The Role of Oversight Committees in Closed Rule Legislation*

Wim Van Gestel† Christophe Crombez‡

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Abstract

We formulate a game-theoretical model of closed rule legislation in the presence of informational asymmetries. In the model an agenda setter with private information proposes a policy to a legislature. The agenda setter’s proposals require the legislature’s approval by supermajority. The legislature appoints an oversight committee to monitor the agenda setter. We study the rationale for the appointment of an oversight committee, and analyze the equilibrium oversight committee member choices for the legislators. We conclude that it is optimal for the legislators to appoint oversight committee members that are biased in the opposite direction and to the same extent than is the agenda setter, rather than do the monitoring themselves. The appointment of such oversight committee members represents a credible means for the legislators to commit to reject certain proposals from the agenda setter without redistributing formal voting power.

- Key words: European Union, Trade Policy, Delegation, Oversight, Asymmetric information.

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†Wim Van Gestel is a doctoral candidate at K.U.Leuven. Address: K.U.Leuven, Faculty of Business and Economics, Naamsestraat 69, 3000 Leuven, Belgium; Email: Wim.VanGestel@econ.kuleuven.be.

‡Christophe Crombez is Professor of Political Economy at K.U.Leuven, Visiting Professor at Stanford University, and National Fellow at the Hoover Institution. Address: K.U.Leuven, Faculty of Business and Economics, Naamsestraat 69, 3000 Leuven, Belgium; Email: Crombez@Stanford.Edu.
1 Introduction

Delegation is an important characteristic of policy making. Providing incentives to specialize in specific policy matters represents one of the main rationales for delegation (Gilligan and Krehbiel, 1987 and 1989). Legislators cannot develop expertise in all policy areas. For that reason they set up committees or other bodies to study specific policy domains. They often use closed rule procedures to provide these bodies with incentives to specialize. As a direct consequence, however, the delegation of authority from legislators to a committee can give rise to moral hazard problems. Therefore this relationship is often portrayed as a principal-agent relationship in the literature.

To regain control over their agent, the principals have several tools at their disposal that attempt to balance the institutional dynamics. Peress (2009) has shown that among those tools is the requirement to employ supermajority rule. If an agenda setter is powerful, the median legislator may actually prefer to consider the agenda setter’s proposal under supermajority rule instead of simple majority rule. In doing so, the median legislator appoints additional veto players that are more extreme than himself and he therefore creates a credible commitment to reject proposals that he is indifferent over relative to the status quo. In essence the median legislator redistributes formal voting power to obtain a policy he prefers more. In this paper we argue that under asymmetric information it is no longer required that legislators redistribute their formal voting power. By making use of an oversight committee, one that only derives informal power out of its role as an information transmitter, legislators can credibly commit to reject marginally improving proposals too.

One example of legislative delegation with an oversight committee is the trade policy making in the European Union (EU).\footnote{For a formal analysis of delegation in the EU see Franchino (2005)} Many authors argue that delegation in the area of EU external trade takes place at two levels (Damro, 2007; Kerremans, 2003). First, there is delegation of authority from the member state governments to the legislative members in the Council. The Council is one of the EU’s two main legislative bodies. It is an intergovernmental body that consists of one representative per member state. Second, there is delegation from the Council Members to the Commission: the Commission negotiates trade agreements and drafts trade policy proposals (Meunier & Nicolaïdis, 2006). The Commission is the EU’s executive body, and it has monopoly proposal rights in the legislative process. The Council...
then considers the Commission’s proposals under supermajority rule, which is called qualified majority rule in the EU.

Even though the Commission’s dominant role in trade policy making renders it as one of the most supranational policy areas in the EU, authors also stress the important role of the member states by pointing out the many tools at their disposal to control the Commission (Aggarwal and Fogarty, 2004; De Bièvre and Dür, 2005; Meunier, 2005). The monitoring tool discussed in this paper is the Trade Policy Committee (TPC).\(^2\) The TPC frequently sits at the table with the Commission. It fulfills two basic functions. First, it provides a channel of information to the Commission on the preferences of the member states. This information may give the Commission an opportunity to alter its proposals and get them adopted in the Council. Second, the TPC directly monitors the Commission for the Council and transmits information to it.

While the first aspect of the TPC’s function is rather clear and has been elaborately discussed in the literature, less is known about the mechanism of monitoring. Most authors limit themselves to stating that the principal monitors the agent via the TPC (Aggarwal and Fogarty, 2004; De Bièvre and Dür, 2005; Meunier, 2005). The reality is somewhat more complex, that is, the member states in the Council delegate the authority to monitor the Commission to the TPC. This was emphasized, for example, by a Commission official, who was interviewed by Damro (2007) and stated that the TPC’s weekly meetings with the Commission serve as an important instrument through which member states *do their best to find out* what is happening in trade negotiations. This suggests that there is indeed an information stream from the Commission to the Council via the TPC, but that this information is *noisy*.

In this paper we focus on the delegation of monitoring. Since legislators appoint the members of the oversight committee, it can manipulate this committee’s preferences and by consequence the credibility of the information it transmits. If the Council appoints a TPC with the same preferences as itself, noiseless information transmission between the TPC and the Council can be expected. Yet the noisy information stream observed by Damro (2007) suggests that there is more at play. The noise could be the result of the TPC’s incomplete information or of its strategic use of information. In this paper we study the latter source of noise.

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\(^2\)Before the adoption of the Lisbon Treaty the committee was know as the Article 133 Committee. Article 133 has now become Article 207. It states that the Commission has to report regularly to and consult with a special committee established by the Council.
We present a general model of delegation in which an agenda setter is monitored by an oversight committee, both the agenda setter and the oversight committee have perfect information, and the legislature considers the agenda setter’s proposals under closed rule. We can apply this framework to EU external trade policy-making and the role of the TPC. While we acknowledge the other functions of the TPC, such as signaling the preferences of the Council to the Commission, we focus on the oversight role the TPC fulfills and on the Council’s strategic considerations in the delegation of monitoring. We build our model on the closed rule model put forward by Gilligan and Krehbiel (1989). Their model deals with heterogeneous committees, but can also be thought of as a model of a legislature that interacts with an agenda setter on the one hand, and a committee or lobbyist with a signaling role on the other hand. We extend this view by allowing the location of the signaling committee to be determined by the legislative body. The committee can then be thought of as an oversight committee that has received the authority to monitor the agenda setter. In addition we incorporate important features of EU trade policy making into our model, such as voting by supermajority rule in the legislative body. We present a general model and apply it to the EU. In the EU the Council, the Commission and the TPC play the roles of legislature, agenda setter and oversight committee, respectively.\footnote{In this paper we focus on the TPC, its role and its appointment. We do not model the trade negotiations themselves, but limit ourselves to the decision making within the EU. Therefore, we do not consider the role of non-EU countries involved in trade negotiations. Our model can be extended, however, by including such a country and assuming it plays a role in the formulation of a trade agreement. In equilibrium this country would take into account the preferences of the TPC and Council members, as does the Commission. In turn the member states would take into account the country’s preferences when appointing the TPC, as they take the Commission’s preferences into account. The conclusions of our model would thus not be fundamentally different if a non-EU country were included in the model. Moreover, we ignore the Parliament’s role in the process. Including the Parliament in the model would merely add another veto player. The Commission would take its preferences into account, as it takes the preferences of the pivotal TPC and Council members into account.}

Even though the sole function of the oversight committee is to transmit information about the consequences of policy, we find that the legislators choose to appoint oversight committee members that have preferences different from their own. In particular they appoint members who are as far away from them as is the agenda setter, but in the opposite direction. Legislators thus prefer not to have perfect information on the consequences of policies, but rather let a strategic information transmitter signal these consequences to them. By doing so, they create a credible commitment to refuse proposals that are preferred to the status quo by the agenda setter, but rep-
resent only a marginal improvement for them. As a result the agenda setter proposes policies the pivotal legislators prefer to the proposals he would make in the absence of oversight or if the legislators were perfectly informed. Obtaining a closer policy compensates for informational inefficiencies the legislators suffer compared to having perfect information. The distributional losses the legislators incur as a result of the use of a closed rule, as observed by Gilligan and Krehbiel (1989), can be reduced when the legislators can strategically choose the oversight committee members. The legislators can give the agenda setter incentives to specialize by using a closed rule, while reducing the distributional losses by appointing oversight committee members who are farther away from the agenda setter than they are themselves.

The remainder of this paper is structured as follows. Section two starts the analysis with a simple game with perfect information. We show that legislators somehow need to credibly commit to their appointed oversight committee members in order to change the policy making process. In section three we introduce asymmetric information and see that these informational asymmetries can be a substitute for redistributing formal power to create a credible commitment. In section four we analyze the oversight committee appointment process. Section five presents the conclusions.

