ELITE INTERACTION AND CONSTITUTION BUILDING IN CONSOCIATIONAL DEMOCRACIES

George Tsebelis*

ABSTRACT

This paper uses game theory to provide a common framework to address three questions: (a) Under what conditions is it possible for political elites in segmented societies to pursue accommodating strategies? (b) If elites choose such strategies over long periods of time, why do their followers continue to vote for them? (c) How can political institutions promote accommodating behavior?

The essence of the argument is that political elites perceive the political situation as a game of chicken, while the masses may see it as a prisoners' dilemma or deadlock. When elites take into account electoral considerations, a weighting scheme determines the nature of the composite game. This game need not be symmetric with respect to the ranking of payoffs of the different players. The framework explains not only the major independent variable of the consociational democracies literature concerning the accommodating behavior of elites, it explains one of the major criticisms against this literature as well: the phenomenon of elite-intitiated conflict. The same game theoretic framework is used to explain how Belgian institutions work.

KEY WORDS • Belgian consociationalism • game theory • political institutions • formal theory

The interaction between elites and masses in political decision-making is an important subject of democratic theory. The crucial questions concern the importance of mass participation in the decision-making process and its consequences. On these questions, the literature is divided.

For elite theorists, ‘horizontal communication among the elite rather than vertical communication between the elite and the non-elite is the primary mode of making the decisions’ (Prewitt and Stone, 1973: 152). As Mosca (1939: 156) put it, it is impossible for the masses ‘to exercise their right of option and control in any real or effective way’; while for Michels (1949: 166–9), the ruling elite is a ‘closed caste’ that dominates society.

For the pluralist school (Bentley, 1908; Dahl, 1956; Truman, 1951;

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Lindblom, 1977), alternatively, elite competition for popular support defines democracy. In order to be elected, political leaders must fulfill the real or anticipated wishes of the electorate (Sartori, 1978: 72–80). Competition among elites for public office makes their decisions responsive to the aspirations of the masses (Schumpeter, 1947). The clearest demonstrations of this proposition are the so-called ‘Downsian’ models of party competition, in which the tastes of the electorate are considered fixed and the political parties try to adopt the position that maximizes their share of the vote.

A complete description of democratic decision-making processes must take into account both the horizontal channels of influence among the different elites and the vertical channels between the elites and the masses they represent. This article incorporates both the vertical and the horizontal channels of influence, presenting a general model of elite decision-making in contexts in which the masses impose significant constraints on their representatives.

The article constructs a common framework to address three questions:

(a) Under what conditions is it possible for political elites in segmented societies to pursue accommodating strategies, that is, strategies aiming to settle divisive issues when only a minimal consensus exists?¹

(b) If elites choose such strategies over long periods of time, why do their segmented followers continue to vote for them?

(c) How can political institutions promote accommodating strategies?

The particular concerns of this article are patterns of conflict, accommodation, and institution building in consociational democracies. The arguments are theoretical, that is, conditional statements independent of particular temporal or spatial specifications. For reasons of expository simplicity, I will use examples from one particular country – Belgium – which presents the advantage of undergoing constant institutional remodelling.

The underlying assumption is that political elites participate in games in two different arenas: the parliamentary and the electoral. Each move they make has consequences in both arenas.² More precisely, political elites engage in a parliamentary game that is embedded or nested inside an electoral game.

Section I of the article describes the Belgian case according to the consociational literature. However, considering elites either as independent, as the consociational literature does, or as simple representatives of the masses, provides a poor description of the interaction between elites

¹ For the definition of accommodation, see Lijphart (1969: 104), and this paper, below.
² This idea is not new. Similar conceptualizations can be found in Machiavelli and Ostrogorski. More recent and relevant cases can be found in the work of Fenno (1978), Fiorina (1974) and Denzau, Riker and Shepsle (1985), as well as in all of the ‘restrospective voting’ literature (Key, 1966; Fiorina, 1981; Kiewiet, 1983).
as well as of the interaction between elites and masses, that is, between the parliamentary and the electoral arena. In particular, according to the literature on consociational democracies, elites are better off if they behave in an accommodating way. In consequence, the literature is not able to explain the phenomenon of elite-initiated conflict. To account for this behavior, Section II introduces a game theoretic framework in which the divergent interests and evaluations of the political situation by elites and masses generate a game in multiple arenas, the parliamentary arena is connected to the electoral arena and the situation in the electoral arena affects the payoffs of elites in the parliamentary arena. Section III applies the framework to cases of decision-making and institution-building in Belgium. In the conclusion I discuss the advantages of this framework and its further applications.

Section I: ‘Accommodation’ and Sophisticated Voting

When a political actor is confronted with a series of decisions presented sequentially, he can consider each either as an isolated event (an object of choice per se) or as part of a sequence of choices (an intermediate step toward a final outcome). In the first case, he chooses his most preferred alternative. This way of voting is called sincere voting. In the second case, he understands that the immediate question is immaterial; what matters is the choice of a path to arrive at the final outcome.3 This way of voting is called sophisticated voting. I will explore the insights generated by sophisticated voting and apply them to the study of consociational democracies.

The main theme of the literature on consociational democracies is the coexistence of ‘sharp plural divisions and close elite co-operation’ (Lijphart, 1977: 2). As Lijphart puts it:

Dutch politics is a politics of accommodation. That is the secret of its success. The term accommodation is here used in the sense of settlement of divisive issues and conflicts where only a minimal consensus exists . . . A key element of this conception is the lack of a comprehensive political consensus, but not a complete absence of consensus . . . The second key requirement is that the leaders of the self-contained blocs must be particularly convinced of the desirability of preserving the system. And they must be willing and capable of bridging the gaps between the mutually isolated blocs and of resolving serious disputes in a largely nonconsensual context (Lijphart, 1968: 104–5).

