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Reciprocity and Resistance to Comprehensive Reform

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Abstract

Comprehensive reforms often fail or become piecemeal during preparatory phase of the legislation. A promising candidate to explain the failure of comprehensive reforms is vote trading on a subset of individual bills included in the original comprehensive reform. When legislators expect profitable vote trading on a subset of bills to be possible, they may ex ante strategically block comprehensive reforms. We analyze in a laboratory experiment whether trust and reciprocity among legislators leads to vote trading in sequential bill by bill procedures when commitment devices are missing and whether such vote trading possibilities cause resistance to comprehensive reform. We find that (i) transparent voting procedures facilitate vote trading based on trust in other legislators' reciprocity whereas (ii) secretive procedures reduce trust in others' reciprocity and makes vote trades difficult. (iii) Resistance to comprehensive reform occurs when legislators know that the alternative procedure to voting on the comprehensive reform is a transparent sequential bill by bill voting procedure, whereas (iv) legislators opt for voting on a comprehensive reform when the alternative procedure is a sequential secret ballot.

Keywords: Comprehensive Reform, Sequential Voting, Vote Trading, Experiment

JEL-Classification: C92, D71, D72, P16

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1 Introduction

Comprehensive reforms often fail or become piecemeal during the preparatory phase of legislation. Comprehensive reforms require a majority in a single vote for a multipurpose collection of bills. Legislators in opposition to individual bills included in comprehensive reform packages try to impede them in expectation of profitable vote trading. Explicit examples for this partial reform deadlock are difficult to observe in real world politics, because many comprehensive reform packages are changed by vote trading activities before the vote on the comprehensive reform actually takes place. However, recent examples in the legislative procedure of comprehensive health care reform in the United States demonstrate that legislators in opposition to specific bills included in a reform package indeed try to impede such packages in order to trade votes. Comparing Obama's revisited health care plans with the bill passed in the Senate before Christmas 2009 reveals that some legislators tried to use their power to change the reform package by either including or excluding specific bills. For instance, *The Economist* Online (2010a) reported in February that "Nebraska's Senator Ben Nelson refused to join the caucus unless the federal government paid for his state's extra costs for Medicaid, a government health scheme for the indigent." While the final bill eventually eliminated this deal, *The Economist* (2010b) still calls the bill "flawed and pork-laden". For instance, Senator Mary Landrieu from Louisiana secured a costly Medicaid provision for her home state as part of the Senate health-care bill. Labor unions tried to exclude an excise tax on gold-plated insurance plans. While formally the excise tax was passed, unions at least succeeded in diluting and delaying them until 2018.

The example illustrates that vote trading possibilities may cause resistance to comprehensive reforms packages by those expecting profitable vote trades. From a standard economist's perspective such vote trades are only possible when formal commitment devices for vote trading exist. However, such trades may also occur when legislators reciprocate.

In this paper we investigate whether reciprocity and trust among legislators facilitates vote trading when formal commitment devices are missing. We examine whether vote trading

possibilities based on trust and reciprocity suffice to cause resistance to comprehensive reforms. A vast amount of theoretical (see e.g. Rabin (1993), Levine (1998), Bolton and Ockenfels (2000), Charness and Rabin (2002), Dufwenberg and Kirchsteiger (2004), Falk and Fischbacher (2006), Cox et al. (2007)) and experimental work (e.g. Fehr et al. (1998), Falk et al. (2000), Charness and Rabin (2002), Fehr and Gächter (1998), Dohmen et al. (2009)) has underlined the importance of reciprocity in human interactions. People reward kind actions and punish unkind actions. Humans not only reciprocate, but also trust in reciprocal behavior by others (see e.g. Berg et al. (1995), McCabe et al. (1998) and Strassmair (2009)). Hence, trust and reciprocity among legislators may facilitate vote trading. We propose reciprocity to matter most in sequential policy decisions, because decision makers can infer others' kindness (see Rabin (1993), Charness and Rabin (2002), Dufwenberg and Kirchsteiger (2004), Falk and Fischbacher (2006), Levine (1998)) by evaluating past behavior. If decision makers are reciprocal, information on individual behavior fosters trust and reciprocity (e.g. Irlenbusch and Sliwka (2005)). Transparent voting procedures provide information on individual voting behavior. Hence, trust and reciprocity among legislators may facilitate vote trading, in particular when the voting procedures are transparent and sequential. If trust in others' reciprocity facilitates vote trading, it will in turn cause resistance to comprehensive reforms.

We designed a laboratory experiment in which a committee votes on an efficient comprehensive reform including three individual bills. Each individual bill is efficient but only preferred by a minority. The comprehensive reform requires unanimity.³ If the comprehensive reform fails, the committee votes in a sequential bill by bill procedure on each individual bill under simple majority rule. Because each bill is only preferred by a minority, no bill will be passed in the bill by bill procedures when subjects are selfish. Thus resistance to reform will not occur. However, when subjects trust in others' reciprocity, legislators may trade votes on individual bills. In turn, resistance to comprehensive reform may pay off.

³ Many international organizations such as the North Atlantic Treaty Organization (NATO), World Trade Organization (WTO) and MERCOSUR make use of unanimity rule and other supermajority rules. Also the European Union (EU) applies qualified majority rule for particularly sensitive issues (Maggi and Morelli 2006). In our experiment, we use unanimity rule in order to elicit preferences for resistance to the comprehensive reform in an unambiguous way.

We find that transparency increases trust in sequential bill by bill voting procedures and thereby facilitates vote trading. Further we show that vote trading possibilities based on trust and reciprocity are indeed sufficient to cause resistance to efficient comprehensive reforms. Although formal commitment devices for vote trading are missing, strategic legislators expect vote trading based on trust in others' reciprocity to be possible as long as the voting procedures are transparent and thus impede comprehensive reforms. Thus an imperfect device for vote trading, namely a transparent sequential bill by bill voting procedure, is sufficient to cause resistance to reform. When voting procedures are secret, i.e. when individual voting behavior is not observable, legislators' trust in reciprocity is reduced and legislators do not expect vote trades to be possible. In turn, resistance to comprehensive reform abates.