2 Perfect information

In order to elucidate the finding that legislators may prefer to have imperfect and asymmetric information with regards to the consequences of policy, we start by developing a model of perfect information. A comparison with the asymmetric information model allows us to study the effects of imperfect information more clearly.

In a first step we look at the policy making process with just two institutions: a legislature and an agenda setting committee. The policy space $\mathbb{R}$ is assumed to be one dimensional. This dimension could reflect degrees of trade liberalization, for example, with actors on the right being more in favor than actors on the left. Actors have Euclidean preferences. That is, they prefer policy results that are closer to rather than farther away from their ideal result. In particular actor $x$ with ideal policy $p_x$ derives utility $U_x(p) = -(p - p_x)^2$ from policy $p$. The legislature uses supermajority rule. As a result we can simplify the analysis by focusing on the two legislators who are pivotal under supermajority rule. Legislators $L_L$ and $L_R$ are the pivotal legislators under supermajority rule, with legislator $L_L$ being to the left of legislator $L_R$. Legislators $L_R$ and $L_L$ are then pivotal for moves to the left and right,
respectively. The agenda setting committee, $C_1$ uses simple majority rule. As a result we can represent it by its median voter (Black, 1948).

For simplicity and without loss of generality we normalize the one-dimensional policy space such that the average ideal policy result of the two legislators is equal to zero: $\frac{L_L + L_R}{2} = 0$, as illustrated in Figure 1. The ideal policy result of legislator $L_R$ is set equal to the value $L_R$. The ideal policy result of legislator $L_L$ is then equal to $-L_R$. The ideal policy result of agenda setter $C_1$ is assumed to be equal to $aL_R$ with $a \in \mathbb{R}$. Variable $a$ is then a measure of how extreme the agenda setter is relative to the legislature. We refer to agenda setters with $a$ in the interval $[-1, 1]$ as moderate because their preferences are located between the ideal policies of legislators $L_L$ and $L_R$. When their levels of extremeness lie outside this range, they are considered extreme.

For $aL_R$ to be a median voter, the policy space must be normalized and $a$ must be such that the median voter is located at the average ideal policy result of the two legislators. This normalization allows for a direct comparison of the agenda setter’s ideal policy result with the ideal policy results of the legislators. The equilibrium of the game therefore depends on the location of the status quo as can be seen in Figure 2.

![Figure 1: Perfect information and no oversight committee](image)

The sequence of the game with perfect information is as follows. In the first stage the agenda setter drafts a proposal. In the second and final stage the legislators vote on the proposal. If both pivotal members vote in favor of it the proposal is adopted and becomes policy, otherwise the status quo prevails.

In a game of perfect information the relevant equilibrium concept is subgame perfection. We can follow authors such as Tsebelis (1995, 2000) and Crombe (1996), who make use of the winset concept to find a range of policies that can successfully replace the status quo. It is obvious that when the status quo lies inbetween the preferences of the two pivotal legislators, that is if $p_0 \in [-L_R, L_R]$, the winset is empty. Both legislators desire to move away from the status quo in different directions. One can also see that when the status quo is to the agenda setter’s right in Figure 1, all players prefer the agenda setter’s ideal over the status quo. The equilibrium therefore depends on the location of the status quo as can be seen in Figure 2.

In interval $I$, all legislators prefer the agenda setter’s ideal over the status quo. In interval $II$, the left pivotal legislator $L_L$ no longer prefers $aL_R$ over $p_0$, so the agenda setter offers a proposal $b = -2L_R - p_0$ that makes legislator $L_L$ indifferent over it
with regards to the status quo. In interval III, the status quo prevails because never do all three players want to move away from the status quo in the same direction. In interval IV, all prefer the agenda setter’s ideal over the status quo.\footnote{For moderate agenda setters, the analysis is similar. As long as the status quo is large or small enough, the agenda setter is able to successfully propose his ideal. If the status quo is located inbetween \(-L_R\) and \(L_R\), the status quo prevails and for all other values, it can make a proposal to attract the support of the legislator on whose opposite side the status quo is located.}

In a next step, we allow for the legislators to appoint an oversight committee \(C_2\). This committee consists of representatives of the legislators: each legislator appoints one oversight committee member. The members appointed by legislators \(L_L\) and \(L_R\) are members \(C_{2L}\) and \(C_{2R}\), respectively. The ideal policy result of oversight committee members \(C_{2L}\) and \(C_{2R}\) equal to \(d_{L}L_R\) and \(d_{R}L_R\), respectively, with \(d_{L}, d_{R} \in \mathbb{R}\). Similar to the interpretation of variable \(a\), \(d_{L}\) and \(d_{R}\) are then measures of how extreme the committee members are relative to the legislature. Oversight committee members with levels of extremeness in the interval \([-1, 1]\) are considered as moderate because their preferences are located between the ideal policies of legislators \(L_L\) and \(L_R\). When their levels of extremeness lie outside this range, they are considered extreme. The situation with both extreme oversight committee members and an extreme agenda setter is depicted in Figure 3.

The function of the oversight committee members is to advise the legislators on whether they should accept the proposal made by the agenda setter. Yet because there is still perfect information in this stage of the model, these oversight committee members have no influence in the policy making process if the legislators cannot
Figure 3: An extreme agenda setter and extreme oversight committee members.

credibly commit to the advice. Indeed, if legislator $L_L$ prefers the proposal over the status quo, no recommendation made by his oversight committee member $C_{2L}$ can persuade him to vote against it. Since the agenda setter anticipates this, the subgame perfect strategy is for both the agenda setter and the legislators to ignore the oversight committee members’ advice.

As a thought experiment, however, assume that the legislators are able to credibly commit to the advice prompted by their respective oversight committee member. Which committee member should a legislator appoint? Now legislators become able to add veto players to the game and to balance the institutional dynamics in their favor. For status quos to the left of legislator $L_L$ it is the left pivotal legislator that is pivotal for a move to the right. Indeed, he is the player that desires the smallest move to the right. However, as we can see in Figure 2, without being able to commit to vote against proposals that improve only marginally over the status quo, legislator $L_L$ stands to gain little in the policy making process when the status quo is to his left. By appointing an oversight committee member $C_{2L}$ that can act as a veto player and has preferences exactly in the middle of the status quo and legislator $L_L$’s preferences, $d_{L_L} = \frac{L_R + p_0}{3}$, legislator $L_L$ can effectively force the agenda setter to make a proposal that is much more profitable for the legislator. Indeed, for all status quos to the left of legislator $L_L$, the legislator can obtain his ideal by appointing such a veto player. A similar reasoning holds for legislator $L_R$ and his oversight committee member $C_{2R}$.

In a model of perfect information, the oversight committees need to become more than mere monitoring devices. They require formal voting power and thus a change of institutional rules to have an impact on policy. The idea to change the institutional rules to erect a credible means to reject marginal proposals is not new. A particularly novel application can be found in Peress (2009). He argues that by adding supermajority requirements the agenda-setting powers can be balanced with veto players to enact policies that are preferred by the median voter. Yet as we will show in the following section, relaxing the assumption of perfect information renders
the assumption of committing Council Members superfluous. Asymmetric information itself becomes a tool to credibly commit to the advice of oversight committee members, without the need to add additional extreme veto players or to redistribute formal institutional power.

3 Asymmetric information

In this section we introduce asymmetric information with regards to the consequences of policy. Now the oversight committee members actually monitor the agenda setter. The single function they fulfill is to transmit information with regards to the consequences of policy to the legislators. More specifically, we here assume that all actors operate in the same policy space as in the previous section, but they have preferences over policy results rather than policies as such. The result of policy \( p \) is represented by \( r(p) = p + \omega \), where \( \omega \) represents an external shock that is uniformly distributed over the unit interval, \( \omega \sim U[0,1] \). Whereas all players know the distribution of the shock, the actual realization of \( \omega \) is knowledge that can only be obtained by specializing. We assume, in the vocabulary of Gilligan and Krehbiel (1987, 1989), that the cost of specialization is sufficiently low so that the closed rule provides the agenda setter with sufficient incentives to specialize, even when the agenda setter’s distributive gains from specialization are reduced by oversight. We come back to this issue at the end of the section. We further assume that the information obtained by specialization can be perfectly inferred by monitoring. As such oversight committee members acquire perfect information without engaging in costly research. Therefore, in theory, the legislators may choose to do the oversight themselves, or they may appoint an oversight committee member with exactly the same preferences as themselves, and have perfect information with regards to the consequences of policy. But, as we will see, they prefer not to do so and to appoint oversight committee members with diverging preferences. A final and technical assumption is that we impose the following restrictions: \((1 + a)L_R < 1/4\) and \(L_R < 1/8\). This ensures that all of the intervals identified in the equilibria lie within the interval of the random variable \([0,1]\).

