Bicameralism and Political Compromise in Representative Democracy

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7.1 Introduction

The bicameral legislature is a common democratic institution. About one-third of representative democracies in the world employ a bicameral legislative system; however, among developed democracies bicameralism is the dominant institutional form. In the United States, only one state (Nebraska) does not use a bicameral system. The institution of bicameralism is commonplace for several reasons. First, establishing a bicameral legislature with chambers of differing constituents has the effect of constraining transfers in fiscal policy, and may increase spending on public goods. When two chambers must agree on fiscal choices, the policies adopted will be beneficial to majorities in each chamber, which reduces the number of policies likely to survive the legislative process. In essence, adding a second legislative chamber has an impact similar to a supermajority voting rule in a unicameral legislature. Second, bicameral legislatures may increase policy stability and avoid excessive spending that may result from cycling.

In this chapter we discuss the history and origins of bicameralism as well as the theoretical reasons for its success as an institution. Recent empirical and theoretical insights regarding bicameralism tend to support the predictions made about the institution by early political economists. Section 7.2 reviews the theoretical literature on bicameralism, from the classical political economists to modern public choice. Section 7.3 examines the empirical evidence on the impact of bicameralism on fiscal policy. Section 7.4 summarizes the results and offers some concluding comments.
7.2 The History of Bicameral Theory

Classical Political Economy

Political economists in the early twenty-first century tend to favor bicameralism as a desirable legislative structure, although its roots as a virtuous institution are quite old. Many classical economists understood how unanimous agreement between differently composed protects minority interests. Montesquieu, in 1748, was the first individual to note how two chambers of conflicting interests could limit majority exploitation of minorities.

In a state there are always some people who are distinguished by birth, wealth, or honors; but if they were mixed among the people and if they only had one voice like the others, the common liberty would be their enslavement and they would have no interest in defending it, because most of the representations would be against them. Therefore, the advantages they have in the state, which will happen if they form a body that has the right to check the enterprise of the people, as the people have the right to check theirs.

Thus, legislative power will be entrusted both to the body of the nobles and to the body that will be chosen to represent the people, each of which will have assemblies and deliberations apart and have separate views and interests.

Separating the governing authority into two distinct electoral bodies gives minorities the ability and incentive to check majority tyranny, especially when interests have suspicions of each other. The architects of the US constitution were quite familiar with the work of Montesquieu and undoubtedly proposed a bicameral legislature as a solution to anticipated majority tyranny problems. Indeed, much debate over the US constitution focused on the composition of the Senate and the House of Representatives. Drawing on their past experience with a unicameral legislature under the Articles of the Confederation, the American framers feared assigning legislative power only to states or to the population as a whole would result in the tyranny of majority by small population states or large population states. The eventual compromise over constituent representation was deemed so important to the constitutional convention that it was dubbed the "Great Compromise."

Madison addressed the issue in the Federalist Papers. In Number 62 Madison states, "the improbability of sinister combinations will be in proportion to the dissimilarity of two bodies; it must be politic to distinguish them from each other by every circumstance which will con-
sist with due harmony in all proper measures." Again in Number 63 Madison states, "the danger [that representatives will betray the interests of the people] will be evidently greater where the whole legislative trust is lodged in the hands of one body of men, than where the concurrence of separate and dissimilar bodies is required in every public act." It is interesting to note the founders also had the results of a natural experiment among colonial legislatures. Although most colonies began operating with unicameral legislatures, all but two states (Pennsylvania and Georgia) had bicameral legislatures at time the US constitution was up for ratification. John Stuart Mill also noted the importance of constituent composition of bicameral outcomes. In On Representative Government he comments, "If there are two Chambers, they may be of similar, or dissimilar composition. If of similar, both will obey the same influences, and whatever has a majority in one of the Houses will be likely to have it in the other."