Our work relates to the literature of vote trading in sequential policy decisions and resistance to reform. There has been an extensive discussion on the welfare effects of vote trading or log-rolling based on the seminal work by Gordon (1959). Buchanan and Tullock (1962) argue that vote trading allows for the representation of degrees of intensities of preferences: Legislators can trade votes on issues where their preferences are relatively weak against votes on issues where their preferences are relatively strong. Thus vote trading is mutually beneficial to those involved in the trade. Brams and Riker (1973) point out that although each vote trade may be beneficial to traders, there is a risk that third parties not involved in the trade bear a substantial part of the cost involved in the respective trade. When the cost for third parties exceeds the benefits from trades, subsequent vote trades may lead to a situation under which vote trades eventually make everyone worse off (the paradox of vote trading). McKelvey and Ordeshook (1980) were the first to test Brams and Riker's paradox of vote trading experimentally. They observe the vote trading patterns predicted by Brams and Riker in a series of experiments with three and five person committees and a face to face communication environment with formal commitment devices. However, in their experiment, committee members were allowed to cancel vote trades when all members involved in trading agreed. Consequently, Pareto-dominated outcomes were eventually replaced by canceling all trades under unanimous agreement or by a majority coalition implementing its preferred

outcome. The authors thus show that vote trading occurs when commitment devices are available and - predominantly in committees with five members- majority coalitions emerge which trade votes, also at the cost of third parties.

Our work demonstrates that legislators can succeed in vote trading even when formal commitment devices and communication possibilities are missing. Legislators trust in their counterparts' reciprocity and vote for bills detrimental to their (induced) preferences. Transparency of the decision making procedure increases trust and in turn leads to more vote trades. The paradox of vote trading, which makes everyone worse off, cannot occur in our setup, because all bills at vote are efficient. However, we observe majority coalitions trading votes at the cost of third parties. In contrast to the literature mentioned above, our contribution focuses on the impact of vote trading without commitment devices on resistance to comprehensive reforms. We demonstrate that the expectation of vote trading possibilities is sufficient to cause resistance to larger reforms.

The literature on resistance to reform has focused on uncertainty about outcomes of reforms, the existence of veto players, interest groups and psychological constraints. Fernandez and Rodrik (1991) show that, although a majority of the society will gain from a reform, it will not be passed when it is uncertain which individuals gain and which individuals lose from it. Cason and Mui (2003) confirm these results in a participation game experiment. Alesina and Drazen (1991) argue that stabilizations are delayed because different socioeconomic groups try to shift the costs to other groups, leading to a "war of attrition". Tsebelis (2002) states that reform deadlock results when the decision making procedure involves too many veto players. Kagel et al. (2010) show in an experiment that committees with a veto player are indeed less efficient. Saint Paul (2002) points out that reform deadlock may result from the existence of well organized interest groups. Heinemann (2004), who provides an excellent survey on the topic, stresses the importance of psychological constraints such as status quo or confirmatory biases (Samuelson and Zeckhauser (1988) and Rabin and Schrag (1999)). Our contribution to this literature focuses on the role of social preferences for resistance to reform. We are the first to investigate whether resistance to comprehensive reform can result from trust and reciprocity

among legislators. Our results provide a new rationale for resistance to comprehensive reform which highlights the importance of other-regarding preferences for the design of political institutions. We show that resistance to comprehensive reforms can stem from a vote trading motive, although communication and commitment devices for vote trading are absent. Vote trading possibilities hinge crucially on legislators' trust in their counterparts' reciprocity. Trust in one's counterparts' reciprocity is caused by accountability, namely by the information on individual voting behavior. In our setup, a secretive alternative voting procedure removes accountability and thereby reduces trust among legislators. Vote trades become impossible and resistance to comprehensive reform abates substantially.

2 Experimental Design

Subjects in our experiment form three-member committees and decide on an efficient comprehensive reform. The comprehensive reform includes three individual bills. Each bill is efficient, but preferred by only one member of the committee. A committee member's preferred bill yields 6 additional points for herself, whereas the other two members of the committee incur a loss of two points each. Thus, if a bill is passed, gross payoff will increase by two points. Because only one participant of the group gains from each individual bill, each individual bill is disadvantageous to a majority of the group. Table 1 shows how each bill affects the participants' payoffs. We inform the participants about their own and their counterparts' induced preferences.

When the comprehensive reform is approved, all bills are implemented, i.e. each participant receives two additional points. Passing the comprehensive reform requires unanimity. This allows us to elicit preferences against the comprehensive reform in an unambiguous way (if a subject refuses the comprehensive reform, her decision is payoff relevant). We do not display information on who vetoes the comprehensive reform. The reason for this is that we are interested in the disappointment effect of reform failure on voting behavior. If we provide information on vetoing committee members, some participants might vote for the comprehensive

	Bill A	Bill B	Bill C
Member A	+6	-2	-2
Member B	-2	+6	-2
Member C	-2	-2	+6

Table 1: Bills and resulting payoff changes

reform in fear of personal revenge by their counterparts. When at least one member vetoes the comprehensive reform, the committee decides sequentially on the three individual bills under simple majority rule. We decided for a sequential procedure because it allows us to study the implications of reciprocal behavior among committee members on vote trading in a controlled environment. In the sequential bill by bill procedure, each bill can be passed or failed. First, all committee members simultaneously cast their votes on the first bill. Then, we inform the committee about the outcome of the vote. Second, each member casts her vote for the second bill. The second vote is displayed and the group decides on the third bill. Eventually, the outcome of the third vote and the resulting payoff changes are displayed.