Previously, in the case of perfect information with commitment, the legislators knew the location of the status quo before they appoint the oversight committee members. Therefore they could appoint the members based on the location of the

\[5\text{While it is possible that the oversight committee acquires only a fraction of the information the agenda setting committee has, we assume that both committees have the same information for simplicity.} \]
status quo. Under asymmetric information this is no longer a feasible strategy because asymmetric information influences the timing and play of events: the policy making process in which information is revealed occurs after the appointment of the oversight committee. Therefore legislators need to anticipate what happens in the policy making process and appoint their oversight committee member to maximize the expected return in that process.

The sequence of events in the policy making process is as follows. In the first stage the agenda setter and the oversight committee members learn the value of the external shock $\omega$. In the second stage the agenda setter drafts a proposal $b$. Moreover, the oversight committee members $C_{2L}$ and $C_{2R}$ simultaneously send out private signals $s_{2L}$ and $s_{2R}$, respectively, to their respective legislators on the value of the external shock $\omega$. These signals are continuous variables that can be interpreted as the reported values of $\omega$. A signal is said to be consistent if the value of the shock, as reported by the oversight committee member, matches with the value of the shock that the agenda setter’s proposal suggests. In the final stage legislators $L_L$ and $L_R$ vote on the proposal. The legislators do not observe the shock $\omega$, but they observe the bill $b$ and the signal of their oversight committee member, $s_{2L}$ or $s_{2R}$. If both the legislators accept the bill, the policy is adopted. Otherwise the status quo prevails.

During the policy making process the variables $a, d_L$ and $d_R$ are exogenous which result in a perfect Bayesian equilibrium. It characterizes agenda setter $C_1$’s equilibrium proposal strategy $b^*(\omega)$, oversight committee members $C_{2L}$ and $C_{2R}$’s equilibrium signaling strategies $s_{2L}^*(\omega)$ and $s_{2R}^*(\omega)$, the equilibrium beliefs $g_L^*(b, s_{2L})$ and $g_R^*(b, s_{2R})$ of the legislators, and the legislators’ voting strategies $v_L^*(b, s_{2L}, v_L, v_R)$ and $v_R^*(b, s_{2R}, v_L, v_R)$. The equilibrium policy is policy $p^*(b, s_{2L}, s_{2R}, v_L, v_R)$.

While $a$ is fixed throughout the entire game\(^\text{6}\), $d_L$ and $d_R$ are chosen during the appointment process. A change in these values can yield drastically different types of equilibria in the policy making process. However, certain types of equilibria make more sense than others. We discuss the equilibrium for $d_L \in [-2 + a, -1]$ and $d_R \in [(2 - a), 1]$. This means that each oversight committee member is to the left of the legislator who appointed him, but not farther away from that legislator than is the agenda setter. We do not discuss the equilibria in the policy making process for other values of the variables $d_L$ and $d_R$, that is, for other locations of the oversight committee members, because it is easy to see that the legislators would not

\(^{6}\)For simplicity we assume that the agenda setter is to the right of the midpoint between the two legislators, that is, $a > 0$. The analysis for an agenda setter to the left of the midpoint is analogous.
appoint such oversight committee members in equilibrium. First, a legislator would not appoint an oversight committee to his right, because the agenda setter is also to his right. He strictly prefers to appoint an oversight committee member with the same preferences as himself. Suppose for instance that legislator \( L_L \) chooses \( d_L > -1 \) and that the oversight committee member \( C_{2L} \) is thus to the legislator’s right. If the oversight committee member is to the agenda setter’s right, the signal the oversight committee member sends is clearly less trustworthy than the information the legislator derives from the proposal the agenda setter makes. If the oversight committee member is located between the legislator and the agenda setter, the legislator does not trust a signal by his committee member. Since committee member \( C_{2L} \) is then closer to the agenda setter than is legislator \( L_L \), he has an incentive to send a positive signal too often. For those situations where the status quo result is between the legislator and his committee member, \( C_{2L} \) may signal to accept a proposal, while the legislator prefers the status quo. Furthermore, for those values of the status quo result for which all players prefer a move to the right, the committee member is willing to accept policy changes too far to the right from legislator \( L_L \)’s viewpoint. The legislator then prefers to be perfectly informed by a committee member with \( d_L = -1 \) rather then by a committee member with \( d_L > -1 \). The analysis for \( d_R \) and legislator \( L_R \) is similar.

Second, appointing an oversight committee member who is farther away from him than is the agenda setter is not optimal for a legislator either. The signal the legislator receives from the oversight committee member is then less trustworthy than is the information he derives from the agenda setter’s proposal. Therefore he prefers a committee member who is more to the right, and closer to himself. The formal proof of this can be found in Appendix A.5.

### 3.1 Policy making with an extreme agenda setter

The equilibrium in the policy making process is an extension of Gilligan and Kreibiel’s closed rule model (1989). The full mathematical formulation and the proof can be found in Appendix A.1. Figure 4 displays the equilibrium with an extreme agenda setter an oversight committee member \( C_{2L} \) with \( d_L = -a \). On the horizontal axis the policy result of the status quo, \( p_0 + \omega \), is displayed. On the vertical axis the equilibrium policy result can be found. It is this that all players care about.

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7The choice of legislator \( L_R \)’s oversight committee member does not impact the equilibrium for all possible \( d_R \in (2-a, 1) \) and is therefore omitted from the analysis in this subsection.
For very small and very large values of $\omega$ (in intervals I and IV respectively) the agenda setter is able to obtain her ideal policy result $aL_R$. More specifically, the agenda setter successfully proposes $aL_R - \omega$ as policy when $\omega \geq -p_0 + aL_R$ and when $\omega \leq (2d_L - a)L_R - p_0$. In those situations the oversight committee member prefers the agenda setter’s ideal policy result to the status quo result. The oversight committee member then truthfully report the correct value of $\omega$ to its legislators, and the legislators know that the proposal is better for them than is the status quo and vote in favor of the proposal. In interval II, where $(2d_L - a)L_R - p_0 < \omega \leq d_L L_R - p_0$, the agenda setter cannot attract the support of both oversight committee members by proposing her ideal policy, because oversight committee member $C_{2L}$ prefers the result of the status quo. Therefore he seeks the support of this oversight committee member by proposing the policy that makes the oversight committee member $C_{2L}$ indifferent to the result of the status quo. Again, both oversight committee members then report the correct value of $\omega$ to their legislators, and these legislators vote in favor of the proposal. For all other values of $\omega$, in interval III, oversight committee member $C_{2L}$ is not willing to give a consistent signal because he prefers a move to the left, whereas the agenda setter desires a move to the right. The agenda setter
then is unable to signal to the left legislator whether the proposal is beneficial for him. In the absence of any further information, the left legislator prefers the status quo over any proposal that the agenda setting committee can make. As a result the status quo prevails in interval \( III \).

![Diagram](image)

**Figure 5:** The equilibrium policy result with an extreme agenda setter.

Figure 5 illustrates the equilibrium policy for a somewhat more moderate \((d''_L > -a)\) and more extreme \((d''_L < -a)\) oversight committee member for the left legislator.\(^8\) We briefly discuss the equilibrium policy for \(d''_L < -a\), as represented by the mixed line. There are two important consequences of the left legislator’s appointment of a more extreme oversight committee member. First, the agenda setter is able to achieve her ideal policy result for fewer status quos. In the Figure we can see this by noting that interval \( I \) is smaller under \(d''_L < -a\) than under \(d_L = -a\). This is due to the fact that in equilibrium the agenda setter needs to seek the support of the more extreme oversight committee member. He does this by offering the oversight committee member \(C_{2L}\) a policy that is sufficiently to the left so that he will send out a consistent signal \(\omega\), which induces legislator \(L_L\) to accept the proposal.

\(^8\)Both cases have been chosen such that \(q_L \in [-2-a, -1]\), to match the equilibrium we described above.
Second, there is less information transmitted by the left legislator’s oversight committee member. He will refuse to send out a consistent signal for proposals that are actually beneficial for the legislator and this effect is more pronounced than with a more moderate oversight committee. We can see this in the Figure by noting that interval III is larger for $d_L'' < -a$ than it is for $d = -a$. The effects of having a less extreme oversight committee are the opposite.

### 3.2 Policy making with a moderate agenda setter

We now consider an agenda setter who is located between the two legislators ($a \in [-1, 1]$). For simplicity we continue to assume that the agenda setter is to the right of the midpoint between the two legislators. The analysis for an agenda setter to the left of the midpoint is analogous. Figure 6 displays the equilibrium with a moderate agenda setter and with two types of oversight committee members $C_{2L}$ and $C_{2R}$. Similar as in Figure 5, the horizontal axis displays the policy result of the status quo, $p_0 + \omega$. On the vertical axis the equilibrium policy result can be found. It is this that all players care about.

