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Why elites sometimes undo their own constitutional privileges \star

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<i>Keywords:</i> Institutional reform Democratic change Pensions Latin America	Most new democracies begin operating under an authoritarian constitution from the past that favors elites connected to the previous era. While these constitutions are designed to be difficult to change, important changes nonetheless sometimes occur, occasionally at the behest of the very elites that these constitutions were meant to protect and favor. Why do elites support these changes? We develop a dynamic imperfect information bandwagoning model of reform to explain shifts in elite-biased constitutions. Unanticipated shocks can make constitutional changes overwhelmingly popular, encouraging moderate constitutional opponents and supporters to join a radical opposition in voting for reform. This encourages a president who supports the status quo to join the bandwagon by refraining from vetoing the reform, attempting to gain concessions in the meantime. We demonstrate the utility of the model in the context of reforms to the Chilean pension system in 2021.	

Most new democracies operate under elite-biased constitutions inherited from authoritarian regimes, which protect former elites through immunity provisions, favorable electoral rules, and economic privileges (Albertus & Menaldo, 2018; Riedl et al., 2020; Slater & Wong, 2022). These constitutions typically endure because selectively enforcing them risks undermining governmental legitimacy, leading actors to invest in institution-specific strategies (Albertus & Menaldo, 2020).

However, such constitutions are sometimes reformed, particularly when authoritarian elites are politically vulnerable or aging (Albertus & Menaldo 2018). Surprisingly, reforms are occasionally championed by conservative parties tied to these privileged actors, as seen in France, Mexico, Nigeria, Thailand, and most notably, Chile, where major reforms to the Pinochet-era constitution have occurred despite high barriers to change.

Our game-theoretic model examines how moderate leftists and rightof-center legislators, including conservative executives, sometimes join radical reform coalitions. The model aligns with Faguet and Shami's (2022) concept of "instrumental incoherence," where reforms occur due to immediate electoral concerns rather than systemic problems.Proposition 1.

The Chilean case illustrates this dynamic. We examine the actions of elites, which represent a divergence between the elites' instrumental goals and the reforms' structural logic. Following the 2019 mass protests and the pandemic crisis, elites made unexpected concessions. The leftwing pushed for universal pension withdrawals, aiming to establish a state-run system and threatening renewed protests if rejected. Conservatives supported these withdrawals, sacrificing allies' interests to demonstrate reform capability without constitutional replacement. While conservatives maintained much of the institutional framework and reduced reform quorums, the left won the presidency in 2022 despite missing their window for deeper constitutional changes. This pattern resembles Tornell's (1998) model of elite-led reform during crises, where elites accept some losses to prevent more radical changes.¹

The model illuminates Chile's 2021 pension reforms, where rightwing President Sebastián Piñera proved crucial to passing what began as a radical proposal from the Frente Amplio and Communist Party. While his veto threat helped moderate the left's initial goal of eliminating private pensions entirely, the reforms still produced significant societal and economic effects.

Though focused on pensions, the model's logic extends to any sector where public pressure intersects with elite interests, such as healthcare or education reform. This broader application contributes to understanding elite bargaining in constitutional reform (Negretto 2020, Sethi 2024), though technical changes lacking public resonance may be less

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¹ See Chapter 13 in Drazen (2000) for a discussion on economic reforms.

likely to trigger similar dynamics.

This paper proceeds as follows. First, we motivate the model with some brief examples of reforms to elite-biased constitutions where, after a shock, once marginalized ideas quickly gain ground and win the critical support of their former opponents. Second, we introduce and explain the model's intuition. Third, we provide the historical background behind Chile's elite-biased constitution. Fourth, we review the political dynamics of Chile's recent political history to contextualize what happened on the way to constitutional change. Fifth, we use qualitative evidence to highlight how constitutional-level reforms to the Chilean pension system embody our model. We conclude with a discussion of further questions to be addressed by future literature.

1. When elites reform constitutions that favor them

The overwhelming majority of democracies inherit constitutions from their autocratic predecessors. While there were 122 democratic transitions between 1800 and 2006, 80 of these (66 %) inherited a constitution from authoritarian predecessors (Albertus & Menaldo 2018). Since World War II, over two-thirds of transitions to democracy have been guided by authoritarian constitutions. Important examples include Turkey, South Africa, Indonesia, and Chile.

This tendency is rooted in power disparities during democratic transition. Political change requires political, economic, cultural, and human capital. In dictatorships, the elites hoard this capital. If there is a democratic transition, it is usually on terms dictated by an elite faction. That includes whether to transition in the first place, the timing and pacing of transition, the content of the constitution and its institutions and key laws, and control of elections (such as who is allowed to run and how votes are translated into seats). Consequently, elite-biased constitutions have a high threshold for reform. As these charters' purpose is to enshrine privileges into law and policy after a regime's insiders exit power, their founding fathers make it exceedingly hard to amend these charters.

What is somewhat surprising, therefore, is that there have been numerous episodes in which elite-biased constitutions have been amended, if not scrapped altogether. While since 1950, 31 % of democracies that inherited elite-biased constitutions replaced them, including countries such as Brazil, Madagascar, Poland, and Thailand, 15.4 % of all democracy years from 1950 to 2006 are democracies with autocratic constitutions that were amended.

Several reasons have been put forth to explain these reforms. They include economic crises, shifts in the balance of power associated with globalization, and the death of former dictators (Albertus & Menaldo 2018, and Albertus & Menaldo 2020). All of these events can catch elites off balance and give the opposition a window of opportunity to topple the status quo.

More puzzling, however, are instances when elites themselves lead or actively go ahead with major reforms to a status quo that favors them. History provides several prominent examples of political and economic elites with sincere policy preferences located to the right of radical constitutional proposals or propositions for legal reform who make the strategic decision to do a political volte facie and, in the process, join a "progressive bandwagon". These conservative politicians or business interests may decide that it may be in their best interest to get behind what was once thought to be a fringe movement; they may suddenly realize that it would be political suicide if they do not reverse their positions. To be sure, in exchange for sacrificing some of their longerterm goals and ideological beliefs, elites are often able to wring concessions that ensure that the constitutional or legal changes they throw their support behind are rendered less radical. Nonetheless, the real payoff is that, by publicly changing their vote in light of the popular support for political change, longstanding holdouts gain the chance to politically survive.

One illustrative example of major constitutional reform comes from Sweden's history in the decades following its transition to democracy. Despite free and fair elections from 1909, several impediments to true majoritarian rule remained in place. This included tax requirements for voting and other suffrage restrictions. It also included furnishing weal-thy landowners with greater voting rights and wealth-based restrictions on who could run for office. Therefore, reformists called for universal suffrage and the abolition of the Senate, among other radical measures. Two first movers included Nils Edén, a liberal Prime Minister, and Hjalmar Branting, a leader of the Social Democrats.

However, conservative politicians blocked these calls repeatedly until World War I and its associated disruptions. A series of interrelated socioeconomic and political shocks associated with the Great War, including food shortages, economic instability, and the destabilizing context associated with the Russian Revolution, hastened the urgency that politicians felt to further liberalize the political system. Thereafter, more centrist and right-wing legislators began to tilt in favor of reform in order to stave off revolution and remain politically competitive. Carl Swartz, a businessman and moderate conservative who briefly served as Prime Minister in 1917, was pivotal in ushering in liberalizing reforms. He was joined by conservative industrialists and bankers who also reluctantly supported these reforms. This set off a chain reaction of sorts: they were soon joined by centrist and right-wing legislators in both legislative chambers.

The result was a wholesale reform of the Swedish political system. Tax requirements for voting were dropped and universal suffrage for men soon followed, women gained the right to vote, wealth-weighted voting for the Senate was eliminated, and elections for the Senate were made direct. These constitutional changes ushered in centralized wage bargaining and a muscular social insurance regime. While this changed the political landscape, and ushered in the hegemony of the Social Democrats, it did not wipe out Conservatives. They became reluctant advocates for Sweden's robust welfare state and continued to win elections, especially for local government.

While many authoritarian-era constitutions like Sweden's favor conservative interests, that is not always the case. For instance, some military regimes, particularly those with reformist or populist tendencies, have enacted relatively progressive constitutions. Take Ecuador and Peru. Despite their authoritarian origins, Ecuador and Peru's 1979 constitutions included significant provisions to address societal inequalities or institutional weaknesses, albeit often under tightly statecontrolled conditions. Mauceri (1997) and Cameron (2018) show how Peru's military leaders embraced progressive elements in the 1979 constitution, such as social rights and decentralization, reflecting broader developmental goals despite the authoritarian context. Similarly, Conaghan (2008) and Cameron (2018) emphasize that Ecuador's 1979 constitution laid a foundation for progressive reforms, balancing these aspirations with mechanisms that later enabled the centralization of power. These two examples demonstrate that the ideological orientation of authoritarian-era constitutions varies by context, highlighting the need for a nuanced understanding of how constitutional legacies shape political transitions and the application of our bandwagoning model.

1.1. Constitutional reform versus constitutional replacement

It is crucial to distinguish between two distinct processes of constitutional change in post-authoritarian democracies. Constitutional reform involves modifying specific provisions while maintaining the basic structure and legitimacy of the existing constitution. Constitutional replacement, in contrast, entails the wholesale creation of a new constitutional order, often marking a significant political and institutional rupture. These processes can involve different dynamics of elite bargaining and different implications for institutional continuity.

Brazil's transition to democracy and its associated constitutional process exemplifies the distinction clearly. Although Brazil's armed forces intended a gradual, controlled democratization process, the country ultimately entirely replaced its constitution through its 1988 Constituent Assembly rather than reforming its 1967 military-imposed constitution. This process represented a negotiated pact between conservative and progressive forces, with each able to secure key preferences in the new charter (Rosenn, 1990, Mainwaring 1986, Martinez-Lara 1996). The compromises ultimately served as a stabilizing force in Brazil's democracy (Reich 1998).

Our theoretical framework focuses specifically on the dynamics of reform rather than replacement. However, future research might fruitfully examine how bandwagoning processes differ across these contexts.

2. A bandwagoning model of constitutional reform

We introduce a model that explains how rapid bandwagoning for political change can occur. It captures the dynamics of constitutional reform as a sequential game involving legislators and an executive veto player. Legislators decide whether to support reform based on private preferences and public signals, such as large-scale protests or shifts in public opinion. These signals influence both the speed and sequence of legislative endorsements—and thus the ideological identity of endorsers—creating momentum that pressures resistant legislators to join. The executive, acting as a veto player, evaluates the proposal once it achieves sufficient legislative backing. This framework reflects the realworld dynamics of reform processes in presidential systems such as Chile's.²

A constitutional reform bandwagon forms when three key conditions align: (i) an initial shock that increases public support for change, (ii) a critical mass of early supporters signaling reform's popularity, and (iii) growing pressure on opponents to conform as support builds. The model's key insight is that the speed of support matters as much as its extent—rapid accumulation of backing creates momentum that can force even once resistant actors to join what appears to be inevitable change.

In the Chilean case, these dynamics played out through (a) the 2019 protests serving as the initial shock, (b) radical left parties providing early, vocal support, (c) moderate legislators feeling pressure to join as public backing grew, and (d) to avoid political isolation, the conservative president ultimately accepting reforms he was originally opposed to.

The formal model captures these dynamics mathematically in the appendix, but readers primarily interested in the model's intuition may wish to focus on this primarily qualitative, simpler description. We construct a game in continuous time with a committee of players $i \in \{1, \dots, N\}$ who must decide whether they want to change the status quo. Players are ordered according to their policy preference going from 0 (radical right) to 1 (radical left) vis-à-vis the status quo.³ Players 1 to N vote sequentially starting from the extreme that is closest to an exogenously given initial proposal. For instance, if it lies to the left of the status quo, then the players who vote first are the ones to the left. Additionally, there is a veto player labeled as v that is the last player to vote, regardless of her policy location, and her ascent is needed for change to occur, potentially after securing concessions. Key parameters include α (conformity parameter),⁴ which expresses how much protests or social pressure accelerate the bandwagon; δ (critical mass), the

fraction of legislators needed to pass the reform in Congress; and $\lambda(t)$ (speed of new joiners), how many new supporters show up per unit time.