To test whether trust in others' reciprocity leads to resistance to comprehensive reform, we vary the bill by bill voting procedure with respect to the information on individual voting behavior. The committee either votes in a transparent procedure, in which individual voting behavior is observable (OpenBallot), or in a secret ballot, where only the outcome of each vote is displayed (SecretBallot). We suppose transparency provides accountability and therefore increases trust in others' reciprocity. It is worthwhile to note that passing individual bills in the alternative bill by bill procedure is not possible with selfish committee members (because each individual bill is only preferred by one committee member). Thus, standard economic theory predicts that the committee will approve the efficient comprehensive reform irrespective of the alternative voting procedure. However, when committee members trust in their counterparts' reciprocity, vote trading becomes possible. In turn, we expect to observe resistance to the comprehensive reform in particular in treatment OpenBallotCR, where the committee decides on a comprehensive reform and the alternative to voting on the comprehensive reform is a transparent bill by bill voting procedure. Before committee members decide on the comprehensive reform, we inform them about the alternative voting procedure and about the (random) order of

bills in the alternative procedure. This allows us to infer committee members' reaction to information about potential gainers and losers of each procedure. As further controls, we run additional treatments without the possibility to agree on a comprehensive reform. In these treatments the committee decides on the three bills either in an open (OpenNoCR) or secret (SecretNoCR) bill by bill voting procedure with simple majority rule. This allows us first, to investigate the effect of transparency on trust in others' reciprocity in a controlled environment and second, to test whether the failure of a comprehensive reform affects trust and reciprocity among committee members.

To control for learning effects and changes of voting behavior over time, participants vote on the three bills in 12 periods which are all payoff relevant. In each period, each participant is randomly sorted into a group of three participants. We use a stranger matching procedure, which assures that participants cannot infer any information on individual voting behavior from past periods by their current counterparts. Thus we exclude individual reputation building but allow for learning effects. In sessions with at least 24 subjects we divided subjects into two separate matching groups. Table 2 summarizes the number of subjects, sessions and treatments in detail. None of the subjects participated in more than one session.

Each subject sat at a randomly assigned and separated PC terminal and was given a copy of instructions.⁴ A set of control questions was provided to ensure the understanding of the game. If any participant repeatedly failed to answer correctly, the experimenter provided an oral explanation. No form of communication was allowed during the experiment. We conducted all sessions at the LakeLab (University of Konstanz, Germany). The data was collected over 9 sessions, with 219 participants in total. Participants received a show-up fee of 2 euros (\$2.40 at

Treatment	# Subjects	# Sessions	# Matching Groups
Comprehensive Reform and Open Ballot (OpenBallotCR)	63	3	5
Comprehensive Reform and Secret Ballot (SecretBallotCR)	51	2	4
No Comprehensive Reform and Open Ballot (OpenNoCR)	51	2	3
No Comprehensive Reform and Secret Ballot (SecretNoCR)	54	2	3

Table 2: Treatments, Sessions and Matching-Groups

⁴ A copy of translated instructions can be found in the appendix.

that time). The experiment took about one hour and 15 minutes, average income (including the show-up fee) was about 14.40 euros (\$17.30). The experiment was programmed and conducted using z-Tree (Fischbacher (2007)). We recruited participants using the online recruiting system ORSEE (Greiner (2004)). Participants were part of the LakeLab subject pool, including undergraduate and graduate students of all fields of study.

3 Results

We designed the treatments OpenBallotCR and SecretBallotCR in order to test whether vote trading motives based on trust in one's counterparts' reciprocity can prevent the approval of an efficient comprehensive reform. According to standard economic theory we should always observe the approval of the comprehensive reform in both treatments. However, we observe resistance to the comprehensive reform. In OpenBallotCR on average 27 percent of committee members refuse the comprehensive reform, in SecretBallotCR, 16 percent do so. We can thus reject the prediction of standard economic theory that efficient comprehensive reforms are always approved.

To understand why some members veto the comprehensive package it is necessary to shed light on the behavioral pattern in the alternative bill by bill voting procedures. Therefore, we will first discuss the effects of transparency on voting behavior in the sequential bill by bill voting procedure and second present the results with respect to resistance to comprehensive reform.

In the sequential bill by bill voting procedure all bills will fail if committee members are selfish. However, if committee members trust in their counterparts' reciprocity, they will vote for bills detrimental to their induced preferences. Committee members in our experiment frequently vote for monetarily unfavorable bills. Figure 1 illustrates acceptance rates of monetarily unfavorable reforms in the bill by bill voting procedure for OpenBallotCR and SecretBallotCR, after the failure of the comprehensive reform, as well as for treatments OpenNoCR and SecretNoCR, in which no comprehensive reform was available. Each column

represents the share of members voting for a reform bill, which is monetarily disadvantageous to them. In the open ballot treatments (OpenBallotCR and OpenNoCR), the earlier a bill is voted on in the bill by bill procedure, the higher the probability of its approval. For the first bill two committee members have an incentive to court for positive reciprocity, namely members preferring the bills second and third on the agenda. When voting on the second bill, the member in favor of the first bill has a strong monetary incentive to reject the second bill whereas the member preferring the third bill still has an incentive to vote for the second bill as long as she expects reward by the member preferring the second bill. Due to the stranger matching procedure, there is no incentive for individual reputation building across periods which might induce any additional motive for supporting monetarily unfavorable reforms. Consequently, the probability of approval for the second bill is clearly lower than for the first. The same logic

Figure 1: Share of members accepting monetarily unfavorable bills (when CR failed) ⁵

Probit with robust std. errors in ()	CR Treatments - after failure of CR		No CR Treatments	
Acceptance of	First Bill	Second Bill	First Bill	Second Bill
Constant	-0.77*** (0.135)	-0.68*** (0.097)	-0.39*** (0.140)	-0.78*** (0.232)
Transparency	0.93 *** (0.165)	0.25* (0.135)	0.84*** (0.147)	0.53** (0.269)
Pseudo R ²	0.09	0.01	0.08	0.03
Number of Observ.	510	510	840	840
Std.Err. adjusted for # clusters	9	9	6	6