![Figure 6: The equilibrium policy result with a moderate agenda setter.](image)

Let us first discuss the equilibrium by focusing on the solid line. This line represents the equilibrium with oversight committee members that are equally far away from their legislators than is the agenda setter ($d_L = -(2+a)$ and $d_R = (2-a)$). For
very small and very large values of $\omega$ (in intervals $I$ and $V$ respectively) the agenda setter is able to obtain her ideal policy result $aL_R$, because the oversight committee members prefer it to the status quo result. For values of $\omega \leq (2d_L - a)L_R - p_0$ and $\omega \geq (2d_R - a)L_R - p_0$ the agenda setter’s ideal policy result is attractive enough for the oversight committee members to report the correct value of $\omega$ to their legislator $L_L$. The legislators then know that the proposal is better for them than is the status quo and vote in favor of it. In interval $II$, where $(2d_L - a)L_R - p_0 < \omega \leq d_L L_R - p_0$, the agenda setter cannot attract the support of oversight committee $C_{2L}$ by proposing her ideal policy, because oversight committee member $C_{2L}$ prefers the result of the status quo. Therefore he seeks the support of this oversight committee member by proposing the policy that makes the oversight committee member $C_{2L}$ indifferent to the result of the status quo. Both oversight committee members then send a consistent signal and the legislators approve the proposal. In interval $III$ the status quo prevails. Either oversight committee member $C_{2L}$ or oversight committee member $C_{2R}$ is not willing to give a consistent signal because he prefers a move in one direction of the status quo, whereas the agenda setter desires a move to the other side. The agenda setter is unable to signal to both legislators that the proposal is beneficial for them. At least one of the legislators prefers the status quo over any proposal that the agenda setter can make and votes against. As a result the status quo prevails. Finally, in interval $IV$, when $d_R L_R - p_0 < \omega \leq (2d_R - a) L_R - p_0$, the agenda setter is able to attract the support of oversight committee member $C_{2R}$ by proposing the policy that makes him indifferent to the status quo. Both oversight committee members then send a consistent signal, the legislators vote in favor of the proposal, and the proposal is adopted.

The Figure also shows how equilibrium policies vary with different oversight committee members. The broken line represents what happens if the oversight committee members have the same preferences as their respective legislators, so $d_L = -1$ and $d_R = 1$. The Figure illustrates that as the legislators appoint more extreme oversight committee members, the equilibrium policy becomes more extreme as well.

Variables $d_L$ and $d_R$ influence different segments of the equilibrium policy result. The arrow towards the lower left corner shows how legislator $L_L$’s choice of $d_L$ influences the equilibrium policy result, whereas the arrow towards the upper right corner shows legislator $L_R$’s influence by choosing $d_R$. In other words, the left legislator can influence the equilibrium policy results for small values of the status quo result, whereas the right legislator can influence the equilibrium policy result for larger status quos. So if legislator $L_L$ appoints an extreme oversight committee member $C_{2L}$ with $d_L = -(2 + a)$ and legislator $L_R$ appoints oversight committee
member $C_{2R}$ with the same preferences as himself, with $d_R = 1$, the equilibrium policy result is indicated by the solid line in intervals II and in interval III up to $p_0 + \omega = L_R$, and by the broken line in the remainder of interval III.

In the next section we discuss the optimal oversight committee member choices for the legislators.

4 The oversight committee appointment

In the previous section we mentioned the two effects at play when a legislator appoints an oversight committee member. On the one hand, if the pivotal legislator appoints an oversight committee member who is farther away from the agenda setter than he is himself, there is a wider range of status quo results for which the oversight committee sends no informative signal to the legislator than if the legislator appoints an oversight committee member with preferences identical to his own. Instead of having two sources of information, the proposal and the signal, for that range of status quo results the only informative signal comes from the agenda setter’s proposal. As a direct result the status quo is maintained for a wider range of policies. On the other hand appointing such an oversight committee member also shapes the proposals that the agenda setter makes when he can move policy away from the status quo. This renders these proposals more beneficial for the pivotal legislator. Note that we do not require that the oversight committee members are attributed formal decision making power. The credible commitment to follow the oversight committee member’s advice on the side of the legislators stems directly from the asymmetric information. In what follows, we show that indeed it is optimal to appoint a biased committee member. The distributional gains are larger than the informational cost. Contrary to what one might expect, this means that legislators prefer not to have perfect information with regards to the consequences of policy, but to let a strategic committee member transmit this information to them.

Each legislator chooses his own oversight committee member, and this member’s signal is only visible to the legislator who appointed him. An oversight committee member’s signal thus does not have any impact on the other legislator. Therefore, the legislators appoint the same oversight committee members as they would if they were the only legislator in the policy making process.

Let $d_L = d_L^*$ denote legislator $L_L$’s optimal choice and let $d_R = d_R^*$ denote legislator $L_R$’s optimal choice when they are pivotal. Proposition 1 characterizes these optimal choices. The proofs can be found in Appendix A.6.
Proposition 1 Legislators $L_L$ and $L_R$ choose oversight committee members $C_{2L}$ and $C_{2R}$ who are equally far away from them as is the agenda setter, but in the other direction. If the agenda setter is to a legislator’s right, that legislator thus appoints an oversight committee member to his left. The optimal level of extremeness for legislator $L_L$ is $d^*_L = -(2 + a)$ and the optimal level for legislator $L_R$ is $d^*_R = 2 - a$.

In what follows we explain and discuss the Proposition. We continue to consider agenda setters who are to the right of the midpoint between the two legislators. First, we illustrate that it is indeed worthwhile for legislator $L_L$ to source out monitoring to an oversight committee member who is farther away from the agenda setter.\footnote{By sourcing out monitoring, we refer to the legislators’ incentives not to know the consequences of policies and appoint a committee member with different preferences.}

The solid line in Figure 7 shows how far the equilibrium policy result is from legislator $L_L$’s ideal policy as a function of the location of the status quo result, if legislator $L_L$ appoints an oversight committee member with $d_L = -(2 + a)$. The horizontal axis displays the status quo result $p_0 + \omega$. The vertical axis measures the distance between the result of the equilibrium policy $p^*(b, s_{2L})$ and the legislator’s ideal, $|r(p^*(b, s_{2L})) - L_L|$. Legislator $L_L$ prefers values close to 0 on the vertical axis over larger values because it indicates that the result of the equilibrium policy is closer to his ideal. The discrepancy between what he wants and what he gets is then smaller.

Figure 7: The gains to legislator $L_L$ from outsourcing monitoring to an ideal oversight committee member with $q_L = -(2 + a)$.

For two values of the status quo result does the legislator obtain his ideal policy result: when the status quo result is equal to $(2d_L + 1)L_R$; and when it is equal to
Legislator $L_L$ obtains her ideal policy result, when it is equal to the status quo result and when the status quo result makes committee member $C_{2L}$ indifferent to legislator $L_L$'s ideal policy result. In intervals I and IV the agenda setter gets her ideal policy result, and the distance between legislator $L_L$'s ideal policy result and the equilibrium policy result is then $(1 + a)L_R$. In interval II the agenda setter attracts the support of oversight committee member $C_{2L}$ by proposing the policy that makes him indifferent to the status quo result. At the left end of the interval this is the agenda setter's ideal policy. As the external shock becomes larger, the agenda setter proposes a policy more to the left. At first this brings the equilibrium policy result closer to legislator $L_L$, but then it moves policy farther away again. At the right end of the interval the agenda setter proposes the status quo result. In interval III the status quo result prevails. Again, the distance to legislator $L_L$'s ideal policy result decreases at the left end of the interval, but then increases again.

The dotted line in Figure 7 shows the equilibrium policy for an oversight committee member $C_{2L}$ with the same ideal policy result as legislator $L_L$ ($d_L = 1$). Legislator $L_L$ then has perfect information due to noiseless information transmission. The equilibrium policy is similar to the equilibrium policy when $d_L = -(2 + a)$, except in interval II. For $d_L = 1$, the equilibrium policy result is equal to the agenda setter's ideal policy result in interval II. The agenda setter only proposes a compromise when the left legislator prefers the status quo result over the ideal policy result of the agenda setter. The agenda setter knows that this is not the case in interval II and thus successfully proposes her own ideal policy result in interval II. For $d_L = -(2 + a)$ the agenda setter cannot obtain her ideal in interval II, because the oversight committee member prefers the status quo result. So, in interval II the legislator prefers to source out the monitoring to an oversight committee member to his left, rather than have perfect information.

