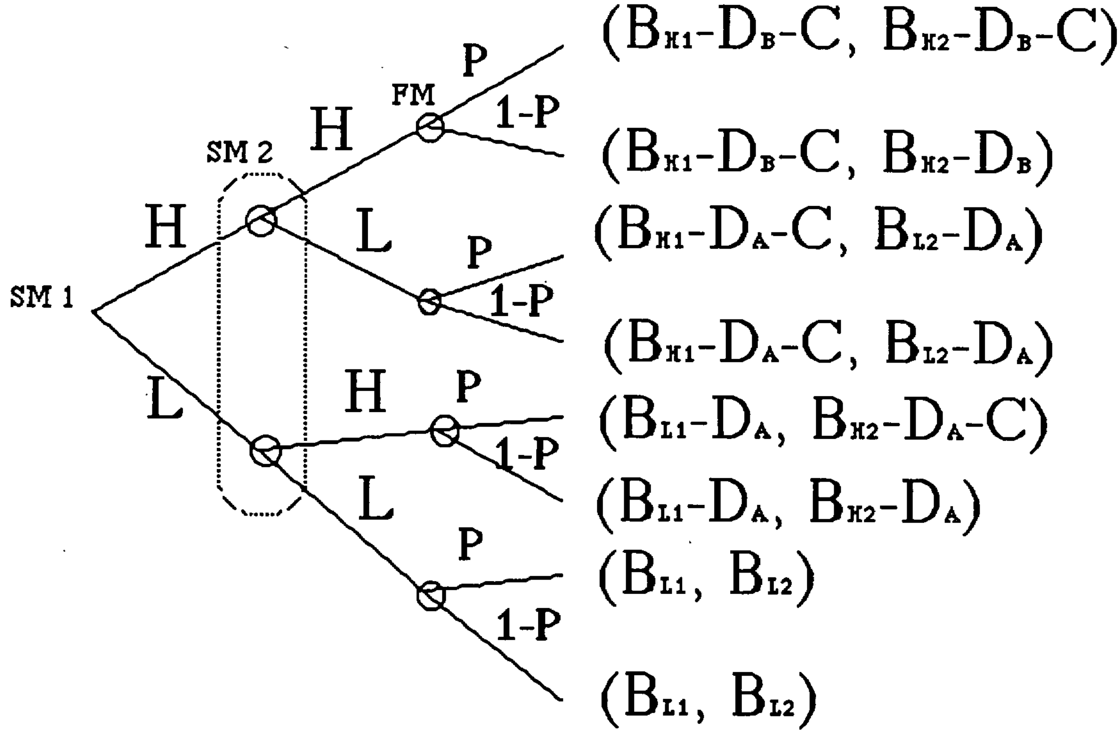

Table 1: Comparison of Payoffs to a Spending Minister

	Low Budget	High Budget
Low Budget	B_{L1}, B_{L2}	B_{L1}-D_A, B_{H2}-D_A
High Budget	B_{H1}-D_A, B_{L2}-D_A	B_{H1}-D_B, B_{H2}-D_B

Table 2: Comparison of Committee Monitoring Power, Budgetary Institutions, and the Presence of One-Party Majority Governments, 1990

State	*Ministry Corres-pondence*	*Chair Proportional*	*Compel Witnesses*	*Demand Docs*	*Total*	*Type of Budgetary Institution*	*Percentage of Time One-Party Government, 1980-1990*
One Party/Multi-Party Govts Where Delegation Expected							
France (Fifth Republic)	0	0	1	1	2	Delegation	0
Germany	1	1	0	0	2	Delegation	0
Greece	0	0	0	0	0	Not Used	92
Ireland*	0	0	0	0	0	Not Used	14
U. K.	0	0	0	0	0	Delegation	100
Average	.2	.2	.2	.2	.8		41.2
Multi-Party Govts Where Fiscal Contracts Expected							
Austria	1	0	1	1	3	Fiscal Contracts	33
Belgium	1	1	0	0	2	Not Used	0
Denmark	1	1	1	0	3	Fiscal Contracts	0
Finland	0	1	0	1	2	Fiscal Contracts	0
Italy	1	0	0	0	1	Not Used	0
Luxembourg	1	1	0	1	3	Fiscal Contracts	0
Netherlands	1	1	0	0	2	Fiscal Contracts	0
Portugal	1	1	1	0	3	Not Used	0
Spain**	1	1	1	1	4	Not Used	74
Sweden	1	1	0	1	3	Not Used	0
Average	0.9	0.8	0.4	0.5	2.6		10.7

- Ireland traditionally had one-party governments, but coalition governments became the norm in the middle 1980's. It is placed in the one party category because such governments had been the rule. This change in the likelihood of multi-party coalitions may have led to a corresponding strengthening the Irish parliamentary committees' capabilities in 1993.

