Dynamic Agenda Setting*

(Preliminary)

Ying Chen† Hüllya Eraslan‡

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Abstract

A party in power can address only a limited number of issues in an election cycle. What issues to address - the party’s agenda - has dynamic implications because it affects what issues will be addressed in the future. What is the optimal agenda in the presence of dynamic concerns? How do bargaining rules affect the agenda? What are the efficiency implications? We address these questions in a stylized model in which the incumbent in each period addresses one issue among several issues and the remaining issues roll over to the next period. When the incumbent expects the opposition to come in power next period, distortions can happen in the form of steering and preemption. In steering, the incumbent gives priority to a less pressing issue to direct the opposition party towards addressing the most pressing issue for the incumbent. In preemption, the incumbent gives priority to the issue most pressing for the opposition to prevent the opposition from addressing it. Although preemption can still be efficient, steering is necessarily inefficient. We also discuss potential distortions when the same party is in power but its political strength fluctuates over time and provide conditions for distortions to arise under different rules including majority, unanimity and supermajority.

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†Department of Economics, Johns Hopkins University

‡Department of Economics, Rice University
1 Introduction

Legislation is not only about what policies to implement, but also about what priorities to set. Time is limited: in the U.S., for example, each congressional term covers a two-year period during which only a small number of issues can be addressed. As such, a party in power must prioritize which issues to address while in office and the remaining issues that are left unaddressed in a legislative cycle are rolled over to the next cycle. This raises many questions, for example, which issues are to be prioritized? How does the agenda depend on the strength of political power of the incumbent, the political climate, the characteristics of the issues and the institutional rules?

In this paper we take a first step towards answering these questions by considering a two-period model with two parties. In each period one of the parties is in power, which we refer to as the incumbent. The incumbent party in each period has the agenda-setting power – it can choose which issue to legislate among many issues (for example, immigration, healthcare, education, tax reform), but its ability to implement policies on that issue depends on the strength of its power. When it has strong power, it can unilaterally choose the policy; when it has weak power, it needs the consent of the opposition party to implement a policy. The issues that are not addressed are rolled over to the next period, and the incumbent party in the second period chooses an issue to legislate among these remaining issues. Using this framework, we address the following questions: How do a party’s dynamic concerns affect its agenda? In particular, when does a party choose to give priority to an issue it would not have chosen to address without dynamic concerns? How does its strength of power affect a party’s agenda? Do dynamic agenda-setting concerns result in inefficiency?

To abstract away from the potential distortions in agenda-setting due to re-election concerns, we deliberately assume that the power transition is exogenous, that is, the identity of the party in power in the second period and the strength of its power do not depend on the decisions made in the first period. Although the power transition is exogenous in our setting, the incumbent’s strength of power depends on the political institution under which it operates, and we consider three common institutions – majority rule under which the incumbent has
strong power, unanimity rule under which the incumbent has weak power, and supermajority rule under which the incumbent can have either weak or strong power.

We identify issues with their status quos and distinguish between controversial and non-controversial issues. For a controversial issue, the parties have ideals on different sides of the status quo, but for a non-controversial issue, both parties agree that there exists alternative policies that are an improvement over the status quo. Denoting the two parties by $D$ and $R$, we call an issue a Democratic issue when its a status quo is so far away from the ideal of party $D$ that party $D$ views party $R$’s ideal as an improvement over the status quo. Likewise, we call an issue a Republican issue when its a status quo is so far away from the ideal of party $R$ that party $R$ views party $D$’s ideal as an improvement over the status quo. The issues differ on how pressing they are: an issue whose status quo yields a lower payoff for a party is more pressing for that party. We focus on partisan preferences in the sense that the most pressing issue for party $D$ is a Democratic issue and the most pressing issue for party $R$ is a Republican issue, but we assume that parties agree which issue is most pressing among the Democratic issues, and which issue is most pressing among the Republican issues.

When there is no power fluctuation, that is, the incumbent in period one retains the same strength of power in the second period, not surprisingly, its optimal dynamic agenda is the same as its optimal static agenda. In this case, we say that there is no distortion in agenda setting. When the opposition party is anticipated to come in power in the next period, however, the incumbent in period one may distort its agenda. We identify two kinds of distortion in agenda setting due to dynamic concerns. To illustrate these distortions, suppose party $D$ is the incumbent in the first period.

The first kind of distortion is when party $D$ gives priority to a less pressing Democratic issue. This can benefit party $D$ if party $R$, when it comes in power, addresses the most pressing Democratic issue if it is on the table, but addresses the most pressing Republican issue if the most pressing Democratic issue is no longer on the table. This can happen when party $R$ has weak power (which is not possible under majority rule, but is possible under unanimity and supermajority rules) since party $R$ may not be able to obtain as much compromise on the most pressing Republican issue, and thus finds it optimal to address the most pressing Democratic
issue. By giving priority to a less pressing Democratic issue and thus leaving the most pressing Democratic issue still on the table, party $D$ directs party $R$’s agenda towards addressing the most pressing Democratic issue. This is what we call the steering effect. Even when party $D$ is in power in both periods, giving priority to a less pressing Democratic issue can still be beneficial if party $D$ is in strong power early on but anticipates to lose its political strength over time. Specifically, party $D$ may take advantage of its strong political power to address a somewhat less pressing issue and implement its ideal policy, knowing that it will be unable to do so when its power diminishes in the future and the consent of the opposition party is needed. We call this the seize-the-moment effect. Although addressing a less pressing Democratic issue can be dynamically optimal for the incumbent, it is Pareto inefficient since both parties would be better off if the most pressing Democratic issue is addressed first instead.

Many have found the Obama administration’s preoccupation with healthcare reform at a time of economic crisis puzzling. Here we offer an explanation in terms of strategic agenda setting by regarding the economic crisis as the most pressing Democratic issue and health care reform as a less pressing Democratic issue. The Obama administration pushed through the health care legislation when the Democratic Party controlled both chambers of the Congress. It is plausible that this was partly due to the realization that they would lose the opportunity of reform with weaker power (seize-the-moment effect). Indeed, some of the news coverage explicitly quoted Obama urging the Democrats to seize the moment, and identified a number of factors including the Democratic control of the White House and Congress among the reasons for why the moment had arisen.\(^1\) Moreover, since the economy is also a pressing issue for the Republicans, the Democrats could still benefit if the Republican party comes in power and addresses the economic issue (the steering effect).

The second kind of distortion is when party $D$ gives priority to the most pressing Republican issue. This can benefit party $D$ if party $R$, when it comes in power, addresses the most pressing Republican issue if it is on the table, but addresses the most pressing Democratic issue when the most pressing Republican issue is no longer on the table. Note that if party $R$ addresses a Democratic issue, it implements its own ideal independent of its strength of power and party

$D$ benefits since party $D$ views party $R$’s ideal to be an improvement over status quo for a Democratic issue. By contrast, if party $R$ addresses a Republican issue, it either implements its own ideal or it implements a policy that party $D$ is just willing to accept. If the most pressing Republican issue has a status quo that is close to party $D$’s ideal, party $D$ does not gain when party $R$ addresses a Republican issue, and therefore it has an incentive to give priority to a Republican issue to prevent party $R$ from addressing it. This is what we call the *preemptive* effect.

We can interpret the “triangulation” strategy used by the Clinton administration to reform welfare and tackle crime, both longstanding Republican issues, as an example of preemptive agenda setting. The term is due to the political consultant Dick Morris who advised Bill Clinton during his reelection campaign in 1996. According to Morris, “the essence of triangulation is to use your party’s solutions to solve the other side’s problems. Use your tools to fix their car.”\(^2\) Indeed, Clinton’s welfare reform addressed a traditionally conservative issue by legislating progressive policies such as higher funding for child care, and stronger financial support for working families. Similarly the crime bill addressed a traditionally Republican issue but introduced policies that the Democrat party prefers, for example, crime prevention programs and a ban on assault weapons. Arguably these had preemptive effects on the Republicans and prevented them from implementing more drastic policies. In our model, such preemptive agenda setting happens only when the incumbent expects to lose power in the future. Indeed, when the crime issue was tackled, the Democrats controlled both the Congress and the presidency, but during the midterm elections of 1994, the Democrats lost both chambers of the Congress to the Republicans. The welfare reform was passed in 1996 and after Clinton’s second term, Democrats lost the presidency as well.

Another possible reason for party $D$ to give priority to a Republican issue is that by postponing the most pressing Democratic issue, party $D$ may be able to implement a better policy on that issue later on. This happens when party $D$ is in weak power early on but anticipates to gain in political strength in the future. We call this the *wait-for-the-moment* effect, a counter-point of seize-the-moment effect.

\(^2\)See Morris [2003].
**Related Literature** The power of agenda control has long being recognized in the context of choosing among multiple alternative on a single issue; specifically, the order in which alternatives are pitted against each other affects the voting outcome (see, for example, Black [1958], McKelvey [1975], Plott and Levine [1978], Banks [1985], Barberà and Gerber [2014]). In our model, there are multiple issues instead of a single issue on which the players can legislate, and the power of agenda control comes from ordering the sequence of issues rather than ordering the sequence of alternatives. An important aspect of our model is the scarcity of legislative time, and in that sense, it is related to Copic and Katz [2012]. They consider a model of legislative bargaining over distributive policies in which each legislator can make a proposal, but because of limited capacity, only the one chosen by the agenda-setter can be voted on. Unlike our model, there is only one issue in their model. A recent literature analyzes bargaining over multiple issues, but the emphasis has been on comparing the case when players bargain over the issues separately and the case when they bundle them together (see, for example, Fershtman [1990], Inderst [2000], Lang and Rosenthal [2001], In and Serrano [2004], Jackson and Moselle [2002], Chen and Eraslan [2013, 2014]).

Our paper is also related to the studies on issue selection in political campaigns (Aragonès, Castanheira, and Giani [forthcoming], Egorov [2012]). Our paper complements these studies since they consider what issues candidates choose to focus on in order to get elected whereas we analyze what issues parties choose to address after being elected. Agenda setting is also an important area of research in communication theory, but the focus is on the ability of news media to influence the salience of topics on the public agenda (an early study is McCombs and Shaw [1972]). As can been seen, “agenda setting” has different meanings in different contexts. Since we use the phrase to refer to setting priorities in policymaking, our paper shares the same interest with the seminal book by Kingdon [1984], which is a descriptive study drawn from interviews, case studies, government documents, party platforms, press coverage, and public opinion surveys, but does not provide formal analysis.