The model's key intuition is that the status quo can only change if there is a bandwagon in which players who join an effort to change it do so rapidly and with enough numbers. Despite the artificial sequence outlined above, which we impose for tractability, we model this game in continuous time, which is governed by a "time counter" and non-linear function for joining the bandwagon. To reach "escape velocity", the speed of joining the bandwagon must exceed the speed of the time counter and at least a proportion of the committee players (Congress) must join the bandwagon. This only happens if there is a shock that accelerates the rate of joining the bandwagon indefinitely: the bandwagon must maintain a speed above the time counter continuously until it's fully out of the "gravity well." In other words, $J(k(t);\alpha) >$ Time-Counter(*t*) at every moment during the buildup until the bandwagon reaches δ , the critical threshold needed for reform to pass at the committee stage. If the veto player also joins, then the status quo changes. Propositions 1 and 2 in the Appendix formalize these dynamics.

In our model, a legislator's "type" represents their underlying ideological position on reform, ranging from strongly opposed (type close to 0) to strongly supportive (type close to 1). This is initially private information – legislators do not know each other's true policy preferences. In other words, nobody initially knows how big the pro-reform coalition truly is. The legislature's electoral system matters because it determines the range of ideological types to gain representation, creating uncertainty about how many potential supporters exist. We assume that the legislature is elected using PR—the greatest possible range—and features three types of players: radical reformers who initiate change, moderate legislators who may join the reform coalition, and a conservative executive with veto power.

As legislators observe others joining the reform coalition, they update their beliefs about the distribution of types using Bayes' Rule.⁵ Later movers (including the veto player) get to observe the entire history of who joined before them. The speed of support accumulation matters because it signals the reform's inevitability, and this is a function of whether there is an exogeneous shock. If the environment fosters low conformity (a_{pre} small), it's tough to build momentum to outrun the time counter. A shock raises *a* to a_{post} , making it easier to cross the critical threshold, so more legislators jump in. Every new endorsement is a clue—"if they're on board, maybe more are, too"—and that surging signal shapes behavior.

As more legislators support reform, and as those legislators exhibit greater ideological distance from the proposal for change, pressure builds on others to join, potentially creating unstoppable momentum for reform. In the model, when θ is very small ("right leaning" legislators switch to supporting change) and $\lambda(t)$ is high (the speed of new joiners accelerates), then it becomes increasingly clear to everyone that "the wave is on," pushing legislators and eventually the president to join for fear of missing out or facing backlash. Thus, a relatively small shift in conformity α can cause a big difference in the bandwagon payoff-illustrating how exogenous shocks or protest waves can tip the legislative balance. Observing even one or two surprising joiners (i.e., conservatives) can drastically change everyone else's belief that reform is going to happen, accelerating the cascade. In short, who joins early is just as important as how many join, because it updates expectations about the reform's viability-and about the severity of backlash if one stavs out.

The veto player ultimately decides whether to align or block, based on the realized bandwagon size and her own payoff from maintaining the status quo. When legislative support reaches a critical threshold, it creates momentum that limits the executive's ability to veto without incurring significant political costs. However, the president can shape

² For a more technical discussion of this type of game theoretical framework, see Callander (2007), Harsanyi and Selten (1972), Kreps and Wilson (1982), Myerson (1991), Nash (1951), and Watson (2007).

³ This is somewhat like Ottaviani & Sorensen (2001) in the sense that we are providing a criterion to order the players. Further research could attempt to generalize this restriction to obtain information aggregation implications and less monotonic ways of bandwagoning.

⁴ For more on the literature on how conformity impacts behavior and equilibria, see Agastya and Rojas-Vallejos (2023), Baumeister and Leary (2017), Bernheim (1994), Bikhchandani et al. (1998), Maslow (1943), and Maslow (2021).

⁵ In a Perfect Bayesian Equilibrium, strategies and beliefs are consistent and players update their beliefs based on Bayes' rule (Fudenberg & Tirole 1991).

the ultimate form of the legislation that replaces the status quo, depending on how much negotiating leverage she has. While δ is the expost measure of legislative support for the reform, $(1 - \delta)$ is the President's bargaining leverage. Each side's disagreement payoff depends on how costly it is to walk away and revert to the status quo, and the final proposal emerges somewhere between Congress's "ideal" and the President's "ideal," reflecting who has more clout (as signaled by δ).

When the legislative coalition has attracted support from across a broader ideological range, this weakens the President's leverage because it signals widespread backing in Congress (and likely among the electorate). Conversely, when δ is relatively small, the pivotal bandwagon member tends to have a more extreme (e.g., more left-leaning) position, revealing narrower support for the proposal and giving the President greater bargaining power. If δ remains low, the President can credibly threaten a veto, prompting Congress to adjust the proposal closer to her ideal policy point to ensure her support. As δ grows, the final policy outcome after negotiation shifts further from the status quo and is more likely to incorporate the moderate interests of the marginal joiner, leaving the President less able to force concessions.

2.1. Model's key contributions

Our focus on timing and speed in reform adoption differs from standard models of policy change in several important ways. Traditional approaches often treat support for reform as binary: actors either favor or oppose change. Unlike static bargaining models, our framework emphasizes the sequential dynamics of legislative support, capturing how early signals reshape the payoffs for subsequent players. Also, it diverges from "normal" legislative bargaining (which might be slow, with behind-the-scenes logrolling) and stresses a dynamic that is public, fast, and fueled by large protests. Reforms during periods of social mobilization often exhibit "momentum effects" where the rate of support accumulation and who supports change when matters as much as final numbers. They can unfold rapidly in response to exogenous shocks, with timing and sequence of support being critical determinants of success. The model demonstrates that public signals and early endorsements play a pivotal role in driving legislative bandwagoning, reshaping the incentives of resistant actors.

This approach is particularly well-suited for constitutional reforms, where uncertainty, public scrutiny, and mass mobilization amplify the importance of timing and conformity. The Chilean case demonstrates how rapid shifts in public opinion and strategic early endorsements created momentum for constitutional level reforms of the private pension system, forcing previously resistant legislators to reconsider their positions to avoid political costs.

Constitutional reform is especially relevant for studying these dynamics because: (i) Constitutional reforms require supermajority support, making coalition-building crucial, (ii) Social movements can impose reputational costs on those who join late, (iii) The perceived inevitability of change can shift political calculations, and (iv) Early supporters often gain advantages in shaping final reform content.

The Chilean case demonstrates these dynamics clearly: legislators who joined the pension withdrawal reform early secured more influence over its provisions than those who waited until the pressure became overwhelming. However, our model also shines light on the idea that in the absence of a shock that would precipitate a bandwagon effect, "coordination failures" abound and the status quo remains in place. Most legislators, most of the time, are reluctant to propose constitutional changes or join efforts to do so because they instead wait to see if others act first, and no critical mass of others does so.

Consider how Chile's 2021 pension reforms unfolded. Radical left parties initially proposed allowing pension withdrawals. This was in line with extreme reforms to the pension system that hard left legislators had proposed several times since the country returned to democracy in 1990 that went nowhere. However, the 2019 protests acted as a shock that shifted joining rates, which only accelerated after the COVID-19 pandemic crisis. Early endorsements by key legislators then created momentum for reform, and moderate legislators began joining, fearing electoral consequences of opposition. Growing support made the executive veto politically costly, and the president's eventual alignment reflected strategic concessions in response to legislative momentum. Finally, the president ultimately accepted a modified version of the reform. This sequence demonstrates how bandwagoning pressure can overcome even strong institutional barriers to change.

2.2. Electoral context

A key assumption of our model is the distinct ideological distribution obtained in a PR electoral system such as Chile's: a relatively leptokurtic distribution in which radicals from left and right may obtain seats in Congress. Compare this to the binomial system used by Chile's parliament prior to 2015. Under that system, which was created after the country's return to democracy in 1990, Chile's two main political blocks, Concertación (center left) and Alianza por Chile (center right)⁶, jointly dominated congressional representation. In 2015, Chile modified this system to a D'Hondt proportional system and ushered in a plethora of new parties, with several located on both fringes of the ideological spectrum.⁷ Legislators from both poles were more likely to propose extreme legislation.

2.3. The 2019 protests as the exogenous shock

While the 2019 protests emerged from long-standing grievances about Chile's constitution and issues such as inequality, we treat them as an exogenous shock in our model for two reasons. First, the timing and intensity of the protests were unpredictable based solely on the institutional features of the constitution, as similar grievances, such as those related to inequality and social exclusion, had existed for decades without generating comparable mass mobilization. The unprecedented scale and intensity of the 2019 protests, as shown by Barrett et al. (2022), marked a significant deviation from past patterns of social unrest, underscoring their surprising nature relative to the political environment at the time. Second, in our theoretical framework, the critical factor is not the root causes of the protests but their effects on political calculations and conformity pressures. Specifically, the protests fundamentally altered the payoffs and risks associated with opposing reform, forcing elites to reassess their strategic calculations. As Roberts (2017) notes in his analysis of anti-neoliberal protests in Latin America, such large-scale mobilizations often generate a political opportunity for realignment by reshaping the balance of power between societal demands and elite responses. Similarly, Somma et al. (2020) describe the 2019 Chilean protests as unprecedented because of their intensity, decentralized organization, and broad participation across demographic groups, becoming a transformative moment, creating an unparalleled push for reform and opening a political opportunity structure that had not existed previously.

2.4. Bandwagoning versus strategic accommodation

An alternative explanation for elite support of pension reforms is strategic accommodation to prevent more radical change. Rather than bandwagoning due to electoral pressure, conservative elites may have accepted specific reforms to forestall wholesale constitutional replacement. This interpretation gains credence from the right's successful opposition to Chile's 2022 constitutional replacement referendum. However, several factors suggest bandwagoning better explains the

⁶ Alianza por Chile changed its name to Chile Vamos in 2015.

⁷ Parties still had to satisfy at least one of these two conditions: (i) obtain 5% of the popular vote or (ii) seat four members of Congress (Lower House or Senate) in at least two different regions to continue to legally exist.

pension reforms.

First, the timing and sequencing of elite support closely tracks our model's predictions about conformity under pressure rather than strategic preemption. As Luna and Altman (2011) highlight, Chile's political party system is rooted in a legacy of institutionalized political structures, which can constrain elite maneuverability and push actors toward reaction rather than proactive behavior during social unrest. This institutional inertia helps explain why elites' responses to the 2019 protests reflected pressure for immediate concessions rather than anticipatory reforms aimed at constitutional replacement.

Second, the specific concessions extracted by conservative legislators align with bargaining under bandwagoning rather than strategic accommodation. As Heiss (2017) notes, the legitimacy crisis surrounding Chile's constitution created significant pressure on elites to demonstrate responsiveness to public demands, particularly in highly visible policy areas such as pensions. The alignment of reforms with popular demands, even when they partially undermined conservative interests, supports the idea of electoral bandwagoning rather than a calculated diversion strategy.

Third, if elites were primarily motivated by preventing constitutional replacement, we would expect to see earlier strategic reforms rather than waiting until after the 2019 protests created overwhelming pressure. As Garretón (2003) argues, Chilean democratization has often been characterized by reactive elite behavior rather than anticipatory initiatives to preempt potential challenges and address structural inequalities. This pattern suggests that the elites' support for pension reform in 2021 was driven more by the urgency of maintaining electoral legitimacy in the face of social unrest than by a long-term strategy to deflect pressure for constitutional replacement. However, these concessions likely helped to avoid a wholesale constitutional revision.

Therefore, while strategic accommodation is a plausible alternative explanation, the evidence points more strongly toward bandwagoning dynamics. The timing of elite concessions, their alignment with immediate social demands, and the broader context of Chile's political system all support the argument that elites primarily responded to electoral pressure and legitimacy rather than employing a deliberate stalling tactic.

