

Policymaking in Multiparty Presidential Regimes: A Comparison between Brazil and Ecuador*

Carlos Pereira, pereir12@msu.edu

Assistant Professor of the Department of Political Science at Michigan State University and Professor at the Getulio Vargas Foundation - FGV, Brazil. His major research interests are political institutions in comparative perspective and positive political economy. His work has led to articles published in several distinguished refereed journals such as *Journal of Politics*, *Comparative Political Studies*, *Legislative Studies Quarterly*, *Political Research Quarterly*, *Journal of Latin American Studies*, *Electoral Studies*, *Quarterly Review of Economics and Finance*, and *Journal of Legislative Studies*. He has also published a co-authored book, *Regulatory Governance in Infrastructure Industries* and several chapters in edited volumes. In addition, he has a co-authored manuscript, *Brazil on the Road to Good Governance*, under review for submission.

Andrés Mejía Acosta, a.mejia@ids.ac.uk

Research Fellow at the Institute of Development Studies, University of Sussex, UK. His research interests include the study of democratic institutions such as electoral systems, political parties, legislative politics, informal institutions, and how they affect the policymaking process, especially budgetary politics. His scholarly work has appeared in journal articles and book chapters in English and Spanish. His most recently published book "Informal Coalitions and Policymaking in Latin America" (New York: Routledge, 2009) explains the informal mechanisms used by minority presidents in Ecuador to form legislative coalitions with a highly fragmented legislature. He is completing a comparative research project on the political management of natural resource revenues in the Andean region.

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Abstract:

This paper explores why two countries with similar electoral, partisan and presidential institutions, have produced significantly different policy outcomes in Latin America. Brazil and Ecuador are conventionally known as having highly fragmented party systems, where legislators have great incentives to cultivate a personal vote. Presidents are perceived to be strong and to make large use of government resources in order to advance their agenda. Yet, policies in Brazil are more likely to respond to shocks and to be more stable over time than policies in Ecuador, where policies remain vulnerable to political changes and realignments. We argue that this variation is explained by the different nature of political coalitions formed in each country. We identify three factors that increase the executive's ability to craft governing coalitions in congress: the availability of valuable coalition currencies; the influence of long term political horizons; and the extent to which political transactions are credibly and effectively enforced.

Keywords

Presidentialism, congress, coalitions, policymaking process, policy outcomes, Brazil, Ecuador

1. Introduction

This paper focuses on the impact of institutional arrangements on coalition formation by comparing two highly fragmented presidential democracies in Latin America: Brazil and Ecuador. In both countries, the proliferation of policy actors with significant ideological differences and particularistic orientations tend to increase the costs of coalition formation and the likelihood of policy deadlock. Yet, a comparison of policymaking patterns in each country reveals that there are other critical variables that contribute to the executive's ability to form political coalitions, namely the availability of coalition incentives, the length of political horizons and the credibility of political transactions. Thus, this paper contributes to the broader debate on how and which political institutions affect the formation and maintenance of political coalitions.

Since their transition to democracy in the early 80s, these countries developed unique policymaking patterns that led to different policy outcomes. The high party fragmentation in both countries affected the presidents' ability to have single party majorities in congress. To advance their policy agenda, presidents relied on strong constitutional prerogatives to dictate legislation or veto unwanted policies. In addition, presidents cemented political coalitions by offering selective and clientelistic rewards to individual legislators and legislative parties making coalition-based presidential regimes unexpectedly functional and durable. Yet, it would have been hard to predict that policymaking in Brazil and Ecuador led to opposite policy outcomes. Concentration of powers in the hands of presidents produced contrasting governance incentives. In Brazil, it allowed presidents to overcome political opposition and cement the road to good governance (Stein and Tommasi 2008). Not only were Brazilian governments able to overcome the hyperinflation that crippled the economy in the late eighties, but also the government implemented a package of economic reforms -the Real Plan- in 1994 that helped achieve low inflation rates and maintained a disciplined macro economic outlook that led international rating agencies to grant Brazilian debt "investment" grade in 2008. In Ecuador by contrast, stronger presidential powers were not sufficient

enough to promote policy change but rather induced greater inter branch conflict and policy deadlock. A sequence of erratic monetary policies combined with a financial and fiscal crisis towards the end of the nineties led to a debt default and an unexpected adoption of a dollarized regime in 2000. Although the economy stabilized in subsequent years, the country's economic outlook remained largely dependent on volatile oil revenues, pro cyclical spending patterns and the lack of a consistent or credible economic policy has affected the country's investment ratings.