We describe our model in section 2 and then provide two examples in section 3 to illustrate

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3As in our model, Duggan and Martinelli [2011] look at the selection of an issue among multiple issues under a capacity constraint, but in the context of media reporting.
the distortions that can arise due to dynamic concerns. We discuss two benchmarks, Pareto efficient outcomes and dictatorship outcomes, in section 4. We divide our analysis of the dynamic agenda-setting game into the period-2 problem (section 5) and the period-1 problem (section 6) and provide some discussion on extensions of our model in section 7.

2 The model

There are two parties $D$ and $R$, who are identified by their ideal policies with party $D$’s ideal to the left of party $R$’s ideal, that is, $D, R \in \mathbb{R}$ and $D < R$. In each of two periods $t = 1, 2$, one of the parties is in power, and we refer to this party as the incumbent. The incumbent in a given period has the agenda-setting right to choose a one-dimensional issue among many issues to legislate. In each period, the incumbent can choose to legislate on only one issue. In period 1, any issue can be legislated, and in period 2, any issue other than the one that is legislated in period 1 can be legislated.\footnote{We assume that once an issue is addressed, it cannot be addressed again. Without this assumption, we need to consider the implications of endogenous status quo, which complicates the analysis. In practice, it is possible that an issue addressed previously is brought to the negotiation table again. An example of this is the recent health care negotiations in the United States. However, this seems to be an exception rather than the rule. In general it seems costly to revisit an issue that has already been addressed in the recent past. We discuss what happens when the parties are allowed to revisit an issue that has been addressed in section 7.}

The status quos of the issues are in $\mathbb{R}$. At the beginning of period 1, there are $n_R$ issues with status quos to the left of $D$, $n_C$ issues with status quos between $D$ and $R$ and $n_D$ issues with status quos to the right of $R$. From now on, we identify an issue in a given period with its status quo for ease of exposition.\footnote{We avoid identifying an issue with its status quo across periods, because once an issue is addressed, its status quo changes.} We refer to an issue to the left of $D$ as a Republican issue and an issue to the right of $R$ as a Democratic issue. We say that issues between $D$ and $R$ are controversial, and issues outside the $[D, R]$ interval are non-controversial. For the non-controversial issues, we use a lower index to indicate a more extreme status quo. That is, we enumerate the issues in period 1 so that

$$R_1 < R_2 < \ldots < R_{n_R} < D \leq C_1 < \ldots < C_{n_C} \leq R < D_{n_D} < \ldots < D_2 < D_1.$$  

The total number of issues is $N = n_R + n_C + n_D$ and we assume that $N \geq 2$.

The stage utility for party $i \in \{D, R\}$ from the policies implemented at time $t$ is additively
separable across issues and each party has the same payoff function on each issue.\footnote{These assumptions allow us to reduce this multi-dimensional problem to a single-dimensional problem and highlight the basic ideas in a simple model. Similar distortions in agenda setting as those identified in our paper would arise in a multi-dimensional setting in which the parties’ ideals and their payoff functions are different across different dimensions, but the analysis would be significantly more complicated.} Let $z_{kt}$ denote the policy implemented for issue $k$ at time $t$, and let $z_t = (z_{1t}, \ldots, z_{Nt})$. Stage utility of party $i$ at time $t$ is given by

$$u_i(z_t) = \sum_{k \in N} v_i(z_{kt}).$$

The dynamic utility for party $i$ is the sum of the stage utilities $u_i(z_1) + u_i(z_2).$\footnote{We assume that there is no discounting to avoid more notation. If discounting is introduced, our main results would hold with the discount factor sufficiently high.}

Suppose in period 1, an issue with status quo $s_1$ is addressed and the policy implemented is $x$, and in period 2, an issue with status quo $s_2$ is addressed and the policy implemented is $y$. Then the gain in payoff in period 1 for party $i$ is $v_i(x) - v_i(s_1)$ and the gain in payoff in period 2 for party $i$ is $v_i(x) - v_i(s_1) + v_i(y) - v_i(s_2)$. Therefore the total gain in payoff for party $i$ is $2[v_i(x) - v_i(s_1)] + v_i(y) - v_i(s_2)$. Notice that once a policy is implemented on an issue, then it is persistent, and the parties continue to care about the issues that they changed in the past. This is why when an issue is addressed in period 1, the parties gain in both that period and the subsequent period.

We assume $v_i$ is continuous and single-peaked at $i$. Moreover, we assume the preferences satisfy a single-crossing property. Specifically, for any $x$ and $x'$ such that $x' > x$, if $v_D(x') > v_D(x)$ then $v_R(x') > v_R(x)$. Many commonly used utility functions, for example, $v_i(x) = -(x - i)^2$ or $v_i(x) = -|x - i|$, satisfies these conditions. We say that issue $s$ is more pressing for party $i$ than issue $s'$ if $v_i(s) < v_i(s')$. Note that a Democratic issue has a status quo so bad for party $D$ that it prefers party $R$’s ideal to the status quo, and a Republican issue has a status quo so bad for party $R$ that it prefers party $D$’s ideal to the status quo. We say that the preferences are partisan if the most pressing issue for party $D$ is a Democratic issue and the most pressing issue for party $R$ is a Republican issue, that is, if $v_D(D_1) < v_D(R_1)$ and $v_R(R_1) < v_R(D_1)$. For most of our analysis, we assume that the preferences are partisan.\footnote{We focus on partisan preferences since they seem plausible. We discuss what happens under nonpartisan preferences in footnote 13.}
of the incumbent party. If the incumbent party is strong, then it unilaterally chooses the policy to implement. If it is weak, then it needs the approval of the out-of-power party for implementation of the policy it proposes. In this case, we assume that the incumbent party makes a take-it-or-leave-it offer. If the out-of-power party accepts, the proposal is implemented; otherwise the status quo prevails. Since there are two parties, there are four possible power states \{S_D, S_R, W_D, W_R\}. In period \(t\), political power is described by the the realization of a random variable \(\pi_t \in \{S_D, S_R, W_D, W_R\}\). If \(\pi_t = S_i\), party \(i\) is in strong power in period \(t\); if \(\pi_t = W_i\), party \(i\) is in weak power in period \(t\). For expositional simplicity, we assume that \(\pi_1\) is degenerate, that is \(Pr(\pi_1 = x) = 1\) for some \(x \in \{S_D, S_R, W_D, W_R\}\). We assume that the distribution of \(\pi_t\) is exogenously given, but what power states can occur with positive probability depends on the institution. Loosely, we can think of the incumbent party as the party with the larger number of seats in the legislature. Under majority rule, the incumbent is strong, and thus \(\pi_t \neq W_D, W_R\) for \(t \in \{1, 2\}\). Under unanimity rule, the incumbent is weak, and thus \(\pi_t \neq S_D, S_R\) for \(t \in \{1, 2\}\). Under supermajority rule, the incumbent can be either strong or weak. Specifically, if the fraction of the seats held by the incumbent exceeds the supermajority threshold, then the incumbent is strong. If it is below the supermajority threshold, then it is weak.

If a party is in power, then it decides (i) what issue to address; and (ii) what policy to propose (in a weak power state) or to implement (in a strong power state) on that issue. If a party is out of power, then it decides whether to accept or reject the proposal (in a weak power state). Since the issue not addressed in the first period rolls over to the second period, there is a dynamic link between the decisions made in the first period and the feasible actions in the second period. As such, the parties take into account the dynamic implications of their decisions in the first period. The solution concept we use is subgame perfect equilibrium and we solve the game using backward induction.

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9This assumption has no consequence for the analysis since we consider different initial power state. We can think of this as indexing the equilibrium by the realization of the initial state, as in Dixit, Grossman, and Gul [2000].

10Many political economy models assume that the transition probability is independent of the incumbent’s policy choice. See, for example, Acemoglu, Golosov, and Tysvinski [2011] and Callander and Hummel [2014].
3  Two examples

In this section, we use two simple examples to illustrate the potential distortions in agenda-setting incentives due to dynamic concerns. For both examples, we assume that $D = -1$, $R = 1$, and $v_i(x) = -|x - i|$.

Example 1. Suppose that there are still two Democratic issues and two Republican issues but with different status quos. Specifically, let $R_1 = -1.4$, $R_2 = -1.25$, $D_2 = 1.75$, $D_1 = 1.9$. These issues together with the parties’ preferences are illustrated in Figure 1.\footnote{We define the functions $d$ and $r$ on page 17: $d(x)$ is the optimal proposal that party $R$ makes on an issue with status quo $x$ in a static game under unanimity, and $r(x)$ is the optimal proposal that party $D$ makes on an issue with status quo $x$ in a static game under unanimity.}

(a) We start by considering unanimity rule. Specifically, suppose that party $D$ is in weak power in period 1 and party $R$ will come in weak power in period 2. It is in the short-term interest for party $D$ to address issue $D_1$ since it can move the policy on issue $D_1$ towards its ideal by 1.8 (from 1.9 to 0.1) whereas it can move the policy on issue $R_1$ towards its ideal by only 0.4 (from −1.4 to −1).

If party $D$ addresses issue $D_1$ in period 1, then party $R$ will address issue $R_1$ in period 2. To see this, note that under unanimity, party $R$ can move the policy on $R_1$ towards its ideal by 0.8 (from −1.4 to −0.6) and can move the policy on issue $D_2$ towards its ideal by 0.75 (from 1.75 to 1). So party $R$ gains more by addressing $R_1$ than addressing $D_2$.
If party $D$ addresses issue $D_2$ in period 1 instead, then party $R$ will address issue $D_1$ in period 2 since it can move the policy on $D_1$ towards its ideal by 0.9 (from 1.9 to 1) whereas it can move policy on $R_1$ by only 0.8 (from $-1.4$ to $-0.6$).

Now we can compare party $D$’s dynamic utility if it addresses $D_1$ versus if it addresses $D_2$ in period 1. If it addresses $D_1$ in period 1, it can move the policy towards its ideal by 1.8 on that issue (from 1.9 to 0.1). But in period 2, party $R$ will address issue $R_1$ by moving the policy to the other side of $D_1$, making $D$ just willing to accept. By addressing $D_1$ in period 1, the total gain for party $D$ across the two periods is $1.8 \times 2 = 3.6$. If party $D$ addresses issue $D_2$ in period 1, it can move the policy towards its ideal by 1.5 on that issue (from 1.75 to 0.25). In period 2, party $R$ will address issue $D_1$ by moving the policy on that issue from 1.9 to its own ideal 1. Hence, the total gain in payoff for party $D$ across the two periods is $1.5 \times 2 + 0.9 = 3.9$, which is higher than 3.6, the total gain for party $D$ if it addresses issue $D_1$ in period 1.