2.5. Model's Limitations

The division of the model into a legislative bandwagoning phase and an executive negotiation phase is intended to simplify the exposition and highlight the distinct dynamics at play in each stage. Rather than modeling the president's beliefs as dependent on the intricate sequence of who joins the legislative bandwagon and when that happens, we let the president observe a single aggregate signal (the total number of legislators who have joined the reform coalition). However, these phases are typically interdependent (Tsebelis & Alemán 2005, Chen 2023): In the real world, legislators consider the likelihood of an executive veto when deciding whether to support a reform, particularly when the president's preferences are uncertain or when vetoes carry political costs (Cameron 2000, 2010; Deen & Arnold 2002; McCarty, 2000). Forwardlooking legislators must weigh the probability of executive veto when deciding whether to support reform. Moreover, the speed and extent of legislative support affects the executive's veto calculus. And the executive's known preferences influence reform proposals' content. Future research should explore a more complex model where legislators' payoffs incorporate the probability of executive veto based on observed support levels; the executive's veto threat becomes less credible as legislative support grows; and early joiners gain more influence over concessions to the executive.8

3. Chile's 1980 constitution and initial democratic reforms

The dictatorship of Augusto Pinochet (1973-1989) marked a radical departure from the increasingly populist democracy that he toppled in a coup. Pinochet's economic policies produced complex and lasting effects on Chile's development, reflecting a dual legacy of economic growth and social disparity. While his regime increased inequality and created concentrated rents for select economic elites,⁹ it also implemented structural reforms that contributed to Chile's subsequent macroeconomic stability and growth. The shift toward export orientation, the establishment of independent monetary institutions, and the modernization of financial markets helped lay the foundation for Chile's emergence as one of Latin America's most dynamic economies (Ffrench-Davis, 2010; Edwards & Edwards, 1991). These reforms, spearheaded by technocrats such as the "Chicago Boys," were instrumental in liberalizing the economy, though their implementation usually prioritized efficiency over equity (Silva, 1991). As Ffrench-Davis (2010) emphasizes, while these policies fostered export growth and economic stability, they also deepened inequality, requiring significant adjustments during the democratic transition. Edwards and Edwards (1991) further highlight the challenges of the neoliberal "Chilean experiment," while noting its successes in reducing inflation and promoting growth and its vulnerabilities, such as economic volatility and social costs.

The 1980 Constitution, crafted during the Pinochet regime, has played a pivotal role in shaping Chile's political, social, and institutional trajectory. Its legacy is marked by authoritarian entrenchment, a constrained democratic transition, and persistent challenges to reform.

The 1980 Constitution institutionalized mechanisms of elite dominance and limited democratic processes during and after Pinochet's regime. It entrenched military power and restricted political pluralism, serving to maintain authoritarian control (Barros 2002). The authoritarian legal culture established by the 1980 constitution shaped judicial practices and limited avenues for political contestation (Couso, Huneeus, and Sieder, 2010). Loveman and Lira (2000) highlight the social and political repercussions of the institutionalized mechanisms of repression and control, framing them as part of a broader strategy to suppress dissent and maintain elite dominance.

The constitution also played a crucial role in shaping Chile's transition to democracy, particularly through structural constraints that preserved elite influence. Electoral institutions, including binomial electoral rules, constrained democratic consolidation by overrepresenting conservative forces in Congress (Siavelis 2000). The constitution also fostered a persistent power imbalance between democratic actors and authoritarian enclaves (Linz and Stepan 1996, Valenzuela and Valenzuela 1986). The calculated amendments made in 1989 to further entrench elite advantages during the transition ensured continuity of influence despite democratization (Barros 2002).

The ongoing challenges and opportunities for constitutional reform in Chile reflect the tension between path dependence and public demands for change. Structural constraints inherited from the 1980 constitution have limited the scope of reform (Garretón 1989, 2003; Pereira 2005). Heiss (2017) identifies the legitimacy crisis prompted by the constitution as a driving force behind recent reform efforts, linking it to broader social and political inclusion demands that gained momentum after the 2019 protests. Loveman and Lira (2002) further contextualize these reform dynamics, discussing the challenges of achieving reconciliation while addressing structural inequities rooted in the constitution's design.

The reforms to the 1980 Constitution made by Pinochet's regime after losing the 1988 plebiscite aimed to inoculate outgoing regime officials against prosecution, curtail the president's power, over-represent

⁸ This would more accurately match the Chilean case where Piñera's bargaining power diminished as legislative support for pension withdrawal reform grew, though he still secured some modifications to the final policy.

⁹ The regime cobbled together several conglomerates (the so-called Grupos Económicos) that housed both banks and firms. The regime handpicked and groomed the individuals who headed and ran these conglomerates.

conservative parties, and make the 1980 Constitution difficult to change. The Senate was rigged to favor outgoing regime officials and their allies. Unelected senators were around 20 % of the upper chamber and were key players in many policies.¹⁰ The reforms also constructed a unique electoral system known as the binomial system. It was engineered following the 1988 plebiscite to favor the right, whose support generally hovered between one-third and one-half in most districts. The binomial system introduced two-member districts in which the political alliance with the highest number of votes received the first seat. That same alliance could only win the second seat if its votes were more than double those of the second most popular alliance. Otherwise, the second alliance won the seat. This allowed rightwing parties to obtain parity with the left despite lagging them considerably in public support.¹¹

Finally, Pinochet's midnight reforms made the Constitution and its contents extremely hard to change. For constitutional changes and laws related to the executive branch, Constitutional Tribunal, the armed forces, and the National Security Council, supermajorities across both chambers were needed. Moreover, no joint commission was established between both legislative chambers to reconcile differences vis-à-vis constitutional issues.¹²

3.1. Constitutional reforms after democratic transition

Despite the barriers to constitutional change, change nonetheless occurred. Before the constitutional level reforms to the pension system in 2021, there were several changes adopted by center-left executives who had center-left majorities in Congress and mustered support from enough legislators on the right to make changes to the 1980 charter.

This includes, in 2005, the elimination of designated senators and lifetime senate seats for former presidents, enhanced powers granted to Congress, including the ability of legislators to create investigative commissions, a weakening of the military's political role, including its role in amending the Constitution, and the reduction of the president's term from six to four years, again without consecutive reelection. A series of further reforms to the Constitution in 2015 switched the binomial system for PR using the D'Hondt method. This change favored smaller political parties, an effect magnified by changes to campaign finance laws that introduced public funding for parties.¹³ The 2015 reforms increased the number of members of the Lower House from 120 to 155 and the size of the Senate from 38 members to 50. The electoral jurisdictions associated with Congressional elections were also modified for both chambers.¹⁴ These electoral reforms are more politically complex than the 2005 constitutional changes, and they are beyond the

scope of this paper. However, left-leaning parties had already spent decades moderating their platforms to be more competitive as coalitions during the era of the binomial electoral system. What the conservative legislators who helped push these reforms through may not have thoroughly planned for, however, is a shock that would favor more radical policies that they themselves would end up supporting for purposes of electoral expedience.

While some prior constitutional reforms did challenge elite interests, particularly changes to the electoral system and the National Security Council (COSENA for its acronym in Spanish), their dynamics differed from the pension reforms in crucial ways. Fuentes (2010, 2014, 2015) demonstrates that reforms like the abolition of designated senators, changes to COSENA, and the replacement of the electoral system advanced democratic principles but operated within the constraints of the authoritarian 1980 Constitution. These reforms, though significant, were often negotiated within elite circles as part of institutionalized processes rather than arising from the rapid and unpredictable bandwagoning dynamics that characterized the 2021 pension reforms.

Many earlier reforms occurred through structured negotiation processes where elite actors retained considerable bargaining power. For instance, changes to COSENA and the binomial electoral system were implemented incrementally, with compromises that limited their disruptive potential for entrenched interests. In addition, as Fuentes (2015) highlights, the distributional consequences of these reforms were often more ambiguous or mitigated through compensatory mechanisms, contrasting sharply with the pension reforms, which directly threatened economic privileges tied to the private pension system.¹⁵ Finally, these earlier reforms generally occurred in the absence of the kind of mass social mobilization and conformity pressures that defined the period surrounding the pension reforms. Siavelis (2016) complements this view, noting how the legacy of the 1980 Constitution, particularly the binomial system, contributed to a crisis of political representation that fueled broader demands for reform. Still, these demands only gained transformative momentum during the 2019 protests and their aftermath.

Thus, even though earlier reforms antagonized elites in specific ways, their incremental, negotiated, and institutionally constrained nature contrasts with the rapid and disruptive dynamics of the pension reforms, highlighting the varied logics underlying different periods of constitutional change.

4. Political ecosystem leading up to pension reforms

The 2015 reforms came into effect for the 2017 elections and changed the distribution of forces in Congress. The D'Hondt proportional electoral system and the public funding of political parties significantly lowered the political entry barriers to small but wellorganized groups. The number of political parties more than doubled. This made the negotiating process in Congress more challenging because it increased the time needed to reach an agreement. Small parties also entered Congress on their own two feet rather than having to first negotiate with traditional parties to access power.

The reforms empowered political parties with fewer representatives in Congress or without any at all. That opened the door to what we term the "radical fringe" in our model. It strengthened far-left parties that had

¹⁰ Ex-presidents, including Pinochet, were awarded seats in the Senate for life. ¹¹ Alianza por Chile could win seats even against the alliance of leftist and centrist parties (Concertación) if it simply won more than one-third of the votes in each district. In 1989, for instance, the rightwing alliance received only 34.2 percent of the votes but 40 percent of the (120) seats.

¹² Another crucial series of reforms applied to the armed forces. Amnesty was extended for political crimes committed from 1973 to 1978. A National Security Council was created to provide institutional stability and was outfitted with members from the armed forces, the President, the president of the Senate, and the president of the Supreme Court. It was endowed with the ability to make decisions about whether to suspend the Constitutional Tribunal members. The military was given sovereignty over defense and power over a parallel judiciary system.

¹³ Changes to campaign finance laws came in the wake of several prominent corruption scandals around private campaign financing, including by firms with close links to the former dictatorship. Laws No. 20,900 and No. 20,915 changed how political parties obtained financial support, and the former established a mechanism that allowed political parties to receive public funds.

¹⁴ The number of districts in the Lower House was reduced from 60 to 28, while the Senate shrunk from 19 to 16 regions, with each region electing from 3 to 5 senators, depending on its population.

¹⁵ Through these reforms, they gained minority powers to request ministerial accountability, enhanced powers to establish investigative commissions, and a stronger legislative veto role for the Constitutional Tribunal. The removal of designated senators and lifetime senate seats for former presidents had a similar logic. After democratization in 1990, Chile's first three presidents were drawn from the center-left Concertación. As these governments began to appoint designated senators, the balance of power in the senate began to tilt away from former authoritarian elites and promised to flip in the future under continued Concertación rule.

Table 1

Chilean Presidents since the restoration of democracy.

President	Term Start	Term End
Patricio Aylwin (DC)	March 11, 1990	March 11, 1994
Eduardo Frei Ruiz-Tagle (DC)	March 11, 1994	March 11, 2000
Ricardo Lagos (PPD)	March 11, 2000	March 11, 2006
Michelle Bachelet (PS)	March 11, 2006	March 11, 2010
Sebastián Piñera (RN)	March 11, 2010	March 11, 2014
Michelle Bachelet (PS)	March 11, 2014	March 11, 2018
Sebastián Piñera (RN)	March 11, 2018	March 11, 2022
Gabriel Boric (CS)	March 11, 2022	Incumbent

Notes: DC stands for Christian Democrats, PPD stands for Party for Democracy, PS stands for Socialist Party. DC, PPD, and PS are affiliated with La Concertación. RN stands for the National Renewal Party affiliated with Alianza por Chile. CS stands for Social Convergence, affiliated with Frente Amplio, a political block to the left of Nueva Mayoría (former Concertación).

previously been forced to moderate their positions under the 1980 Constitution. Some parties increased their representation, as was the case with the Communist Party. Other radical left-oriented but smaller parties could now get into the legislature. Meanwhile, traditional parties with membership in Chile Vamos and Concertación reduced their share of representatives and votes and lost their role as political gate-keepers.

This reduction in the political power of the incumbent parties was significant because, to approve bills, these political blocks were now compelled to negotiate with parties at the ideological extremes. As a result, the political coalitions changed, but more importantly, on the left side of the political spectrum, parties became more militant and radical and called Chile's entire political economy into question. In the last general election in 2021, there were four coalitions: Apruebo Dignidad (left), Socialismo Democrático (center left), Chile Vamos (center right), and Republicano-Social Cristiano (right).

5. Chilean pension system reforms

Chile's current defined contribution pension system was established by executive order in 1980 during Augusto Pinochet's dictatorship.¹⁶ It is centered on individual retirement accounts managed by private institutions known as Pension Fund Administrators (Administradoras de Fondos de Pensiones, or AFPs). The system requires workers to contribute a portion of their earnings to tax sheltered accounts that invest the contributions and their accrued interest in securities that include stocks and bonds.¹⁷ The introduction of the capitalized pension system marked a shift from the public, pay-as-you-go defined benefit pension system that preceded. In giving workers several choices over investment portfolios, this fully privatized pension system was the first of its kind and inspired other countries to follow Chile's lead.

Workers are obligated to contribute 10 percent of their monthly earnings, with a maximum of 60 Unidades de Fomento (UF), an earnings index adjusted for inflation, per month. AFPs collect contributions from workers and invest them within government restrictions. AFPs also hire insurance companies to provide coverage to survivors and dispense disability insurance. AFPs levy a monthly administrative fee, a premium for survivors, and disability insurance. Workers may choose any AFP and may switch AFPs; they may also fund a separate class of voluntary savings accounts. Employers do not have to fund their workers' accounts; self-employed workers' participation was voluntary at first but became compulsory in 2020.