If I understand Lijphart correctly, the mutually isolated blocs in the population (catholics, liberals, socialists) would like an intransigent position to be adopted by their representatives. However, the leaders under-

3. For a more formal definition of sophisticated voting applied to the US House of Representatives, see Denzau, Riker and Shepsle (1985). See also Farquharson (1969) and Gibbard (1973).
stand that the whole system would eventually be destroyed if everyone remained steadfast. Therefore, they vote in a sophisticated way, taking not only the actual question into account, but also the long-term consequences of their repeated non-accommodating voting.

Lijphart seems to suggest that political elites have genuine concern for the political system. But this motive for accommodating behavior is not the only one possible. In another article, Lijphart discusses ‘government by an elite cartel’ (in McRae, 1974: 70–89), which suggests more self-interested behavior on the part of political elites. It is also possible that external threats or constraints explain such accommodating behavior. Cameron (1978) argues that it is more likely that partisan disputes will cease in the presence of an internationally competitive environment and an open economy. Katzenstein (1985) asserts that small countries (including those of the consociational type) do better in the international economy and improve their economic performance because they opt for a stable political environment. Another explanation stresses that elites practice accommodating behavior because they have longer time horizons than the masses (Axelrod, 1984).

Although these explanations present different (but not mutually exclusive) motivations, they all account for the accommodating behavior of elites by invoking a higher order interest than the voters’ demands. The common denominator among these explanations of consociationalism is that political actors vote against their immediate interests in order to secure more important interests in the long term, that is, they use sophisticated voting. Such a conflict between long- and short-term interests is not uncommon. In fact, it has been argued that the choice of long-term instead of short-term interests is the most important characteristic of human behavior (see Elster, 1983; Shubik, 1982: 63).

This account of consociationalism presents a series of problems. The first is that it focuses on elites and ignores the followers. Is accommodation an acceptable strategy for the followers? If so, why don’t they change their positions? If not, why don’t they replace their leaders? Short-term discrepancies between elite behavior and mass aspirations are not infrequent. After all, most governments have to make unpopular decisions upon occasion. However, such discrepancies cannot exist for a long period of time, especially if issues are considered important. Elites have to explain their behavior and persuade the masses or they will be replaced by more competitive rivals. 4

The second problem is that although consociationalism and sophisticated voting can account for elite accommodation, they focus on elite decisions and leave out intra-elite strategy. This omission of the strategic

4. This is one of the major criticisms of consociational theories. In fact, Keech (1972) and Barry (1975a, 1975b), among others, have argued that in several of these countries the followers do not seem as polarized as the consociational literature would expect.
aspect of elite behavior generates problems on both the theoretical and the empirical level. The theoretical problem is that the behavior of one elite is independent of that of other elites. It is always better for each elite to vote in a sophisticated way, at least from the point of view of policy-making and implementation. If accommodation is the outcome of sophisticated voting, then the optimal behavior for each elite is to accommodate regardless of what the other elites do. One can imagine cases, however, in which intransigence would be a better solution than accommodation, for example, if one knows that the opponent will adopt an accommodating strategy. Thus, accommodation cannot be the unconditionally best option for all elites.

The empirical problem with the sophisticated voting model and the consociational literature is that elites are never expected to initiate conflict on their own, although they may resort to it if forced by their followers. However, other literature suggests that such elite-initiated conflict does occasionally occur. For example, De Ridder et al. (1978: 101) argue that for all sources of division in the Belgian political system, ‘rather than the issues deriving from the cleavages, the cleavages are invoked or partially mobilized to generate support for an issue arising from other sources of political competition’ (see also Covell, 1981).

In the next section I present a model to address these problems and to provide a more adequate framework for the study of consociational democracies.

Section II: Nested Games – The Electoral and Parliamentary Arenas

According to the consociational literature, in consociational democracies society is organized in segments or pillars, followers are polarized while elites demonstrate accommodating behavior (see Lijphart, 1968, 1969, 1977; Steiner, 1974; Lehbruch, 1974; McRae, 1974; Lorwin, 1971). To capture this difference in preferences, I shall employ the following model. Each segment of this population and its representatives must choose between two different strategies: to compromise with the other parties (C) or to be intransigent (I). The choices available to elites and masses are the same, but their respective preference orderings for outcomes differ. Table 1 presents the differences between leaders and followers according to the ordering of outcomes. For simplicity, only two actors are considered.

The followers (who are polarized) prefer to be intransigent when the other players compromise. I call this payoff $T$ (for temptation). Followers

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5. In fact, sophisticated voting with binary choices implies elimination of dominated strategies (see Moulin, 1982: chapter 2), which means that each player has dominant strategies, that is, optimal options regardless of the choice of the opponent.
Table 1. Game Between Elites

<table>
<thead>
<tr>
<th>C(romise)</th>
<th>I(ntransigence)</th>
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<tr>
<td>R, R, S, T</td>
<td>P, P</td>
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\[
T, P, R, S : \text{Deadlock}  \\
T, R, P, S : \text{Prisoners' Dilemma}  \\
T, R, S, P : \text{Chicken}
\]

consider the converse situation (they compromise while everybody else is intransigent) the worst possible outcome. Call this payoff \( S \) (for sucker). The other two symmetric outcomes of mutual compromise (\( R \) for reward) or mutual intransigence (\( P \) for penalty) can be ordered in any way. If mutual intransigence is preferred, the game is deadlock (see Abrams, 1980). If mutual cooperation is preferred, the game is a prisoners’ dilemma.

For elites, the most preferred outcome (as for the followers) is to be intransigent when the opponent compromises. The second best outcome is mutual compromise. Finally, yielding to an intransigent opponent and avoiding conflict is preferred over mutual intransigence. This fear of the outcome of mutual intransigence is what distinguishes elite preference orderings from those of the masses. For elites, the game is chicken (see Table 1).

These simple games faithfully represent the behavior attributed to leaders and followers by the consociational literature. For the followers, a dominant strategy of intransigence exists. Regardless of whether the game is deadlock or prisoners’ dilemma, and regardless of the strategy pursued by the opponent, the followers’ dominant strategy is to avoid compromise. Leaders are afraid of the consequences of mutual intransigence and prefer mutual compromise. However, if one group demonstrates intransigence, the other will acquiesce.