It is also straightforward to verify that it is not optimal for party $D$ to address a Republican issue in period 1. Specifically, addressing $R_1$ or $R_2$ is dominated by addressing $D_2$ in period 1 since in either case, party $R$ will address $D_1$ in period 2 and the short-term gain is higher for party $D$ by addressing $D_2$.

As this example illustrates, a party’s dynamic concerns can lead to distortions in agenda setting, that is, its optimal dynamic agenda is different from its optimal static agenda. Here, dynamic concerns drive party $D$ to give priority to a less pressing Democratic issue. Intuitively, this is dynamically optimal because party $D$ can steer party $R$’s agenda towards addressing the most pressing Democratic issue in period 2 if party $R$ comes in power. The equilibrium is inefficient since both parties would have been better off if the most pressing Democratic issue is addressed first.

(b) Now considering supermajority rule. Specifically, suppose that party $D$ is in strong power in period 1 and in period 2, party $D$ is in weak power with probability $q$ and party $R$ is in weak power with probability $(1 - q)$. Again, it is in the short-term interest for party $D$ to address issue $D_1$ in period 1 since it can move the policy on issue $D_1$ towards its ideal by 2.9 (from 1.9 to $-1$) whereas it can move the policy on issue $R_1$ towards its ideal by only 0.4 (from $-1.4$ to $-1$).
Suppose party $D$ addresses $D_1$ in period 1. As shown in part (a), if party $R$ comes in weak power in period 2, it addresses issue $R_1$ by moving it to $d(R_1)$. Moreover, if party $D$ is in weak power in period 2, it addresses issue $D_2$ since it can move the policy on $D_2$ by 1.5 (from 1.75 to 0.25) whereas it can move the policy on $R_1$ by only 0.4 (from $-1.4$ to $-1$). Hence, the total gain in payoff for party $D$ is $2.9 \times 2 + 1.5q + 0 \times (1 - q) = 5.8 + 1.5q$.

Suppose party $D$ addresses $D_2$ in period 1. As shown in part (a), if party $R$ comes in weak power in period 2, it addresses issue $D_1$ by moving it to $R$. Moreover, if party $D$ is in weak power in period 2, it addresses issue $D_1$ since it can move the policy on $D_1$ by 1.8 (from 1.9 to 0.1) whereas it can move the policy on $R_1$ by only 0.4 (from $-1.4$ to $-1$). Hence, the total gain in payoff for party $D$ is $2.75 \times 2 + 1.8q + 0.9 \times (1 - q) = 6.4 + 0.9q$. So, independent of the value of $q$, it is better for party $D$ to give priority to issue $D_2$ than $D_1$ in period 1.\footnote{If $q = 1$, then party $D$'s total payoff is the same regardless of whether it addresses issue $D_1$ or issue $D_2$ in period 1. This is because of the functional form we assume in this example.} It is also straightforward to show that addressing a Republican issue is dominated by addressing issue $D_2$ in period 1.

Under supermajority rule, we again have the inefficient outcome that party $D$ gives priority to a less pressing Democratic issue. In addition to the steering effect that we identified in part (a), it is also advantageous for party $D$ to roll over the more pressing issue $D_1$ because it can extract a better compromise on issue $D_1$ than on issue $D_2$ if it is in weak power in period 2. By addressing the less pressing issue $D_2$ when in strong power, party $D$ is able to implement its ideal policy on $D_2$ as well as getting a better compromise on issue $D_1$ should its power weaken in the future. We can think of this as a “seize-the-moment” effect.

Example 2. Next suppose that there are still two Democratic issues and two Republican issues but with different status quos. Specifically, suppose that $R_1 = -1.975$, $R_2 = -1.2$, $D_2 = 1.4$, $D_1 = 1.5$. These issues together with the parties’ preferences are illustrated in Figure 2.

(a) As in Example 1, we start by considering unanimity rule: specifically, party $D$ is in weak power in period 1 and party $R$ will come in weak power in period 2. It is in the short-term interest for party $D$ to address issue $D_1$ since it can move the policy on issue $D_1$ towards its ideal by 1 (from 1.5 to 0.5) whereas it can move the policy on issue $R_1$ towards its ideal by only
0.975 (from −1.975 to −1), but we show below that the optimal dynamic agenda is for party $D$ to give priority to the Republican issue $R_1$.

Note that if party $D$ addresses a Democratic issue in period 1, then party $R$ will address issue $R_1$ in period 2. To see this, note that under unanimity, party $R$ can move the policy on $R_1$ towards its ideal by 1.95 (from −1.975 to −0.025) and can move the policy on issue $D_1$ towards its ideal by 0.5 (from 1.5 to 1) and move the policy on issue $D_2$ towards its ideal by 0.4 (from 1.4 to 1). Given the utility function $v_R(x) = -|x - R|$, party $R$ cares about only the distance by which it can move a policy towards its ideal. So party $R$ gains more by addressing $R_1$ than addressing $D_1$ or $D_2$. Since party $R$ addresses issue $R_1$ regardless of whether $D_1$ or $D_2$ was addressed in period 1 and party $D$’s period-1 payoff is higher by addressing issue $D_1$ instead of $D_2$, it follows that addressing issue $D_1$ is strictly better than addressing issue $D_2$ in period 1 for party $D$. Note that addressing issue $D_1$ is also strictly better than addressing issue $R_2$ in period 1 since party $D$’s period-1 payoff is higher by addressing $D_1$ and party $R$ will address issue $R_1$ regardless. So we only need to compare the choice between issue $D_1$ and issue $R_1$.

Suppose party $D$ addresses issue $D_1$ (by moving the policy from 1.5 to 0.5) in period 1. Then in period 2, party $R$ will address issue $R_1$ by moving the policy from −1.975 to −0.025, making party $D$ indifferent. Therefore, party $D$’s total gain in payoff is $2 \times 1 = 2$.

Suppose party $D$ addresses issue $R_1$ in period 1 (by moving the policy from −1.975 to −1).
Then, in period 2, party $R$ will address issue $D_1$ since it gains 0.5 if it addresses issue $D_1$ (by moving the policy from 1.5 to 1 whereas it gains only 0.4 if addresses issue $R_2$ (by moving the policy from $-1.2$ to $-0.8$). Hence, party $D$’s total gain in payoff is $2 \times 0.975 + 0.5 = 2.45$, which is higher than its total gain in payoff by addressing issue $D_1$ in period 1. It follows that the optimal dynamic agenda for party $D$ is to give priority to the Republican issue $R_1$.

In this example, party $D$’s dynamic incentive drives it to go against its short-term interest and give priority to a Republican issue. Intuitively, party $D$ preempts party $R$ by giving priority to issue $R_1$ since party $D$ does not benefit if party $R$ addresses issue $R_1$ but benefits to some degree if party $R$ addresses $D_1$. Note that the equilibrium outcome is still efficient since there is no Pareto improvement. But dynamic concerns can also lead to Pareto inefficiency, as illustrated in Example 1.

(b) Now consider supermajority rule. Specifically, suppose that party $D$ is in weak power in period 1 and in period 2, party $D$ will be in strong power with probability $q$ and party $R$ will be in weak power with probability $(1 - q)$.

Again, it is in the short-term interest for party $D$ to address issue $D_1$ in period 1. Suppose that party $D$ addresses $D_1$ in period 1 by moving the policy to $r(D_1)$. As shown in (a), if party $R$ comes in weak power in period 2, it addresses issue $R_1$ by moving the policy to $d(R_1)$. Moreover, if party $D$ comes in strong power in period 2, it will address issue $D_2$ by moving the policy to $D$. Thus, the total gain in payoff for party $D$ is $2 \times 1 + 2.4q + 0(1 - q) = 2 + 2.4q$. Suppose that party $D$ addresses issue $R$ in period 1 by moving the policy to $D$. As shown in (a), if party $R$ comes in weak power in period 2, it addresses issue $D_1$ by moving the policy to $R$. Moreover, if party $D$ comes in strong power in period 2, it will address issue $D_1$ to moving the policy to $D$. Thus, the total gain in payoff for party $D$ is $2 \times 0.975 + 2.5q + 0.5(1 - q) = 1.95 + 2.5q + 0.5(1 - q) > 2 + 2.4q$. It is straightforward to verify that addressing issue $D_2$ in period 1 is not optimal. Hence, party $D$’s optimal dynamic agenda is to give priority to issue $R_1$.

In addition to the preemptive effect identified in part (a), another advantage for party $D$ to give priority to a Republican issue under supermajority is that by postponing the most pressing Democratic issue, it will be able to implement its ideal on that issue if it gains political strength in period 2. We can think of this as “wait-for-the-moment” effect.
4 Benchmarks

*Dynamically Pareto efficient outcomes*

The first benchmark we consider is dynamically Pareto efficient outcomes. These are the outcomes that are Pareto efficient subject to the constraint that the policy on only one issue can be changed in each period. We impose this constraint since parties in the game we consider can change policy on only one issue in each period, so we can think of this as a technological constraint. In the social planner’s problem, there are four choice variables: the issue $s_1$ addressed in period 1; the policy implemented on the issue addressed in period 1, denoted by $x$; the issue $s_2$ addressed in period 2; and the policy implemented on the issue addressed in period 2, denoted by $y$. Let $S$ denote the issues at the beginning of period 1, identified by their initial status quos. That is, $S = \{R_1, R_2, ..., R_{nR}, C_1, C_2, ..., C_{nC}, D_1, D_2, ..., D_{nD}\}$.

Formally, a dynamically Pareto efficient outcome solves the following social planner’s problem:

\[
\max_{s_1, x, s_2, y} \quad v_D(x) + \sum_{s \in S, s \neq s_1} v_D(s) + \left[ v_D(x) + v_D(y) + \sum_{s \in S, s \neq s_1, s_2} v_D(s) \right] \quad (SP)
\]

s.t. \[
v_R(x) + \sum_{s \in S, s \neq s_1} v_R(s) + \left[ v_R(x) + v_R(y) + \sum_{s \in S, s \neq s_1, s_2} v_R(s) \right] \geq \bar{U}
\]

for some $\bar{U}$. It is straightforward to see that the following result holds.

**Proposition 1.** In any dynamically Pareto efficient outcome,

1. issue $s$ is addressed in period 1 if it is more pressing than any other issue for both parties;

2. issues $s$ and $s'$ are addressed if they are more pressing than any other issue for both parties;

3. if $s$ is more pressing than $s'$ for both parties and issue $s'$ is addressed, then issue $s$ is addressed in period 1;

4. the policies implemented for the issues addressed are in $[D, R]$.