The pension system framework is woven into the 1980 Constitution and, therefore, major reforms require a supermajority vote across both chambers of Congress. This is laid out in the 1980 Constitution's Article 67, which mandates that changes to some types of legislation (Leyes Orgánicas) require a qualified majority. Among other types of laws, this includes those pertaining to social security. Therefore, while the Chilean Constitution does not explicitly say that pension reforms require a supermajority vote, Article 67 sets the stage for a higher voting threshold for social security legislation.

Changes to the Chilean pension system in 2020–2021 through constitutional reform represent fruitful terrain for exploring and illustrating the dynamics of our model. First, these changes were divisible, allowing for negotiation and compromise. They also took place through negotiation between the executive and the legislature. There are also limitations to this application: the constitutional changes were temporary in nature, and the reluctant support of the president and his closest allies was eventually reversed. Nonetheless, the changes had important long-term consequences, not only for allies of the president and the authoritarian past but also for the stability of the Chilean constitution.

5.1. Pre-2020 Pension Reforms

In spite of the barriers, several reforms have been made to the pension system through ordinary legislation over the years, addressing issues such as pension adequacy and coverage. While mandatory contribution rates were initially set at relatively low levels, there were concerns voiced by some government officials, political parties, labor unions, and civil society organizations that high levels of labor force informality, self-employment, and high turnover resulted in low contribution densities and inadequate coverage (Evans & Pienknagura, 2021). Critiques about the pension system in the 1980 s, 1990 s, and early 2000 s included the fact that the system was unable to keep up with higher life expectancy, rates of return on savings were too low, as were replacement rates, and the system was much less generous for women and the poor (Evans & Pienknagura, 2021).¹⁸

Some pre-2020 reforms attempted to address these problems by liberalizing investment rules and increasing the type and number of pension funds that a pension fund management company (AFP) must offer its account holders (Kritzer, 2008).¹⁹ But considerable problems and gaps remained. Between people working in the informal sector, the rise of fixed-term contracts, the rise of temporary and part-time jobs in the place of jobs with indefinite contracts, and the trend toward pursuing higher education, delaying entrance into the job market, more people began to fall through the cracks and workers contributing to pension funds spent fewer years in the accumulation phases.

The center-left Concertación, during President Michelle Bachelet's first term, began to address some of these issues with significant pension reforms in 2008 through Law No. 20,255. Table 1 situates the Bachelet presidency within all of the Chilean presidential terms and party affiliations since 1990 for reference in the discussion that follows. The 2008 pension reform introduced the Solidarity Pension System (Sistema de Pensiones Solidarias). It aimed to provide a basic "solidarity" pension to

¹⁶ Several different reasons have been put forward to explain the change. These include a desire to have a more efficient system; to increase private investment in the economy; concerns over the public system's cost; and wanting to reduce the government's role in the economy (Evans and Pienknagura 2021, OECD 1998).

¹⁷ While the portion of income allocated to the pension account is tax deductible and the capital gains accrued by the assets are not taxed, the income generated by the pensions during retirement is taxed at normal income tax rates.

¹⁸ The replacement rate represents the percentage of a person's pre-retirement income paid out by the pension system after their retirement.

¹⁹ At first, AFPs could only invest employees' contributions in Chilean fixed income instruments that were low risk: government bonds, financial institution bonds, and some corporate bonds without any provisions for compulsory diversification. In 1985, only 50 percent of the money had to be invested in government bonds, and AFPs were allowed to invest between 10 percent and 30 percent of contributions in pre-approved stocks (Kritzer, 2008) citing (Chumacero & Berstein, 2003)). In 2002, AFPs were allowed to invest more in stocks (Kritzer, 2008).





Fig. 1. Joining a Change to the Status Quo as a Bandwagon Dynamic Notes: The joining function $J(k; \alpha)$ represents the value a player receives from joining the bandwagon as a function of the number of players who have already joined k. The function is given by $J(k; \alpha) = \alpha \log(k + 1)$, where α is a constant that varies before and after the shock. Pre-Shock: The constant α is 15. Post-Shock: The constant α is 25.

those without sufficient savings in their AFP accounts and improve benefits for women and low-income workers with low self-financed pensions to reduce poverty among retirees.²⁰ It set a pension floor for those in the bottom 60 percent of the income distribution. This law also encouraged greater competition in the pension fund industry; sought to lower costs and increase the return on workers' contributions; changed the rules for financing survivors and disability insurance; established more opportunities for voluntary savings; and made pension capitalization compulsory for independent workers.

The political dynamics and societal context of Chile's 2008 pension reform differed significantly from the later 2021 reforms. The 2008 reform under President Michelle Bachelet emerged from a technocratic and collaborative policymaking process involving extensive consultation with experts and stakeholders to address coverage gaps and gender disparities (Staab, 2017).²¹ While it introduced a solidarity pillar to enhance equity, the reform preserved the core structure of the private pension system established in the 1980 s (Kritzer, 2008; Valdés-Prieto, 2009). Politically, the reform was led by a center-left coalition and occurred in a stable environment with moderate ideological opposition, allowing for negotiated changes without significant polarization (Valdés-Prieto, 2009).²² Castiglioni (2018) and Pribble (2013) highlight that such reforms reflect Chile's incremental approach to social policy, shaped by political coalitions and institutional constraints.

In contrast, the later 2021 reforms unfolded during heightened social unrest, catalyzed by the 2019 protests and the COVID-19 pandemic, which amplified public dissatisfaction with social inequalities. Unlike the 2008 reform's deliberate process, the 2021 measures were expedited under mounting electoral and public pressure, leading to legislative approval of early withdrawals from pension funds, which in turn challenged the system's financial stability. The political environment was highly polarized, with right-wing legislators and a conservative president joining a reform bandwagon that they initially opposed. These distinctions highlight the varying dynamics of the two reforms: the 2008 reform represented incremental adjustments within institutional structures with the bargaining process happening among elite circles, while the 2021 reforms were a response to social demands, illustrating the complex interplay between policy development, public sentiment, and electoral strategy.

5.2. The radical fringe attempt to eliminate private pensions

Immediately after Chile returned to democracy in 1990 and leading up to the 2020 and 2021 pension withdrawals, Chile's Communist Party (Partido Comunista de Chile, PCCh) repeatedly denounced the privatized pension system.²³ They alleged that the system does not provide sufficient retirement benefits for the elderly, worsens inequality, generates unfair profits for the AFPs at the expense of workers' benefits, and exposes workers' savings to undue risk. They therefore advocated replacing it with a public, universal, and "solidaristic" (or progressive) pension system that equalizes benefits across all retirees while placing a greater fiscal burden on wealthier Chileans.

This led the PCCh to participate in social movements and protests that aim to replace the private pension system and replace it with one that conforms to their preferred model. They became major participants in the No Más AFP movement, which organized and participated in public demonstrations, rallies, and marches. Between 2016 and 2019, the No Más AFP movement launched several mass protests against the pension system.

Despite their early advocacy for pension reform, it was only during the 2009 legislative elections that three PCCh legislators were elected to Congress, all to the Lower House.²⁴ Since then, Communist Party legislators have proposed and supported bills intended to reform the pension system. Starting in 2012, the Communist Party and their legislative allies used Article 19 of the 1980 Constitution to raise the idea that the elderly in general and retirees in particular should enjoy a "dignified" life.²⁵ That required, they argued, reforming or outright jettisoning the private pension system. While the presence of PCCh legislators began to pull the center-left Concertación coalition to the left in these years, the shift became definitive in 2013 as the Communists won six representatives.²⁶ The center-left brought the Communists into their refashioned New Majority (Nueva Mayoría) coalition for the first time. That same year, with greater influence, the Communists and their legislative allies put forth a bill in the Chamber of Deputies to create a public pension fund (AFP Estatal).²⁷ Our model dynamics begin to have purchase here with the establishment of a radical fringe and the onset of bill proposals.

This tendency accelerated with the proportional representation electoral system change that took effect in 2017 and that empowered smaller parties. A new coalition, the Frente Amplio, which includes several leftist and progressive parties, made pension reform a central part of its platform. Similar to the PCCh, it called for replacing the

²⁰ Specifically, it established a minimum pension for those without self-funded pensions (Pensión Básica Solidaria, PBS) and a government supplement for those with low self-funded pensions (Aporte Previsional Solidario, APS).

²¹ They were based primarily on the President's Pension Advisory Commission Report (Marcel Commission), which was released in 2006 and was based on objective data and technocratic analyses.

²² A 2009 survey (the Encuesta de Protección Social) on pension awareness and understanding indicated a widespread lack of knowledge.

²³ See Borzutzky (2002), OECD (1998) and Solimano (2021).

²⁴ These include Hugo Gutiérrez Gálvez, Lautaro Carmona Soto, Guillermo Teillier del Valle.

²⁵ Article 19 states that "The State must respect, promote, protect, and guarantee the full exercise and satisfaction of fundamental rights, without discrimination, as well as adopt the necessary measures to eliminate all obstacles that hinder their realization. For their protection, individuals enjoy effective, timely, relevant and universal guarantees." The representatives also introduced a bill to incorporate this specifically into the constitution. The proposal is available at: <u>https://www.camara.cl/legislacion/ProyectosDeLey/</u>tramitacion.aspx?prmID=8724&prmBOLETIN=8323-07

²⁶ The Communists signed an Omission Agreement with the Concertación for these elections that was a mechanism for them to compete with a high probability of electing their candidates.

²⁷ The proposal is available at: <u>https://www.camara.cl/legislacion/Proyec-tosDeLey/tramitacion.aspx?prmID=9210&prmBOLETIN=8804-13</u>

privatized pension system with a public, solidarity-based one.²⁸

There were also several bills proposed by the Communist legislators in the Chamber of Deputies and their legislative allies to overhaul the Chilean Constitution in ways that would imply changes to the pension system or open the door to further changes that implicated the pension system. These include bills to hold a constitutional convention, eliminate the Senate, and nationalize major minerals.

These legislative efforts were coupled with, and in part spurred by, social movements to replace the pension system. The No Más AFP movement formally launched in early 2016. As it organized its first national protest against the AFP system, it sought to demonstrate its broad social appeal by marching without political parties, unmasked – unlike many protests at the time – so that everyone could see their faces, and with families and children. The turnout and impact was massive, at an estimated 750,000 people. These protests drew attention to the problems many people saw with the privatized pension system, including low pension payouts and high fees. Several more large protests took place in 2016 and 2017, signaling the widespread public support for pension reform, and organizing and protests continued into 2019.

The New Majority government of Michelle Bachelet in 2017 was moved to address the demands. It called for a constitutional reform to again bolster the social component of Chile's private pension system while also adding a new public component, the Consejo del Ahorro Colectivo. The Communists, as part of her governing coalition, supported the public component. At the same time, both the Communists and other groups in society wanted it to go farther, and to dismantle AFPs. But when the right won under Chile Vamos in the March 2018 elections, the new government withdrew the New Majority's proposal within the Chamber of Deputies.

The protests and activities of the No Más AFP movement before October 2019 played a critical role in highlighting the issues with Chile's pension system and mobilizing public support for reform. These earlier protests laid the groundwork for the broader social uprising that began in October 2019, which included demands for pension reform among a wider array of social and economic grievances. The movement's efforts have significantly contributed to the ongoing national debate on how to overhaul Chile's pension system to ensure fair and adequate pensions for all citizens.

5.3. The shock of the 2019 protests

Chilean society exploded in mid-October 2019 in a way that would set the stage for an eventual legislative bandwagon on constitutional reform. An increase in subway fares sparked violent street protests. There was widespread looting of supermarkets and other businesses. The unrest rapidly grew into a nationwide movement. Protesters' demands included not only a reversal of the metro fare increase but also deeper structural reforms to address inequality and foster greater social inclusion. Politicians took this cue and began jockeying on institutional reforms, but their most immediate concern, in keeping with the notion of "instrumental incoherence" in institutional reform (Faguet & Shami, 2022), was to survive the pressing political environment. As they did so, they supported reforms that would have wide-ranging impacts on Chilean society that went far beyond their apparent objectives.