Table 3: Transparency and the acceptance of monetarily unfavorable reforms

*p-val.<.10, ** p-val.<.05, *** p-val.<.01

⁵ Committee members vote in 99 percent of cases for their preferred bills.

applies for the third bill, which is clearly less frequently accepted than the first or second bill. We observe 67 percent of members voting for the first bill in OpenNoCR although they incur a loss from the approval of this bill, and 40 percent for the second bill. In SecretNoCR only 35 percent vote for the first bill and 22 percent do so for the second. The regressions in Table 3 confirm that transparency, i.e. information on individual voting behavior, increases the individual acceptance of the first and second reform significantly, whereas transparency does not affect the acceptance of the third bill by members preferring earlier bills. We summarize this finding in Result 1.

Result 1 - Transparency increases the probability of acceptance of early bills (first and second) on a sequential bill by bill agenda.

In order to understand whether transparency increases reward, trust in others' reciprocity, or both, the further analysis focuses on reward behavior and trust in others' reciprocity (expected reward) across treatments. In the open ballot treatments *reward* refers to a situation in which *a committee member rewards her helping counterpart by accepting a subsequent bill favored by the helping counterpart*. In the secret ballot treatments, committee members cannot identify supporters. When one's preferred bill is passed, voting for an unfavorable subsequent bill refers to *reward with respect to the group*. In order to make reward in the open and closed ballot treatments comparable, we focus on share of committee members who accept at least one subsequent bill, provided their preferred bill is approved. With respect to trust in others' reciprocity, we draw conclusions from the acceptances of preceding but monetarily unfavorable bills. We understand trust as a behavior based on an optimistic belief, namely based on the belief of reward by one's counterpart. We use the probability of the accep-

Treatment	Share of members accepting at least one subsequent unfavorable bill when own bill is approved	Share of members accepting at least one preceding unfavorable bills
OpenBallotCR	25%	66%
SecretBallotCR	18%	37%
OpenNoCR	30%	75%
SecretNoCR	24%	41%

Table 4: Share of members accepting at least one subsequent / one preceding bill

tance of at least one unfavorable preceding bill as a measure for trust. We are aware that efficiency concerns might also affect this probability. However, our data suggest efficiency concerns to be low. Only 5 percent of subjects vote for an unfavorable bill although their preferred bill failed.⁶ Further efficiency concerns cannot explain differences across treatments in the probability of the acceptance of at least one unfavorable preceding bill. However, efficiency concerns should not vary significantly across treatments. Table 4 summarizes the shares of members rewarding (accepting at least one subsequent unfavorable bill provided the approval of one's own bill) and trusting in others' reciprocity (accepting at least one preceding bill) for the four treatments. The share of members rewarding their counterparts is slightly higher in transparent than in secretive procedures. 25 percent of members reward their counterparts in OpenBallotCR, 18 do so in SecretBallotCR, 30 percent do so in OpenNoCR and 24 percent in SecretNoCR. In open ballot treatments a substantially higher share of members trust in others' reciprocity. In OpenBallotCR 66 percent of members accept preceding bills detrimental to their induced preferences, in SecretBallotCR only 37 percent do so. In OpenNoCR this share amounts to 75 percent whereas in SecretNoCR it is only 41 percent. Using Probit regressions in Table 5 we find no significant effects of transparency on reward. However, transparency significantly

Probit with robust std. errors (p-values)	Dependent Variable: Reward (Probability of the acceptance of at least one unfavorable subsequent bill when own bill is approved)		Dependent Variable: Trust (Probability of the acceptance of at least one unfavorable preceding bill)	
	CR treatments (after CR failed)	NoCR treatments	CR treatments (after CR failed)	NoCR treatments
Constant	-0.92*** (0.100)	-0.72*** (0.104)	-0.34*** (0.095)	-0.22 (0.183)
Transparency	0.23 (0.145)	0.21 (0.166)	0.76*** (0.151)	0.86*** (0.190)
Pseudo R ²	0.005	0.005	0.06	0.08
Prob>X ²	0.113	0.201	0.00	0.00
Number of Observ.	298	516	510	840
Std.Err. adjusted for # clusters	9	6	9	6

Table 5: Transparency, reward and trust in others' reciprocity

*p-val.<.10, ** p-val.<.05, *** p-val.<.01

⁶ This share has to be considered as a lower bound for efficiency concerns, because not accepting subsequent bills after one's own bill failed can be caused by negative reciprocity too.

increases the probability of acceptance of preceding bills. Both members in favor of the second and third bill accept preceding bills more frequently provided that individual voting behavior is observable. This means that, instead of increasing reward, transparency increases trust in others' reciprocity. We summarize our finding in Result 2.

Result 2 - Transparency increases trust in others' reciprocity, but does not increase actual reward.

We are now ready to turn to our main research question, namely whether trust in others' reciprocity is sufficient to induce resistance to comprehensive reform. Results 1 and 2 make clear that vetoing a comprehensive reform is most attractive for members preferring the first bill on the alternative agenda, when the alternative bill by bill procedure is an open ballot. We observe committee members preferring the first bill on the alternative agenda vetoing the comprehensive reform in 47 percent of cases in OpenBallotCR and 25 percent in SecretBallotCR. Members in favor of later bills on the alternative agenda do so in about 16 percent of cases in OpenBallotCR and 20 percent in SecretBallotCR.⁷ The regressions in Table 6 make clear that members preferring the first bill on the alternative agenda expect profitable vote trades to be possible when the sequential alternative procedure is transparent and thus impede the

Probit with robust std. errors	Dep. Var. : Probability to vote against Comprehensive Reform (p-values in parentheses)		
	Member preferring first bill	Member preferring second bill	Member preferring third bill
Constant	-0.75*** (0.104)	-0.64 (0.141)***	-1.16 *** (0.310)
Transparency	0.68 *** (0.174)	-0.03 (0.212)	-0.27 (0.377)
Pseudo R ²	0.05	0.0001	0.0099
Prob>X ²	0.00	0.87	0.49
Number of Observ.	456	456	456
Std.Err. adjusted for # clusters	9	9	9

Table 6: Transparency and resistance to reform

*p-val.<.10, ** p-val.<.05, *** p-val.<.01

⁷ The latter difference is not statistically significant (Probit with robust std. errors, p-val>.10). However the result suggests that about 20 percent of vetoes occur due to participants' trial and error approach to block reforms in expectation of tacit collusion.

comprehensive reform. Members preferring later bills mainly opt for the comprehensive reform and are not affected by the transparency of the alternative voting procedure. We summarize this finding in Result 3.