**Dictatorship**
We next consider dictatorship. Specifically, suppose party $i$ is the dictator in both periods and it can address one issue in each period. In this case, party $i$ does not face any dynamic trade-off, and therefore its optimal dynamic agenda is the same as its optimal static agenda. Thus, in each period, between issues $s$ and $s'$, party $i$ is better off by addressing issue $s$ and implementing its ideal policy on that issue if $v_i(s) < v_i(s')$. This implies that the dictator party chooses to address the most pressing issue for itself in each period.

**No power fluctuation**

Dictatorship is a special case in which there is no power fluctuation. In the next proposition, we show that more generally, in the absence of power fluctuation, the optimal dynamic agenda coincides with the optimal static agenda.

**Proposition 2.** If there is no power fluctuation, that is, if $\pi_2 = \pi_1$ with probability 1, then the incumbent addresses issue $k$ in period 1 only if its period-1 payoff is maximized by addressing issue $k$.

The incumbent is in strong power under majority rule and in weak power under unanimity rule. Under either rule, if the incumbent continues to be in power in period 2, then the power state is the same across periods and Proposition 2 implies there is no distortion in the incumbent’s agenda. Under supermajority rule, however, the incumbent can be in either strong or weak power, and even if it continues to be in power in period 2, the power state may still change, so Proposition 2 no longer applies. Indeed, as illustrated in part (b) of Examples 1 and 2, under supermajority rule, the optimal dynamic agenda may be different from the optimal static agenda even if the incumbent remains the same. In the next section, we analyze what distortions in agenda setting may arise from dynamic concerns in the presence of power fluctuations in general.

## 5 Period-2 problem

To facilitate the analysis, we define two functions $d$ and $r$ as follows. For $x \leq D$, let $d(x) = \max\{y \leq R : v_D(y) \geq v_D(x)\}$, and for $x \geq R$, let $r(x) = \min\{y \geq D : v_R(y) \geq v_R(x)\}$. Intuitively, $d(x)$ is the optimal proposal that party $R$ makes on an issue with status quo $x$ to
the left of \( D \) in a static game under unanimity, and \( r(x) \) is the optimal proposal that party \( D \) makes on an issue with status quo \( x \) to the right of \( R \) in a static game under unanimity. The figures below illustrate these two functions.

![Figure 3: \( d(\cdot) \)](image1)

![Figure 4: \( r(\cdot) \)](image2)

The next proposition characterizes the optimal agenda in period 2. For expositional simplicity, in the proposition, we assume that when the incumbent is indifferent between addressing a Republican issue and addressing a Democratic issue, it chooses the agenda that makes the other party better off.

**Proposition 3.** 1. If the incumbent has strong power in period 2, then it addresses the most pressing issue for itself.

2. Suppose the incumbent has weak power in period 2 and not all issues are controversial.

   (a) If there is at least one Republican issue and one Democratic issue in period 2, then the incumbent addresses either issue \( s_R \) or issue \( s_D \) where \( s_R < D \) is the most extreme Republican issue and \( s_D > R \) is the most extreme Democratic issue. Specifically, if party \( D \) is the incumbent, then it addresses issue \( s_R \) if and only if

   \[
   v_D(D) + v_D(s_D) \geq v_D(s_R) + v_D(r(s_D)),
   \]

   and if party \( R \) is the incumbent, then it addresses issue \( s_D \) if and only if

   \[
   v_R(R) + v_R(s_R) \geq v_R(s_D) + v_R(d(s_R)).
   \]

   (b) If the non-controversial issues are all Democratic issues or all Republican issues, then the incumbent addresses the most pressing issues for itself.

Proposition 3 implies that the incumbent in period 2 addresses the most pressing issue for one of the parties.
6 Period-1 problem

6.1 Preliminaries

We show that if the set of issues is rich enough, and in particular, if there are at least two Democratic issues and two Republican issues, then the incumbent in period 1 does not address issues whose status quos are not extreme. Formally, we have the following result.

Lemma 1. Suppose there are at least two Democratic issues and two Republican issues in period 1. Then the incumbent in period 1 does not address \( R_i \) or \( D_i \) with \( i \geq 3 \), or any controversial issue.

To prove Lemma 1, we show that addressing issue \( R_2 \) dominates addressing issue \( R_i \) with \( i \geq 3 \) for the incumbent in period 1. This is because addressing issue \( R_2 \) gives the incumbent a strictly higher payoff in period 1 and by Proposition 3, the choice of the incumbent in period 2 is the same regardless of whether issue \( R_2 \) or \( R_i \) was addressed in period 1. A similar argument shows that addressing issue \( D_2 \) dominates addressing issue \( D_i \) with \( i \geq 3 \) and addressing any controversial issue is dominated by addressing either \( D_2 \) or \( R_2 \) in period 1.

Lemma 1 implies that if there are at least two Democratic issues and two Republican issues in period 1, then it is without loss of generality to consider the agenda-setting problem when there are two Democratic issues and two Republican issues. For the remainder of this section, this is the case that we analyze. For expositional simplicity, we assume that party \( D \) is the incumbent in period 1. Symmetric results hold when party \( R \) is the incumbent.

Since controversial issues are not addressed in either period when there are at least two Democratic issues and two Republican issues at the beginning of the game by Lemma 1, the payoffs from the controversial issues do not affect the parties’ choice. As such, when we discuss the parties’ payoffs in the remainder of this section, we omit the payoffs from controversial issues.

6.2 Priority not given to a less pressing issue for the rival

The first result we establish is that no matter what the voting rule is, party \( D \) does not give priority to a less pressing Republican issue.
Proposition 4. Regardless of the voting rule, party D does not address R₂ in period 1, that is, party D does not give priority to a less pressing Republican issue.

We prove Proposition 4 by showing that addressing the more pressing issue R₁ instead of issue R₂ in period 1 gives party D a higher dynamic payoff. First, note that regardless of its strength of power in period 1, if party D addresses a Republican issue, it moves the policy on that issue to its ideal. Hence, party D’s period-1 payoff is higher by addressing issue R₁ than by addressing issue R₂. Moreover, similar to the argument for Proposition 2 (which concerns the case when there is no power fluctuation), if party D continues to be in power in period 2, its period-2 payoff is also higher if issue R₁ instead of issue R₂ was addressed in period 1. The interesting case is when party R comes in power in period 2 and its choice of agenda varies with what issue has been addressed by party D. If party R is in strong power, this arises if issue R₁ is more pressing than issue D₁ and issue D₁ is in turn more pressing than issue R₂ for party R. In this case, by the single-crossing property, party D also finds issue D₁ more pressing than issue R₂. Hence, party D is better off if issue R₂ remains at its status quo (which happens if party R addresses issue D₁ in period 2) than if issue D₁ remains at its status quo (which happens if party R addresses issue R₁ in period 2). It follows that party D is better off in period 2 by addressing issue R₁ first to induce its rival to address issue D₁ subsequently than by addressing R₂ first to induce its rival to address R₁ subsequently. This implies that if party R is expected to come in strong power in period 2, party D receives a higher dynamic payoff by addressing the more pressing issue R₁ than R₂ in period 1. A similar, albeit more involved, argument shows that if party R is expected to come in weak power in period 2, party D also receives a higher dynamic payoff by addressing the more pressing issue R₁ than R₂ in period 1.

Proposition 4 says that even with dynamic concerns, party D does not give priority to a less pressing Republican issue, and the result holds no matter what the power transition is. Does party D ever give priority to a less pressing Democratic issue? As we show in the following subsections, this depends on the power transition and the degree of polarization between the two parties. Before we turn to the different voting rules, we provide the following lemma, which
gives a useful necessary condition for party $D$ to give priority to a less pressing Democratic issue under either majority or unanimity rule.

**Lemma 2.** Under either majority rule or unanimity rule, if party $D$ addresses issue $D_2$ in period 1 in equilibrium, then it must be the case that if $R$ come in power in period 2, then it addresses issue $D_1$ if $D_2$ was addressed in period 1 and it addresses issue $R_1$ if $D_1$ was addressed in period 1.

Lemma 2 says that if party $D$ gives priority to the less pressing Democratic issue in period 1 under either majority or unanimity rule, then it must be the case that its agenda in period 1 affects the agenda of party $R$ should it come in power in period 2. In particular, if the most pressing Democratic issue was addressed, then party $R$ would address the most pressing Republican issue, but if the less pressing Democratic issue was addressed, then party $R$ would address the most pressing Democratic issue.

### 6.3 Majority rule

Consider majority rule first. Under majority rule, the incumbent in either period has strong power and can implements its ideal policy on the issue of its choice. Party $D$’s period-1 payoff is clearly higher if it addresses issue $D_1$ than if it addresses issue $D_2$. If party $D$ continues to be in power in period 2, then, as shown in Proposition 2, party $D$ is better off by addressing $D_1$ than $D_2$ in period 1. Furthermore, since $R_1$ is the most pressing issue for party $R$, if party $R$ comes in power in period 2, it would address $R_1$ regardless of whether $D_1$ or $D_2$ was addressed in period 1. Hence, there is no gain in its period-2 payoff if party $D$ gives priority to issue $D_2$ and therefore it does not give priority to $D_2$ in period 1. In the next proposition, we show that party $D$ does not benefit from giving priority to a Republican issue either, implying that it addresses the most pressing Democratic issue $D_1$ in period 1. So in this case, its optimal dynamic agenda coincides with its optimal static agenda.