The cases of Brazil and Ecuador confirm the premise that good policies are good politics. After the approval of the Real Plan, Brazilian presidents Cardoso and Lula enjoyed high approval ratings and achieved reelection thanks to a constitutional amendment.ⁱ In Ecuador, not only presidents were neither allowed nor able to gain reelection, but intense inter branch conflict led to policy deadlock and eventually contributed to the legislative ousting of three consecutive presidents in Ecuador between 1997 and 2005.ⁱⁱ This apparent contrast regarding the impact of policy outcomes was also corroborated by an independent survey of country experts and policymakers in Latin America. The survey shows that policies in Brazil are more likely to respond or adapt (change) to shocks in the environmental conditions than policies in Ecuador, and once adopted, they tend to become more stable over time in Brazil; in Ecuador, existing policies tend to be generally hard to alter in the face of external shocks, and when the executive pushes for unilateral changes, policies tend to remain vulnerable to subsequent political realignments (IADB 2006).ⁱⁱⁱ

This paper claims that a key element to understand different policy outcomes in these two countries is related to the nature of political coalitions. The paper illustrates that within presidential systems “there is a range of possible scenarios (...) where presidents will make coalitions offers and parties will find it in their interest to accept them” (Cheibub 2007, 50). According to the nature of political coalitions, we observe that in re-democratized Brazil, coalition making moved from an ad hoc, largely clientelistic and dysfunctional pattern of cooperation in the eighties, towards a more “programmatic” and institutionalized type of exchanges in the 90s. By contrast, coalitions in Ecuador moved from a clientelistic yet

functional pattern of clandestine exchanges towards an even more fragmented pattern of shifting coalitions that increased presidential instability after 1996. To explain this variation, we focus on three institutional dimensions that affect the formation and maintenance of reform coalitions: a) the availability of coalition incentives between presidents and legislators, b) the political ambitions of policymakers and c) the extent to which political deals and agreements among coalition partners are credible and effectively enforced by third party agents. We argue that more transparent (legal) coalition incentives, longer-term horizons for politicians – or repeated policy interactions and the presence of enforceable checks and balances can effectively lower political transaction costs and facilitate cooperation over time. By contrast, restrictions on available currencies, term-limits and non-credible commitments negatively affect the formation and duration of political coalitions.

This paper proceeds as follows. The second part reviews the current literature on institutional sources of policy change and expands the framework for understanding more dynamic conditions for policy change. The following sections analyze and compare Brazil and Ecuador by looking at the factors that facilitate coalition formation and management: coalition incentives, time horizons, and enforcement mechanisms. The final section offers comparative generalizations and concludes.

2. The Institutional Determinants of Policy Change

Policy reforms result from transactions among political actors in a given institutional environment. Policy changes happen when the preferences of a sufficient number of players challenge the status quo, and the probability of policy change increases in the presence of lower voting thresholds, for example when the decision-making rule moves from unanimity to qualified majority to simple majority (Tsebelis 2002: 41). In multiparty presidential regimes, formal policy changes usually result from the interaction between the executive and legislative parties, their relative balance of powers and the institutional arrangements by which they are constrained. Executives and legislatures are involved in bilateral veto games where the latter generally reacts to policy proposals of the former (Morgenstern 2002: 414,

448). The president may enjoy institutional prerogatives that allow him to set the policy agenda while constraining legislators' role in the creation of policy he does not like. If the executive does not enjoy partisan majority in the legislature, the president has to build and sustain coalitions in order to govern. The legislature may also act as an effective check on presidential prerogatives, successfully delaying or blocking proposed changes to the policy status quo.

When a proposed reform is considered on a single policy dimension, the number of relevant players and their ideological differences set the possible options that can defeat the status quo.^{iv} A veto player might be willing to voluntarily forgo potential benefits expected from a preferred policy and support a different outcome, if he is compensated by another player on a different policy issue. The larger the number of available policy dimensions, the greater is the space for policy players to extract gains from vote trading.