Result 3 - Legislators impede comprehensive reforms when they anticipate profitable vote trading possibilities on the basis of trust and reciprocity.

Using actual probabilities, the expected payoff of blocking the package for a member preferring the first item amounts to 7.5 points in OpenBallotCR, whereas the acceptance of the package yields only 6 points. Thus, vetoing behavior by members preferring the first bill is rational in the open ballot procedure (OpenBallotCR). The expected payoff of resistance to comprehensive reform in the closed ballot treatment (SecretBallotCR) is 5.96, which is lower than the payoff of 6 points when the comprehensive reform is accepted. Thus impeding the comprehensive reform in the secret ballot treatment does not pay off for members preferring the first bill. The same holds for members preferring later bills on the agenda. The expected payoffs from vetoing the package for members preferring the second bill (third bill) are 5.37 (2.27) in OpenBallotCR and 4.89 (3.11) in SecretBallotCR.

Why do members preferring the first bill succeed in vote trading after they block the comprehensive reform? The reason for this is the fact that when the comprehensive reform fails, members preferring the second bill gain from supporting the first bill in OpenBallotCR. By supporting the first bill, a member preferring the second bill loses 2 points with certainty but receives a reward of 6 points by the member preferring the first bill with a probability of 35 percent. Additionally, voting for the first bill increases the probability that the member preferring the third bill accepts the second bill from 36 to 48 percent. We cannot infer whether the latter increase is due to positive signaling or because members preferring the third bill expect the second bill to be passed anyway and therefore have nothing to lose by voting for the second bill. Irrespective of these motives we can say that the acceptance of the first bill yields a higher expected payoff for the member preferring the second bill than voting against it.

Figure 2: Resistance to reform by members preferring the first bill, over time

Probit with robust std. errors	Vote against Comprehensive Reform
Constant	-0.81*** (0.137)
Transparency	-0.09 (0.388)
Period	0.01 (0.008)
Transparency*Period	0.12*** (0.034)
Pseudo R ²	0.10
Number of Observ.	456
Robust Std.Err. adjusted for # clusters	9

Table 7: Resistance to comprehensive reform by members preferring the first bill

*p-val.<.10, ** p-val.<.05, *** p-val.<.01

Figure 2 indicates that members preferring the first bill on the alternative agenda change their behavior over time, when the alternative agenda is an open ballot. The regression in Table 7 confirms that members preferring the first bill on the agenda learn to block the comprehensive reform, when facing a transparent voting procedure. Although we did not display individual voting decisions for the comprehensive reform, most participants seem to be aware that in the open ballot treatment (OpenBallotCR) the incentive to block the comprehensive reform was strongest for the member preferring the first bill on the agenda. As Figure 1 indicates, the support for the first bill by members preferring the second or third bill is significantly stronger in the NoCR treatments compared to the CR treatments after the failure of the comprehensive reform (Probit regressions with robust std. errors, p-values<0.06). Also, when the comprehensive reform fails, members in favor of the comprehensive reform vote less frequently for the first bill whereas they vote more frequently for the second and third bill (see Table 8).

Probit with robust std. errors in ()	Vote for first Bill	Vote for second Bill	Vote for third Bill
Constant	0.55*** (0.170)	-0.83*** (0.184)	-1.60*** (0.105)
Vote for CR	-0.51** (0.237)	0.66*** (0.197)	0.53*** (0.202)
Pseudo R ²	0.02	0.05	0.04
Number of Observ.	316	316	316
Robust Std.Err. adjusted for # clusters	5	5	5

Table 8: Discrimination after comprehensive reform failure (OpenBallotCR)

Dep. Variables : Acceptance of monetarily unfavorable bills (first, second or third bill)

*p-val.<.10, ** p-val.<.05, *** p-val.<.01

Probit with robust std. errors in ()	Dependent Variable: Reward		Dependent Variable: Trust	
	Open Ballot	Secret Ballot	Open Ballot	Secret Ballot
Constant	-0.51*** (0.126)	-0.72 (0.103)	0.64*** (0.050)	-0.22 (0.180)
Reform Failure	-0.17 (0.164)	-0.196 (0.145)	-0.23* (0.129)	-0.12 (0.205)
Pseudo R ²	0.004	0.004	0.006	0.002
Prob>X ²	0.28	0.19	0.076	0.55
Number of Observ.	532	282	724	626
Std.Err. adjusted for # clusters	8	7	8	7

Table 9: The Impact of Failure of Comprehensive Reform on Trust and Reciprocity

*p-val.<.10, ** p-val.<.05, *** p-val.<.01

However, discrimination against the member preferring the first bill does not increase over time and its quantitative effect on actual approval rates is small. Thus, discrimination does not change the incentive to block comprehensive reforms for members preferring the first bill on the agenda.