**Early Public Choice**

Following the lead of classical political economists, modern public choice scholars have found bicameral chambers to be an important democratic institution for familiar and new reasons. Tullock (1959) first noted that a second legislative chamber could dampen the inherent problem of tyranny of majority in democracy in a manner similar to increasing the voting rule toward unanimity, thereby approaching a Pareto optimum. Having to satisfy the legislative preferences of two differently composed chambers raises the decision-making costs of legislatures, thereby reducing majority exploitation of the minority. Continuing this analysis, Buchanan and Tullock (1962) devote an entire chapter of Calculus of Consent to separating the legislative branch into two chambers. They find the most important feature of a bicameral structure is the potential to vary constituent preferences between the chambers. The effects of bicameralism are continuous and range from fiscal policy decisions identical to unicameral chambers to chambers with no overlap in legislative preferences. They explain:

[U]nless the bases for representation are significantly different in the two houses, there would seem to be little excuse for the two house system....[I]f the basis (sic) of representation can be made significantly different in two houses; the institution of the bicameral legislature may prove to be an effective means of securing a substantial reduction in the expected external costs of collective action without incurring as much added decision-making costs as a more inclusive [supermajority] rule would involve in a single house.
In most cases the true outcome lies between the extremes, meaning that intermediate outcomes result from "the overlapping of the interest-group coalitions in each house." Buchanan and Tullock continue, "If the members of each house were elected from the same constituencies..., then the two houses would be identically constituted, and the situation, from our present standpoint, would not differ from a one house legislature." Curiously, contemporaries of Buchanan and Tullock largely ignored or accepted this analysis of bicameralism, since bicameralism received little scrutiny compared to other issues discussed in *Calculus of Consent*. In an early examination of legislatures Stigler (1976) also references the idea that constituent differences between chambers affects policy outcomes. He states "if upper houses were constituted on exactly the same basis of representation as lower houses, the former would provide only the checks on lower houses that come from sampling variability—which should be extremely small in such large samples." In *The Constitution of Liberty*, Hayek devotes a chapter to a discussion of the US constitution and the debate among the founders over its content. Specifically, he praises the use of bicameral chambers by the founders, citing Lord Acton's assertion that a second legislative chamber in the United States "has been found essential for security for freedom in every genuine democracy." In turn, Hayek seizes this idea for his own constitution.

**Modern Public Choice**

In their important book on bicameralism, Tsebelis and Money (1997) reiterate the argument that agreement between chambers will be less in chambers with differing preferences. "[T]he political dimension of bicameralism recognizes that different interests or preferences may be expressed in the two legislative bodies. Where preferences differ, conflict between the two houses arises over the legislative outcome." In sum, the general presumption echoed in all of these statements is that bicameralism serves a purposeful function in democracy only if the chambers are composed of constituent bases of support that differ from one another.

Though diverse interests can be represented in the same unicameral body, it does not have the same limiting effect on policy outcomes as separating interests into separate veto players. More formally, Persson, Roland, and Tabellini (1997) theoretically demonstrate that agreement between chambers is more difficult than agreement within a single
chamber because the separate chambers constitute a bilateral monopoly over legislative production. Trades among members of different chambers can occur only at the logrolling equilibriums of both chambers, and the bargaining problems inherent to bilateral monopoly hold. Because either chamber can veto the other, constituent homogeneity affects the extent of the bargaining difficulties. Inter-house trades are subject to intra-house preferences and chamber-specific institutions, making logrolling across chambers difficult. A legislator seeking support from fellow members within his or her own chamber can make trades to achieve the desired outcome. The equilibrium outcome in each house will result where the gains from logrolling are exhausted. However, the interaction between the chambers to reach an agreement alters this analysis. Any attempt by individual representatives to make deals across chambers would be unsuccessful because it disrupts their own chamber’s logrolling equilibrium. Such deviations from own-chamber equilibria would be vetoed by intra-house preferences, a result derived in several papers. For example, Diermeier and Myerson (1999) note “legislative chambers in a serial bicameral legislature are more like monopolistic producers of complementary goods than like duopolistic producers of a common good.” Though each chamber has its own preferences for policy, political returns are subject to the preferences of the other.