Depending on the nature of policy actors' preferences and incentives set by political institutions, logrolling may produce efficient or inefficient policy outcomes. If political transaction costs were zero (Coase 1960; North 1990), chosen policies would always be efficient. In political markets however, the likelihood of policy exchanges depends on whether actors' preferences converge and political transactions are sustainable over time. In the absence of a third party external enforcer, political exchanges cannot be credible and sometimes may even go unrealized.^v Uncertainty about the costs and benefits of alternative policies, together with asymmetric information, increases the difficulty of achieving such exchanges (Acemoglu 2003).

Nevertheless, these difficulties do not mean that all political transactions are unattainable. It is in the interest of the players to search for and devise means of realizing mutually beneficial exchanges. One of the biggest impediments to exchange is the inability to provide credible commitments. Policy players, for instance, are often unable to commit to follow through with their end of the bargain as future contingencies may arise that make it in their interest to renege, leading transactions to break down or simply not be realized. Levy and Spiller (1996), for instance, analyze telecommunication regulation in five countries to

conclude that better regulatory outcomes were observed in cases with strong institutions such as independent judiciary, legally binding contractual agreements and undivided governments.

The reality of countries' policy contexts is tremendously complex, ambiguous and idiosyncratic. To disaggregate complexity, our framework seeks to describe (i) who the main players are, (ii) what their policy preferences and how these – and their incentives to cooperate - change over time, (iii) what their abilities are - or which currencies are available - to facilitate political transactions and (iv) which enforcement mechanisms exist to ensure credible transactions over time and to check the executive's dominance.

The positive presence of these three elements (inter temporal incentives, available currencies and enforcement mechanisms) should lower transaction costs and increase the likelihood of reform. A situation where reforms may not materialize even when the cost of reforms may be low occurs where there is uncertainty about the effects of the proposed legislation. This is the case in certain policy arenas where technical complexity may inhibit policymakers' willingness to move away from the status quo. The greater the uncertainty and the greater the risk for key parties to be made worse off, the harder it will be for reform to materialize. Examples of such policy areas are political system reforms, tax and social security. In this scenario, uncertainty could be about imperfect policy implementation and enforcement, materialization of unintended consequences, and unexpected reactions by affected players. Conversely, situations where the status quo is changed despite the existence of high costs of reform can result from changes in the preferences of political actors (perhaps due to electoral turnover) or from changes in the effect of the status quo policy. Even if the political system is one in which the costs of reform are high, consensus will arise from the circumstantial fact that the status quo is abhorrent to all. If the status quo drifts from the equilibrium point given by a certain configuration of powers and preferences, then the key players may find it in their interest to enact reform and bring it back closer to the general area where all their preferences are located (McCubbins et al. 1989).

3. Policymaking patterns in Brazil and Ecuador

During the nineties, both Brazil and Ecuador were portrayed as “difficult combination” cases when the specialized literature evaluated the impact of fragmentation on policymaking and democratic performance (Mainwaring 1993). Compared to other Latin American countries, both countries featured fairly strong executives with extensive constitutional powers that enhanced their policymaking abilities, but were crippled by the presence of highly fragmented congresses and the lack of single party majorities (Payne et al. 2002). Presidents in Brazil and Ecuador both enjoyed a combination of strong executive powers to initiate (proactive) and veto legislation (reactive powers) (Mainwaring and Shugart 1997). Both presidents had exclusive authority to initiate legislation in some policy areas including budgetary and administrative legislation, and in Ecuador, presidents have the ability to call for referenda on issues of national concern. In both cases, presidents have considerable authority to enact new legislation through fast track procedures, albeit in different ways. In Brazil, the president has considerable powers to issue new legislation by provisional decree with force of law for 60 days and can be reissued once. Congress is asked to take a position on a decree before it expires and if it does not vote on a decree within 45 days, then the decree goes automatically to the top of Congressional agenda and overrides any other initiative.^{vi} Until 2008, the president in Ecuador was empowered to issue one piece of emergency legislation in economic matters that can become law if it is not defeated by Congress within 30 days and the president can only submit one such initiative to Congress at the same time.