Finally, we turn to the question of whether the failure of the comprehensive reform causes a general loss in trust and reciprocity among committee members. In order to do so, we compare the share of members trusting/reciprocating in the treatments with the possibility of voting on a comprehensive reform with the share of members trusting/reciprocating when no comprehensive reform is available. Table 4 illustrates that after the failure of comprehensive reform 25 percent of members reward others' support in OpenBallotCR and 18 percent do so in SecretBallotCR, whereas these shares amount to 31 percent in OpenNoCR and 24 percent in SecretNoCR. With respect to trust in others' reciprocity we observe 66 percent of members voting for at least one preceding bill in OpenBallotCR and 37 percent in SecretBallotCR after the

comprehensive reform failed, whereas these shares amount to 75 percent in OpenNoCR and 41 percent in SecretNoCR when no comprehensive reform was available. Also the Probit regressions in Table 9 show that the impact of comprehensive reform failure on reciprocity is weak and reduces trust in open ballot treatments only slightly.

To shortly summarize our findings, we show that trust in others' reciprocity makes profitable vote trades possible even though commitment devices are missing. In turn trust in others' reciprocity causes resistance to comprehensive reform. Committee members who expect profitable vote trading to be possible strategically block the comprehensive reform and engage in vote trading with only one other committee member.

4 Conclusion

We proposed that because comprehensive reforms require single majority to vote in favor of a multipurpose collection of bills, legislators may expect secret agreements, log-rolling or vote trading on individual bills to be possible. We designed a laboratory experiment to investigate whether resistance to reform can stem from the expectation of profitable vote trades. In our experiment, we do not allow participants to communicate nor do we provide any commitment devices to trade votes. However, we provide an imperfect device for vote trading, namely a transparent sequential bill by bill voting procedure which allows committee members first to court for positive reciprocity by their counterparts and second to identify supporters. In our experiment, vote trades are impossible with purely selfish members. The expectation of profitable vote trades stems from trust in other legislators' reciprocity. We show that subjects trust in others' reciprocity, when decision making takes place in a transparent sequential bill by bill voting procedure. Transparency of the decision making process provides accountability which in turn facilitates vote trading on the basis of trust and reciprocity. When no comprehensive reform is available vote trades are efficient. When a comprehensive reform is available, its approval maximizes total payoffs. However, because strategic legislators expect

vote trading possibilities based on trust and reciprocity, they impede efficient comprehensive reforms. Eventually majority coalitions emerge who trade votes at the cost of third parties.

Our results highlight the importance of trust and reciprocity, when designing optimal political decision making procedures. In our experiment, the observability of individual votes in a sequential voting procedure crucially influences the extent to which resistance to comprehensive reform occurs. Committee members trust more in their counterparts' reciprocity when information on individual voting behavior is available. This implies that a request for a recorded vote facilitates vote trading, irrespective of its reasoning. The effect of transparency might be smaller with a larger number of decision makers. However, the small size of our committees does not have to be interpreted as a small number of legislators in general. In representative democracies, usually only a small number of political parties exist. When party members are strictly adherent to the party line, decisions are eventually made by a small number of groups.

We find that trust in others' reciprocity suffices to undermine an efficient comprehensive reform. Resistance to reform may thus result from parties or representatives strategically vetoing Pareto-superior reform packages because they expect vote trades to be possible, even when vote trading activities are formally excluded.

In our setup, trust in others' reciprocity abates substantially when individual voting behavior is not observable. In turn, vote trading becomes difficult and resistance to comprehensive reform subsides. We do not claim that secretive procedures can solve the deadlock in real world policy making. Instead, we take our results as a warning that resistance to comprehensive reform can stem from any source which facilitates vote trades or secret agreements.

5 Appendix

Translated Instructions

We present a full translation of the instructions for the OpenBallotCR. Instructions for OpenNoCR are identical, except for the decision on the package, which is missing there. In the treatments with a secret ballot we modified the instructions at the relevant parts. We indicate these modifications after the translated instructions for OpenBallotCR. The general information is identical in all treatments.

General information (Participant A)

Today you take part in an economic decision making experiment. If you read the following instructions carefully, you will be able to earn money additionally to your show-up fee of 2 Euro. Therefore it is important that you read the instructions completely.

For the entire duration of the experiment, it is not allowed to communicate with other participants. We therefore ask you not to talk to each other. If you have problems understanding the experiment, please have a second look at the instructions. If you still have questions, please give us a hand signal. We will come to your cubicle and answer your questions personally. During the experiment, we do not talk about Euro, we talk about points. The number of points you earn in the experiment are converted into Euro with the following exchange rate.

1 Point = € 0,20

At the end of the experiment, you will receive the 2 Euros show-up fee plus the equivalent of all points received in the experiment in cash. The following pages will explain the experiment in detail. At the end of the instructions we added some control questions helping you to understand the sequence of events. The experiment does not start until all participants solved the control questions and are completely familiar with the course of the experiment.

Summary

This experiment has 12 periods. In each period you will form a group with two randomly determined participants. At the beginning of a period each participant receives 4 Points. Then you and the other two members of the group decide on three different bills. The bills affect the points of each group member. A period ends when the group made a decision on all three bills. Then, a new period starts. You form a new group with two randomly chosen participants. All over you decide on three bills in 12 Periods. After the final period you will see a summary table on screen showing your points earned in each period.

At the end of the experiment you receive the 2 Euro show-up plus the euro equivalent of points earned in cash.

The Experiment

In this experiment we speak of three different participants, Participant A, B and C. **You are a Participant A.** In each period you form a group of three members with a randomly chosen participant B and a randomly chosen participant C.

At the beginning of each period each participant receives 4 points.

There are three bills to be voted on in each Period. We label them Bill A, B and C, respectively. First the group chooses if all three bills shall be accepted simultaneously or not.

If all members of the group decide to vote on the acceptance of all three bills, the vote on this package of bills takes place. Each member vote (simultaneously) for or against the acceptance of all three bills. If a majority of the group (at least two members) votes for the acceptance of all three bills, the bills are accepted.

If the group does not unanimously agree on voting on all three bills at once, the group decides sequentially on the three bills. If a majority (at least two members of the group) accepts a bill, it is passed.