** Spanish Committees were established under a coalition government when they were formed after the end of a dictatorship, and the expectation is that they would be designed to benefit all groups. While the Socialists held a comfortable one-party majority 1982-1989, their majority slipped to one seat after the 1989 elections, and they were forced into a coalition government in 1993. To remain consistent with Hallerberg and von Hagen (1999) I classify Spain as a likely "fiscal contract" state.

The respective variable is coded as "1" if the answer is "yes" and "0" if it is "no." The one party majority figures are based on Woldendorp, Keman, and Budge for all countries but Greece, Portugal, and Spain. The committee data appears in Mattson and Strøm (1995), 261-64, 279-81, and 287-90. with "Ministry Correspondence" coded as "1" if there is exact or general correspondence. The data on the budgetary institutions as well as the expectation about whether delegation or fiscal contracts is more appropriate for a given country is from Hallerberg and von Hagen (1999).

Table 2: Comparison of the Power to Consolidate or Rewrite Bills, 1990

State	*Consolidate or Split*	*Rewrite Bills*	*Total*	*Type of Budgetary Institution*
Austria	1	1	2	Fiscal Contracts
Belgium	1	1	2	Not Used
Denmark	0	1	1	Fiscal Contracts
Finland	1	1	2	Fiscal Contracts
France (Fifth Republic)	0	1	1	Delegation
Germany	1	1	2	Delegation
Greece	1	0	1	Not Used
Ireland	0	1	1	Not Used
Italy	1	1	2	Not Used
Luxembourg	1	1	2	Fiscal Contracts
Netherlands	0	1	1	Fiscal Contracts
Portugal	1	1	2	Not Used
Spain	1	1	2	Not Used
Sweden	1	1	2	Not Used
U. K.	0	1	1	Delegation

The respective variable is coded as "1" if the answer is "yes" and "0" if it is "no." Source: Mattson and Strøm (1995), 287-291.

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[1] Excellent review articles that compare the two theories are Shepsle and Weingast 1994 and, concerning parliamentary committees in particular, Mattson and Strøm 1995.
[2] While this paper deals exclusively with parliamentary systems, a third prediction is implicit in this discussion as well. In both the one-party case and the multi-party case governments must in most cases resign if they lose the confidence of the parliament, and strong decision-making procedures should not be encouraged. In presidential systems, on the other hand, the president is not reliant on the legislature, and some committee independence is not an immediate threat to the very survival of the executive. A useful expansion of this paper in the future is to examine whether presidential systems are likely to have both strong law-making powers and information collection functions.
[3] A more nuanced model that includes more than one negotiating period appears in Hallerberg and von Hagen (1999).
[4] This utility equation is equivalent to one found in von Hagen and Harden (1995).
[5] This analysis presumes that the other players' spending levels remain equal in a given player's calculations.
[6] If there is a great disparity in the size of ministries, equations 1-3 will approximate equalities.
[7] Note that Hallerberg and von Hagen (1999) extends a similar model to more than one period.
[8] Equations (8) and (9) are variations of equations (4) and (2) given in von Hagen and Harden (1995).
[9] Note that, since the finance minister always imposes a cost if he detects B_{Hi}, he is not depicted in Figure 1. This game could therefore be displayed in strategic form as well, but an extensive form is chosen here to simplify the comparison with the multi-party case.
[10] The prime minister does not have unlimited freedom, since the formation of a cabinet under a one-party government involves intra-party negotiations and agreements. Yet the prime minister does generally have the power to decide which faction will acquire which portfolio, as well as who will represent that faction in cabinet.

[11] Lupia and McCubbins (1994) indicate that an agent will choose the principal's optimal policy if two conditions are met: the principal understands the implications of maintaining the current policy or accepting the agent's proposal, and the policy that is most favorable for the principal is the one that the agent proposes. Especially in cases where spending cuts are needed, the prime minister can clearly see the implications of continuing spending at current levels or accepting the finance minister's negotiated settlement, and both principal and agent alike have the same interest to reduce the budget deficit. With both conditions met, the finance minister makes the same proposal the prime minister would have had she had better information.

[12] This paper deals for simplicity's sake with just majority governments. Yet, in terms of the budget, minority governments of all types behave like multi-party majority governments because a government must always find at least one additional partner to pass any legislation. For a justification of this point of view see Hallerberg and von Hagen (1997).

[13] The most prominent exception is the 1969 election when the two members of the Grand Coalition, the Christian Democrats and the Social Democrats, actively campaigned against each other.

[14] The distribution of portfolios as fiefdoms is the basis of Laver and Shepsle's (1996) model.

[15] One could argue about the placement of Ireland and Spain in the different categories. Ireland traditionally had one-party governments, and, as the narration in the text indicates, Irish politicians thought of committees as necessarily weak bodies that could undermine such governments. 1990 is during a period of change for the country, when coalition governments were becoming the norm and when the country was using fiscal contracts. Spain, on the other hand, often had one party governments in the 1980's, but Spain is a recent democracy where committees were designed when coalitions seemed likely. If one deletes both states from the sample, the average for the potential delegation states is still different than the average for the potential contracts (1 vs. 2.4), although the spread narrows somewhat.