Presidents in both countries also enjoy considerable reactive powers, including the ability to use partial and total vetoes to protect its own legislation from being amended. The considerable agenda setting powers of Brazilian and Ecuadorian presidents have been often eclipsed by their weak partisan powers (Mainwaring and Shugart 1997). Both countries feature regional and political cleavages that are enhanced by permissive electoral systems. Congressional representatives are elected from multi-member districts in an open-list system of proportional representation.^{vii} Since the return to democratic rule, no government party in

either country has been able to obtain a single party majority in Congress (Morgenstern and Nacif 2002).^{viii} As a result, presidents have been forced to form governing coalitions with a broad ideological range of political parties, which compromised the depth and scope of the governments' original policy agenda.

One approach to evaluating policy success is to focus on the rates of presidential success in congress, or the ratio of approved bills submitted to congress. Although this measure will inevitably miss case specific and qualitative variations, it offers a comprehensive and reliable measure of executive-legislative relations in two countries.^{ix} It can be argued for example, that presidents in Brazil and Ecuador would be equally able to act strategically by anticipating legislative preferences and avoid sending bills that could be defeated in congress.

An empirical observation of policy change patterns shows that presidents in Brazil were generally more successful at getting their initiatives approved through the legislature than their Ecuadorian counterparts. On average, 72% of legislation initiated by the president in Brazil was approved by congress between 1988 and 2006, compared to 54% of approved bills in Ecuador during the same period. Predictably, legislative success increased when presidents used decree authority, with 85% of initiatives approved in Brazil and 68% in Ecuador, and success rates decreased when presidents initiated ordinary legislation (58% to 39% respectively). Figure 1 illustrates the varying success patterns over time. In Brazil, the use of decree power allows presidents to obtain victory margins above 70% throughout this period; paradoxically, in Ecuador the pattern of success decreased significantly after 1998 despite a strengthening of presidential decree authority. Similarly, the success of ordinary bills in Brazil consistently stayed above the 40% threshold, whereas success rates in Ecuador were more volatile.

[Figure 1 about here]

The next sections explore the three factors that contributed to policy change in these countries: the availability of coalition incentives, the length of politicians' time horizons and the presence of external enforcement mechanisms.

4. Coalition Currencies

A defining feature of multiparty governments is the continuous exchange of political resources for legislative support to cement political coalitions. The scholarly consensus has generally argued that in a highly fragmented congress, where legislators are elected through some open-list proportional representation rule, the existing institutional conditions increase the cost of making government coalitions and undermine the Executive's ability to approve his policy agenda through congress (Mainwaring and Shugart 1997; Ames 2001). This argument is based on the premise that legislators are almost exclusively driven by a direct *electoral connection*. In this logic, legislators seek the support of their electorate to advance their own political careers based on individual qualifications, voter oriented activities and individual activism.

A more recent group of authors has put more emphasis on the decision-making process inside the Congress, the constitutional powers of the president, and his capacity of distributing selectively political and financial resources act towards centralizing it (Figueiredo and Limongi 2000; Pereira and Mueller 2000; Amorim Neto and Santos 2001). This approach highlights the incentives and motivations that legislators have to cooperate with the executive and the government coalition. The unique coexistence of a "personal vote" model with a "party vote" model helps explain why political parties that do not have strong allegiances in the electoral arena, can function as strong party cartels inside Congress.^x

The basic logic applies for understanding the incentives of legislators in Brazil and Ecuador with important differences. In Ecuador, the erosion of coalition incentives that were available to the Executive before 1996, helps explain why individual legislators developed weaker loyalties to party leaders and presidents in the formation of multiparty coalitions. In Brazil, we observe the opposite trend, whereby presidents and party leaders are gradually better able to offer -and honor- coalition incentives to the rank and file to secure the durability of pro government coalitions.

Other things equal, we argue that legislators and parties are likely to benefit from supporting government legislation in exchange of economic and political resources that would allow them to advance their political careers and serve their constituents. For the most part, we focus on the availability of “formal” (legally existing) coalition currencies that are used to facilitate political exchanges between the executive and the legislature (Cox and Morgenstern 2002). Presidents in Ecuador and Brazil had regular access to a series of coalition currencies to compensate for their lack of formal partisan powers. The notion of “currencies” refers to the existence of policy, material or political incentives used by the executive to entice legislative cooperation. In general, such currencies range from the most programmatic (policy concessions and agreements), to power sharing arrangements (cabinet posts and government jobs for party supporters), to the use of more particularistic or selective incentives (such as the execution of legislators’ amendments to the budget or granting of judicial pardons).