How would elites interact in this situation? In particular, why would they take their followers’ preferences into account when they play with each other? The answer is that leaders can be replaced if they do not promote the policies their followers advocate. The mechanism of leader selection does not operate so much at the general electoral level as inside each segment or pillar of the society, where competitive elites can replace the leaders who do not conform to their followers’ expectations. Actual replacement of the leaders is not necessary in order to understand that the electoral constraint is operative (see Tsebelis, forthcoming; chapter 5).

The leaders must take into account the preferences of their followers because of the existence of the electoral arena. But their own preferences, defined in the parliamentary arena, hold mutual intransigence as the least preferred outcome. Inequalities (1), (2) and (3) present the order of preferences in the three possible games:
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Electoral arena  \[ T_e > P_e > R_e > S_e \] (Deadlock)  \hspace{1cm} (1)  
\[ T_e > R_e > P_e > S_e \] (Prisoners’ Dilemma)  \hspace{1cm} (2)  
Parliamentary arena  \[ T_p > R_p > S_p > P_p \] (Chicken)  \hspace{1cm} (3)  

The subscripts \( e \) and \( p \) stand for the electoral and parliamentary arena, respectively, and the subscript \( i \) refers to the parties or groups participating in the game.

There is an important difference between modelling elite behavior as the outcome of a game and considering it as a simple case of sophisticated voting. My decision to use game theory captures explicitly the phenomenon of interaction among elites. Although in sophisticated voting actors have dominant strategies, in my model the different opponents cannot take each other’s behavior for granted. They make their choices in an environment in which outcomes depend not only on their own strategies, but on others’ choices as well.

To make this difference in explanatory power clear, consider the game in the parliamentary arena. According to the sophisticated voting literature, each elite has an unambiguously best choice – to accommodate. According to the game theoretic representation, however, in the game of chicken (equation 3), the best choice of each player depends on the choice of the opponent (accommodate if the opponent is intransigent and be intransigent if he accommodates). Later in the article, I show that the case of elite-initiated conflict follows as a direct consequence of this modelling choice, but it cannot be explained by the sophisticated voting literature.

To understand how elites play this game in the electoral and the parliamentary arenas, consider the following two extreme cases: (a) the leaders play the game in the parliamentary arena, therefore they play chicken (described by inequality (3)); and (b) the leaders represent faithfully the aspirations of their followers, and play the game in the electoral arena, therefore they play deadlock (inequality (1)) or prisoners’ dilemma (inequality (2)). In reality, leaders are interested in both arenas. As a result, their actual payoffs will be a convex combination of the payoffs in the two arenas. I choose to use the linear combination, however, because of its simplicity. In algebraic terms:

\[ PO_i = kPO_{e_i} + (1-k)PO_{p_i} \] \hspace{1cm} (4)

where \( PO_i \) stands for the payoffs (\( T, R, S \) or \( P \)) of player \( i \), and \( k \) is in the \([0, 1]\) interval and indicates the weight of the electoral arena or the weight of the masses in the decisions of the leaders, while \((1-k)\) indicates the weight of the parliamentary arena. If the masses care a lot about an issue, then the value of \( k \) increases, and the margins of maneuver for elites decrease. In the new game, the players are political elites, and their payoffs are given by a linear combination of the payoffs of the parliamentary and the electoral arena.

Equation (4) can generate three different orders of payoffs for each
player. They are given by inequalities (1), (2) and (3). However, players need not weight the two arenas the same way (have the same value of \( k \)); therefore, they can rank their payoffs differently. Thus, there are nine (3×3) possible different nested games that can be played by two players. We will return to this observation when we discuss the case of elite-initiated conflict. This simple idea draws on and can clarify Sartori’s distinction between visible and invisible politics:

We are . . . referred to a third way of dividing the visible from the invisible part of politics, according to which the former corresponds to the words and promises destined for the mass media, while the latter corresponds to the deals and words for mouth-to-ear consumption (Sartori, 1976: 143).

If elites play only in the electoral arena, then the masses are influential in the decision-making process, and the game is a prisoners’ dilemma or deadlock. Dominant strategies exist, and choices are clear and unconditional. That is why visible politics – that is, politics designed to be watched (and approved) by the masses – has an ideological and polarized character, as Sartori claims. However, if elites play only in the parliamentary arena and can make decisions according to their own preferences, then the game is chicken. Their choices are contingent upon the opponent’s strategy: if the opponent is intransigent, one prefers to yield rather than confront. Politics becomes more pragmatic. The difference between visible and invisible politics is connected to the relative weight of the electoral and the parliamentary arenas, and both are reflected in the value of the parameter \( k \), which indicates the influence of the masses on the decision-making process.

How do elites weigh the parliamentary and the electoral arena? In other words, which variables influence the value of \( k \)? There are two crucial factors: information and monopoly of representation. I shall investigate the impact of both.

**Information**

We have to discriminate between two cases: whether the masses have information about what elites are doing and whether the masses know why elites behave the way they do. The second is conditional upon the first.

If the masses know, understand, and sympathize with the reasons for elite behavior, their own payoff matrix may be modified to resemble the elite’s matrix. The game becomes a game of chicken not only for the leaders, but also for the followers. If, however, the masses know what elites are doing while disagreeing with their policies, the degree of freedom that elites possess decreases at least to the extent that the masses control elite action. Finally, if information costs are high, elites will possess a substantial degree of freedom from mass control. Obviously, invisible politics will be easier when the issue is not publicly salient, when there is
another important matter attracting people’s attention, when the issue is so complicated that the public cannot understand it, or when it is shrouded in secrecy. Thus, the salience and visibility of issues limit the freedom of elites by increasing the value of $k$.

**Monopoly of Representation**

The relationship between the electorate and political elites can be conceptualized as competition between different elites for the representation of the electorate. In our model there may be no alternative choice for the masses because elites have monopoly control and the electorate is not able to reward or punish the elites. Stated differently, electoral competition is essential for democracy.