Thus, legislator $L_L$ has an incentive to delegate monitoring to an oversight committee member. Legislator $L_L$ benefits from not knowing the consequences of a policy perfectly well and appointing an oversight committee member who strategically transmits information back to him. The distance between the two lines measures the extent of the benefits of outsourcing to an oversight committee member with $d_L = -(2 + a)$. The benefits are strictly positive only in interval II and are measured by the shaded area. If legislator $L_L$ has perfect information, the agenda setter extracts most of the surplus created by the new policy, potentially to the extent that the legislator is equally well off with the status quo. If the legislator knows the value of $\omega$ perfectly well (either by acquiring perfect information himself or by having an oversight committee with the same ideal policy), as is shown in interval II in Figure 18.
he cannot make a credible commitment to reject marginally improving offers since they provide at least the same utility as the status quo. This is different when the oversight committee is more extreme, because proposals that are not accompanied by a consistent signal by the oversight committee member will not be accepted. The agenda setter then needs to attract the support of the oversight committee member. He makes a proposal that is marginally attractive to the oversight committee - inducing the oversight committee to accept the proposal and send a consistent signal - but this proposal is much more attractive for the legislator. So by delegating the monitoring to an oversight committee member, the legislator gets a policy result closer to his ideal policy result.

Figure 8 illustrates why it is optimal for legislator \( L_L \) to appoint a committee member as extreme as \( d_L = -(2 + a) \). The solid line shows the equilibrium policy result for an intermediate \( d_L \in (-2+a), -1 \). Appointing a more moderate oversight committee member results in smaller gains from outsourcing than does appointing a more extreme committee member. The upper right part of the grey triangle is chipped off when \( d_L > -(2 + a) \). The agenda setter successfully proposes her ideal policy for a wider range of status quos. Interval \( \mathbf{I} \) is larger and interval \( \mathbf{II} \) is smaller than they are in figure 7. Nonetheless, it is clear from this Figure that any \( d \in (-2 - a, -1) \) creates a credible commitment not to accept certain proposals. The benefits to legislator \( L_L \) are smaller than in the \( d_L = -(2 + a) \) case, but outsourcing to a somewhat extreme oversight committee is clearly also beneficial for him.

![Figure 8](image.png)

Figure 8: The gains to legislator \( L_L \) from outsourcing the monitoring to an oversight committee with \( q_L \in (-2 - a, -1) \).

Our findings extend the results of Gilligan and Krehbiel (1989). They found that
if there is a cost to the agenda setter when he specializes, a closed rule procedure can be more beneficial than an open rule since it provides incentives for the agenda setter to specialize. Specialization reduces the variance for all players - leading to a higher utility for all. Yet, the cost of specialization born by the agenda setter may outweigh the benefit from the reduction in variance. As a result, under the open rule the agenda setter may not want to specialize. The closed rule gives the agenda setter a distributional benefit on top of the variance reduction. The legislator may still benefit as a result of the variance reduction, in spite of the distributional loss to the agenda setter.

Our results contribute to this literature by showing that there is a middle ground between the two extremes of employing either an open rule, and obtaining no benefits from variance reduction or employing a closed rule to secure benefits from variance reduction but incurring a distributional loss. By appointing a strategic oversight committee, the legislator can get a policy closer to his own ideal in a closed rule procedure, while still leaving enough incentives to specialize for the agenda setter. This enables the legislator to skim the surplus created by the specialization rather than having the agenda setter capture almost all the distributional benefits. If the cost of specialization for the agenda setter is high, the legislator may not want to appoint an oversight committee as extreme as $d_L = -(2 + a)$. The legislator can look for the most efficient incentives to specialize: if the cost is really low, he can use an open procedure. If the cost of specialization is above a certain threshold, he can use a closed rule procedure in combination with an extreme oversight committee. As the cost increases further, the optimal location of the oversight committee shifts to the right.

We conclude that legislators have incentives to appoint oversight committee members who are biased away from the agenda setter. The extent of the bias is equal to the extent that the legislator and the agenda setter have different preferences. In the scenario of an extreme right agenda setter, both legislators have an incentive to appoint committee members who are biased to the left. As such they create a credible commitment to reject deals that are only marginally improving over the status quo. What matters for the agenda setter is that he obtains the approval of legislator $L_L$, because legislator $L_L$ is farthest away from the agenda setter and his approval is thus more difficult to obtain. Legislator $L_R$ approves all proposals that legislator $L_L$ approves. For this reason, the agenda setter’s optimal proposal strategy is the same as if the left legislator is the only legislator.

These considerations lead to the equilibrium policy result presented in Figure
Figure 9: The equilibrium policy result for an extreme right agenda setter.

9, which is similar to Figure 5 in the previous section. The bold line indicates the equilibrium policy result for \( d_L = -(2 + a) \) whereas the thin line refers to the equilibrium in case of perfect information for legislator \( L_L \). Again, the left legislator prefers \( d_L = -(2 + a) \) to having perfect information for all values of the status quo result. On the vertical axis one can see that for each status quo result, the distance between the equilibrium policy result and legislator \( L_L \)'s ideal is weakly smaller with the biased oversight committee member. On the other hand, the right legislator prefers \( d_L = -(2 + a) \) for small values of the status quo result, but for larger values prefers perfect information. However, he is unable to alter the information the left legislator receives.

A somewhat more complicated scenario occurs when the agenda setter is moderate, with \( a \in [-1, 1] \). The left legislator is pivotal for moves to the right. He is unsure whether a policy change in that direction is beneficial for him. Indeed, proposals that move policy to the right could be too extreme for him. For policy changes in the left direction he has no uncertainty regarding the proposals merit: if the agenda setter prefers a policy to the left of the status quo, the legislator prefers the agenda setter’s ideal to the status quo result. The right legislator faces uncertainty for policy changes in the left direction. Indeed, proposals that move to the left could move too
far to the left from the right legislator’s perspective. For proposals that move to the right, the right legislator is sure that the proposal is improving over the status quo.

The two legislators thus have private incentives to appoint oversight committee members who are biased in opposite directions: the left legislator appoints an oversight committee member who is biased to the left and the right legislator appoints a committee member who is biased to the right. The legislators are pivotal for different directions of policy changes. These considerations ultimately lead to the equilibrium policy result as presented in Figure 10. For small values of the status quo result, legislator $L_L$ is pivotal because policy changes occur in the right direction. Because of his biased oversight committee member, policies are pulled more to the left than under perfect information. For larger values of the status quo result, legislator $L_R$ is pivotal because policy changes happen in the left direction. Again, the biased signal his oversight committee member sends, pulls policies more to the right than under perfect information. As a result, the range of the proposals that is broader with biased oversight committee members than it would be if the legislators were perfectly informed. Paradoxical as it may seem, both legislators prefer the other one to be perfectly informed while receiving a biased signal themselves. In such a situation they can pull proposals more in the direction they are pivotal for, while avoiding extreme policies when the other legislator is pivotal.

Figure 10: Equilibrium policy result for a moderate agenda setter.
5 Conclusion

In this paper we develop a model that evaluates the strategic considerations involved in the legislature’s appointment of an oversight committee as an instrument to monitor an agenda setter. This situation is representative of EU external trade policy. In the EU the Council appoints a TPC to monitor the agenda setting Commission.

We present a game-theoretical model with asymmetric information. In it, oversight committee members are appointed, whose sole function is to provide legislators with information regarding the consequences of policy. Our findings are that legislators have powerful incentives to appoint oversight committee members that have different preferences than themselves. The direction of this bias is in opposite direction away from the appointing legislator than is the agenda setter. The oversight committee member that is appointed by a legislator is biased to the same extent as the agenda setter’s preferences differ from the legislator’s.

Asymmetric information can serve as a commitment tool just as delegation to more extreme veto players can be. In equilibrium we find that legislators only accept a proposals that their respective oversight committee member prefers over the status quo. Therefore, the agenda setter wants to attract the support of the oversight committee members. When the committee members are biased, the proposal the agenda setter makes is only marginally improving over the status quo for the pivotal oversight committee member, but is much more beneficial from the viewpoint of the pivotal legislator. This might account for the noisy information transmission that we referred to in the introduction: legislators must indeed do their best to find out what is happening in the policy making.

In the EU the member states benefit from having a TPC. Not only is reduced uncertainty beneficial for all members, it also ensures that more policies beneficial to a supermajority of members are accepted. Moreover, having a biased oversight committee member ensures that the proposals are not pulled too far away from what a legislator wants.

A Appendix

The Appendix consists out of the proof for the extreme left and right agenda setter, the optimal level of \( d_L \) and the reason behind \( d_L \geq -(2 + a) \).
A.1 Equilibrium with extreme agenda setter

The equilibrium for an agenda setter to the right is characterized in Proposition 2. The proof can be found in Appendix A.3.