We do recognize, however, that presidents in both countries also used illegal side-payments as a way of building legislative support. One such example was the *mensalão* corruption scandal that took place in Brazil (early 2004 through May 2005) under Lula’s first administration. According to the final report of the congressional investigatory committees – CPI, the *mensalão* scandal was a monthly bribe to legislators in order to secure political support in Congress. In a similar manner, a legislative vote buying scandal erupted during the Duran Ballén’s administration in Ecuador (1994-1995). The scandal was triggered by Vice President Dahik who declared that Supreme Court judges –akin to the PSC opposition party– had sought payments from the executive to decide on the constitutionality of Modernization reforms promoted by the government. The announcement triggered a confrontation between Vice President Dahik and the PSC over the regular allocation of Executive’s discretionary spending powers (*gastos reservados*) to buy support legislative from opposition parties – including PSC- as well as other independent legislators (Sánchez 2008).

In both cases, the scandals were triggered by disgruntled political allies who expected –and failed- to renegotiate higher coalition payoffs from the executive, but both cases were in the end reviewed and legally sanctioned. Pereira et al. (forthcoming 2010) argues that intra-

governmental bargaining conditions and sub-optimal bargaining strategies were the primary causes of the *mensalão* scandal in Brazil. The Federal Public Prosecutor, Antônio de Souza, launched an independent criminal investigation and in March 2006 he asked the Supreme Court to open criminal proceedings against 40 individuals linked to the *mensalão* affair, including the Lula's chief of cabinet, Jose Dirceu, the former PT president José Genoïno and party treasurer Delúbio Soares, who were accused both of racketeering and of intent to corrupt others (*corrupção ativa*). In August 2007 the Supreme Court announced that it approved all indictments and that each of the accused would have to stand trial in the Supreme Court, probably in 2010. In Ecuador, vice president Dahik was subject to impeachment proceedings that were ironically, led by the PSC party. His case was acquitted by congress in the absence of insufficient evidence, but the scandal triggered a wave of further reforms to prevent future cases of corruption, including the elimination of discretionary spending and the adoption of an Ethics Code to recall legislators' mandate if they were found guilty of corruption.

The corruption scandals in both countries show that governments were not immune to the existence of corrupt practices, but presidents adopted different approaches to the use and management of such incentives, according to the existing parameters and institutional constraints.^{xi} We argue that the independent nature of Brazil's judiciary elevated the cost of political corruption and imposed credible sanctions on those who were found to be guilty. Given the lack of judicial independence in Ecuador, the adoption of anti-corruption reforms could not deter vote buying practices nor did imposed credible sanctions.

Power sharing arrangements

Although the use of cabinet appointments by the executive has become a standard practice in parliamentary regimes, it also has been largely used by multiparty presidential regimes, like Brazil, in order to cement legislative coalitions, sometimes in proportion to their share of votes in Congress (Amorim Neto 2002; 2006). In Ecuador by contrast, the value of a cabinet position eroded over time (Burbano de Lara and Rowland 1998). In the absence of presidential reelection, legislators and their parties avoided formalizing any cabinet

collaboration with the government to avoid the electoral liability of being associated with unpopular government policies. The parties' unwillingness to share power became a self-fulfilling prophecy: it undermined the government's ability to recruit legislative partners and made cabinet ministers vulnerable to the attacks from the congressional opposition. In the best of cases, cabinet ministers were selected from a pool of independent experts or ministers were keen to deny any partisan affiliation once in government (Conaghan 1995).

Amorim Neto (2002) uses an indicator of *Cabinet Coalescence* to illustrate the overall correspondence between Chamber seat shares and cabinet seat shares for pro-presidential coalition parties. The index ranges from 0 to 1 (none to complete proportionality). Figure 2 illustrates that Brazilian power sharing arrangements tend to be more frequently and fair than those formed in Ecuadorian between presidents and legislators. The moment, when a Brazilian government appeared to have produced a highly disproportional cabinet coalition, took place during the Collor's administration, which may have contributed to the escalation of his impeachment crises. Cabinet coalescence was high during the Cardoso administration but it became disproportional again during the initial years of Lula's first administration. In Ecuador, coalition governments were relatively high during all administrations, and the partisan composition of cabinets eroded as the new elections approached. The fact that cabinet ministers have lasted only 15 months on average reflects the fickle nature of partisan coalitions (Mejía Acosta et al 2008).