**Proposition 5.** Under majority rule, party $D$ addresses issue $D_1$ in period 1 in equilibrium.

We give some intuition for why party $D$ does not give priority to a Republican issue under majority rule. Note that if party $D$ addresses $D_1$ in period 1, then party $R$ would address issue
In this case, by the end of period 2, one issue is moved to D’s ideal, another issue is moved to R’s ideal, and issues D2 and R2 remain unaddressed. If party D addresses R1 in period 1, then party R would address either issue D1 or R2 in period 2. Consider first when party R addresses issue D1 in period 2. In this case too, by the end of period 2, one issue is moved to D’s ideal, another issue is moved to R’s ideal, and issues D2 and R2 remain unaddressed, implying that party D’s period-2 payoff is the same regardless of whether it addresses issue D1 or R1 in period 1. Since party D’s period-1 payoff is higher by addressing D1 than addressing R1 in period 1, party D should give priority to issue D1. Lastly, consider when party R addresses issue R2 in period 2. Note that when issue R1 is addressed in period 1, then party D is worse off if party R addresses issue R2 than if party R addresses issue D1. Therefore, by transitivity, party D does not give priority to issue R1 in this case as well.13

6.4 Unanimity rule

In contrast to majority rule, under unanimity rule, dynamic concerns may drive party D to give priority to a less pressing Democratic issue. To understand what make this possible under unanimity but not under majority, note that by Lemma 2, if party D addresses D2 in period 1, it must be the case that if party R comes in power in period 2, party R would address D1 if it is still on the table but would address R1 if D1 is no longer on the table. A necessary condition for this is that between issues D1 and R1, party R prefers to address issue D1. Since the most pressing issue for party R is R1, this clearly cannot be satisfied under majority rule, but it can still be satisfied under unanimity rule. This is because under unanimity, the policies that party R can implement on a Republican issue is constrained by the approval of party D, but party R can implement its ideal on a Democratic issue, which makes it more attractive for party R to address a Democratic issue under unanimity. Hence, under unanimity, party D may affect party R’s agenda in period 2 by giving priority to issue D2 and thus leaving D1 still on

13 When preferences are nonpartisan, it is possible that party D gives priority to a less pressing Democratic issue. Specifically, if \( v_R(D_1) < v_R(R_1) < v_R(D_2) \), \( v_D(D_2) - v_D(D_1) < v_D(R_1) - v_D(D_2) \), and it is sufficiently likely that party R comes in power in period 2, then party D addresses D2 in period 1. Another interesting case is when the parties have nonpartisan preferences and the most pressing issue has a sufficiently bad status quo for both parties. We can think of this as crisis. For example, if D1 is the most pressing issue with a sufficiently bad status quo for both parties, then party D addresses D1 even under non-partisan preferences. Not surprisingly, there is no distortion in agenda setting when the parties face a crisis.
the table. This distortion is beneficial to party $D$ if the gain in its period-2 payoff more than compensates the loss in its period-1 payoff. We call this the steering effect since the reason for party $D$ to give priority to the less pressing issue $D_2$ is that it can then steer party $R$’s agenda towards addressing $D_1$. Note that by Proposition 1 part 3, steering is inefficient since both parties would benefit if issue $D_1$, which is more pressing for both parties, is addressed in period 1 instead.

If the preferences are strongly partisan, that is, if $v_D(D_1) + v_D(D) < v_D(R_1) + v_D(r(D_1))$ and $v_R(R_1) + v_R(R) < v_R(D_1) + v_R(d(R_1))$, then party $R$ prefers to address issue $R_1$ between issues $R_1$ and $D_1$ even under unanimity rule, and this implies that party $D$ would not give priority to issue $D_2$ in period 1. One may conjecture that under unanimity rule, if preferences are strongly partisan, then party $D$ always addresses issue $D_1$ in period 1, an analog of Proposition 5. But as the next proposition shows, unlike what happens under majority rule, party $D$ may still go against its short-term interest and address issue $R_1$ instead of $D_1$ in period 1 under unanimity rule.

**Proposition 6.** Under unanimity rule, in equilibrium, (i) party $D$ may address $D_2$ in period 1, that is, party $D$ may give priority to a less pressing Democratic issue, but if the preferences are strongly partisan, party $D$ does not give priority issue $D_2$; (ii) even if the preferences are strongly partisan, $D$ may still give priority to the Republican issue $R_1$ in period 1.

We have already discussed the steering effect that drives party $D$ to give priority to a less pressing Democratic issue; as to party $D$’s giving priority to a Republican issue, we can think of it as preemptive agenda setting. If party $D$ does not address the most pressing Republican issue when in power, then the opposition party will surely address it if it comes in power in the next period. Since party $D$ does not benefit when party $R$ addresses a Republican issue but benefits to some degree if party $R$ addresses a Democratic issue, party $D$ may have the incentive to preemptively tackle the most pressing Republican issue and induce the opposition party to address the most pressing Democratic issue when it comes in power. For preemption to be successful, the Republican party should prefer to address $D_1$ between issues $D_1$ and $R_2$, which

\[v_D(D) \geq v_D(r(D_1)) \text{ and } v_R(R) \geq v_R(d(R_1)),\] since strongly partisan preferences imply partisan preferences.
is still possible under strongly partisan preferences, provided that the status quo of issue $R_2$ is not too far from party $R$'s ideal. Under strongly partisan preferences, party $D$'s optimal static agenda is to address $D_1$ even under unanimity rule, and therefore giving priority to $R_1$ goes against its short-term interest. But unlike the steering effect which is necessarily inefficient, preemption can still be efficient since $R_1$ is the most pressing issue for party $R$.

6.5 Supermajority rule

Under supermajority, the possibilities of power transition become richer. In particular, power fluctuations may now involve the same party holding on to majority, but the strength of its power changing over time. This gives rise to new dynamic effects in agenda setting, as we show below.

The first result we present under supermajority rule shows that the conditions we established for party $D$ to give priority to a less pressing Democratic issue under unanimity rule and to have it ruled out under majority rule can be extended in the following sense: if the party in power in period 2 is likely to be strong, then party $D$ does not give priority to issue $D_2$ (an extension of Proposition 5), but if the party in power in period 2 is likely to be weak, then party $D$ may give priority to issue $D_2$ (an extension of Proposition 6, part (i)).

**Proposition 7.** Under supermajority rule, in equilibrium, (i) if it is sufficiently likely that the party in power in period 2 is strong, then party $D$ does not give priority to the less pressing Democratic issue $D_2$ in period 1, (ii) if it is sufficiently likely that the party in power in period 2 is weak, then party $D$ may give priority to the less pressing Democratic issue $D_2$ in period 1.

For part (ii), party $D$ may have the incentive to give priority to the less pressing issue $D_2$ due to two effects. First, if party $D$ expects to lose power to party $R$, then it may want to roll over the more pressing issue $D_1$ to induce $R$ to tackle it in period 2. This is similar to the steering effect identified under unanimity rule. Second, if party $D$ expects to be still in power, but only weakly, then it may want to roll over the more pressing issue $D_1$ to extract a better compromise. This is reminiscent of Romer and Rosenthal [1979], which shows that a monopoly agenda-setter is better off when the status quo is further away from the opponent’s ideal. Our result extends Romer and Rosenthal [1979] by providing an implication of their insight in a
dynamic multiple-issue setting. Note that unlike the steering effect, the second effect arises only under supermajority rule in which the same party is still in power in period 2 but with weakened political strength – this is the “seize-the-moment” effect discussed in Example 1 part (b).

Another new effect may arise under supermajority rule when the incumbent is in weak power in period 1 but expects to gain in political strength in the future. As we show in Proposition 8, party $D$ may give priority to a Republican issue against its short-term interest in this case (under strongly partisan preferences, party $D$’s optimal static agenda is to address issue $D_1$). The reason here for party $D$ to give priority to a Republican issue is different from the preemptive effect we identified under unanimity rule when the opposition party is expected to come in power in the future. Party $D$ benefits from giving priority to a Republican issue here because by postponing the most pressing issue $D_1$ until it gains enough political strength, it will be able to implement its ideal policy on that issue. This is the wait-for-the-moment effect discussed in Example 2 part (b).

**Proposition 8.** Under supermajority rule, even if the preferences are strongly partisan, party $D$ may give priority to the Republican issue $R_1$ in period 1 if it is in weak power in period 1 but expects to be in strong power in period 2.

7 Discussion and concluding remarks

We have introduced and analyzed a stylized model of agenda setting with multiple issues and limited capacity to highlight the distortions that can arise under different power transitions when the agenda formed in an early period has dynamic implications. There are many interesting directions in which to extend the model, and we discuss some of them here.

**Revisiting an issue.** One assumption we have made is that once an issue is addressed, it cannot be addressed again in the next period. In the following example, we illustrate that if an issue addressed earlier is allowed to be revisited, then it creates an endogenous status quo. In this case, in addition to distortions in agenda setting, an incumbent may implement a policy that is not statically optimal on the issue of its choice.
Example 3. Suppose $D = -1$, $R = 1$, and $v_i(x) = -|x - i|$.

First, consider the case in which there are only two Democratic issues with $D_1 = 2.5$, $D_2 = 2$ and the voting rule is majority rule. Specifically, party $D$ is in strong power in period 1 and party $R$ is in strong power in period 2. If an issue that has been addressed in period 1 cannot be revisited in period 2, then in equilibrium, party $D$ addresses issue $D_1$ by moving the policy on that issue to its ideal $D$ in period 1 and party $R$ addresses the remaining issue $D_2$ in period 2 by moving the policy on that issue to its ideal $R$.

If an issue that has been addressed in period 1 is allowed to be revisited in period 2, however, it is no longer optimal for party $D$ to address $D_1$ in period 1. To see this, suppose party $D$ addresses $D_1$ in period 1. Note that if it moves the policy on that issue $D_1$ to its ideal $D$, then, in period 2, party $R$ will revisit the issue and move the policy to its ideal $R$. In this case, the total gain in payoff for party $D$ is $3.5 + 1.5 = 5$. If party $D$ addresses issue $D_1$ by moving the policy on that issue to $0$ instead, then, in period 2, the incumbent party will address issue $D_2$ by moving the policy on that issue to its ideal $R$.$^{15}$ In this case, party $D$’s total gain in payoff is $2.5 \times 2 + 1 = 6$. Hence, if party $D$ addresses issue $D_1$ in period 1, it is optimal to move the policy on that issue to $0$ instead of all the way to its ideal $D$ to prevent party $R$ from revisiting the issue in period 2. Similarly, if party $D$ addresses issue $D_2$ in period 1, it is optimal to move the policy on that issue to $-0.5$ instead of all the way to its ideal so that party $R$ does not revisit the issue in period 2. In this case, party $R$ addresses issue $D_1$ in period 2 by moving the policy to its ideal $R = 1$. Hence, the total gain in payoff to party $D$ is $2.5 \times 2 + 1.5 = 6.5$, which implies that it is better for party $D$ to address issue $D_2$. This example shows that when an issue can be revisited, not only does party $D$ give priority to the less pressing issue $D_2$, it also implements a policy on that issue which is not statically optimal. In particular, the policy it implements is more moderate than if the issue cannot be revisited.$^{16}$

In the preceding example, the set of issues is sparse. Indeed, if there are Republican issues

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$^{15}$We assume that party $R$ addresses issue $D_2$ with the status quo at 2 even though it is indifferent between addressing $D_2$ and issue $D_1$ whose status quo is at 0 in period 2. Without this assumption, party $D$ does not have a best response in period 1.