If the composition of chambers leads to differing equilibrium policy preferences, these differences can affect legislative outcomes. For example, similarity in the median legislators implies that the chambers will be more likely to agree on the level and composition of spending drawn from the common pool of government funds. Both chambers must agree on fiscal outcomes; thus bicameral chambers will be more likely to agree on which constituents to tax or subsidize as the constituencies across chambers become more similar. In other words, similarity between the two chambers facilitates inter-cameral agreements (Crain 1979).

As an extreme illustration, suppose the two chambers in a legislature consist of identical constituencies. In this case the policy preferences of the median legislator in each chamber will be identical; thus a 51 percent majority could tax the remaining 49 percent of the population to satisfy majority preferences. When the chambers’ constituencies are not identical, the preferences of the majorities in the two chambers diverge. Figure 7.1 shows the difference in constituency homogeneity in two bicameral legislatures using Venn diagrams. In both diagrams...
areas I and II represent the nonoverlapping constituencies of the majority coalitions in the separate chambers. Area III represents the overlap of majority coalitions in the chambers, and area IV represents the rest of the polity that is not represented in the majority coalitions of either chamber. In figure 7.2b the policy preference overlap of constituencies (III) is small compared to the overlap in figure 7.2a; that is, the constituent homogeneity across chambers in the former legislature is less than that in the latter. Additionally the greater the overlap, the larger is the nonrepresented tax base (IV), from which representatives can extract funds. For example, a 41 percent overlap in constituents means that the 10 percent of constituents needed to obtain intra-chamber majorities in the separate bodies will differ; therefore the maximum amount of wealth the bicameral legislature can transfer will be 20 percent less
than the amount extracted by a unicameral chamber or identical chambers. To obtain a 51 percent majority in either chamber, each overlapping constituency of 41 percent must attract another 10 percent of constituents to form a majority coalition. Because agreement must be reached for any legislation to pass the legislature, neither chamber can tax the full 49 percent of the minority. Otherwise, one chamber would veto the other. This reduces the total amount of redistributional resources in \( IV \) from 49 percent (if either chamber were the unicameral authority) to 29 percent of the polity.

Polities typically design bicameral chambers to represent different constituencies, and this creates differences in policy preferences between the chambers. Different geographic or demographic districts often compose the chambers. In many cases chambers employ differing electoral or appointment procedures to fill the seats. Different constituent preferences means that chambers will be less likely to agree on which groups to tax and subsidize in the legislative process, and power asymmetries affect the ability of each chamber to institute its own legislative preference. This constrains the level of constituent-specific spending below the amount each chamber would prefer individually.

A second reason bicameralism may improve legislative outcomes is stability. Riker (1992) argues the instability of democracy may induce current majorities to exploit their present position. As a result of rotating majorities, current majorities seek to offset predicted future transfer losses by passing inefficiently high levels of spending. A unicameral chamber with a supermajority rule offers a similar protection, except on single-dimensional issues that would always pass under a simple majority rule. Bicameral legislatures have the unique ability to narrow the choice set on multidimensional issues that will cycle to Condorcet winners, while not preventing stable single-dimensional policies from passing. Empirically, legislative stability ought to limit spending on redistributive issues without limiting spending on public goods.

7.3 Empirical Findings

Two empirical predictions arise from the analysis above. First, bicameral legislative chambers will engage in less “unproductive” transfer spending than unicameral chambers. The requirement of unanimity of the chambers is analogous to adopting a supermajority rule in a unicameral chamber. Second, fiscal policy decisions made across
bicameral chambers ought to vary with constituent homogeneity. As chamber preferences become more similar, constituents are more likely to agree on government consumption choices and thereby increasing the amount of government spending in certain areas. Two studies have examined these empirical predictions.