Beginning in October of 2019, immediately after the first episodes of unrest, there were several very large No Más AFP-sponsored protests that called for the elimination of the pension system. Protests then quickly metastasized in late October and early November. Massive demonstrations took place across the country, calling for a wide range of social reforms and a new constitution. Among the central demands were decentralizing the political system and introducing formal mechanisms for citizen consultation and referendums, enshrining greater rights for labor unions, establishing health care and education as fundamental rights, guarantees of equality for women, greater autonomy for Indigenous groups, and a total overhaul of the pension system.

The No Más AFP movement became part of the so-called Social Unity block, a loose organization including labor unions, teachers' unions, and other groups that sought to declare itself as the collective representative of the broader protest movement. The block conducted meetings across the country to discuss major social problems, including the pension system.

On November 15th, a national agreement was reached to hold a referendum on drafting a new constitution. In early 2020, social movements, which include No Más AFP, focused their attention on mobilizing for the constitutional referendum, which was initially scheduled for April 2020 but was postponed until October 2020 due to the Covid-19 pandemic. During the middle of 2020, despite the pandemic and its restrictions on movement and free association, there were sporadic protests and online campaigns against the AFP system. When elections were eventually held to fill the 155-seat Constituent Assembly, 17 candidates came from organizations linked to No Más AFP, including the movement's spokesperson, Luis Mesina (Miranda 2021, 306). The movement's spokesperson from Valdivia, Aurora Delgado, won a seat and used it to advance pension reform, among other issues.

The social unrest in 2018–2019 highlighted widespread dissatisfaction with the pension system's inability to provide adequate retirement security and acted as a catalyst for ongoing pension reform debates in the country. In the language of the model, it signaled substantial public support for change. Leftist legislators, comprising the "radical fringe" in our model, supported demands for change and played a crucial role in pushing for discussions and proposals aimed at reforming the pension system within the broader refashioning of the Constitution. But the social unrest also began to lead legislators to the right of the reform proposals to begin to update their beliefs and consider the electoral imperatives of conforming with expressed public support for reform. This was necessary groundwork for them to subsequently join the reform bandwagon.

The shift among the right was encouraged by increased public attention to pensions and reform salience in the aftermath of the shock. Activists and political entrepreneurs spread effective messages about the shortcomings of the pension system through Twitter, newspapers, TV and radio. Stories of impoverished retirees circulated, along with slogans linking pensions to dignity for the elderly.²⁹ No Más AFP's spokesperson, Luis Mesina, was repeatedly interviewed in the media about the movement and pensions, emphasizing the problems and unfairness of the system. Content highlighting the false promises and shortcomings of the system circulated virally in the news and social media.³⁰ The government's announcement in December 2019 that it would increase the minimum pension by 50 % signaled a growing recognition of the need to do more and that there might need to be conformity to public opinion, at least to a degree.

5.4. Bandwagoning dynamics during the post-shock reforms

The COVID-19 pandemic presented an opening for groups that had long sought to change Chile's pension system. At the time the pandemic broke out, Chile was already nearly a year and a half into its episode of social unrest and President Piñera and his governing coalition were both extremely politically unpopular.

²⁸ The proposal is available at: <u>https://www.camara.cl/legislacion/ProyectosDeLey/tramitacion.aspx?prmID=12742&prmBOLETIN=12216_07</u>

²⁹ Slogans like "Por pensiones dignas" and "Jubilación digna para todos" circulated widely.

³⁰ One example was a story from February 4, 2000 in the newspaper El Mercurio, titled "Chileans will retire with 100% of their salary by 2020," which underscored how poorly AFPs had lived up to promises. Cited in Miranda (2021, 208).

In January 2020, Piñera proposed a modest pension reform bill that relied mainly on increasing employer contributions and assigned the management of these funds in part to the public Superintendancy of Pensions and in part to AFPs. But the debate over pensions soon turned elsewhere. The discussion heated up when in April 2020 Peru's Congress authorized people to withdraw up to 25 % of their holdings in private pension funds in order to deal with the negative financial consequences of the pandemic. Slightly over a week later, a group of representatives from the small and progressive Social Green Regionalist Federation - the "radical fringe" vanguard in the first reform proposal that was quickly joined by other far-left parties - introduced a bill to allow people to withdraw funds from the private pension system.³¹ The second proposal was introduced by President Piñera through the Senate - after again being pushed by a left-wing vanguard initiative – in an attempt to better control the content of a bill that allowed withdrawal from the pension funds. This proposal, a particularly strong demonstration of the salience of the conformity dynamic our model highlights, also sought to water down pension withdrawal by levying taxes on withdrawals in an attempt to disincentivize people from exercising this option. Nonetheless, people withdrew anyway. The third proposal was presented by legislators from the Communist Party and the Frente Amplio and was strongly supported in Congress and people again overwhelmingly exercised this option.³² All three of these proposals eventually became law and were acted on. The final version of each of these laws was more moderate than the early-stage proposals authored by left-wing parties.

The withdrawal proposals required a constitutional amendment since the Constitution only allows the President to introduce statutory bills on social security. That meant that the opposition would have to gain super-majoritarian approval for their amendment. Even so, pressure began to build on the government. In May 2020, the Piñera government passed legislation for a conditional cash transfer program aimed at protecting poor Chileans from the worst disruptions of the pandemic. But the opposition latched onto this as insufficient when millions of Chileans, including the middle class, suffered from pandemic hardships. Their solution was to allow people to withdraw money from their pension accounts.

Despite linking the reform to the pandemic, the circumstances themselves were insufficient to generate political change. The backdrop of Chile's ongoing social turmoil and the revelations of public dissatisfaction with the pension system were critical signals that encouraged bandwagoning among centrist and right-leaning legislators. Opposition senators introduced a constitutional amendment in June 2020 to authorize pension withdrawal. It would permit citizens to withdraw funds from the private pension system, including workers, survivors, and non-workers with disabilities. Centrists first started joining this effort, which began the eventual bandwagon along the lines of the model. Former Concertación parties, the so-called Socialismo Democrático coalition, joined the initial proposal by adding floors and ceilings to how much to withdraw. They understood that a proposal to withdraw all the money from pension funds was too radical and that Piñera would veto it.

The right wing initially resisted, but once centrist and right-wing forces negotiated a 10 % withdrawal limit, some of Piñera's allies started to join the reform bandwagon. Eventually, five Senate members of the government coalition supported the first withdrawal and it passed. One of the supporters was prominent right-wing Senator Iván Moriera from the Independent Democratic Union party (UDI), which is closely ideologically linked with the Pinochet era. "I am from the right," he said, "and this is a bad idea... But I also said that I would support it if there wasn't another alternative... They can kick me out of the UDI, but they can't take the UDI out of my heart." Despite Piñera's opposition to the bill, he eventually opted for political conformity: he did not veto it and also did not challenge it before the Constitutional Tribunal. It became law by the end of July 2020. Piñera's government initially opposed the bill by trying to shape the decision rules that would determine whether it would become a law. Once the bill passed in the Lower House with the support of 116 members out of 155, Piñera's administration argued for a quorum of 2/3 in the Senate in order to stall the bill in the Senate, while the left-wing coalition argued for a 3/5 quorum. To resolve the issue, the Senate had a vote and the opposition had a new victory that was greater even than the required 2/3, winning the support of 29 members out of 43. This was a clear signal to the Executive about the overwhelming popularity of the bill.

Although the opposition proposed the initial withdrawal as a onetime measure, they soon changed their tune. Additional provisions, undergirded by constitutional amendments, were passed that allowed further withdrawals: a second, 10 % withdrawal was approved later in 2020 with even larger support (131 supporters in the Lower House), and a third withdrawal was authorized in 2021 (119 supporters in the Lower House).³³ As the second withdrawal sailed through the Chamber of Deputies in November 2020, the government tried to recapture the initiative by introducing its own 10 % withdrawal bill through the Senate. Its version was more moderate than the opposition's proposal and included other components important to the ideological right. In the end, it managed to eliminate tax relief on withdrawals among highincome earners and to prevent parliamentarians and some senior political advisors from taking withdrawals in an effort to blunt momentum for more change. The second withdrawal, which garnered more support from the government's coalition than the first one, became law in December 2020.

The government also attempted to prevent further pension withdrawals by challenging the amendments before the Constitutional Tribunal. This was less politically costly than directly vetoing the bills. The Court supported the government's position and held the amendments unconstitutional in their substance. Undeterred, Congress went ahead several months later with a third withdrawal in April 2021. Again, the government challenged it at the Constitutional Tribunal, but this time the Tribunal changed course and called it a political rather than constitutional dispute, enabling the third withdrawal to take place. This third withdrawal like the previous ones was very popular among the public, and 2021 was an electoral year to choose the President and members of Congress. This made it extremely hard for Piñera to veto the bill without threatening electoral alliances within his supporting coalition. In the end, he again chose to conform by refraining from a veto and joining the winning coalition.

Relating back to the theoretical model, we can say that the key parameters manifested in the Chilean case are as follows: (i) the conformity pressure, α , increased significantly after the 2019 protests and was further amplified by the COVID-19 pandemic crisis, with this pressure measured through indicators such as protest participation and public opinion; (ii) the legislative support threshold, δ , reflected the requirement for constitutional reforms to achieve a 3/5 or 2/3 supermajority, with support growing from an initial radical left base to include a broader supermajority eventually; and (iii) the legislative types, θ , were characterized by the radical left (e.g., Frente Amplio, Communist Party) exhibiting θ values near 1, moderates in the middle range, and the conservative coalition exhibiting θ values near 0. The pandemic further influenced these dynamics by increasing α through heightened public pressure for economic relief, lowering legislators' resistance (θ) due to

³¹ The proposal is available at: <u>https://www.camara.cl/legislacion/Proyec-tosDeLey/tramitacion.aspx?prmID=14043&prmBOLETIN=13501-07</u>

³² The percentage of people who exercised these withdrawal options for the first, second, and third proposals were 98.4%, 83.3%, and 78.1%, respectively. Report is available at: <u>https://obtienearchivo.bcn.cl/obtienearchivo?</u> id=repositorio/10221/34153/1/BCN_Retiro_de_Fondos_AFP_ACTUALIZADO. pdf

³³ Pensioners with life annuities were excluded from both the first and second pension withdrawal episodes.

the crisis context, and creating a sense of urgency that accelerated the bandwagoning dynamics.

5.5. Consequences of the withdrawals

By early May of 2021, total withdrawals from the pension system were \$48 billion dollars (about 19 percent of GDP).³⁴ It was a major blow to the AFPs that had long benefited from and been protected by the Pinochet-era constitution. By the start of February 2021, approximately 10.5 million Chileans out of about 13 million working-age people, or almost 95 percent of individuals with positive pension balances in June 2020, made a withdrawal from their account either once or twice. The average Chilean withdrew 40 percent of their account balance during the first round and slightly more than 30 percent the second time. Out of those who made one or two withdrawals, about 30 percent depleted their accounts.

Pension funds were forced to liquidate stocks and bonds on unfavorable terms in order to accommodate the massive withdrawals. Companies exposed to pension funds also suffered a larger decrease in their stock prices in reaction to the move. Given the close connection between the private pension industry and the President's center-right Chile Vamos party, the reforms represented a deep wound to some of the biggest beneficiaries of Chile's elite-biased constitution. The Pension Fund Managers (AFPs), financial intermediaries, and the Real Estate sector were effectively adversely affected by these withdrawals.³⁵ It also forced more progressive fiscal policy on the government in a way that these beneficiaries opposed. The projected reductions in self-funded pensions should substantially increase the pension system's fiscal burden since the government will be obligated to cover many of the retirement shortfalls. These downstream consequences have only started to manifest and indicate complicated long-run effects of withdrawals that far outpace the narrow calculations of politicians to win elections and politically survive the constitutional change process in 2020-2021.

6. Conclusion

Though Chile's proposed new constitution failed in September 2022, significant pension system changes had already taken hold. This case exemplifies Faguet & Shami's (2022) "instrumental incoherence"—a mismatch between the stated goal of supporting families, unstated political ambitions, and long-term pension system impacts.

APPENDIX: INCOMPLETE INFORMATION BANDWAGONNING GAME

PART A: Definition of Bayes' Rule.

The general form of Bayes' rule is given by,

$$f(\theta|\mathbf{x}) = \frac{f(\mathbf{x}|\theta) \cdot f(\theta)}{f(\mathbf{x})}$$

from the old system. Future research could explore similar bandwagoning dynamics in different political systems such as parliamentary systems without veto points, plurality systems with different ideological distributions, or systems with strong constitutional courts. The model could also incorporate electoral system choice as a strategic variable, building on Boix's (1999) work on PR adoption and Negretto's (2013) analysis of institutional design choices during transitions. Additionally, comparing bandwagoning in ordinary legislation versus constitutional change, particularly between democratic and holdover constitutions, offers another promising research direction.