$^{16}$The moderation effect on policy through endogenous status quo is reminiscent of Bowen, Chen, and Eraslan [2014].
as well as Democratic issues, then party $R$ would address a Republican issue in period 2. Anticipating this, party $D$ would address $D_1$ in period 1 by moving it to its ideal. But when the set of issue is rich enough, does the incumbent always move the policy on the issue of its choice to the static optimum given its strength of power? The next example shows that the answer is no.

Suppose that there are two Republican issues with $R_1 = -1.2$ and $R_2 = -1$ in addition to the two Democratic issues with $D_1 = 2.5$, $D_2 = 2$. Consider unanimity rule. Assume that party $D$ is in weak power in period 1 and party $R$ is in weak power in period 2. Suppose party $D$ addresses issue $D_1$ in period 1. Note that if $D$ proposes to move the policy to $r(D_1) = -0.5$, party $R$ will reject the proposal even though $v_R(D_1) = v_R(r(D_1))$. This is because if party $R$ accepts the proposal, then, when it comes in power in period 2, it would address issue $D_2$ by moving the policy to its ideal $R$, resulting in a total gain in payoff equal to 1 for party $R$ since it gains 0 in payoff in period 1. However, if party $R$ rejects the proposal in period 1, then, when it comes in power in period 2, it would address issue $D_1$ by moving the policy to its ideal $R$, resulting in a total gain in payoff equal to 2 for party $R$. Because of its dynamic concerns, party $R$ accepts a proposal $x$ on issue $D_1$ only if $x \geq 0$. In equilibrium, party $D$ addresses issue $D_1$ by moving the policy on that issue to 0 in period 1 and party $R$ addresses issue $D_2$ by moving the policy on that issue to its ideal $R$ in period 2. In this example, although party $D$ addresses the most pressing issue in period 1, it does not move it to the static optimum to prevent it from being rejected by the opposition party.

**Endogenous number of issues addressed.** We have considered the stark case in which only one issue can be addressed in a period. Although this approach has provided useful insight into parties’ dynamic incentives in setting their agendas, one should think that the number of major issues that are tackled in a political cycle is not fixed. Understanding what determines the scope of a party’s agenda, in particular, when a party is able to push an expansive agenda and when it is stuck in gridlock is an interesting and important question.

**Non-stationary preferences.** In our model, we assume that preferences do not change over time, which rules out the possibility that an issue that is not the most pressing today can become the most pressing issue in the future if no new policy is implemented (e.g., climate
change). New questions arise in the presence of non-stationary preferences – for example, does a party give priority to an issue that is not especially pressing today to prevent it from becoming serious in the future or does it delay addressing the issue to make it urgent for the opposition party to tackle? We leave these interesting questions for future research.

8 Appendix

8.1 Proof of Proposition 2

We first establish the following lemma.

Lemma 3. Suppose \( \pi_2 = \pi_1 \) with probability 1. If the incumbent’s period-1 payoff is higher by addressing issue \( k_1 \) than by addressing issue \( k_1' \), then its period-2 payoff is also higher if issue \( k_1 \) was addressed than if issue \( k_1' \) was addressed in period 1.

Proof: Suppose party \( i \) is the incumbent in both periods. Let \( a_i^\pi(s) \) be the policy that can be implemented by party \( i \) in power state \( \pi \) on an issue with status quo \( s \) that maximizes its static payoff. Note that this does not depend on the time period.

Let \( s_1 \) and \( s_1' \) denote the status quo of issue \( k_1 \) and issue \( k_1' \) respectively. Fix \( \pi_2 = \pi_1 \). Since the incumbent’s period-1 payoff is higher by addressing issue \( k_1 \) than by addressing issue \( k_1' \), we have \( v_i(a_i^{\pi_1}(s_1)) + v_i(s_1') \geq v_i(a_i^{\pi_1}(s_1')) + v_i(s_1) \). Suppose if issue \( k_1' \) was addressed in period 1, then the optimal issue to address in period 2 is issue \( k_2 \). Consider the following cases. (i) Suppose \( k_2 \neq k_1 \). In this case, if issue \( k_1 \) was addressed in period 1, then the optimal issue to address in period 2 is still issue \( k_2 \). It follows immediately that the incumbent’s period-2 payoff is higher if issue \( k_1 \) was addressed than if issue \( k_1' \) was addressed in period 1. (ii) Suppose \( k_2 = k_1 \). In this case, party \( i \)’s period-2 payoff if issue \( k_1 \) was addressed in period 1 and issue \( k_1' \) is addressed in period 2 is the same as its period-2 payoff if issue \( k_1' \) was addressed in period 1 and issue \( k_2 = k_1 \) is addressed in period 2. Since party \( i \) achieves the highest period-2 payoff by addressing issue \( k_2 \) if issue \( k_1' \) was addressed in period 1, it follows that party \( i \)’s period-2 payoff is higher if issue \( k_1 \) was addressed than if issue \( k_1' \) was addressed in period 1.

Proposition 2 is an immediate implication of Lemma 3.
8.2 Proof of Proposition 3

To show part 1, note that when the incumbent is in strong power, it can move the policy on any issue to its ideal. Since the most pressing issue for party $i$ gives it the lowest status quo payoff, it follows immediately that in period 2, party $i$ achieves the highest payoff by addressing the most pressing pressing issue for itself and moving the policy on that issue to its ideal.

To show part 2, suppose party $D$ is in weak power in period 2. Note that if party $D$ addresses a Republican issue, it moves the policy on that issue to its ideal $D$, and if party $D$ addresses a Democratic issue with status quo $s$, it moves the policy on that issue to $r(s)$. Let $\hat{s}$ be the the issue that party $D$ addresses. If $\hat{s}$ is a Republican issue, then the difference in party $D$’s period-2 payoff if it addresses issue $s_R$ and if it addresses issue $\hat{s}$ is $v_D(\hat{s}) - v_D(s_R)$. Since $s_R \leq \hat{s} < D$ and $v_D(x)$ is increasing for $x < D$, addressing $s_R$ is better than addressing any other Republican issue. Similarly, if $\hat{s}$ is a Democratic issue, then the difference in party $D$’s period-2 payoff if it addresses issue $s_D$ and if it addresses issue $\hat{s}$ is $v_D(r(s_D)) + v_D(\hat{s}) - v_D(r(\hat{s})) - v_D(s_D)$. Since $D \leq r(s_D) \leq r(\hat{s}) < \hat{s} < s_D$ and $v_D(x)$ is decreasing for $x \geq D$, it follows that addressing $s_D$ is better than addressing any other Democratic issue. Since party $D$ cannot change the status quo of a controversial issue when it is in weak power, it follows that it either addresses issue $s_R$ or issue $s_D$ if there is at least one Democratic issue and one Republican issue. In this case, since the difference in party $D$’s period-2 payoff if it addresses issue $s_R$ and if it addresses issue $s_D$ is $v_D(D) + v_D(s_D) - v_D(\hat{s}) - v_D(r(s_D))$, it follows that party $D$ addresses issue $s_R$ if and only if $v_D(D) + v_D(s_D) \geq v_D(s) + v_D(r(s_D))$. A similar argument proves the result if party $R$ is in weak power in period 2. Since party $D$ does not address a controversial issue when in weak power, if all non-controversial issue are Democratic (Republican) issues, party $D$ addresses the most pressing Democratic (Republican) issue.

8.3 Proof of Lemma 1

Without loss of generality, suppose the incumbent in period 1 is $D$. Consider $R_i$ with $i \geq 3$. In what follows, we show that addressing $R_2$ gives party $D$ a higher payoff than addressing $R_i$ in period 1. If party $D$ addresses either $R_2$ or $R_i$, it moves the policy on that issue to its ideal
D. Hence, the gain in payoff in period 1 to party D from addressing R2 instead of Ri in period 1 is \( v_D(R_i) - v_D(R_2) > 0 \). Note also that if either R2 or Ri is addressed in period 1, then both R1 and D1 are rolled over to period 2, and by Proposition 3, either party’s choice in period 2 is not affected. Hence, it is strictly better for party D to address R2 instead of Ri in period 1. A similar argument shows that it is strictly better for party D to address D2 than any Di with \( i \geq 3 \) or any controversial issue.

### 8.4 Proof of Proposition 4

We prove the result by showing that addressing R1 in period 1 results in a higher payoff in both periods for party D than addressing R2. Since party D is the incumbent in period 1, we have \( \pi_1 \in \{S_D, W_D\} \). For any \( \pi_1 \in \{S_D, W_D\} \), if party D addresses R1 or R2, it moves the policy to its ideal D on that issue. Hence, the difference in period-1 payoff to party D between addressing R1 and addressing R2 is \( v_D(R_2) - v_D(R_1) > 0 \). We next show that party D’s period-2 payoff is also higher if it addresses issue R1 instead of R2 in the first period for any \( \pi_2 \in \{S_D, W_D, S_R, W_R\} \).

Since party D’s period-1 payoff is higher by addressing R1 instead of R2 for any \( \pi_1 \in \{S_D, W_D\} \), by Lemma 3, party D’s period-2 payoff is also higher if R1 instead of R2 was addressed in the first period if \( \pi_2 = S_D \) or if \( \pi_2 = W_D \). So it suffices to consider what happens if \( \pi_2 = S_R \) or if \( \pi_2 = W_R \).

(i) Suppose \( \pi_2 = S_R \). (a) If \( v_R(R_2) < v_R(D_1) \), then \( v_R(R_1) < v_R(D_1) \). In this case, if either R1 or R2 was addressed in period 1, party R addresses the remaining Republican issue (R2 or R1) by moving the policy to R. Hence, regardless of whether R1 or R2 was addressed in period 1, party D’s period-2 payoff is \( v_D(D) + v_D(R) + v_D(D_1) + v_D(D_2) \). (b) If \( v_R(R_1) > v_R(D_1) \), then \( v_R(R_2) > v_R(D_1) \). In this case, party R addresses issue D1 in period 2 regardless of whether issue R1 or R2 was addressed in period 1, and the difference in period-2 payoff for party D from addressing R1 in the first period instead of R2 is \( v_D(R_2) - v_D(R_1) > 0 \). (c) Finally, if \( v_R(R_2) > v_R(D_1) > v_R(R_1) \), then party R addresses the Democratic issue D1 if issue R2 is rolled over to period 2 but addresses the Republican issue R1 if issue R1 is rolled over to period 2. In this case, party D’s period-2 payoff is \( v_D(D) + v_D(R_2) + v_D(D_2) + v_D(R) \) if he addressed
$R_1$ in period 1, and is $v_D(R) + v_D(D) + v_D(D_2) + v_D(D_1)$ if he addressed $R_2$ in period 1. Since $v_R(R_2) > v_R(D_1)$, by the single-crossing property, it is not possible to have $v_D(D_1) > v_D(R_2)$, and so party $D$’s period-2 payoff is higher if $R_1$ instead of $R_2$ was addressed in period 1.