Bradbury and Crain (2001) use the "law of 1/n" to analyze the influence of bicameral chambers on fiscal policy. The law of 1/n, developed by Weingast, Shepsle, and Johnsen (1981), suggest that government spending is positively associated with the number of seats in a legislative chamber. The fiscal inefficiency of the law of 1/n results from the dispersion of the tax burden across many legislative districts. In the simplest form of the model, representatives allocate funds from a common tax base. Each representative district contributes an equal share to the tax base, and constituents demand district-specific spending where the benefits equal the costs. The benefits of a district-specific project are fully captured by the district. However, because the tax burden is evenly distributed across all districts, each district bears only a fraction of the cost of any parochial project equal to 1/n, where n is the number of representative districts. As the number of representative seats in the legislature increases the constituent-specific cost burden of any project declines, thereby lowering the marginal cost of any parochial project to the district. As the cost falls with increasing legislative districts the demand for publicly funded projects will increase. Driven by the demand for reelection and assuming the norm of universalism, where representatives support each other's specific projects, the logrolling process generates spending on parochial goods above the efficient level. In sum, constituents receive parochial goods at a price greater than they value those goods. Attempts to oppose unilaterally a parochial project in any given district will fail, because constituents will still have to pay for the parochial projects in other districts.

Theoretically, the law of 1/n applies to a unicameral legislature. Representatives must only logroll among the members of a single chamber to allocate these parochial goods. Adding a second chamber to the decision-making process can have an important effect. Two dissimilar groups of representatives in separate chambers must reach consensus for a fiscal policy goes into effect. As discussed above, differing electoral constituencies limits the area of agreement over which constituents to tax and subsidize. This suggests that spending in a bicameral structure will be less than the level that each chamber would prefer if it were the single chamber. As Perrson, Roland, and Tabellini (1997)
note, bargaining across chambers is much more costly than bargaining within chambers. Using a sample of bicameral and unicameral countries Bradbury and Crain (2001) examine the $1/n$ effect in both types of legislatures. The results indicate that bicameralism dampens the marginal impact of seats in bicameral chambers relative to unicameral chambers by up to one-third. This is important considering that the spending generated by the law of $1/n$ is undesirable.

Bradbury and Crain (2001) also note that the presence of a divided legislative body changes the outcome from the unicameral setting for a second reason: asymmetries in legislative power. If one chamber has more political power than the other, outcomes may be asymmetrically favorable to the stronger house. In this case the policy preference of one chamber is more relevant than that of the other chamber. The bias in power between chambers results from the proximity of a chamber's median preference to the status quo, or fallback position, as figure 7.2 illustrates. $U$ and $L$ represent the median logrolling outcomes for two chambers of a bicameral legislature. The model is one-dimensional, because, as Tsebelis and Money (1997) demonstrate, bicameralism reduces the locus of agreement in multidimensional policy space to a single dimension. $S^+$, $S^U$, and $S^L$ represent the reversion, or status quo policy position, if the chambers cannot reach agreement under symmetric power ($S^+$), asymmetric power that favors chamber $U$ ($S^U$), and asymmetric power that favors chamber $L$ ($S^L$). The solid ($L$) and dashed ($U$) curves are indifference curves, indicating an increase in utility as the status quo fallback position approaches the chamber's median. Given $S^U$, failure to reach an agreement means that the upper chamber ($U$) suffers less regret than the lower chamber ($L$); reversion to the status quo results in a smaller deviation from $U$'s preferred outcome than from $L$'s preferred outcome. This allows the upper chamber to best the lower chamber in inter-cameral negotiations, and the outcome moves closer to $U$ than $L$ on ray $UL$ in figure 7.2. The closer $S$ to the chamber median, the more power the chamber holds in inter-cameral negotiations.

As seen in this example, the location of the status quo policy position in relation to each chamber's preferred outcome determines the relative bargaining power of each chamber. If the fallback position is $S^L$, then the lower chamber has greater bargaining power than the upper chamber. Consistent bias toward one chamber is an exogenous function of institutional procedures or constitutional rules that bestow asymmetric power. In the absence of an institutional rule that grants
greater advantage to one chamber over another, the power bias should vary randomly over time, as determined by the constituency preferences of the two chambers. This implies that under repeated, multi-period inter-chamber bargaining, both chambers exert influence over the outcome in any single period. The chamber that has agenda-setting power in one period realizes that the other chamber will possess agenda setting power in a future period. In other words, absent any constitutional rule that yields agenda power, a cooperative strategy is appropriate in inter-chamber negotiations. Under such a situation the fallback position becomes $S^*$.