**Proposition 2** Suppose that the agenda setter is to the pivotal legislators’ right. Suppose furthermore that oversight committee members are to left of the legislators who appoint them, but not farther away from these legislators than is the agenda setter, that is, \(d_L \in [-2 + a, -1]\) and \(d_R \in [2 - a, 1]\). The agenda setter then obtains her ideal policy result, if both oversight committee members prefer it to the status quo result. By contrast, the status quo result prevails, if the agenda setter and at least one of the oversight committee members want to move in opposite directions away from the status quo. Otherwise the policy that makes the oversight committee member furthest away from the agenda setter indifferent to the status quo is adopted. In particular, an equilibrium with an informed agenda setter and two informed oversight committee members, and a legislative body that uses supermajority rule consists of the following strategies and beliefs:

**The equilibrium proposal strategy:**
\[
b^*_t(\omega) = \begin{cases} 
aL_R - \omega & \text{if } \omega \geq -p_0 + aL_R \text{ or } \omega \leq (2d_L - a)L_R - p_0 \\
2(d_L L_R - \omega) - p_0 & \text{if } (2d_L - a)L_R - p_0 < \omega \leq d_L L_R - p_0 \\
b \in [aL_R - 1, aL_R] & \text{otherwise} \end{cases}
\]

**The equilibrium signalling strategies:**
\[
s^*_L(t)(\omega) = \begin{cases} 
\omega & \text{if } \omega \geq -p_0 + aL_R \text{ or } \omega \leq (2d_L - a)L_R - p_0 \\
\omega & \text{if } (2d_L - a)L_R - p_0 < \omega \leq d_L L_R - p_0 \\
s^*_L \in [0, 1] & \text{otherwise} \end{cases}
\]
\[
s^*_R(t)(\omega) = \begin{cases} 
\omega & \text{if } \omega \geq -p_0 + aL_R \text{ or } \omega \leq (2d_R - a)L_R - p_0 \\
\omega & \text{if } (2d_R - a)L_R - p_0 < \omega \leq d_R L_R - p_0 \\
s^*_R \in [0, 1] & \text{otherwise} \end{cases}
\]

**The equilibrium beliefs:**
\[
g^*_L(b, s^*_L) = \begin{cases} 
aL_R - b & \text{if } b \leq p_0 \text{ or } b \geq -2(d_L - a)L_R + p_0 \\
-[p_0 + b]/2 - d_L L_R & \text{if } b \in (p_0, -2(d_L - a)L_R + p_0) \\
\omega \in [d_L L_R - p_0, aL_R - p_0] & \text{otherwise} \end{cases}
\]
\[
g^*_R(b, s^*_R) = \begin{cases} 
aL_R - b & \text{if } b \leq p_0 \text{ or } b \geq -2(d_L - a)L_R + p_0 \\
-[p_0 + b]/2 - d_R L_R & \text{if } b \in (p_0, -2(d_L - a)L_R + p_0) \\
\omega \in [d_R L_R - p_0, aL_R - p_0] & \text{otherwise} \end{cases}
\]
The equilibrium voting strategies:

\[
\begin{align*}
v^*_L(b, s_{2L}) &= \begin{cases} 
1 & \text{if } b \leq p_0 \text{ or } b \geq -2(d_L - a)L_R + p_0 \\
& \quad \text{and } s_{2L} = aL_R - b \\
0 & \text{otherwise}
\end{cases} \\
v^*_R(b, s_{2R}) &= \begin{cases} 
1 & \text{if } b \leq p_0 \text{ or } b \geq -2(d_L - a)L_R + p_0 \\
& \quad \text{and } s_{2R} = \frac{-(b+p_0)}{2} + d_L L_R \\
0 & \text{otherwise}
\end{cases}
\end{align*}
\]

And the equilibrium policy is:

\[
\begin{align*}
p^*(b, s_{2L}, s_{2R}) &= \begin{cases} 
b & \text{if } b \leq p_0 \text{ or } b \geq -2(d_L - a)L_R + p_0 \\
& \quad \text{and } s_{2L} = \frac{-(b+p_0)}{2} + d_L L_R \\
p_0 & \text{otherwise}
\end{cases}
\end{align*}
\]

A.2 Equilibrium with moderate agenda setter

The equilibrium for a moderate agenda setter is characterized in Proposition 3. The proof of the Proposition can be found in Appendix A.4.

**Proposition 3** Suppose that the agenda setter is moderate and closer to the right than left pivotal legislator. Suppose furthermore that the oversight committee members are at the other sides of their legislators than is the agenda setter, and closer to them than is the agenda setter, that is, \(d_L \in [-2 + a, -1]\) and \(d_R \in [1, 2 - a]\). The agenda setter then obtains her ideal policy result, if both oversight committee members prefer it to the status quo result. By contrast, the status quo prevails, if the agenda setter and at least one oversight committee member want to move in opposite directions away from the status quo. Otherwise the policy that makes the oversight committee member that is pivotal in the direction of the policy change indifferent to the status quo is adopted. In particular, an equilibrium with an informed agenda setter and two informed oversight committee members, and a legislature that uses supermajority rule consists of the following strategies and beliefs:

The equilibrium proposal strategy:

\[
b^*(\omega) = \begin{cases} 
aL_R - \omega & \text{if } \omega \geq (2d_R - a)L_R - p_0 \text{ or } \omega \leq (2d_L - a)L_R - p_0 \\
2(d_L L_R - \omega) - p_0 & \text{if } (2d_L - a)L_R - p_0 < \omega \leq d_L L_R - p_0 \\
2(d_R L_R - \omega) - p_0 & \text{if } d_R L_R - p_0 < \omega \leq (2d_R - a)L_R - p_0 \\
b \in [aL_R - 1, aL_R] & \text{otherwise}
\end{cases}
\]
The equilibrium signalling strategies:

\[ s_{2L}^*(\omega) = \begin{cases} 
\omega & \text{if } \omega \leq (2d_L - a)L_R - p_0 \\
\omega & \text{if } (2d_L - a)L_R - p_0 < \omega \leq d_LL_R - p_0 \\
\omega & \text{if } \omega \geq aL_R - p_0 \\
s_{2L} \in [0, 1] & \text{otherwise}
\end{cases} \]

\[ s_{2R}^*(\omega) = \begin{cases} 
\omega & \text{if } \omega \geq (2d_R - a)L_R - p_0 \\
\omega & \text{if } d_LL_R - p_0 \leq \omega < (2d_R - a)L_R - p_0 \\
\omega & \text{if } \omega \leq aL_R - p_0 \\
s_{2R} \in [0, 1] & \text{otherwise}
\end{cases} \]

The equilibrium beliefs:

\[ g^*_L(b, s_{2L}) = \begin{cases} 
al_R - b & \text{if } b \geq -2(d_L - a)L_R + p_0 \\
al_R - b & \text{if } b \leq -2(d_R - a)L_R + p_0 \\
-\lfloor p_0 + b \rfloor/2 - d_LL_R & \text{if } b \in (p_0, -2(d_L - a)L_R + p_0) \\
-\lfloor p_0 + b \rfloor/2 - d_LL_R & \text{if } b \in (-2(d_L - a)L_R + p_0, p_0) \\
\omega \in [d_LL_R - p_0, aL_R - p_0] & \text{if } b \in [-2(d_R - a)L_R + p_0, aL_R - p_0] \\
al_R - b & \text{if } b \geq -2(d_L - a)L_R + p_0 \\
al_R - b & \text{if } b \leq -2(d_R - a)L_R + p_0 \\
\omega \in [d_LL_R - p_0, aL_R - p_0] & \text{otherwise}
\end{cases} \]

\[ g^*_R(b, s_{2R}) = \begin{cases} 
al_R - b & \text{if } b \geq -2(d_L - a)L_R + p_0 \\
al_R - b & \text{if } b \leq -2(d_R - a)L_R + p_0 \\
-\lfloor p_0 + b \rfloor/2 - d_LL_R & \text{if } b \in (p_0, -2(d_L - a)L_R + p_0) \\
-\lfloor p_0 + b \rfloor/2 - d_LL_R & \text{if } b \in (-2(d_L - a)L_R + p_0, p_0) \\
\omega \in [d_LL_R - p_0, aL_R - p_0] & \text{if } b \in [-2(d_R - a)L_R + p_0, aL_R - p_0] \\
al_R - b & \text{if } b \geq -2(d_L - a)L_R + p_0 \\
al_R - b & \text{if } b \leq -2(d_R - a)L_R + p_0 \\
\omega \in [d_LL_R - p_0, aL_R - p_0] & \text{otherwise}
\end{cases} \]

The equilibrium voting strategies:

\[ v_{L}^*(b, s) = \begin{cases} 
1 & \text{if } b \geq -2(d_L - a)L_R + p_0 \\
1 & \text{if } b \leq -2(d_R - a)L_R + p_0 \\
1 & \text{if } b \in (p_0, -2(d_L - a)L_R + p_0) \\
1 & \text{if } b \in (-2(d_R - a)L_R + p_0, p_0) \\
0 & \text{otherwise}
\end{cases} \]
Proof. We divide our analysis of the equilibrium in several sections.