Chile represents a broader pattern among democracies reforming

CRediT authorship contribution statement

Michael Albertus: Writing – review & editing, Writing – original draft, Validation, Supervision, Methodology, Investigation, Formal analysis, Conceptualization. Victor Menaldo: Writing – review & editing, Writing – original draft, Visualization, Validation, Supervision, Methodology, Investigation, Formal analysis, Conceptualization. Jorge Rojas-Vallejos: Writing – review & editing, Writing – original draft, Visualization, Validation, Supervision, Methodology, Investigation, Formal analysis, Conceptualization.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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where θ is a parameter and x is some given data or information. $f(\theta|x)$ is the posterior density of the parameter θ given the observed data x. $f(x|\theta)$ is the likelihood function, representing the probability density of the observed data x given the parameter θ . $f(\theta)$ is the prior density of the parameter θ . f(x) is the marginal density of the observed data x, also usually called as the evidence that we compute as,

$$f(\mathbf{x}) = \int f(\mathbf{x}|\theta) \cdot f(\theta) d\theta$$

In our model, this translates to,

³⁴ The figures here draw from Evans and Pienknagura (2021).

³⁵ More details are available via the Central Bank of Chile at: <u>https://www.bcentral.cl/documents/33528/133214/rcc-09052023.</u> pdf/87bfc882-f274-249e-edf0-61ffd56c6846?t=1683668473213

$$\mu_{j,t}^{i}(\theta_{i}|h_{t-1},a_{i}(t)) = \frac{f(a_{i}(t)|h_{t-1},\theta_{i})\cdot\mu_{j,t-1}^{i}(\theta_{i}|h_{t-1})}{f(a_{i}(t)|h_{t-1})}$$

where $\mu_{j,t}^{i}(\theta_{i}|\cdot)$ is the posterior probability of θ_{i} given the history up to the previous time, h_{t-1} , and the action of player *i* at time *t*, $a_{i}(t)$. In our context, $\mu_{j,t}^{i}(\theta_{i}|\cdot)$ is the belief of player *j* at time *t* about player *i*'s type, θ_{i} given the information set $\{h_{t-1}, a_{i}(t)\}$. $f(a_{i}(t)|h_{t-1}, \theta_{i})$ is the probability of taking action a_{i} at time *t* given the history observed in the previous time, h_{t-1} , and being of type θ_{i} . $\mu_{j,t-1}^{i}(\theta_{i}|h_{t-1})$ is the prior probability of being type θ_{i} given the history h_{t-1} before observing action $a_{i}(t)$. $f(a_{i}(t)|h_{t-1})$ is the probability of taking action a_{i} at time *t* given the history h_{t-1} . By symmetry, we may drop some indices, so we get,

$$\mu_t(\theta_i|h_{t-1}, a_i(t)) = \frac{f(a_i(t)|h_{t-1}, \theta_i) \cdot \mu_{t-1}(\theta_i|h_{t-1})}{f(a_i(t)|h_{t-1})}$$

We may compute the marginal likelihood $f(a_i(t)|h_{t-1})$ as,

$$f(a_{i}(t)|h_{t-1}) = \int_{0}^{1} f(a_{i}(t)|h_{t-1},\theta_{i}) \cdot \mu_{t-1}(\theta_{i}|h_{t-1}) d\theta_{i}$$

Hence,

$$\mu_t(\theta_i|h_{t-1}, a_i(t)) = \frac{f(a_i(t)|h_{t-1}, \theta_i) \cdot \mu_{t-1}(\theta_i|h_{t-1})}{\int_0^1 f(a_i(t)|h_{t-1}, \theta_i) \cdot \mu_{t-1}(\theta_i|h_{t-1}) d\theta_i} \in (0, 1)$$

PART B: Model Details.

This part of the appendix is a mathematical explication of the model setup described in the main text of the paper. The game is played in continuous time. Legislators are continuously "on the lookout" for a moment to propose, but only one proposal is allowed on the floor at a time. There is no discounting of the future. Players are patient enough, either because they are willing to wait to change the status quo or because they simply do not want to change it.

Let θ_i denote player *i*'s benefit from changing the status quo. The status quo changes if the rate of joining the bandwagon, $J(k; \alpha)$, exceeds a time counter; the game embodies a "race" between the bandwagon's growth rate and the time counter's "tick." Therefore, the passage of time itself matters only insofar as it allows more players to observe others' actions and decide to join (or not). That is, without time discounting, a legislator's urgency to act is purely driven by the possibility that the "window of opportunity" could close: that other legislators may (publicly) vote before they do, or that a reform may fail or pass without their vote (being observed as critical).

However, we assume that the rate of joining is described by a function that exhibits diminishing returns in the number of joiners, *k*. That is, the benefit of joining increases as more players joined, but every time a new player joins, the additional aggregated benefit becomes smaller and smaller. The first joiners have a disproportionate influence on generating momentum; but, as *k* gets large, each additional joiner's contribution to the rate of new joiners is less. This exemplifies the idea that as the bandwagon grows, the last joiners are less important than the first ones, but still necessary.

We also assume a parameter of conformity, α , that changes exogenously depending on the social context: peace (α_{pre}) vs. unrest (α_{post}), with α increasing in the level of social unrest. The intuition behind this is that if there is a high level of social unrest, players will mimic each other to avoid becoming a target for the masses that are protesting. Further, we assume that an exogenous shock can increase the joining rate, potentially allowing for a change in the status quo if the joining rate is greater than the time counter rate. The shock can occur at some random or known time t_s ; before t_s , $\alpha = \alpha_{pre}$; after t_s , $\alpha = \alpha_{post}$. This frames the game in two phases: pre-shock and post-shock.

The mechanism behind this increase in the joining rate during the post-shock phase is the degree of conformity. Players update their beliefs about other players' types based on observed actions, both before and after the shock. There is a history of the votes by players that is publicly observed. Each player has three possible actions: *i* can propose a change to the status quo at any time *t*, or decide whether to join or reject a given proposal based on her type and beliefs about the state of the world and the other players. We also assume symmetry of the payoff functions and strategies.

Payoffs.

We define the *status quo payoff*, *S*, if no change is proposed or accepted, as each player receiving a constant payoff over time. In terms of the payoff from changing the status quo, θ_i , we can think of it in several ways: as a cardinal measure of ideological preference, or a rent from siding with or opposing the winning vote, or an increase in the likelihood of reelection based on one's vote, or a mix of these. If player *i* proposes a change and this is accepted, then the proposer receives a payoff $U(\theta_i) > S$; For the joiners, i.e., the non-proposers, in the pre-shock case they get a payoff $J(k, \theta_{-i}; \alpha_{pre})$ depending on the number of joiners, *k*, their type, θ_{-i} , and the parameter α_{pre} that represents the conformity level before the shock. In the post-shock scenario, the payoff is given by the same function, but the conformity parameter increases to α_{post} , thus $J(k, \theta_{-i}, \alpha_{post})$.

Dynamics.

At any time *t*, player *i* can propose a change. After a proposal has been presented, the remaining players decide to join or reject the proposal based on their types, θ_{-i} , and updated beliefs. An exogenous shock occurs, increasing the joining rate, $\dot{J}(k, \theta_{-i}; \alpha(t)) = \lambda(t)$.

The status quo may change if the rate of joining the bandwagon exceeds the counter. The rate of joining follows $J(k; \alpha) = \alpha \log(k + 1)$ if $\theta_{-i} > \theta^*$ where θ^* is a threshold value associated with the policy location. We may understand this as the most extreme value that players are willing to accept to change the status quo.

The status quo may change if the number of joiners doubles faster than the time counter, which we define as "*escape velocity*." Change may occur when a proportion δ of the congressional (committee) players join, if and only if the veto player joins the supporting coalition. An exogenous shock increases the rate at which players join the bandwagon, making it possible for the bandwagon effect to outpace the time counter and change the status quo if the veto player joins.

Equilibrium Analysis.

We first disaggregate the game in the pre-shock and post-shock phase for the committee players. Subsequently, we model the bargaining problem between the committee and the veto player.

Outcome at the Congress (Committee).

Players with θ_i such that $U(\theta_i) > S$ will propose changes in equilibrium prior to the shock. Players with θ_{-i} such that $J(k, \theta_{-i}; \alpha_{pre}) > S$ will join the bandwagon. Players update beliefs based on observed proposals and joiners, identifying sincere advocates for change. Following the shock, pre-shock supporters propose amendments if they believe the shock will lead to sufficient joiners approving the revised proposal, including the veto player. Players join rapidly if they fear punishment or loss of rent and expect $J(k, \theta_{-i}; \alpha_{post}) > S$. Players who refuse to join reveal that they strongly preferred the status quo.

The decision to join post-shock is heavily influenced by the types of players who have already joined and the observed rate of joining. Players update their beliefs using Bayes' rule, incorporating the observed types and joining activity. If they believe that many low-type players have joined and the rate of joining is high, they will perceive a higher expected payoff from joining, making them more likely to join the bandwagon and contribute to changing the status quo.

To provide the key intuition behind the game and for ease of interpretation, we illustrate the model with specific values. Let us assume that S = 10; $U(\theta_i) = 20 \cdot \theta_i$; $J(k, \theta_{-i}; \alpha) = \alpha \cdot \log(k+1) \cdot 1_{\{\theta_{-i} > \theta'\}}$; $\alpha_{pre} = 15$; $\alpha_{post} = 25$ (a 66 % increase in the conformity parameter); and N = 100.

In the pre-shock phase, player *i* with $\theta_i > 1/2$ proposes a change since $20 \times \theta_i > 10$. Player *j* with $1/2 > \theta_j > \theta^*$ joins if $15 \times \log(k+1) \times 1 > 10$. For k = 1, then $15 \times \log(2) \times 1 \approx 10.40 > 10$. In the post-shock phase, player *i* with $\theta_i > 1/2$ proposes a change, anticipating higher joining rates. Player *j* with $1/2 > \theta_j > \theta^*$ joins if $25 \times \log(k+1) \times 1 > 10$. For k = 1, then $25 \times \log(2) \times 1 \approx 17.32 > 10$. Players who refuse to join reveal their strong preference for the status quo and are willing to incur rent losses. Suppose that $\delta = 2/3$, that is k = 66 players have joined the bandwagon. This implies J = 105.12, which is one order of magnitude larger than S = 10. Conversely, once the bandwagon is appreciably large, the payoff from joining is huge, so holdouts have strong incentives to get on board if they meet the ideological criterion $\theta_{-i} > \theta^*$.

Because it is more interesting and apposite to constitutional reform, we will relegate attention to the Perfect Bayesian Equilibrium after the shock when enough support for changing the status quo occurs. Recall that in the pre-shock phase, while player *i* with $\theta_i > 1/2$ proposes a change, it's typically not enough to surpass δ . Once the shock hits, however, the bandwagon can take off. Players use Bayes' rule to update their beliefs based on who has joined the bandwagon (see Part A). If a low-type player (right-wing) joins, it signals strong support for the change, encouraging others to join. If many players join quickly after the shock, it indicates a strong bandwagon effect, further encouraging joining. If they believe the status quo will change due to the shock, not joining could mean missing out on new rents or facing other punishments, for instance, electoral ones. In other words, it affects a player's calculation of the payoffs $J(k, \theta_{-i}; \alpha_{post})$. For instance, if a player observes that many low-type players have joined, they anticipate a higher *k*, increasing $J(k, \theta_{-i}; \alpha_{post})$.

Let $\underline{\theta}$ be the observed lower-bound type of the players who have joined. Let $\lambda(t)$ be the observed rate of joining. Players update their beliefs about θ_j and k based on the observed history of the play. The lower the observed $\underline{\theta}$ and the higher the $\lambda(t)$, the larger the belief that joining is beneficial, and hence the best response. We note that the payoff function $J(k; \alpha)$ is about final payoffs (once you decide to join), whereas $\lambda(t)$ is an intermediate signal indicating how quickly the coalition is expanding; a fast $\lambda(t)$ leads to a higher expected final k, which in turn raises the payoff from joining.

Using the numerical values mentioned above, we obtain that for k = 1 and assuming that $E[\theta_j|\theta, \lambda(t)] > \theta^*$, then $J(1, \theta_j; 25) \approx 17.32 > 10 = S$. Thus, players join if they observe sufficient joining activity and medium–low types among the joiners. Fig. 1 displays numerical examples of the joining function before and after a shock as a function of the number of players who have already joined.