(ii) Suppose $\pi_2 = W_R$. Similar to case (i), if party $R$ addresses the remaining Republican issue or issue $D_1$ regardless of whether $R_1$ or $R_2$ was addressed in period 1, then party $D$’s period-2 payoff is higher from if $R_1$ instead of $R_2$ was addressed in period 1. The remaining case is when party $R$ addresses issue $D_1$ if issue $R_2$ is rolled over to period 2 but addresses $R_1$ if $R_1$ is rolled over to period 2. Note that this happens if

$$v_R(d(R_2)) + v_R(D_1) < v_R(R_2) + v_R(R)$$

(1)

and

$$v_R(d(R_1)) + v_R(D_1) > v_R(R_1) + v_R(R).$$

(2)

In this case, party $D$’s period-2 payoff is $v_D(D) + v_D(R_2) + v_D(D_2) + v_D(R)$ if it addresses $R_1$ in period 1, and $v_D(d(R_1)) + v_D(D) + v_D(D_2) + v_D(D_1)$ if it addresses $R_2$ in the period 1.

If $v_D(d(R_1)) = v_D(R_1)$, then $D$’s period-2 payoff is higher if $R_1$ instead of $R_2$ was addressed in period 1 since $v_D(R_2) > v_D(R_1)$ and $v_D(R) > v_D(D_1)$. If $v_D(d(R_2)) > v_D(R_2)$, then it must be the case that $d(R_2) = R$, and since $R$ addresses issue $D_1$ if issue $R_2$ is rolled over, inequality (1) implies that $v_R(D_1) < v_R(R_2)$. In this case, by the single-crossing property, we have $v_D(R_2) > v_D(D_1)$, and therefore $D$’s period-2 payoff is higher if $R_1$ instead of $R_2$ was addressed in period 1. If $v_D(d(R_1)) = v_D(R) > v_D(R_1)$, then the gain in the total payoff for $D$ from addressing $R_1$ instead of $R_2$ is $2v_D(R_2) - v_D(R_1) - v_D(D_1)$. If this is positive, then $D$ is better off addressing $R_1$ in the first period.

As shown in the previous paragraph, if either $v_D(d(R_1)) = v_D(R_1)$, or $v_D(d(R_2)) > v_D(R_2)$, or $2v_D(R_2) - v_D(R_1) - v_D(D_1) > 0$, then $D$ does not address $R_2$ in period 1. Hence, for $D$ to prefer to address $R_2$ than $R_1$ in period 1, the following conditions are necessary: $v_R(d(R_2)) + v_R(D_1) < v_R(R_2) + v_R(R)$ (inequality (2)), $v_D(d(R_1)) > v_D(R_1)$, $v_D(d(R_2)) = v_D(R_2)$, and $2v_D(R_2) - v_D(R_1) - v_D(D_1) < 0$. We next show that these conditions cannot be satisfied simultaneously.

Note that $2v_D(R_2) - v_D(R_1) - v_D(D_1) < 0$ is equivalent to $v_D(R_2) - v_D(R_1) < v_D(D_1) - v_D(R_2)$. Since $v_D(R_2) - v_D(R_1) > 0$, this implies that $v_D(D_1) - v_D(R_2) > 0$. Since $v_D(R)$ >
If \( v_D(D_1) \), we have \( v_D(R) - v_D(R_2) > 0 \). If \( v_D(d(R_2)) = v_D(R_2) \), then we have \( v_D(R) - v_D(d(R_2)) > 0 \). Since \( d(R_2) \in (D, R) \), this cannot be satisfied.

To summarize, party D's total payoff is higher by addressing \( R_1 \) than by addressing \( R_2 \) in period 1 for any \( \pi_2 \in \{S_D, W_D, S_R, W_R\} \). Hence, independent of the voting rule, party D does not address \( R_2 \) in period 1.

\[ \blacksquare \]

### 8.5 Proof of Lemma 2

Suppose party D addresses issue \( D_2 \) in period 1 in equilibrium. Since party D's period-1 payoff is higher by addressing issue \( D_1 \) than issue \( D_2 \) in period 1, it must be that its expected payoff in period 2 is higher by addressing issue \( D_2 \) instead of issue \( D_1 \) in period 1. By Lemma 3, if party D continues to be in power in period 2, its period-2 payoff is higher if it addresses issue \( D_1 \) instead of \( D_2 \) in period 1. Hence, if party R comes in power in period 2, party D's period-2 payoff must be higher if it addresses issue \( D_2 \) instead of issue \( D_1 \) in period 1.

Suppose issue \( D_1 \) was addressed in period 1. By Proposition 5, party R addresses either issue \( R_1 \) or \( D_2 \) in period 2. Suppose party R addresses issue \( D_2 \). Then it would address issue \( D_1 \) if issue \( D_2 \) was addressed in period 1. That is, regardless of whether \( D_1 \) or \( D_2 \) was addressed in period 1, party R would address the remaining Democratic issue in period 2. Note that under either majority rule or unanimity rule, party R moves the policy to its ideal if it addresses a Democratic issue. It follows that party D's period-2 payoff is higher if it addresses issue \( D_1 \) instead of issue \( D_2 \) in period 1, a contradiction. Hence, party R addresses issue \( R_1 \) if issue \( D_1 \) was addressed in period 1.

Suppose issue \( D_2 \) was addressed in period 1. By Proposition 5, party R addresses either issue \( R_1 \) or \( D_1 \) in period 2. If party R addresses issue \( R_1 \), then it would also address issue \( R_1 \) if issue \( D_1 \) was addressed in period 1, which implies that party D's period-2 payoff is higher if it addresses issue \( D_1 \) instead of issue \( D_2 \) in period 1, a contradiction. Hence, it must be the case that party R addresses issue \( D_1 \) if issue \( D_2 \) was addressed in period 1.

\[ \blacksquare \]
8.6 Proof of Proposition 5

By Proposition 4, party $D$ does not address issue $R_2$ in period 1 in equilibrium. Next consider the choice between issues $D_1$ and $D_2$ for party $D$ in period 1. Suppose party $R$ comes in power in period 2. Since $v_R(R_1) < v_R(D_1) < v_R(D_2)$, it follows that regardless of whether $D_1$ or $D_2$ was addressed in period 1, party $R$ addresses issue $R_1$ in period 2. By Lemma 2, party $D$ does not address issue $D_2$ in period 1.

Under partisan preferences, $v_D(D_1) < v_D(R_1)$, implying that party $D$’s period-1 payoff is strictly higher by addressing issue $D_1$ than issue $R_1$. We next show that party $D$’s period-2 payoff is weakly higher if it addresses issue $D_1$ instead of $R_1$ in period 1.

If party $D$ is in power in period 2, then its period-2 payoff is higher if it addresses issue $D_1$ instead of issue $R_1$ in period 1 by Lemma 3. Now consider the case in which party $R$ is in power in period 2. If party $D$ addresses $D_1$ in period 1, then, since $v_R(R_1) < v_R(D_1) < v_R(D_2)$, party $R$ addresses issue $R_1$ in period 2 and party $D$’s period-2 payoff is

$$v_D(R) + v_D(R_2) + v_D(D_2) + v_D(D).$$

If party $D$ addresses issue $R_1$ in period 1, then we have either (a) party $R$ addresses issue $D_1$ in period 2, which happens $v_R(D_1) < v_R(R_2)$, or (b) party $R$ addresses issue $R_2$ in period 2, which happens if $v_R(R_2) < v_R(D_1)$. We consider the two cases below.

(a) Suppose party $R$ addresses $D_1$ in period 2. Then party $D$’s period-2 payoff is

$$v_D(D) + v_D(R_2) + v_D(D_2) + v_D(R).$$

In this case, the difference between party $D$’s period-2 payoff if it addresses $D_1$ and if it addressed $R_1$ in period 1 is 0.

(b) Suppose party $R$ addresses $R_2$ in period 2. Then party $D$’s period-2 payoff is

$$v_D(D) + v_D(R) + v_D(D_2) + v_D(D_1).$$

In this case, the difference between party $D$’s period-2 payoff if it addresses $D_1$ and if it addressed $R_1$ in period 1 is $v_D(R_2) - v_D(D_1) > 0$.

In both cases, party $D$’s period-2 payoff is weakly higher if it addresses issue $D_1$ instead of $R_1$ in period 1. Hence, party $D$ should address issue $D_1$ in period 1. ■
8.7 Proof of Proposition 6

We first prove part (i). We establish the result under the assumption that party \( R \) comes in power in period 2 with probability 1. Suppose

\[
v_R(d(R_1)) + v_R(D_1) < v_R(R_1) + v_R(R) < v_R(d(R_1)) + v_R(D_2).
\]

Then, if \( R \) come in power in period 2, it addresses \( R_1 \) if \( D_1 \) was addressed in period 1 and it addresses \( D_1 \) if \( D_2 \) was addressed in period 1.

Suppose party \( D \) addresses issue \( D_2 \) in period 1. Then, its payoff in period 1 is

\[ v_D(R_1) + v_D(R_2) + v_D(r(D_2)) + v_D(D_1), \]

and its period 2 payoff is

\[ v_D(R_1) + v_D(R_2) + v_D(r(D_2)) + v_D(R). \]

Suppose party \( D \) addresses issue \( D_1 \) in period 1. Then, its payoff in period 1 is

\[ v_D(R_1) + v_D(R_2) + v_D(D_2) + v_D(r(D_1)), \]

and its period 2 payoff is

\[ v_D(d(R_1)) + v_D(R_2) + v_D(D_2) + v_D(r(D_1)). \]

It follows that party \( D \) prefers addressing \( D_2 \) to addressing \( D_1 \) in the first period if

\[
2v_D(r(D_2)) + v_D(D_1) + v_D(R) + v_D(R_1) > 2v_D(D_2) + 2v_D(r(D_1)) + v_D(d(R_1)).
\]

Suppose now party \( D \) addresses issue \( R_1 \) in period 1. Then, its payoff in period 1 is

\[ v_D(D) + v_D(R_2) + v_D(D_2) + v_D(D_1), \]

and its second period payoff is

\[ v_D(D) + v_D(R_2) + v_D(D_2) + v_D(R). \]

It follows that party \( D \) prefers addressing \( D_2 \) to addressing \( R_1 \) in the first period if

\[
2v_D(R_1) + 2v_D(r(D_2)) > 2v_D(D) + 2v_D(D_2).
\]

To sum up, if conditions (3), (4), and (5) are satisfied, then party \( D \) addresses \( D_2 \) in period 1. Since these conditions can be satisfied under partisan preferences, party \( D \) may address \( D_2 \) in period 1 in equilibrium. Under strongly partisan preferences, party \( R \) addresses issue \( R_1 \) regardless of whether \( D_1 \) or \( D_2 \) was addressed in period 1. By Lemma 2, party \( D \) does not address issue \( D_2 \) in period 1 in equilibrium under strongly partisan preferences.