The bills in detail: Each of the three bills yields 6 additional points for one group member but subtracts two points from each of the other two members.

Bill A: Participant A receives 6 additional Points, 2 points are subtracted from Participant B and C (each).

Bill B: Participant B receives 6 additional Points, 2 points are subtracted from Participant A and C(each).

Bill C: Participant C receives 6 additional Points, 2 points are subtracted from Participant A and B(each).

Each bill can be accepted or rejected by the group. Thus it is possible that more than one bill

is accepted or rejected.

The order in which the bills are voted on is determined randomly.

The six possible sequences are:

Sequence	1st Bill	2nd Bill	3rd Bill
1	Bill A	Bill B	Bill C
2	Bill A	Bill C	Bill B
3	Bill B	Bill A	Bill C
4	Bill B	Bill C	Bill A
5	Bill C	Bill A	Bill B
6	Bill C	Bill B	Bill A

At the beginning of each Period, namely before the decision on the first bill, the sequence of bills is displayed on your computer screen.

Procedures are the following

Step 1 – Decision on the voting procedure

Participants of each group see the three bills and the possible sequence, given the group decides for the sequential procedure.

Each participant states in Step 1 if she is for or against voting on all bills at once. If all participants of a group decide to vote on all bills at once **Step 2a comes next**, otherwise it follows **Step 2b**.

Step 2a – Simultaneous Procedure (only if all members of the group agreed on voting on the three bills at once)

Each participant of the group states if she is for or against accepting all bills at once. It follows **Step 3**.

Step 2b – Sequential Procedure (only if at least one member of the group disagreed on voting on the three bills at once in Step 1)

In this Step, you see the bill put to vote. You state whether you are for or against this bill. **Step 2c** follows.

Step 2c – Outcome of the vote on a single bill (only if at least one member of the group disagreed on voting on the three bills at once in Step 1)

After all participants of a group made their choice, the result of the current vote will be displayed on the computer screen. A bill is accepted if a majority of the group voted for the bill, i.e. if two or three group members voted for the bill.

In this Step you can also see which participant of your group decided for/against the current bill.

It follows the decision on the next bill. This means you see the next bill put for vote and decide on this bill (see Step 2b). Then, you see the outcome of this vote (see Step 2c).

Then you decide on the third bill and see the result of the group decision.

Step 3 – Result

After voting on the three bills, a summary table is presented on your computer screen. It shows which bills passed or failed in this period. Also, it displays the number of points earned.

After Step 3 you are again randomly matched with two participants and form a **new** group.

When the new period starts, no participant receives any information on your voting behavior from previous periods. Also, you do not receive any information on the voting behavior from previous periods of the new group's participants. Neither before nor after the experiment you will receive any information about your counterparts' identity. The randomly selected participants who interact with you do also not receive any information on your identity.

Payment

At the end of the experiment you receive the 2 Euro show-up plus the euro equivalent of points reached in cash.

We now present an example which helps you to understand the course of the experiment on screen in more detail. At the end of this example you will find some control questions. Please write down your answers to these questions. **Your answers to these questions will not affect the amount of money you will receive at the end of the experiment.**

Course of the experiment on the computer screen– an example

Step 1 – Decision on the voting procedure

All Participant of the group see the three bills and the randomly selected order in which they will be voted on in case of a sequential voting procedure.

Each participant decides in this Step, whether she is for or against voting on the three bills at once.

If all participants of a group decide for voting on the three bills at once **Step 2a** will follow, otherwise continue with **Step 2b**.

A screenshot of Step1 (in this example):

Periode 1 von 1			
	1st bill: B	2nd bill: C	3rd bill: A
Change in payoff for Participant A	-2	-2	6
Change in payoff for Participant B	6	-2	-2
Change in payoff for Participant C	-2	6	-2

If your group does not choose to vote on all bills at once, you will vote sequentially on each single bill in the following order:

1st bill: B
2nd bill: C
3rd bill: A

Do you want to vote on a package including all bills? ☐ yes ☐ no

OK

The first line in the table shows the randomly selected order of bills (in this example: 1st Bill B, 2nd Bill C and 3rd Bill A).

Below we present how each bill will change the amount of points of each participant, if a majority accepts this bill.

In this example:

1st Bill B: Participant B receives 6 additional Points, 2 points are subtracted from Participant A and C.

2nd Bill C: Participant C receives 6 additional Points, 2 points are subtracted from Participant A and B.

3rd Bill A: Participant A receives 6 additional Points, 2 points are subtracted from Participant B and C.

If a bill is not accepted by a majority, it does not affect the points of any participant.

Step 2a – Simultaneous voting Procedure

We now look at the case in which all participants of a group decided to vote on the three bills at once. Then the participants see the following screen:

Periode 1 von 1			
	1st bill B	2nd bill C	3rd bill A
Change in payoff for Participant A	-2	-2	6
Change in payoff for Participant B	6	-2	-2
Change in payoff for Participant C	-2	6	-2

Do you want to accept or reject all bills.

☐ I accept
☐ I reject

OK

Each Participant of the group now chooses to accept /or reject all bills at once.

If a majority, at least 2 participants of the group, decides to accept all bills at once, all three bills are accepted. If a majority votes against all three bills, the bills are rejected. It follows **Step 3**.

Step 2b – Sequential procedure

Now we look at the case in which at least one participant of a group decided not to agree on voting on the three bills at once. This means, bills are now voted on sequentially, in the previously displayed order. In our example, first Bill B, then Bill C and finally Bill A:

Periode 1 von 1			
	1st bill B	2nd bill C	3rd bill A
Change in payoff for Participant A	-2	-2	6
Change in payoff for Participant B	6	-2	-2
Change in payoff for Participant C	-2	6	-2
Decision by participant A			
Decision by participant B			
Decision by participant C			
Outcome of the vote			

The first bill to be voted on is: Bill B

Please vote now on the first bill: ☐ accept ☐ reject

OK

You decide whether to accept/reject the current bill and click the „OK“ Button. After all participants of the group made their decision, the voting result is displayed.