I will develop this point further because it is crucial to understanding the way consociational democracies function. Let us concentrate on one segment (pillar) of a consociational democracy. According to the consociational literature, these segments do not communicate with each other, and the exit barriers for each are high. Consider a one-dimensional policy space, such as that presented in Figure 1A. In addition, consider the two different elites competing along this dimension and the position of the median voter. Under the conditions specified by Downs (essentially, the impossibility of abstention), the two competing elites will converge toward the position of the median voter. This holds regardless of the distribution of opinions inside the pillar. Indeed, regardless of whether followers’ political opinions are unimodal or bimodal and regardless of the previously implemented policy (the status quo), electoral success inside the pillar implies convergence toward the position of the median voter. Therefore, competition between two elites is sufficient to drive them to the policy positions of the median follower.

Compare this competitive situation with Figure 1B, in which there is only one political elite. The masses either have to accept the new proposals of the elite or remain in the previous situation. Now the position of the status quo becomes crucial because this particular political elite is in a position to ‘blackmail’ its followers. The elite can propose anything in the $SQ$–$SQ’$ interval. Since the followers must choose between this proposition and the previous status quo, any proposition in the $SQ$–$SQ’$ interval will be accepted. It follows that in a monopoly situation the masses cannot impose their will. They have no choice but to accept a wide range of policies favored by the elite.

Factors that influence the availability of a rival elite are the salience of issues, costs for new elites to enter the electoral game (usually restrictions imposed by electoral law), and resources that the elite controls (the existence of strong organizations and endorsements by other monopolistic organizations, such as the church).

There is evidence (see Billiet, 1984; Huyse, 1984) that in Belgium, a
monopoly of representation was maintained on ideological grounds up to the 1960s, and on organizational grounds subsequently. Billiet (1984: 120) claims that ‘there is a Catholic predominance in education and welfare – the two sectors that have expanded enormously in the last thirty years’, and that ‘the pillar organizations are not only active as distribution channels, they are also involved in policy making and implementation’ (1984: 123). Huyse explains the process of secular adaptation of the different pillars by pointing out that the pillars developed new services (for the old and disabled) or occupied activities that originated outside them (legal-aid shops for lower classes). The elites are thus little constrained by the electoral arena, and they play chicken in the parliamentary arena.

Although the reasons for a monopoly of representation inside each pillar can be described for Belgian society, the theoretical problem of monopoly representation and entry deterrence have not yet been solved. Existing attempts in the spatial voting literature indicate that the goal of the potential entrants (whether they want to become the most important representatives of the pillar or to act simply as a blackmail group) is of crucial importance (for a literature review, see Shepsle and Cohen, 1988).
I do not claim to have adequately explained how a monopoly of representation can be achieved. The problem is crucial because an independent determination of $k$ is necessary to understand exactly how elites weight the two arenas and to perform systematic empirical tests of my model.\textsuperscript{6} Still, we have a sufficient foothold for an initial application of the model.

Having examined the factors that influence the value of $k$ (the influence of the masses in the decision-making process), one more important point requires attention before we apply the model to Belgian politics: whether the actors play a single-shot or an iterated game.

The most appropriate modeling simplification for how elites confront an important issue is a single-shot game. The reason is that for an important issue, the stakes are very high, so they cannot be traded off against other issues or promises about future behavior. In this case, the decisive factor in determining the choice of strategies is the ordering of payoffs, not their actual values. The games described in this section as well as the games generated by any combination of payoffs described by (1), (2) and (3) have thoroughly studied solutions in pure strategies. So, in the case of single-shot games, their well-studied solutions can be readily applied.

If, however, the issues are of minor importance, trade-offs across issues can be made. As a result, the situation is better approximated by an iterated game. In this case, the value of the payoffs will influence the choice of strategies in iterated games. Generally, an increase in $T$ or $P$ will make the choice of defection more likely, while an increase in $R$ or $S$ will make the choice of cooperation more likely, regardless of whether the constituent game is prisoners' dilemma or chicken (Tsebelis, forthcoming: chapter 3).

The relationship between payoffs and strategies indicates that we could predict (in a probabilistic way) the behavior of political elites if some evaluation could be made regarding the payoffs and the value of $k$ involved in each case. Or, less ambitiously and more realistically, some comparative statics statements could be made about what type of behavior would be more likely under what conditions.

To summarize the argument: political elites have differential capacities to engage in parliamentary games; their payoffs in the parliamentary arena are set by the electoral arena; information costs and monopoly of representation are crucial conditions that determine those payoffs; as information costs increase, the value of $k$ decreases; politics then becomes invisible, and the game between different elites resembles chicken; as monopoly of representation increases, elites are able to choose their own policies, ignoring the desires of their followers. Regardless of the value

\textsuperscript{6} Moreover, one could argue that information costs depend on whether a monopoly of representation exists. Vigorous competition among rival politicians will reduce information costs and ensure that the relevant information reaches the masses.
of $k$, the game between different elites can be single-shot or iterated according to the salience of the issue. If the game is single-shot, only the ranking of payoffs determines the optimal strategies. If the game is iterated, calculations over time or across issues are possible, rendering actual payoff values important. In the case of iterated games, the likelihood of cooperation increases when $R$ or $S$ increases while $T$ or $P$ decreases. These intuitions are now used to examine Belgian politics.

Section III: Studies in Belgian Politics

Today Belgium is a country with three linguistic groups (French, Dutch and German); the constitution recognizes two cultural communities (French and Flemish), and three geographic regions (Wallonia, Flanders and Bruxelles), which do not coincide with the cultural communities; there are three political families (catholics, liberals and socialists), which have created a dense network of social and economic organizations and institutions (see Borella, 1984).