Outcome of the Negotiation between Congress (Committee) and the President (Veto Player).

We next consider the bargaining situation between the Congress as a single entity and the President, who wields veto power, in which both need to decide their individual optimal policy location to represent their preference over a reform. In general, a bargaining problem between two agents is characterized by two elements: a closed and convex utility possibility set that represents the feasible solutions to the problem in terms of utility payoffs, $F \subset \mathbb{R}^2$, and a disagreement point, $\underline{d} = (d_C, d_\nu) \in intF$, the outcome that will occur in the absence of any agreement. This is the setup of the traditional Nash bargaining model by Nash (1950).

In our context, however, the proportion of supporters δ is not known ex ante by the President. Because of this uncertainty, the President can wield her veto power to probe or shape the bill's actual level of support, effectively pushing for a proposal closer to her preferred policy. Thus, the President obtains subjective utility both as a joiner and through exercising her veto power. We define this as $J_{\nu}(k, \theta_{\nu}; \alpha) = J(k, \theta_{\nu}; \alpha) + (1-\delta) \cdot S$, where θ_{ν} is the President's type. Underlying this equation there are two assumptions. First, the President enjoys utility from joining the bandwagon as any other joiner. Second, the status quo utility, *S*, can be thought as transferable between Congress and the President. Or, in other words, the share of the status quo she can "keep" or leverage politically, because a fraction $1 - \delta$ of the legislature is not in the coalition forcing reform. This second component therefore formalizes the President's advantage when support for the reform is incomplete: she can transfer part of the political cost of blocking or altering the proposal back to the pro-reform coalition, retaining a portion of the status quo payoff for herself.

The parameter that best captures the President's leverage over the proposal, in terms of her ability to delay or reject it, is $(1 - \delta)$. If $\delta \rightarrow 1$ then the proposal has a large support in Congress and the President's leverage is low because the overall signal is that the proposal is popular in Congress, and hence popular with broader constituencies. If $\delta \rightarrow 0$ then the proposal has low support in Congress, strengthening the President's position to maintain or shape the status quo. Accordingly, the larger $(1 - \delta)$, the larger the payoff the President can extract by threatening a veto, which strengthens her bargaining position. Hence, the policy location of the proposal that Congress sends to the President is correlated with the observed value of δ . In other words, with more leverage (i.e., smaller δ), Congress must propose a bill closer to the President's ideal policy to secure her support.

To some extent, the term $(1 - \delta)$ represents the President's ability to transfer the political cost of maintaining the status quo back to Congress. If δ is low, then this incentivizes the President to maintain the status quo, incurring little backlash and shifting most of the cost to the bill's supporters. If δ is not large enough to force a bargain, there is a reversion to the status quo payoff structure, meaning the reform fails because the executive vetoes it.

Next, we define the disagreement payoffs. The representative supporter of the bill in Congress obtains $d_C = J(k, \theta^*; \alpha) - \delta S$, while the President gets $d_v = (1 - \delta)S$. These disagreement payoffs (d_c, d_v) capture each side's fallback position should the negotiation fail.

If the proportion of supporters δ is greater than some threshold δ^* , then Congress will propose a bill with a representative type θ^* . If δ is large, θ^* might be the most conservative among the bandwagon members—i.e., the "weakest link" sets the direction of the proposal. This arrangement weakens the President's leverage, since it signals widespread backing in Congress and among constituents.

The belief of Congress about the President's type, θ_{ν} , is based on the history of the play $h_k = (\theta_1, \dots, \theta_k)$ that shows the distribution of supporters, and we denote it by $\mu_c^{\nu}(\theta_{\nu}|h_k)$. The President has a cut-off strategy in which she joins the proposal if $J_{\nu}(k, \theta_{\nu}; \alpha) > S$.

The President forms her beliefs about δ based on the supporters' types on the bandwagon phase shown in h_k , and we denote it by $\mu_v^{\nabla}(\delta|h_k)$. Thus, the

problem can be characterized by $\arg\max_{\{\theta\}} \mathbb{E}[J(k,\theta;\alpha)|\mu_C^{\nu}(\theta_v|h_k)]$ such that $\mathbb{E}[J_{\nu}(k,\theta;\alpha)|\mu_{\nu}^C(\delta|h_k)] \ge d_{\nu}$. Hence, there exists a θ^* such that if $\mathbb{E}[J_{\nu}(k,\theta^*;\alpha)|\mu_{\nu}^C(\delta|h_k)] \ge d_{\nu} > S$, then the President accepts the proposal and the supporters in Congress obtain $\mathbb{E}[J(k,\theta^*;\alpha)|\mu_C^{\nu}(\theta_{\nu}|h_k)] > S$ (see Part C for the formal proof).

PART C: Proof of Equilibrium Existence.

We first provide the intuition to show that the Perfect Bayesian Eequilibirum (PBE) exists followed by the formal proof. To prove existence we turn to Kakutani's Fixed Point Theorem because of the Bayesian updating about beliefs on other players' types based on observed actions, a process that involves best response correspondences rather than single-valued functions where Brouwer is more appropriate (see Kakutani 1941; Brouwer 1911). Hence, to show that the equilibrium is stable requires that one demonstrate that strategy spaces are compact and possess upper hemicontinuity and the closed graph property for best response correspondences (Debreu 1952; Arrow and Debreu 1954). Last, we verify PBE conditions because we have a dynamic game with incomplete information and must ensure that the equilibrium is both consistent and rational for all players involved. This involves checking that a strategy profile and its associated belief system satisfy all the necessary conditions for a PBE (Fudenberg and Tirole, 1991a). The closed graph property is a generalization of continuity for set-valued functions that ensures that small changes in strategies do not lead to "jumps" in best responses. Along with the fact that our strategy space is compact, the closed graph property helps ensure that the set of fixed points is compact and thus is non-empty. Also, well-behaved limits guarantee that the limit of a sequence of best responses is itself a best response to the limit of the sequence of strategies.

To show that the equilibrium is stable we must also show that there is upper hemicontinuity: for any sequence of strategy profiles converging to some strategy profile, if we have a sequence of best responses to these strategy profiles, and this sequence of best responses converges, then the limit of these best responses is a best response to the limit of the strategy profiles.

Last, we must have non-empty, compact, and convex values: (1) Non-empty: for every strategy profile of the other players, there exists at least one best response; (2) Compact: the set of best responses to any strategy profile is a compact set; (3) Convex: for any strategy profile of other players, the set of best responses is convex.

The technical details of the proof follow. We proceed with the proof of existence of the PBE in seven steps.

Step 1: Define the Structure of the Game as a Bayesian Game of Incomplete Information.

A Perfect Bayesian Equilibrium in this game is a strategy profile $s^* = (s_1^*, \dots, s_N^*, s_v^*)$ and a belief system $\mu^* = (\mu_1^*, \dots, \mu_N^*, \mu_v^*)$ such that,

For each player *i* in the committee with $i = 1, \dots, N$, s_i^* maximizes $E[U_i(s_i, s_{-i}^*, s_v^* | \mu_i^*)]$ for all histories *h*, where U_i is player *i*'s utility function, s_{-i}^* represents the strategies of all other committee members, s_v^* is the veto player's strategy. For the veto player *v*, s_v^* maximizes $E[U_v(s_v, s_1^*, \dots, s_N^* | \mu_v^*)]$ for all histories *h*.

Beliefs are updated using Bayes' rule whenever possible. For any history h and action a,

$$\mu_i^*(\theta|h \circ a) = P(\theta|h, a) = \left[P(a|\theta, h) \cdot \mu_i^*(\theta|h) \right] / \left[\sum_{i=1}^{n} \theta' P(a|\theta', h) \cdot \mu_i^*(\theta'|h) \right]$$

where $h \circ a$ denotes the history *h* followed by action *a*.

In the bandwagon phase, $s_i^*(h) = 1$ if $E[J(k, \theta_i; \alpha_{post}) | \mu_i^*(h)] > S$, and $s_i^*(h) = 0$ otherwise, where $J(\cdot)$ is the joining function, k is the number of joiners, and S is the status quo payoff.

In the negotiation phase, we have,

i. the committee proposes if $E[U_C(propose) | \mu_C^*(h)] > E[U_C(notpropose) | \mu_C^*(h)]$, and

ii. the veto player accepts if $E[U_{\nu}(accept)|\mu_{\nu}^{*}(h)] > E[U_{\nu}(\nu eto)|\mu_{\nu}^{*}(h)].$

Step 2: Strategy Space.

Let's start by defining the strategy space for each player *i* in the committee as $S_i := \{s_i : H \rightarrow [0,1]\}$ where *H* is the set of all possible histories, and $s_i(h)$ is the probability that player *i* joins the bandwagon given history *h*. S_i 's properties are as follows: (i) bounded (between 0 and 1), (ii) closed (includes its limit points), (iii) convex (any weighted average of two strategies is also a valid strategy).

Next, let us redefine this in Bayesian terms as $S_i := \{(a_i, \mu_i) : H \rightarrow [0, 1] \times \Delta(\Theta)\}$ where $a_i(h)$ is the probability of joining given history $h, \mu_i(h)$ is the belief about other players' types given history $h, \Delta(\Theta)$ is the set of probability distributions over the type space Θ . This means we need a belief updating rule, so we have that for any history h and new action a,

 $\mu_i(h \circ a)(\theta) = P(\theta|h, a) = \left[P(a|\theta, h) \cdot \mu_i(\theta|h)\right] / \left[\sum \theta' P(a|\theta', h) \cdot \mu_i(\theta'|h)\right]$

Step 3: Define Best Response Correspondence, which we define as BR_i.

Let s_{-i} denote the strategies of all players except *i*. Then,

 $BR_i(s_{-i}) = \{s_i \in S_i : s_i(h) = 1\}$ if $E[J(k, \theta_i; \alpha_{post})|h] > S$, and $s_i(h) = 0$ otherwise.

Here, the expectation $E[J(k, \theta_i; \alpha_{post})|h]$ is taken over the player's beliefs about θ_i and k given the history h. The utility function is based on joining function $J(k, \theta_i; \alpha)$. Now let's redefine this in Bayesian terms, so we get,

 $BR_i(s_{-i}) = \{(a_i, \mu_i) \in S_i: a_i(h) = \operatorname{argmax} E[U_i(a, s_{-i}(h)) | \mu_i(h)] \forall h\}$ and μ_i follows the belief updating rule for all h and a.

Step 4: Ensure that the Strategy Spaces are Convex and Compact.

For committee members $i = 1, \dots, N$, the strategy space $S_i = \{s_i : H \to [0, 1]\}$ where H is the set of all possible histories. To prove convexity, we show that for any two strategies $\{s_i, s'_i\} \in S_i$, and for any $\lambda \in [0, 1]$, the strategy $\lambda s_i + (1 - \lambda)s'_i$ is also in S_i . For any history $h \in H$, we have $(\lambda s_i + (1 - \lambda)s'_i)(h) = \lambda s_i(h) + (1 - \lambda)s'_i(h)$. Since $s_i(h) \in [0, 1]$ and $s'_i(h) \in [0, 1]$, we know that, $0 \le \lambda s_i(h) \le \lambda$ and $0 \le (1 - \lambda)s'_i(h) \le (1 - \lambda)$. By adding these inequalities, we obtain, $0 \le \lambda s_i(h) + (1 - \lambda)s'_i(h) \le \lambda + (1 - \lambda) = 1$. Therefore, $(\lambda s_i + (1 - \lambda)s'_i)(h) \in [0, 1]$ for all $h \in H$. This means $\lambda s_i + (1 - \lambda)s'_i$ is a valid strategy in S_i . To prove compactness, that is, the space is closed (contains all its limit points) and bounded (all values are in [0, 1]). We see that for the veto player (ν): The strategy space is $S_{\nu} := \{s_{\nu} : H \to \{accept, veto\}\}$. This is a finite set for each history, so by definition it's compact in the discrete topology.

Step 5: Prove that the best response correspondences are upper hemicontinuous with closed graph and convex values that are non-empty and compact.