1. We start to look at the equilibrium where \( C_1 \) is able to propose its ideal location.

(a) The first place where it can do so, is if \( b < p_0 \). If \( C_1 \) makes such a proposal, it must mean that \( p_0 + \omega > aL_R \). In that situation, all interest are aligned and all players should prefer the ideal point of \( C_1 \), which corresponds to \( b = aL_R - \omega \), so that the result of this proposal is the ideal location of \( C_1 \). Since also \( C_{2L} \) and \( C_{2R} \) benefits from this proposal, they send out the true signal \( s = \omega = aL_R - b \). Observing \( b < p_0 \) and \( s_{2L} = aL_R - b \) and \( s_{2R} = aL_R - b \), the legislators accept \( b \).

(b) There is also another way \( C_1 \) could get its ideal location. \( C_{2L} \) is the most remote player whose support the agenda setter needs to attract. Therefore, if a proposal is in the acceptance set of \( C_{2L} \), it is beneficial for all players. This is possible as long as \( C_{2L} \) accepts this \( b \) over the status quo

\[
|p_0 + \omega, d_L L_R| > |aL_R, d_L L_R|
\]

\[
d_L L_R - p_0 - \omega > aL_R - d_L R
\]

\[
\omega < (2d_L - a)L_R - p_0
\]

So if \( \omega < (2d_L - a)L_R - p_0 \), \( C_{2L} \) is happy with \( b = aL_R - \omega \) and gives a true signal \( s_{2L} = \omega = aL_R - b \). Also \( C_{2R} \) prefers this proposal over the status quo,
so he also sends out \( s_{2R} = aL_R - b \) since \( b = aL_R - \omega \), it is so that \( \omega = aL_R - b \), such that if the legislators observe

\[
\begin{align*}
  aL_R - b &< (2d_L - a)L_R - p_0 \\
  b &> -2(d_L - a)L_R + p_0
\end{align*}
\]

and the described signal, they will accept the proposal.

2. For an \( \omega \) just larger than \( (2d_L - a)L_R - p_0 \), all players accept \( C_{2L} \) accept the proposal. To attract the support of \( C_{2L} \), the agenda setter makes a proposal \( C_{2L} \) is indifferent over with respect to the status quo. This is only possible when \( p_0 + \omega < d_L L_R \) and results in the following proposal

\[
\begin{align*}
  d_L L_R + |p_0 + \omega, d_L L_R| &= b + \omega \\
  2(d_L L_R - \omega) - p_0 &= b
\end{align*}
\]

This will be the proposal as long as \( C_{2L} \) can accept it, so as long as \( p_0 + \omega < d_L L_R \), and until \( b + \omega = aL_R \), which happens when \( \omega = (2d_L - a)L_R - p_0 \). Again, \( C_{2L} \) and \( C_{2R} \) are satisfied and they give a true signal. This is also a good thing for the legislators, so when they observe a proposal that corresponds with this situation, \( b \in (p_0, -2(d_L - a)L_R + p_0) \) and \( s_{2L} = -\frac{(b + p_0)}{2} - d_L L_R \), or \( s_{2R} = -\frac{(b + p_0)}{2} - d_L L_R \), they accept the proposal.

3. The only thing left to discuss is what happens for \( \omega \in (d_L L_R - p_0, aL_R - p_0) \). In this segment, there is no signal given by \( C_{2L} \), so legislator \( L_L \) knows that \( \omega \) must fall in this interval. There is still room for proposals as long as \( p_0 + \omega < -L_R \), as then all player - besides \( C_{2L} \) of course - will want a move to the right. However, since setting a proposal \( b \) gives also information on the value of \( \omega \), \( C_1 \) could potentially set a large \( b \) to signal a low \( \omega \) and to fool the legislature. Fooling happens only if \( C_1 \) has an incentive to fool: as long as it could not set its ideal point if \( L_L \) knew the true value of \( \omega \)

\[
\begin{align*}
  p_0 + \omega &> -L_R - |aL_R, -L_R| \\
  p_0 + \omega &> -L_R(2 + a) \\
  \omega &> -(2 + a)L_R - p_0
\end{align*}
\]

So if \( \omega > -(2 + a)L_R - p_0 \), the agenda setter has an incentive to fool. It is now easy to see that for all remaining \( \omega \in (d_L L_R - p_0, aL_R - p_0) \), \( C_1 \) has an incentive to fool the legislature if \( d_L \leq -(2+a) \), since then the legislature knows that - in absence of a consistent signal - \( \omega > -(2 + a)L_R - p_0 \). As such, it is clear to see that \( L_L \) prefers to choose the status quo in the remaining cases, based on the prior. ■
A.4 Proof of Proposition 3

Proof. This is the proof of Proposition 3. We divide our analysis of the equilibrium in several sections.

1. We start to look at the equilibrium where $C_1$ is able to propose its ideal location. It can do so when it is in the acceptance set of the two extreme oversight committee members.

(a) The first place where both oversight committee members accept it, if is the status quo result is very far to the right of $C_{2R}$. Then all players prefer the agenda setter’s ideal over the status quo result. This happens when

$$p_0 + \omega \geq d_R L_R + |a L_R; d_R L_R|$$

$$\omega \geq (2d_R - a) L_R - p_0$$

So in that situation, $b = a L_R - \omega$. Since both $C_{2L}$ and $C_{2R}$ benefit from this proposal, they send out a true signal $s_{2L} = s_{2R} = \omega = a L_R - b$. When the legislators observe

$$a L_R - b \geq (2d_R - a) L_R - p_0$$

$$b \leq -2(d_R - a) L_R + p_0$$

and a signal from their respective oversight committee member as described above, they accept the proposal.

(b) The second place where both oversight committee members accept the agenda setter’s ideal is if it is very far to the left of $C_{2L}$. Then all players prefer the agenda setter’s ideal over the status quo result. This happens when

$$p_0 + \omega \leq d_L L_R - |a L_R; d_L L_R|$$

$$\omega \leq (2d_L - a) L_R - p_0$$

Since both $C_{2L}$ and $C_{2R}$ benefit from this proposal, they send out a true signal $s_{2L} = s_{2R} = \omega = a L_R - b$. When the legislators observe

$$a L_R - b \leq (2d_L - a) L_R - p_0$$

$$b \geq -2(d_L - a) L_R + p_0$$

and a signal from their respective oversight committee member as described above, they accept the proposal.
2. For an $\omega$ in the interval $[(2d_L - a)L_R - p_0, d_L L_R - p_0]$, oversight committee member no longer prefers the agenda setter’s ideal. However, the agenda setter can attract the support of $C_{2L}$ by making a proposal this oversight committee member is indifferent over with respect to the status quo. This is only possible when $p_0 + \omega \leq d_L L_R$ and results in the following proposal

\[
d_L L_R + |p_0 + \omega, d_L L_R| = b + \omega
\]

This will be the proposal as long as $C_{2L}$ can accept it, so as long as $p_0 + \omega < d_L L_R$, and until $b + \omega = a L_R$, which happens when $\omega = (2d_L - a) L_R - p_0$. Again, both oversight committee members $C_{2L}$ and $C_{2R}$ prefer this proposal over the status quo and give a true signal on $\omega$. So when the legislators observe a proposal that corresponds with this situation, $b \in (p_0, -2(d_L - a)L_R + p_0)$ and $s_{2L} = \frac{-b + p_0}{2} - d_L L_R$ or $s_{2R} = \frac{-b + p_0}{2} - d_L L_R$ they will accept the proposal.

3. For an $\omega$ in the interval $[d_R L_R - p_0, (2d_R - a) L_R - p_0]$, oversight committee member no longer prefers the agenda setter’s ideal. However, the agenda setter can attract the support of $C_{2R}$ by making a proposal this oversight committee member is indifferent over with respect to the status quo. This is only possible when $p_0 + \omega \geq d_R L_R$ and results in the following proposal

\[
d_R L_R - |p_0 + \omega, d_R L_R| = b + \omega
\]

This will be the proposal as long as $C_{2R}$ can accept it, so as long as $p_0 + \omega \geq d_R L_R$, and until $b + \omega = a L_R$, which happens when $\omega = (2d_R - a) L_R - p_0$. Again, both oversight committee members $C_{2L}$ and $C_{2R}$ prefer this proposal over the status quo and give a true signal on $\omega$. So when the legislators observe a proposal that corresponds with this situation, $b \in (-2(d_R - a)L_R + p_0, p_0)$ and $s_{2R} = \frac{-b + p_0}{2} - d_R L_R$ or $s_{2L} = \frac{-b + p_0}{2} - d_R L_R$ they will accept the proposal.