The three political families represent the three ‘pillars’ of Belgian society, according to the consociational literature. This means that the three political parties are able to monopolize representation of the corresponding segments of the population. However, between 1958 and 1961 territorial divisions became important. The population in Flanders exceeded the French-speaking population and industrialization progressed rapidly in Flanders while Wallonia went into an economic crisis. From 1968 to 1978, the unity of the three Belgian political families was severely tested by the territorial question: in 1968, there was a schism between the Flemish and the French-speaking Christians (Social Christians’ Party (PSC) and Christian People’s Party (CVP)); in 1972, the liberals were divided (Liberal Reform Party (PRL) and Freedom and Progress Party (PVV)); in 1978 it was the turn of the socialists (PSB and BSP) (see Mabille, 1986: 328).

In this section the model generated in the previous section will be used in four different cases to explain Belgian politics: (1) to examine the case of elite-initiated conflict; (2) to examine the design of consociational institutions as an iterated game; and (3) to study a particular historical event (the Egmont Pact) as a single-shot game.

Elite-Initiated Conflict

According to the consociational literature, elites are willing to accommodate, for the common good or for any other reason. If conflict occurs, it is because accommodation was prevented by the masses. However, it is an account that has recently come under attack. Many political scientists now believe that political elites play important roles in creating conflict
and in mobilizing the masses for particularistic interests. An example of elite-initiated conflict is the mass mobilizations over linguistic issues in the early 1960s. De Ridder and Fraga (1986: 378) present the case of Flemish mobilization over the status of Brussels in 1961. The Flemish were much better organized and mobilized than the Walloons and were able to force the issue onto the national political agenda. Consociational theories, however, not only fail to explain this type of elite behavior (see Covell, 1981), but even fail to acknowledge its existence. Can the model developed here account for such elite-generated conflict in consociational settings?

Political elites can mobilize their followers in order to increase the share of the segment they represent in the parliamentary game. Since the parliamentary game is one of chicken, it follows that one of the players can force the equilibrium point to be \((T_1, S_1)\) if she commits herself first to the strategy of intransigence. She can choose an issue which is both important to her followers (high \(T_1\)) and unimportant for her opponents (high \(S_2\)). She can then mobilize her followers in order to show the other parties that she ‘means business’. Or she can use this political maneuver to discourage or eliminate potential rivals inside her own pillar. In fact, at this point she can explain to her followers that she represents them faithfully while convincing her opponents that she has lost control of the situation and that the other party must capitulate. If the issue is well chosen, she will have her way and will receive credit from her followers. She can use this credit in the next round when she receives an ultimatum from her opponent and has to capitulate.

Alternatively, the value of \(k\) for one segment of the population may be so high that the preference ordering of the corresponding elite in the nested game is that of prisoners' dilemma, while the preference ordering of the other elite may still be that of chicken. In this case, one elite has a dominant strategy of intransigence while the other has to yield and compromise.

**Institutional Design**

Let us study institutional design as a case in which the nested game (parliamentary, with constraints from the electoral arena) is iterated. This game is either prisoners' dilemma or chicken, depending on the value of \(k\).

7. This phenomenon of elite-initiated conflict has been analyzed in other literatures: Schattschneider (1960: 5) writes of politicians trying 'to re-allocate power by managing the scope of conflict'; for Riker (1983), the introduction of new issues that divide the winning coalition and create possibilities for new coalitions is the essence of politics; finally, Sabel (1981) analyzes the reasons why trade-union leadership groups may be intransigent.

8. The only case in which the above statement is not true is if the masses play a deadlock game (are extremely polarized) and the elites have no or very small margins of maneuver (the existence of competitive elites and perfect information). However, even in this unlikely case the qualitative results of this section are not altered.
absence of coordination, both players could end up with undesirable outcomes. However, if the two players could coordinate their activities, what would be the most desirable outcome?

The immediate answer may be 'mutual cooperation: \((R_1,R_2)\)'. However, Figures 2A and 2B will help demonstrate that the optimal choices depend on the payoffs of the players. The figures represent the payoffs of each player in a chicken game. In Figure 2A mutual cooperation is the best outcome for both players while in Figure 2B the best outcome is produced.

**Figure 2A.** Chicken Game in which Mutual Cooperation Belongs to the Pareto Set

**Figure 2B.** Chicken Game in which Mutual Cooperation Does Not Belong to the Pareto Set
by alternating defection and cooperation with one’s opponent. In technical terms, \((R_1,R_2)\) is included in the Pareto set in the first case, but not in the second. In algebraic terms, the necessary and sufficient condition for the payoffs to be represented by Figure 2A is:

\[ R_2(T_1-S_1) + R_1(T_2-S_2) > T_1T_2-S_1S_2 \quad (5) \]

It is easy to verify\(^{10}\) that as \(T_i\) or \(S_i\) increase, the probability that the point \((R_1,R_2)\) will not be in the Pareto set increases. As \(R_i\) increases, the probability that \((R_1,R_2)\) is included in that set is increased. Alternatively, geometric intuition from Figures 2A and 2B suggests that as \(R_i\) increases it becomes more likely that the point \((R_1,R_2)\) will be above the line connecting the points \((T_1,S_2)\) and \((T_2,S_1)\), as in Figure 2A. Conversely, as \(T_i\) or \(S_i\) increase (other things being equal), it becomes more likely that the point \((R_1,R_2)\) will lie beneath the line connecting the points \((T_1,S_2)\) and \((T_2,S_1)\), as in Figure 2B. Moreover, as \(T_i\) or \(P_i\) increase, the likelihood of the choice of a compromise strategy decreases. In addition, as \(R_i\) or \(S_i\) increase, the likelihood of compromise increases.

Let us now translate these game theoretic observations into political terms. When the payoffs of mutual cooperation are high, the choice of cooperative strategies is both individually more rational and collectively optimal. In this case, it is easy to explain the cooperative behavior of elites, since the benefits from mutual cooperation are high. Unfortunately, things are not always so straightforward.

Increasing \(T_i\) reflects the increased importance that a party attaches to having its own way on a particular issue. If the particular issue is not very important for the other party (high \(S_i\)), the likelihood of two events increases: the point \((R_1,R_2)\) is no longer Pareto optimal, and the other party may give up on the specific issue. If, however, the same issue is salient for both parties, compromise is very unlikely since a high \(T\) and low \(S\) increase the likelihood of intransigence on the part of both players.