For each player *i* (including the veto player), we need to show that the best response correspondence $BR_i : S_{-i} \rightarrow S_i$ satisfies these properties:

- i. Upper hemicontinuity: for any sequence of strategy profiles $\{s_{-i}^n\}_{n=1}^{\infty}$ converging to s_{-i} , and any sequence $\{s_i^n\}_{n=1}^{\infty}$ with $s_i^n \in BR_i(s_{-i}^n)$ converging to s_i , we must have $s_i \in BR_i(s_{-i})$.
- ii. Closed graph: the graph of BR_i , $\{(s_{-i}, s_i) : s_i \in BR_i(s_{-i})\}$, is a closed set.
- iii. Convex: for any s_{-i} , $BR_i(s_{-i})$ is a convex set.
- iv. Non-empty: for any s_{-i} , there exists a strategy s_i that maximizes $E[U_i(s_i, s_{-i}|\mu_i)]$.
- v. Compact: the set of best responses is a closed subset of the compact strategy space, so it's compact.

Upper hemicontinuity and closed graph: these properties follow from the continuity of the payoff functions and the compactness of the strategy spaces. The expected utility $E[U_i(s_i, s_{-i}|\mu_i)]$ is continuous in both s_i and s_{-i} because $J(k, \theta_i; \alpha)$ is continuous in k, and the beliefs μ_i are updated continuously. To show this, we need to prove that for any sequence of strategy profiles $\{s_{-i}^n\}_{n=1}^{\infty}$ converging to s_{-i} , and any sequence $\{s_i^n\}_{n=1}^{\infty}$ with $\{s_i^n\}_{n=1}^{\infty} \in BR_i(\{s_{-i}^n\}_{n=1}^{\infty})$ converging to s_i , we have $s_i \in BR_i(s_{-i})$. The expected utility $E[U_i(s_i, s_{-i}|\mu_i)]$ is continuous in both s_i and s_{-i} because the joining function $J(k, \theta_i; \alpha)$ is continuous in k, and the beliefs μ_i are updated continuously using Bayes' rule.

Therefore, if $\{s_i^n\}_{n=1}^{\infty}$ maximizes $E[U_i(s_i^n, s_{-i}^n | \mu_i^n)]$ for each *n*, then s_i must maximize $E[U_i(s_i, s_{-i} | \mu_i)]$ in the limit. We can also show that the graph of the best response correspondence BR_i is the set of all pairs (s_{-i}, s_i) where s_i is a best response to s_{-i} . That is, $Graph(BR_i) := \{(s_{-i}, s_i) : s_i \in BR_i(s_{-i})\}$.

Next, a set is closed if it contains all of its limit points, i.e., if you take any sequence of points in the set that converges, the limit of that sequence is also in the set. The graph of BR_i is closed if, for any convergent sequence $\{(s_{-i}^n, s_i^n)\}_{n=1}^{\infty}$ in the graph, where $s_{-i}^n \rightarrow s_{-i}$ and $s_i^n \rightarrow s_i$, we have (s_{-i}, s_i) also in the graph. Hence, $s_i \in BR_i(s_{-i})$. Consider a sequence of strategy profiles $\{s_{-i}^n\}_{n=1}^{\infty}$ converging to s_{-i} , and a sequence of best responses $\{s_i^n\}_{n=1}^{\infty}$ converging to s_i , where $s_i^n \in BR_i(s_{-i}^n)$ for all n.

We need to show that $s_i \in BR_i(s_{-i})$. In our game, for the bandwagon phase, $s_i^n \in BR_i(s_{-i}^n)$ means: $s_i^n(h) = 1$ if $E[J(k_n, \theta_i; \alpha_{post})|\mu_i^n(h)] > S$, and $s_i^n(h) = 0$ otherwise, where k_n is the number of joiners given s_{-i}^n , and μ_i^n are the beliefs given s_{-i}^n . As $n \to \infty$, k_n converges to k (the number of joiners given s_{-i}^n), and $\mu_i^n(h)$ converges to $\mu_i(h)$ (beliefs given s_{-i}) due to the continuity of Bayesian updating. $E[J(k_n, \theta_i; \alpha_{post})|\mu_i^n(h)]$ converges to $E[J(k, \theta_i; \alpha_{post})|\mu_i(h)]$ due to the continuity of $J(\cdot)$ and the expectation operator.

Therefore, for any history *h*:

- i. If $E[J(k,\theta_i;\alpha_{post})|\mu_i(h)] > S$, then for sufficiently large n, $E[J(k_n,\theta_i;\alpha_{post})|\mu_i^n(h)] > S$. Thus, $s_i^n(h) = 1$ for sufficiently large n, which implies $s_i(h) = 1$.
- ii. If $E[J(k,\theta_i;\alpha_{post})|\mu_i(h)] < S$, then for sufficiently large n, $E[J(k_n,\theta_i;\alpha_{post})|\mu_i^n(h)] < S$. Thus, $s_i^n(h) = 0$ for sufficiently large n, which implies $s_i(h) = 0$.
- iii. If $E[J(k, \theta_i; \alpha_{post})|\mu_i(h)] = S$, then $s_i(h)$ could be either 0 or 1, both of which are optimal responses.

For the negotiation phase, a similar argument holds for the committee's decision to propose and the veto player's decision to accept or veto. Therefore, $s_i(h)$ satisfies the conditions for being in $BR_i(s_{-i})$ for all histories h. Additionally, we can show that we have convex values: For any s_{-i} , if s_i and s'_i are both in $BR_i(s_{-i})$, then any convex combination $\lambda s_i + (1 - \lambda)s'_i$ for $\lambda \in [0, 1]$ is also in $BR_i(s_{-i})$. This is because the expected utility is linear in the player's own strategy. We need to show that for any s_{-i} , if s_i and s'_i are both in $BR_i(s_{-i})$, then any convex combination $\lambda s_i + (1 - \lambda)s'_i$ for $\lambda \in [0, 1]$ is also in $BR_i(s_{-i})$. The expected utility $E[U_i(s_i, s_{-i}|\mu_i)]$ is linear in s_i .

Therefore, if s_i and s'_i both maximize this expected utility, any convex combination will also maximize it. Last, we can show that we have non-empty and compact values. To prove that $BR_i(s_{-i})$ is non-empty for any s_{-i} , we can use the Extreme Value Theorem,

i. The strategy space S_i is compact (as we proved earlier).

- ii. The expected utility function $E[U_i(s_i, s_{-i}|\mu_i)]$ is continuous in s_i because:
- The joining function $J(k, \theta_i; \alpha)$ is continuous in k.
- The beliefs μ_i are updated continuously using Bayes' rule.
- The expectation operator preserves continuity.

By the Extreme Value Theorem, a continuous function on a compact set attains its maximum. Therefore, there exists an s_i^* that maximizes $E[U_i(s_i, s_{-i}|\mu_i)]$ for any given s_{-i} . This s_i^* is an element of $BR_i(s_{-i})$, so $BR_i(s_{-i})$ is non-empty.

To prove that $BR_i(s_{-i})$ is compact for any s_{-i} :

i. Recall that S_i is compact.

ii. Define the set:

 $A(s_{-i}) := \{s_i \in S_i : E[U_i(s_i, s_{-i} | \mu_i)] \ge E[U_i(s'_i, s_{-i} | \mu_i)] \forall s'_i \in S_i\}$

This is precisely the set of best responses, i.e., $BR_i(s_{-i}) = A(s_{-i})$.

- iii. To show $A(s_{-i})$ is closed:
- o Consider a sequence $\{s_i^n\}_{n=1}^{\infty} \in A(s_{-i})$ converging to some s_i .
- o For any $s'_i \in S_i$, we have $E[U_i(s^n_i, s_{-i}|\mu_i)] \ge E[U_i(s'_i, s_{-i}|\mu_i)]$ for all n.
- o As $n \to \infty$, by the continuity of $E[U_i]$, we have $E[U_i(s_i, s_{-i}|\mu_i)] \ge E[U_i(s'_i, s_{-i}|\mu_i)]$.

o This holds for all $s'_i \in S_i$, so $s_i \in A(s_{-i})$.

o Therefore, $A(s_{-i})$ is closed.

iv. $A(s_{-i})$ is a closed subset of the compact set S_i .

v. In a metric space (which our strategy space is, given the standard topology on [0,1]), every closed subset of a compact set is compact.

Therefore, $A(s_{-i}) = BR_i(s_{-i})$ is compact.

Step 6: Apply Kakutani's Fixed Point Theorem.

Let $BR : \Omega \rightarrow \Omega$ be the aggregate best response correspondence, where Ω is the product of all players' strategy spaces. We have shown that BR satisfies the conditions of Kakutani's fixed point theorem, that is,

o Ω is non-empty, compact, and convex.

o BR has a closed graph, is upper hemicontinuous, and has non-empty, compact, and convex values.

Therefore, by Kakutani's fixed point theorem, there exists a fixed point s^* such that $s^* \in BR(s^*)$.

Step 7: Verify that the fixed point satisfies the PBE conditions.

We need to show that the fixed point $s^* = (s_1^*, \dots, s_N^*, s_v^*)$ along with the associated belief system $\mu^* = (\mu_1^*, \dots, \mu_N^*, \mu_v^*)$ satisfies all the conditions of the Perfect Bayesian Equilibrium.

- i. For each committee member $i = 1, \dots, N$: s_i^* maximizes $E[U_i(s_i, s_{-i}^*, s_v^* | \mu_i^*)]$ for all histories *h*. This is satisfied because s^* is a fixed point of the best response correspondence.
- ii. For the veto player $v: s_v^*$ maximizes $E[U_v(s_v, s_1^*, \dots, s_N^* | \mu_v^*)]$ for all histories *h*. This is also satisfied due to s^* being a fixed point.
- iii. Belief updating: we need to verify that for any history *h* and action $a, \mu_i^*(\theta|h \circ a) = [P(a|\theta, h) \cdot \mu_i^*(\theta|h)] / [\sum \theta' P(a|\theta', h) \cdot \mu_i^*(\theta'|h)]$. This is satisfied because our best response correspondence was defined to include only strategies that use Bayes' rule for updating beliefs.
- iv. Bandwagon phase condition: we need to verify that $s_i^*(h) = 1$ if $E[J(k, \theta_i; \alpha_{post}) | \mu_i^*(h)] > S$, and $s_i^*(h) = 0$ otherwise. This is satisfied because the best response correspondence was constructed to meet this condition.
- v. Negotiation phase conditions:
- o The committee proposes if

 $E[U_C(propose)|\mu_C^*(h)] > E[U_C(not \, propose)|\mu_C^*(h)]$

o The veto player accepts if $E[U_{\nu}(accept)|\mu_{\nu}^{*}(h)] > E[U_{\nu}(veto)|\mu_{\nu}^{*}(h)]$

These are satisfied because the best response correspondence was defined to meet these conditions.

Therefore, we have shown that the fixed point s^* along with the associated belief system μ^* satisfies all the conditions of a Perfect Bayesian Equilibrium for our game.

PART D: Propositions.

Proposition 1. ((Bandwagon Threshold): There exists a critical mass of legislative support k^* above which remaining legislators' best response is to join the reform coalition if their type exceeds θ^* .) Proof. To prove the proposition, we proceed as follows. A legislator i joins a reform coalition if the utility of joining exceeds the utility of maintaining the status quo, i.e., $J(k, \theta; \alpha) > S$. Using the logarithmic functional form, we can write: $\log(k+1) > S/\alpha$ so, we obtain, $k > k^* = \exp(S/\alpha) - 1$. Thus, k^* represents the critical mass of joiners required for the payoff from joining to exceed the status quo utility. We define $\theta^* = \min\{\theta_i : J(k, \theta_i; \alpha) > S\}$. Belief updates based on the history of the play. Legislators observe $h_k = (\theta_1, \dots, \theta_k)$, this allows to observe $\underline{\theta}$ and the rate of joining $\lambda(t)$. Using Bayes' rule, the legislators update their beliefs about the distribution of types and the critical mass. If the shock is intense, that is, a high α , and the observe $\underline{\theta}$, then this reduces uncertainty and increases the expected payoff from joining: $\mathbb{E}[J(k, \theta_i; \alpha)|h_k] > S$. Thus, for any legislator i with type $\theta_i > \theta^*$, the best response is to join the coalition. The observation of $k \ge k^*$ creates momentum, leading remaining legislators with $\theta_i > \theta^*$ to join. This accelerates the bandwagon effect, as more joiners further increase k, reinforcing the cycle.

Proposition 2. (*(Executive Conformity):* As legislative support approaches the supermajority threshold δ^* , the executive's optimal strategy shifts from veto to acceptance with probability approaching 1.) Proof. This is described in Appendix Part B. The intuition is that the legislative support, δ , acts as a signal of reform momentum. As δ approaches the supermajority threshold, δ^* , the executive's leverage diminishes, making acceptance the best response due to higher expected utility from joining the bandwagon (the reform coalition).

Data availability

Non-quantitative data from public sources

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