Let us assume that, in our example, Participant B accepted the 1st bill, You (Participant A) and Participant C, however, rejected the 1st bill. The intermediate result (Step 2c) is displayed on your computer screen:

Step 2c – Outcome of the vote on a single bill

Periode			
1 von 1			
Result for 1st bill (Bill B)			
	1st bill B	2nd bill C	3rd bill A
Change in payoff for Participant A	-2	-2	6
Change in payoff for Participant B	6	-2	-2
Change in payoff for Participant C	-2	6	-2
Decision by participant A	no		
Decision by participant B	yes		
Decision by participant C	no		
Outcome of the vote	rejected		
<div>weiter</div>			

The table again shows the order in which the bills are voted on. And who voted for or against a bill. In the last line you see whether a bill was accepted or rejected by the majority of the group. In our example a majority (You and participant C) voted against the first bill. Thus in this example the table shows that the 1st bill was rejected by a majority. Consequently, the points of all participants in your group are not affected. By clicking on the “continue” (“weiter”) button you will come to the next decision.

Now voting on the second bill begins. Then you see the result of the group’s decision on screen. Let’s assume a majority of the group accepted the second bill.

Then voting on the third bill starts. You see the third bill and decide for or against it. Lets assume for our example that again a majority accepted the third bill.

We continue with **Step 3**.

Step 3 – Result

At the end of a period and independent from the voting procedure chosen by your group, you will see a summary table showing points received by you and your group members.

In the following we explain how the points received in the period of our example are calculated.

In case of voting on the three bills at once, (continued from **Step 2a**) there are two possible outcomes:

The majority accepts all bills at once.

This yields for each participant of the group:

4 points (endowment)

+6 points (by the one bill in favor of the participant)

-4 points (by the two bills in favor of the other two group members)

= 6 points

All bills were rejected at once.

This yields 4 points for each participant (the endowment)

Given the group decided for the sequential procedure, (continued from **Step 2c**) points received at the end of a period are calculated as follows:

Periode		1 von 1			
Resulting total points for participants in your group in this period:					
	Endowment	1st bill B	2nd bill C	3rd bill A	Total
		rejected	accepted	accepted	
Points Participant A	4	0	-2	6	8
Points Participant B	4	0	-2	-2	0
Points Participant C	4	0	6	-2	8

The table displays again the order in which bills were voted on. Additionally you see in the second line whether a bill was accepted or rejected by the majority of the group. In our example the first bill was rejected, whereas the other two bills were accepted. Endowment is 4 points.

The first bill did not affect the points received by participants in this group, because it was rejected. The second bill was accepted and yields participant C six additional points, whereas 2 points are subtracted from participant A and B each. The third bill was accepted too in our example. It yields six additional points for participant A, and subtracts two points from each of the other two participants..

Points received at the end of the period by each participant are calculated as follows:

$$\text{Points Participant A} = 4 + 0 - 2 + 6 = 8$$

$$\text{Points Participant B} = 4 + 0 - 2 - 2 = 0$$

$$\text{Points Participant C} = 4 + 0 + 6 - 2 = 8$$

After clicking the „OK“ – Button, you are randomly matched into a new group.

Control questions

Please read the new example on this page and answer the control questions.

Your answers to these questions will not affect the amount of money you will receive at the end of the experiment.

Example:

Periode 1 von 1			
	1st bill B	2nd bill C	3rd bill A
Change in payoff for Participant A	-2	-2	6
Change in payoff for Participant B	6	-2	-2
Change in payoff for Participant C	-2	6	-2
Decision by participant A			
Decision by participant B			
Decision by participant C			
Outcome of the vote			

The agenda for this period is

1st bill B
2nd bill C
3rd bill A

Before voting on the three bills each participant receives 4 points.

OK

Assume that at least one participant of the group decided against voting at once on the three bills.

Assume further...

You accept the 1st and 3rd bill.

Participant B accepts the 1st and 3rd bill.

Participant C accepts the 1st and 2nd bill

Which bills are accepted by a majority of the group? _____

How many points do you receive in this period? _____

How many points does participant B receive in this period? _____

How many points does participant C receive in this period? _____

☐ correct or ☐ wrong: „If two of three group members decide for voting on the three bills at once, the group will decide on the three bills at once.

[Change of instructions for Treatments SecretBallotCR OpenNoCR and Secret NoCR]

The Experiment

In this experiment we speak of three different participants. Participant A, B and C. **You are a Participant A.** In each period you form a group of three members with a randomly chosen participant B and a randomly chosen participant C.

At the beginning of each period each participant receives 4 points.

There are three bills to be voted on in each period and group. We label them Bill A, Bill B and C respectively. Each group chooses weather to pass or fail each bill sequentially. If a majority (at least two members of the group) accepts a bill, it is passed. The order of bills is random.

The bills in detail: ...[see instructions for OpenBallotCR]

Procedures are the following...

Step 1 – Determination of the agenda

A random process determines the order of the bills.

Step 2 Agenda display

Participants can see the current order of bills on their computer screens. It follows step 3..

Step 3 – Sequential Procedure

In this step you see which bill is currently voted on. You decide if you accept or reject the bill.

Step 4 – Result

After all participants of a group made their choice, the result of the current vote will be displayed on the computer screen. A bill is accepted if a majority of the group voted for the bill, i.e. if two or three group members voted for the bill.

[only the open ballot treatments OpenBallotCR and OpenNoCR:] In this step you can also see which participant of your group decided for/against the current bill

After voting on the three bills, a summary table is presented on your computer screen. It shows which bills passed or failed in this period. Also, it displays the number of points earned. After Step 4 you are again randomly matched with two participants and form a new group.

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