4. The only thing left to discuss is what happens for $\omega \in (d_L L_R - p_0, d_R L_R - p_0)$. In this segment, there is either no signal given by $C_{2L}$, or no signal by $C_{2R}$. Therefore there is always one legislator that, in accordance to the previous proof, prefers the status quo in absence of an informative signal by his oversight committee member. Therefore the status quo prevails in those situations.

\[\square\]

**A.5 Proof of bounds on $d_L$**

**Proof.** First we discuss the lower bound on $d_L$, then we discuss the upper bound.
1. We will discuss what happens in the models if \( d_L < -(2 + a) \). In the hypothesized equilibrium, most remains the same as in the previous case. So if the legislature observes that the non-agenda setting committee gives an inconsistent \( \omega \), it knows that \( \omega \in (-L_R, -L_R) \). Yet it becomes possible to submit a non-fooling proposal, for \( -d L_R < p_0 + \omega < -(2 + a) L_R \). So first we look at for which values of \( \omega \) that \( C_1 \) will want to cheat. This is when the agenda setting committee would not be able to set its ideal policy if \( L_L \) knew the value of \( \omega \).

\[
p_0 + \omega > -L_R - |L_R, a L_R| \Rightarrow p_0 + \omega > -L_R - (a L_R + L_R)
\]

\[
\Leftrightarrow \omega > -(2 + a) L_R - p_0
\]

Therefore, as we have discussed before, if \( d_L < -(2 + a) \), there exists a value of \( \omega \) that has not yet been signaled by the oversight committee for which the agenda setter doesn’t need to cheat. So the next question is which proposals could only be made if \( \omega < -(2 + a) L_R - p_0 \). It is clear that this is when

\[
|b + \omega, a L_R| \geq |p_0 + \omega, a L_R| \Rightarrow b + \omega - a L_R \geq a L_R - p_0 - \omega
\]

\[
\Leftrightarrow b + 2(-(2 + a)L_R - p_0) \geq 2a L_R - p_0
\]

\[
\Leftrightarrow b \geq 4(1 + a)L_R + p_0
\]

However, these proposals constitute a credible commitment on behalf of the agenda setter. It commits to a large proposal to signal that \( \omega \) is low. But this signal is expensive for both the agenda setter as the legislator, since both would prefer a proposal more to the left. Therefore the left legislator \( L_L \) prefers to set \( d_L = -(2 + a) \) over any \( d_L < -(2 + a) \): it leads to a proposal that is at maximum as far away from the legislator as the the agenda setter’s ideal, whereas as non-fooling proposal would always be at or beyond the agenda setter’s ideal.

2. We can prove that the upper bound on \( d_L \) is \(-1\) by showing that legislator \( L_L \) would prefer \( d_L = -1 \) over all \( d_L > -1 \). There are four scenarios to discuss.

- \( p_0 + \omega \leq -(2 + a)L_R \). This is when the status quo result is so far to the left that \( L_L \) prefers the agenda setter’s ideal over the status quo result. In this situation legislator \( L_L \) is indifferent between \( d_L = -1 \) and \( d_L > -1 \). In both cases the agenda setter proposes his ideal and all players accept.

- \( p_0 + \omega \in (-(2 + a)L_R, -L_R) \). This is when the status quo is to legislator \( L_L \)’s left such that he prefers the status quo over the agenda setter’s ideal. If \( d_L = -1 \), the legislator is perfectly informed and the agenda setter makes drafts a proposal that makes the agenda setter indifferent over it and the status quo. If \( d_L > -1 \), the signal by the oversight committee member is uninformative. Believing the signal of the oversight committee member \( C_{2L} \) cannot be part
of an equilibrium because then the agenda setter would make a proposal that makes committee member $C_{2L}$ indifferent over it and the status quo. If legislator $L_L$ would then be better off to vote against it and not to follow the oversight committee member’s advice. So the legislator strictly prefers to have $d_L = -1$ over $d_L > -1$.

- $p_0 + \omega \in (-L_R, d_LL_R)$. The legislator wants to move in a different direction away from the status quo than do his oversight committee member and the agenda setter. Therefore he cannot trust the signal of a committee member with $d_L > -1$. Therefore he strictly prefers to have $d_L = -1$ over $d_L > -1$.

- $p_0 + \omega \geq d_L L_R$. In this scenario the signal of the oversight committee member with $d_L > -1$ could be trusted. However, a signal from an oversight committee member with $d_L = -1$ would be equally trustworthy. Therefore the legislator is indifferent between $d_L = -1$ and $d_L > -1$.

Analysis over the entire range of $p_0 + \omega$ shows that indeed legislator $L_L$ strictly prefers $d_L = -1$ over $d_L > -1$.

A.6 Proof of Proposition 1

**Proof.** We discuss what happens if there is an extreme right agenda setting committee. To calculate the optimal position of $C_{2L}$ from $L_L$’s viewpoint, we first look at his expected utility in terms of $d_L$:

$$EU_{L_L} = \int_0^{(2d_L - a)L_R - p_0} -((1 + a)L_R)^2 f(\omega)d\omega$$

$$+ \int_{(2d_L - a)L_R - p_0}^{d_L L_R - p_0} -(2dLLR - p_0 - \omega + L_R)^2 f(\omega)d\omega$$

$$+ \int_{-(p_0 + aL_R)}^{dLLR - p_0} -(p_0 + \omega + L_R)^2 f(\omega)d\omega$$

$$+ \int_{-(p_0 + aL_R)}^{1} -((1 + a)L_R)^2 f(\omega)d\omega$$

After taking the first derivative and solving for $d_L$, we find that the utility maximizing $d_L^*_{L}$ for $L_L$ is $d_L^*_{L} = -(2 + a)$. However, the location of the oversight committee member $C_{2R}$ has no influence on the expected utility. Therefore, every location of $d_R \in [1, 2 - a]$ is supported as an equilibrium. We now discuss what happens if there is a moderate agenda
setting committee. To calculate the optimal position of \( C_{2L} \) from \( L_L \)’s viewpoint, we first look at his expected utility in terms of \( d_L \):

\[
EU_{LL} = \int_0^{(2d_L-a)L_R-p_0} -(aL_R + L_R)^2 f(\omega)d\omega \\
+ \int_{(2d_L-a)L_R-p_0}^{d_L L_R-p_0} -(2d_L L_R - \omega - p_0 + L_R)^2 f(\omega)d\omega \\
+ \int_{d_L L_R-p_0}^{(2d_L-a)L_R-p_0} -(L_R + p_0 + \omega)^2 f(\omega)d\omega \\
+ \int_{(2d_L-a)L_R-p_0}^{d_R L_R-p_0} -(2d_R L_R - p_0 - \omega + L_R)^2 f(\omega)d\omega \\
+ \int_{d_R L_R-p_0}^{1} -(a L_R + L_R)^2 f(\omega)d\omega
\]

Next we look for the value of \( d_L \) that maximizes this expression. After taking the first derivative and solving for \( d_L \), we find that the utility maximizing \( d_L^* \) for \( L_L \) equals \( d_L^* = -(2 + a) \). To find the optimal \( d_R \) from the viewpoint of legislator \( L_R \), we look at his expected utility function in terms of \( d_R \):

\[
EU_{LR} = \int_0^{(2d_L-a)L_R-p_0} -(aL_R + L_R)^2 f(\omega)d\omega \\
+ \int_{(2d_L-a)L_R-p_0}^{d_L L_R-p_0} -(2d_L L_R - \omega + p_0 + L_R)^2 f(\omega)d\omega \\
+ \int_{d_L L_R-p_0}^{(2d_L-a)L_R-p_0} -(L_R - p_0 - \omega)^2 f(\omega)d\omega \\
+ \int_{(2d_L-a)L_R-p_0}^{d_R L_R-p_0} -(2d_R L_R + p_0 + \omega + L_R)^2 f(\omega)d\omega \\
+ \int_{d_R L_R-p_0}^{1} -(aL_R + L_R)^2 f(\omega)d\omega
\]

Next we look for the value of \( d_R \) that maximizes this expression. After taking the first derivative and solving for \( d_R \), we find that the utility maximizing \( d_R^* \) for \( L_R \) equals \( d_R^* = 2 - a \).
References