The consequences are twofold. First, if an issue is very important for one party while it is not as important for the other, two solutions are possible: either mutual cooperation, or the second party gives in to the demands of the first. In an iterated game, the two parties can either choose mutual cooperation or take turns defecting and cooperating. Which one of the two solutions is collectively better depends on whether or not \((R_1,R_2)\) belongs to the Pareto set, or alternatively, whether or not (5) holds. We will see, however, that the evaluation is not easy to make and that political actors do not agree in their assessments. Second, on issues of mutual interest (high \(T\) and low \(S\) for both players), cooperation is most needed, but most unlikely.

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9. This inequality is derived by writing the equation of the straightline through the points \((T_1,S_2)\) and \(S_1,T_2\) and making sure that the point \((R_1,R_2)\) lies to the north-east of it.

10. By checking the first derivatives of (5) with respect to the different payoffs.
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Let us consider issues that demonstrate the relevance of the payoff matrix. In Belgium, the Flemish community is traditionally very interested in maintaining autonomy in education and cultural affairs. The Walloon community is interested in economic decentralization with respect to both investment decisions and expenditures. In our game, the issues of great concern to one community (high \( T \)) are of low salience for the other (high \( S \)). Two solutions are therefore possible. If \((R_1, R_2)\) belongs to the Pareto set, that is, if inequality (5) holds, the best solution is mutual cooperation, and both communities should decide both issues in common. If inequality (5) does not hold, the Walloon community should decide on issues of economic decentralization and the Flemish community on cultural policies. One could imagine a tacit agreement in which the different groups would take turns making decisions. This is the analysis of Billiet, who claims: ‘Not the Constitution, but a number of pacts determine the rules, consultation organs, and the consultation techniques’ (1984: 124). Similarly, Dierickx accounts for Belgian conflict management as follows: ‘... conflict can frequently be regulated with the help of package deals; it is profitable to make concessions where salience is low to obtain gains where salience is high’ (1978: 144). But how could such agreements and package deals be enforced? What would prevent a specific group and its representatives from shirking their obligations or claiming that the situation has changed, and they simply could not accept the agreement any longer? Such cases are possible and could destroy any cooperative intentions of elites.

Tacit agreements and package deals are possible and under certain conditions can provide non-conflictual solutions. However, there is no guarantee that such solutions will work because each group or coalition of groups can still claim control over the decision process on issues concerning other groups. A more efficient condition to avoid conflict over such situations is institutionalization of the decision procedures. Instead of deciding conflictual policies, the different groups can decide procedures about which their interests coincide. In particular, they can delegate authority to the most affected group.

Institutions can be designed to provide a permanent basis for the resolution of conflicts in which there is an asymmetry in the salience of issues for different groups under the condition that \((R_1, R_2)\) does not belong to the Pareto set. This is essentially the account that Heisler (1973) provides of the dédoublement process initiated in 1962 by the Lefevre-Spaak government: administrative separation was functional and preceded cultural autonomy. He claims that ‘dédoublement has helped to convert politically loaded issues into technically tractable matters’ (1973: 215). This is the situation if mutual compromise is not in the Pareto set.

More generally, the philosophical and political traditions of liberalism and federalism use the asymmetric importance of different issues for different groups of people. Instead of promoting a uniform solution applied to the whole people or to the whole territory, liberal and federal solutions
assign to different groups or territorial units the right to decide on issues of concern to them. The solution to the school problem demonstrates the creation of liberal institutions in Belgium. In 1951, the Social-Christians were alone in government and voted for the Harmel law, which favored the Catholic schools. In 1955, when Socialists and Liberals came to power, they voted for the Collard law, which imposed uniform standards on secular and christian schools. In 1958, the Social-Christians won again in the election, but they signed an agreement with the leadership of the Socialist and Liberal parties that protected different philosophical beliefs, guaranteed free choice of school, and provided government aid to all forms of education. This agreement became the law of 29 May 1959 (see Mabille, 1986: 322).

The institutional solutions adopted in Belgium include substituting the principle of territoriality for that of individual choice of language; mutual vetos and special majorities; decentralization and group autonomy; ‘alarm bells’ (sonnettes d’alarm), that is, control of the agenda by linguistic groups on issues of special interest; and the creation of special institutions to allow groups to monitor the execution of policies of special interest (Covell, 1981). All these institutional arrangements share the characteristic of assigning priority over agenda setting or exclusive jurisdiction over issues either directly or indirectly (veto power).

However, we have not ruled out the possibility that the outcome of mutual compromise actually is in the Pareto set, nor should we. In fact, there are political actors in Belgium who believe that the best political solution lies within a unitary framework. Each political party houses unitary and regionalist tendencies. In particular, inside the Christian People’s Party the two most important leaders and ex-Prime Ministers, Leo Tindemans and Wilfried Martens, disagree precisely on this issue. In terms of our model, the former believes that the best solution can be found through mutual concessions (that (5) holds). The latter promotes regionalist solutions. The difference between regionalists and their opponents is that the former believe they can do better through separation of issues and exclusive jurisdictions than through mutual compromise (that (5) does not hold), while the latter believe that issues are symmetric and that mutual compromise is better than a combination of unilateral decisions.

So far we have concentrated on three out of the four outcomes of the nested game. We have not discussed the outcome of mutual intransigence. The fear of this outcome makes elites desire compromise, and the lack of mutual compromise or coordination (in alternations of compromise and intransigence) can lead to it.

As demonstrated earlier, an increase in the value of $T$, or a decrease in the value of $S$, each reduces the likelihood that each player will choose to cooperate. Such conditions occur if an issue is important for both parties. In this case, mutual defection is the most likely outcome. If both parties
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could increase the payoff for mutual intransigence, this particular outcome
would not be as painful.