We now prove part (ii) by considering the case in which party \( R \) comes in power in period
2 with probability 1.

Suppose party $D$ addresses issue $D_1$ in period 1. Then, its period-1 payoff is $v_D(R_1) + v_D(R_2) + v_D(D_2) + v_D(r(D_1))$. When party $R$ comes in power in period 2, it addresses issue $R_1$ by moving it to $d(R_1)$. So party $D$’s period-2 payoff is $v_D(d(R_1)) + v_D(R_2) + v_D(D_2) + v_D(r(D_1))$.

Suppose party $D$ addresses issue $R_1$ in period 1. Then, its period-1 payoff is $v_D(D_1) + v_D(R_2) + v_D(D_2) + v_D(D_1)$. Assume that $v_R(R_2) + v_R(R) < v_R(D_1) + v_R(d(R_2))$, so that when party $R$ comes in power in period 2, it addresses issue $D_1$, resulting in party $D$’s period-2 payoff equal to $v_D(D) + v_D(R_2) + v_D(D_2) + v_D(R)$.

Hence, the difference between party $D$’s dynamic payoff if it addresses issue $D_1$ and if it addresses issue $R_1$ in period 1 is

$$v_D(R_1) + v_D(d(R_1)) + 2[v_D(r(D_1)) - v_D(D) - v_D(D_1)] + v_D(D_1) - v_D(R).$$

It follows that if $v_D(R) - v_D(D_1) > v_D(D_1) + v_D(d(R_1)) + 2[v_D(r(D_1)) - v_D(D) - v_D(D_1)]$, which is still possible under strongly partisan preferences, party $D$ addresses issue $R_1$ in period 1 in equilibrium.

### 8.8 Proof of Proposition 7

We prove part (i) by considering the cases when $\pi_1 = S_D$ and when $\pi_1 = W_D$. (a) Suppose $\pi_1 = S_D$. Then party $D$’s period-1 payoff is higher by addressing issue $D_1$ than by addressing issue $D_2$. If $\pi_2 = S_D$, then, by Lemma 3, its period-2 payoff is also higher if it addressed $D_1$ than if it addressed $D_2$ in period 1. If $\pi_2 = S_R$, then, since preferences are partisan, party $R$ will address issue $R_1$ regardless of whether $D_1$ or $D_2$ was addressed in period 1. In this case, party $D$’s period-2 payoff is again higher if it addressed $D_1$ than if it addressed $D_2$ in period 1. Since party $D$’s dynamic payoff is higher by addressing issue $D_1$ than issue $D_2$ in period 1 when the incumbent in period 2 will be in strong power, continuity implies that if it is sufficiently likely that the incumbent will be in strong power in period 2, then party $D$ does not give priority to the less pressing Democratic issue $D_2$ in period 1. (b) Suppose $\pi_1 = W_D$. Then party $D$’s period-1 payoff is again higher by addressing issue $D_1$ than by addressing issue $D_2$. As shown in part (a), if $\pi_2 = S_R$, then party $D$’s period-2 payoff is higher if it addressed $D_1$ than if it addressed $D_2$ in period 1. So we only need to consider the case when $\pi_2 = S_D$. If
party $D$ addresses issue $D_2$ in period 1, then it will address issue $D_1$ in period 2 when it comes in strong power. Hence, the total gain in its payoff is $2[v_D(r(D_2)) - v_D(D_2)] + v_D(D) - v_D(D_1)$.

If party $D$ addresses issue $D_1$ in period 1, then it will address either issue $D_2$ or issue $R_1$ in period 2 when it comes in strong power. Hence, the total gain in its payoff is

$$2[v_D(r(D_1)) - v_D(D_1)] + \max\{v_D(D) - v_D(D_2), v_D(D) - v_D(R_1)\}$$

$$\geq 2[v_D(r(D_1)) - v_D(D_1)] + v_D(D) - v_D(D_2).$$

Since

$$2[v_D(r(D_1)) - v_D(D_1)] + v_D(D) - v_D(D_2) - [2[v_D(r(D_2)) - v_D(D_2)] + v_D(D) - v_D(D_1)]$$

$$= 2[v_D(r(D_1)) - v_D(r(D_2))] + v_D(D_2) - v_D(D_1) > 0,$$

it follows that party $D$’s dynamic payoff is higher by addressing issue $D_1$ than issue $D_2$ in period 1 in this case too. Continuity implies that if it is sufficiently likely that the incumbent will be in strong power in period 2, then party $D$ does not give priority to the less pressing Democratic issue $D_2$ in period 1.

We prove part (ii) also by considering the cases when $\pi_1 = W_D$ and when $\pi_1 = S_D$. (a) Suppose $\pi_1 = W_D$. As shown in Proposition 6, party $D$ may give priority to issue $D_2$ when the incumbent in period 2 will be in weak power. By continuity, party $D$ may give priority to issue $D_2$ when it is sufficiently likely that the incumbent in period 2 will be in weak power. (b) Suppose $\pi_1 = S_D$. First, consider the case when $\pi_2 = W_R$. Suppose (3) holds, which implies that party $R$ addresses $R_1$ if $D_1$ was addressed in period 1 and addresses $D_1$ if $D_2$ was addressed in period 1. Hence, if party $D$ addresses issue $D_2$ in period 1, then its total gain in payoff is $2[v_D(D) - v_D(D_2)] + v_D(R) - v_D(D_1)$ and if party $D$ addresses issue $D_1$ in period 1, then its total gain in payoff is $2[v_D(D) - v_D(D_1)] + v_D(d(R_1) - v_D(R_1))$. It follows that party $D$ prefers to address $D_2$ than $D_1$ in period 1 if

$$v_D(R) - v_D(D_1) + v_D(R_1) - v_D(d(R_1)) + 2[v_D(D_1) - v_D(D_2)] > 0. \tag{6}$$

Suppose party $D$ addresses issue $R_1$ in period 1. Then party $R$ will address issue $D_1$ in period 2 and party $D$’s total gain in payoff is $2[v_D(D) - v_D(R_1)] + v_D(R) - v_D(D_1)$. It follows that party $D$ prefers to address $D_2$ than $R_1$ in period 1 if $v_D(D_2) < v_D(R_1)$. 

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Next, consider the case when \( \pi_2 = W_D \). Suppose that
\[
v_D(r(D_2)) - v_D(D_2) > v_D(D) - v_D(R_1),
\]
which implies that party \( D \) addresses a Democratic issue in period 2. If party \( D \) addresses issue \( D_1 \) in period 1, then it will address issue \( D_2 \) in period 2 and its total gain in payoff is
\[
2[v_D(D) - v_D(D_1)] + v_D(r(D_2)) - v_D(D_2). \tag{7}
\]
If party \( D \) addresses issue \( D_2 \) in period 1, then it will address issue \( D_1 \) in period 2 and its total gain in payoff is
\[
2[v_D(D) - v_D(D_2)] + v_D(r(D_1)) - v_D(D_1). \tag{8}
\]
If party \( D \) addresses issue \( R_1 \) in period 1, then it will address issue \( D_1 \) in period 2 and its total gain in payoff is
\[
2[v_D(D) - v_D(R_1)] + v_D(r(D_1)) - v_D(D_1). \tag{9}
\]
Given (7), party \( D \) prefers to address issue \( D_2 \) than issue \( R_1 \) in period 1. Also, if
\[
v_D(r(D_1)) - v_D(r(D_2)) + v_D(D_1) - v_D(D_2) > 0, \tag{8}
\]
then party \( D \) prefers to address issue \( D_2 \) than issue \( D_1 \) in period 1. To summarize, if (3), (6), (7), (8), and \( v_D(D_2) < v_D(R_1) \) hold, then party \( D \) gives priority to issue \( D_2 \) if the incumbent is in weak power in period 2. By continuity, the result holds if it is sufficiently likely that the incumbent is in weak power in period 2. \( \blacksquare \)

8.9 Proof of Proposition 8

Suppose party \( D \) addresses issue \( D_1 \) in period 1. Since \( \pi_1 = W_D \), party \( D \) moves the policy on issue \( D_1 \) to \( r(D_1) \). Suppose \( v_D(R_1) > v_D(D_2) \), which implies that party \( D \) addresses \( D_2 \) in period 2 since \( \pi_2 = S_D \). In this case, party \( D \)'s total gain in payoff is
\[
2[v_D(r(D_1)) - v_D(D_1)] + v_D(D) - v_D(D_2).
\]

Suppose party \( D \) addresses issue \( R_1 \) in period 1. Then party \( D \) moves the policy on issue \( R_1 \) to \( D \). Since preferences are strongly partisan and \( \pi_2 = S_D \), party \( D \) addresses issue \( D_1 \) in period 2. In this case, party \( D \)'s total gain in payoff is
\[
2[v_D(D) - v_D(R_1)] + v_D(D) - v_D(D_1).
\]

If follows that if
\[
2[(v_D(D) - v_D(R_1)) - (v_D(r(D_1)) - v_D(D_1))] > v_D(D_1) - v_D(D_2), \tag{9}
\]
then party \( D \)'s payoff is higher by addressing issue \( R_1 \) than by addressing issue \( D_1 \) in period 1. Under strongly partisan preferences, \( (v_D(D) - v_D(R_1)) - (v_D(r(D_1)) - v_D(D_1)) < 0 \), but since \( v_D(D_1) - v_D(D_2) < 0 \), condition 9 can still be satisfied. It is also straightforward to show that party \( D \) does not give priority to issue \( D_2 \). Hence, party \( D \) may address issue \( R_1 \) in period 1.
in equilibrium even under strongly partisan preferences. ■

References


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