The institutional design of most national legislatures gives the greatest amount of power to the lower chamber (Tsebelis and Money 1997). Thus in the law of $1/n$ framework the marginal impact of a seat in the lower chamber should be greater than in the upper chamber. Consistent with this prediction Bradbury and Crain (2001) finds lower chambers to be more powerful than upper chambers in affecting $1/n$ spending.

In a second study Bradbury and Crain (2002) examine difference in fiscal policy choices across American state legislatures. Rather than viewing differences in fiscal policy choices between unicameral and bicameral legislatures, this study measures bicameralism as a measure of constituent homogeneity. That is, the similarity of constituent preferences between chambers facilitates agreement. As figure 7.1 demonstrates, increasing similarity among constituents across chambers will tend to facilitate agreements on redistributive policies, while dissimilar constituencies suppress such agreements. Using information about constituent preferences in each state the Bradbury and Crain (2002) study examines the effect of constituent differences between chambers on fiscal policy. States with less similar chamber preferences are de facto more “bicameral” than states that have more similar chamber preferences. This study uses chamber differences in the median representative in four demographic measures to proxy constituent differences: average household income, the percentage of households with incomes greater than $50,000, the percentage of households receiving social security benefits, and the percentage of constituents employed in the manufacturing sector. As the difference increases between the median representatives in the two chambers the preferences over fiscal policy will predictably increase. The results support the notion that more similar legislative chambers are more likely to prefer welfare spending and other fiscal policies that redistribute income than dis-
similar chambers. Additionally legislatures with dissimilar chambers are more willing to spend for public good-type programs, such as education and highways. This finding indicates that the constituent homogeneity aspect of bicameralism does appear to affect legislative outcomes in a predictable manner. Separating differing interests between chambers is likely to reduce transfer spending and narrow government spending choices to public goods that are beneficial to all interests in the polity.

It is also important to note that the results are consistent and not distinct from Riker's stability hypothesis. It may be that some of the measured effects on fiscal policy outcomes result from increased stability of legislative decisions. But this is largely irrelevant from a policy standpoint. Regardless of the reason separating chambers into diverse interests has a beneficial impact on fiscal policy choices. And it is not clear if the constituent homogeneity and legislative stability effects are unrelated. They are clearly intertwined, as greater constituent homogeneity ought to strengthen legislative stability by limiting possible opportunities for cycling and its harmful effects.

7.4 Conclusion

Classical political economists such as the American Founding Fathers embraced the institution of bicameralism based on a powerful intuition about its ability to protect minority interests. Modern scholars using rigorous theoretical models and empirical techniques support their intuitive analysis. Separating the legislative body into two distinct chambers acts to constrain elected representatives and help them compromise on fiscal policy in a manner that benefits the "general welfare" of constituents. Having two houses composed of differing interests provides a check on majority exploitation of minorities similar to supermajority voting rules. By adding a veto player to the legislative process, the potential for redistributive policies falls. With the reduction of redistributive opportunities, legislators are then more likely to concentrate on the production of efficient public goods as opposed to transfers. Additionally bicameral legislatures offer stability in policy choices. As Riker (1992) postulates, democratic instability can lead to increased demand for transfers; hence adding a second legislative chamber enhances policy stability and, in turn, reduces the demand for transfers. While current studies have not distinguished clearly between the constituent homogeneity and the legislative stability effects
of bicameralism, these studies have verified the predicted outcome of reduced transfer spending that is consistent with both theories.

Notes


2. Also see Brennan and Hamlin (1992), Cox and McKelvey (1984), Hammond and Miller (1987), and Tsebelis and Rasch (1995).

3. Some of the difficulties of getting agreement between two chambers is circumvented by the introduction of conference committees that have been given agenda control powers (up or down votes on conference reports). This issue is raised by Shepsle and Weingast (1989).

4. For an empirical examination legislators elected through proportional representation, see Bradbury (2000).

5. See the discussion in Alesina and Tabellini (1990).


7. Here "median" refers to the preference of the median legislator within a chamber, which is not to be confused with the preference on the median voter in the polity. Granted the existence of the law of 1/11 and the existence of parochial logrolling, the median legislator will support an inefficiently high level of spending.

References