The study of Belgian institutions indicates that efforts to increase the
payoffs for mutual defection have been made and have been successful: when conflict seems inevitable, it is postponed. For example, article 59b
of the constitution requires that legislation concerning the composition
and competence of community and regional bodies ‘must be passed with
a majority vote within each linguistic group of both Houses, providing the
majority of the members of each group are present and on condition that
the total votes in favour in the two linguistic groups attain two-thirds of
the votes cast’ (see Rudd, 1986: 122). Moreover, any major constitutional
revision, aside from qualified majorities, requires a statement by the
government of the articles to be revised, a dissolution of Parliament, new
elections, and the formation and maintenance of a new government
coalition.

The outcome of such stringent requirements for reforms is that some
parliaments elected to perform constitutional revisions did not vote any,
such as the legislatures of 1965–8, 1968–71 and 1978–81. Moreover, in
1983 the text of the constitution still was incomplete: there was an article
107c (since 1980) and an article 107d (since 1970), but no article 107b.11
Our game theoretic model, however, can provide a more interesting and
less obvious reason for the lack of reforms than the difficulty of the
requirements: as noted earlier, the fear of the payoffs from mutual intran-
sigence (P) makes cooperation more likely. Indeed, as P decreases, the
likelihood of cooperation increases. The institutional solutions adopted in
the Belgian constitution, however, increase the value of P by postponing
conflict, thus making cooperation more unlikely. So, paradoxically, the
adoption of measures that reduce the consequences of disagreement
(qualified majorities, postponement of conflict) increase the frequency of
disagreement.

I have offered a rational account of consociational institutions. The
reason for adopting such institutional devices, according to my account,
is twofold: (1) to push the outcomes of the nested game into the Pareto
frontier, that is, to make outcomes collectively optimal; and (2) to increase
the payoffs of mutual intransigence by postponing conflict whenever it
seems inevitable.

In my account, consociational institutions first separate issues that in
other countries are usually connected, and then they assign jurisdiction to
groups over issues of concern to them (see Shepsle, 1979). The account
differs from the explanation of consociationalism through package deals
offered by Billiet (1984) and Dierickx (1978). If package deals were
enough to solve problems, the development of conflict-reducing insti-

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tutions would have been redundant. If Dierickx’s and Billiet’s accounts were correct and package deals were sufficient, employing resources for consociational institution building would have been a suboptimal strategy. The very existence of consociational institutions indicates a fundamental mistrust between different groups and the necessity of enforcing mechanisms for conflict management.

The 1977 Egmont Pact

The Egmont Pact was an attempt by the major Belgian parties to create an institutional compromise to resolve the status of Brussels, which has been a conflictual issue between the Flemish and Walloon communities. Because Brussels is predominantly French speaking, if it became an independent area Belgium would be divided into three regions of which two would be French speaking. Otherwise, Belgium would be divided into one French and one Dutch-speaking community. Because the issue is of major importance to both communities, concessions on this issue cannot be compensated by gains on other issues. According to the assumptions made in the previous section, the Brussels issue must be examined as a single-shot game. According to Covell (1982: 457–8):

The Egmont pact was negotiated in 1977 as part of the government formation process. The negotiating team included the potential prime minister and the presidents of the potential coalition parties . . . . It took place over a three week period, under conditions of secrecy and an intense pace that included several all-night sessions . . . . The isolation and secrecy with which the negotiations worked created what they describe as team spirit. It also aroused the suspicions of those excluded from the negotiations and created a situation in which the negotiators became more concerned with preserving their relationships with each other than with carrying their party organizations along with them. Each side came to believe that the main obstacle to an agreement was not the ‘adversary’ with whom they were negotiating, but their own followers, who would have to be made to accept the agreements. In fact, the negative reactions of their followers were underestimated by all negotiators . . . .

The pact could be implemented only by laws passed by Parliament. Leo Tindemans, then Prime Minister, was not in favor of the regionalist provisions in the pact and sought to delay its implementation. Moreover, the composition of Parliament was not favorable to implementing the Egmont Pact. In October 1978, Wilfried Martens, President of the Christian People’s Party (CVP), moved negotiations back to the presidents of the parties. In this new round, some of the presidents threatened to initiate a governmental crisis over the lack of progress in implementing the Egmont Pact. Tindemans (CVP) then resigned, blocking the process even further.

Covell (1982) explains the negotiation phase of the Pact as a prisoners’ dilemma game, and the implementation part as a deadlock game. The problem with her explanation is that intransigence is the dominant strategy in both of these one-shot games. Thus, negotiations should have failed in
the first place. However, her intuition that it makes a big difference whether elites negotiate on their own or involve the masses in the process is essentially correct.

What intuitions about the Egmont Pact can we obtain from the model presented in Section II? The negotiations took place under extreme secrecy; therefore, the value of \( k \) approached zero in the negotiation phase. During the three weeks, the negotiators were playing a game of chicken in which the fear of failure and the perpetuation of the status quo concerning Brussels drove their decisions. Moreover, because they were communicating in the negotiations, they were able to develop contingent strategies and push the outcome toward the Pareto frontier. The possibility of communication and bargaining, that is, the possibility of contingent strategies, can lead a single-shot game between elites to the same outcome as an iterated game: to the Pareto frontier (see Tsebelis, forthcoming: chapter 3). In the implementation stage, agreements became public, and the value of \( k \) dramatically increased. Moreover, because the masses do not interact with each other or negotiate, contingent strategies were not possible any more. The game became prisoners' dilemma or deadlock, so that intransigence was the dominant strategy. However, the parties' presidents, who are not directly connected with the voters (lower \( k \)), continued to perceive the game as chicken and used the ultimate threat (for a chicken game): to bring down the government. This, however, was not a threat for people like Tindemans, for whom intransigence was the dominant strategy and who therefore preferred the resignation of the government over the ratification of the Egmont Pact.

Conclusions

Pluralist theorists argue that fragmented societies are doomed to political instability (Almond, 1956). Consociational theorists focus on elite political behavior, claiming that if elites compromise, the polity will be stable despite the divisions at the mass level. These theories have come under attack for their conceptual fuzziness, static typological character, and discrepancy with the facts.