[Figure 2 about here]

Government jobs and presidential appointments represented another currency to secure political coalitions in Ecuador and Brazil. In the Brazilian federal bureaucratic structure there are many jobs, which the President can discretionally dole out to the legislators themselves or for the legislators to pass on to their own supporters.^{xii} Many of these jobs are more valuable to the legislators than remaining in Congress as they command power over areas and budgets that may be of particular interest to specific legislators such as PETROBRAS, Banco do Brasil, Central Bank, etc. And as the legislator can always reassume his/her post in Congress after quitting the job, the opportunity cost is very low. In Ecuador,

the use of patronage did contribute to assembling coalitions with party leaders who bargained “collective agreements” (*contratos colectivos*) with the President on behalf of their parties. This informal exchange became a well-known practice during the Durán Ballén administration, for example (Sanchez 2008). The adoption of reforms that sought to eliminate corruption incentives such as the adoption of an Ethics code in 1998 could not reduce legislative vote buying. Reforms did however undermined the presidents’ ability to secure legislative support from opposition parties.

Selective incentives

The use of selective incentives was another mechanism used by presidents to secure political coalitions with the support of parties or individual legislators. The budget process offers a clear arena to observe how these changes took place. In Brazil, legislators are entitled to amend government investments in the budget. These amendments are typically pork barrel projects introduced by individual legislators for their geographic constituencies. There are strict rules limiting the number of amendments per legislator and total value. Although the President does have veto power and other prerogatives that could be used to defeat the amendment, a large number of these are strategically allowed to remain on the final budget. This is so because the President subsequently uses his power to selectively execute amendments as a means to reward (punish) legislators for their support (defection). These trades are tremendously effective for the President because getting amendments executed in their districts is one of the legislators’ main means of assuring reelection. Recent studies have demonstrated linkages between legislators voting in accordance with the executive’s wishes and having their individual amendments to the annual budget (i.e., pork) approved and disbursed (Ames 2001; Alston and Mueller 2006; Pereira and Orellana 2009). These budgetary powers, therefore, provide a centralizing tool by which Brazilian governments have been able to build and maintain relatively stable ruling majority coalitions. As a consequence, individual amendments represent a pathway by which the majoritarian features of the political system increase the capacity of the executive to build and sustain majorities in Congress and

increase governability; that is, the ability of governments to make policy decisively (Foweraker 1998).

In Ecuador, presidents are also powerful players to decide and allocate budget spending for their benefit of individual legislators and their constituencies. However, their ability to extract legislative support is limited by two interdependent factors. In the first place, Ecuadorian legislators lacked the same sense of accountability for the allocations received as their Brazilian counterparts, because the electoral law forced them until 1998 to leave congress after two years and four in the case of national legislators. The widespread belief that budgetary allocations were illegally used for personal benefit instead of constituency service has led to reforms that limited legislators' ability to bargain provincial allocations in 1995 (Mejía Acosta et al 2009). By the time term limits were abolished and legislators became more accountable for their actions vis-à-vis the voters after 1998, they had lost the necessary currencies to do constituency service. Frustrated congressmen opted for launching vocal opposition against the government as a way to gain public relevance, or pursued local careers where there were more visible and discretionary currencies for political gain.

5. Political ambitions

A critical premise of this paper is that politicians' time horizons have a direct influence over their incentives for cooperation. The cases of Brazil and Ecuador illustrate how variations in career ambitions and term limits affect the formation and sustainability of coalitions. In Brazil, historical experience suggests that presidents are motivated by a long term "fiscal imperative," which moves them to adopt prudent fiscal legislation for electoral gain. According to Alston et al. (2008b) these preferences arise from two basic sets of incentives. The first is the electoral connection: Brazilian voters extremely averse to inflation and its consequences, thus presidents have a strong mandate and incentive to maintain responsible macro policies. Secondly, presidents are extremely sensitive to fluctuations in national and international financial markets and it is in their best interest to avoid any policy deviations that may bring memories of a hyper-inflationary past.^{xiii} Success in macroeconomic

management has contributed to the consecutive reelection of the last two presidents in Brazil. Long-term cooperation incentives are echoed in the Brazilian congress. Legislators' electoral survival has been directly related to presidential success. Thus, legislators are keen to accept pork and selective goods from the government that can be delivered to their constituencies in exchange for a vote in congress. For presidents, the cost of buying support for reforms is relatively cheap compared to other budgetary expenditures: less than 2% of the national Budget.^{xiv}