There are two crucial questions. Are there discrepancies between mass aspirations and elite behavior? Under what conditions and with what consequences? Differences between the conceptions of elites and masses can be explained not as a cultural phenomenon, but as an indication of sophisticated voting. Sophisticated voting has been treated as an endogenous variable, that is, a variable explained by the situation prevailing in the electoral arena. Such a conceptualization was first introduced by Denzau et al. (1985). In this article, I have paralleled their approach. I was able, however, to model the situation as a nested game: a chicken game played in the parliamentary arena inside an electoral game in which the masses
impose constraints upon their representatives. Thus, the behavior of other players is explicitly modeled (strategic rationality; see Elster, 1983), instead of being taken for granted (parametric rationality).

The use of game theory allowed for a distinction between single-shot and iterated games, which produce different outcomes. Moreover, iterated games were used to describe two different situations: first, when mutual compromise produces a Pareto optimal outcome; and second, when the Pareto frontier is achieved only by alternating compromise and player intransigence. The first is the simpler case, and as long as elites enjoy a monopoly of representation they can choose to compromise. The second case is more complicated and may require the use of constitutional devices for a Pareto optimal compromise to be implemented. Concerning issues of asymmetric importance, institutions assign exclusive jurisdictions and delegate complete authority to the concerned group. Concerning issues of symmetric importance, institutions minimize the consequences of disagreement by postponing conflict.

In the absence of specific institutions, elites might initiate political confrontation in order to signal that the issue is salient or to discourage potential rivals inside the segment. This strategic use of conflict and mobilization cannot be explained by consociational theories.

This simple rational actor model has the potential of combining theories such as consociationalism and Sartori’s visible–invisible politics. It can also account for phenomena related to the emergence of institutions and for elite-generated conflict, phenomena which until now were only explained by partial theories. In this sense, it is a very good demonstration of the translation and synthesis of different theories into a simple, empirically accurate and theoretically fruitful rational choice framework.

Similar models can be used to study other problems of elite interaction when the bargaining process is more or less monitored by their followers. Two examples come readily to mind: one is corporatism and capital/labour negotiations (Lange, 1984; Przeworski and Wallerstein, 1982, 1988); and the other is summit conferences between national leaders (see Putnam, 1988). In both cases, elites have to negotiate arrangements which will be subject to the approval of their followers (workers or parliaments).

In a recent article, Scharpf (1989) argued about three different styles of decision-making: confrontation, bargaining and problem-solving. In confrontation decision-making, winning is the paramount goal; in a bargaining relationship each player is unconcerned about the relative advantage of the other side; finally, in problem-solving both players try to find a cooperative solution to their conflict. Scharpf’s categories are similar to the distinctions between zero-sum, non-zero-sum, and non-cooperative games. He subsequently elaborates on the distinction between cooperative and non-cooperative games, and claims that frequently policy-making decisions can be solved as cooperative games. My account indicates that institution building in Belgium falls into the same category. Moreover,
my model provides a common framework for Scharpf’s distinctions. Whether a game is zero-sum or non-zero-sum is reflected in the payoffs. But whether players will play in a cooperative or a non-cooperative way is decided by the institutions regulating the interaction. As the section on institutional design indicates, iterated play may lead to cooperative solutions; moreover, iterated play can lead to the Pareto frontier even if mutual cooperation does not belong to the Pareto set. And as the Egmont Pact demonstrates, bargaining and communication may lead the players to adopt correlated or contingent strategies which lead to similar (Pareto optimal) outcomes.

More generally, the nested games approach used in this article can be used to study cases of suboptimal behavior on behalf of some players. Indeed, an actor’s choice of an option which appears not to maximize his welfare is an indication of several games being played at the same time: a suboptimal choice in the simple game may be the optimal strategy in the more complicated, nested game in which the actor is involved.\footnote{For a complete treatment of the nested games approach see Tsebelis (forthcoming); for an application to the case of French coalitions and electoral politics see Tsebelis (1988).}

At this stage, the nested games approach is an intellectual framework which clarifies the internal logic of different situations (similar to game theory), and considers in a more systematic way additional real life complications: it demonstrates why actors seem to make suboptimal choices. I tested the theory in extreme cases (extreme secrecy or perfect information) and accounted for the logic of several Belgian institutions. However, the model cannot be tested systematically until it is combined with a theory of monopoly representation.

I have chosen here to capture the interaction of the two arenas by a simple linear model in which the value of one simple parameter ($k$), reflects the weight of elites or masses in the final process. Further research should determine the way $k$ reflects prevailing economic and social conditions. Is it more likely that partisan disputes will cease ($k$ decrease) in the presence of an international competitive environment and an open economy (see Cameron, 1978)? What segments have a higher $k$, that is, what segments give their elites higher levels of bargaining flexibility? How much is $k$ influenced by organizational resources, or by ideology? It seems that the first factor will decrease the value of $k$ and increase the weight of elites, while ideology can act either as a constraint on elites or as a means to increase their control over the masses. Answers to such questions will permit us to go one step further in comparative investigation and to discover the necessary conditions for elite monopoly of representation. Why is it that Belgian and Dutch elites were able to remain more or less unchallenged up until the late 1960s, while elites in Northern Ireland and Lebanon have to face permanent challenges?

Finally, we have seen that the value of $k$ plays a crucial role in the
outcome of the nested game: high values of k may help a segment get what it wants while endangering the political system itself. Further investigation could try to determine k endogenously, instead of taking the game between elites as given. This more complete model will allow elites (inside their respective economic, social and political constraints) to specify mutually optimal values of k, and provide a strategic account of the organizational and political characteristics of different groups.

References

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GEORGE TSEBELIS is Assistant Professor of Political Science at UCLA. He is the author of Nested Games: Rational Choice in Comparative Politics (University of California Press, forthcoming). His research is on parties and party systems. ADDRESS: Department of Political Science, University of California at Los Angeles, Los Angeles, CA 90024, USA.

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