The prospect of long-term government cooperation has contributed to policy success and high legislative reelection rates in Brazil (Pereira and Renno 2003).^{xv} Figure 3 shows the percentage of legislators who ran for reelection and the success rate of this decision from 1950 to 2006. In 17 consecutive elections for the Brazilian Chamber of Deputies, the great majority of incumbents (70% on average) decided to run for reelection. The only electoral episode in which less than 50% of legislators did not run for reelection took place in 1970, under the military authoritarian regime. Incumbents who run for reelection have a high success rate; about 66% on average of those that run for reelection have been reelected. This is a higher percentage than most other countries in Latin America (Morgenstern and Nacif 2002, 416). It is clear that running for Federal Deputy, i.e. running for reelection, is the safest option. About two-thirds of those who attempt reelection are successful in their bid (Pereira and Renno, 2009). To have a better idea of the large political time horizon of Brazilian legislators, about 63% of Federal Deputies of the current legislature (elected in 2006) have more than one term in office (23.64%, 2 terms; 19.64%, 3 terms; 7.01%, more than 4 terms).

[Figure 3 about here]

In Ecuador, the short-term horizons of politicians have obstructed coalition incentives. Presidents lack long-term policy goals, partly because presidential reelection was banned by the Ecuadorian constitution until 2008. In some cases, presidents may have converged towards fiscal prudence and policy adjustment, but an uncooperative congressional opposition challenged the prospects for policy success. In nearly 30 years of democratic

politics (1979-2008), no political party was re-elected to the government, and three presidents were prematurely ousted from office by the opposition between 1997 and 2005.

The short-term cooperation incentives of legislators contributed to this pattern of myopic policymaking and political volatility. Between 1979 and 1996, most Ecuadorian legislators were elected for two-year periods and were unable to seek immediate reelection. Figure 3 illustrates that only an average of 13% of legislators returned to the chamber after sitting out for at least one period. Legislators were less likely to pursue and develop congressional careers even after legislative term limits were lifted in 1995. The average reelection rates remained low at under 30% in the two subsequent elections: in 1996 and 1998 (Mejía Acosta et al. 2008). This “attrition” effect is partly explained by the fact that congress had become an unattractive political arena to cultivate a political career. In the first place, the 1998 constitutional reforms had taken away significant agenda setting powers and strengthened the executive; second, unlike their Brazilian counterparts, legislators no longer had access to budgetary allocations for their provinces; and thirdly, the lack of legislative performance had made legislators an easy target to channel the discontent of organized groups including the indigenous movements.

The short-term motivations of Ecuadorian legislators undermined coalition formation. Like their Brazilian counterparts, they were also interested in receiving particularistic payoffs from the government but they could not reelect to reap the long-term electoral benefits of successful policies. Policy failure and declining public opinion ratings on presidential performance further affected partisan incentives to cooperate with the executive. Unpopular presidents were less likely to attract or sustain coalition partners over time, particularly as new elections approached, thus reinforcing the short-term nature of the coalition game. Eventually, rapid coalition erosion led to presidential instability (Mejía Acosta and Polga 2010).

6. Coalition Enforcement

Political institutions such as the judiciary are often cited as third party enforcers to safeguard policy exchanges (Weingast and Marshall 1988). In Brazil, Alston et al. (2008b) argue that the judiciary in Brazil is independent from the Executive and Congress and frequently rules to ensure the continuity of policy changes regardless of the changing preferences of policy players. Presidents in Brazil have for instance experienced important defeats in the judiciary where executive's initiatives of reform were considered unconstitutional.

The judiciary is reasonably impartial and the Supreme Court is expected to act in a non-political and unbiased manner in concession contracts, ruling closely to the letter of the contracts (Mueller 2001). Other increasingly important players in the Brazilian political system have been the public prosecutors (Ministério Público) who are completely independent, wield powerful legal prerogatives and have been tremendously zealous watchdogs of government policy at every level (Alston et al 2008).^{xvi}

In Ecuador, the judiciary is far from being an independent player yet it has become a key political commodity subject to political bargaining between the government and the congressional opposition (Mejía Acosta 2009). Consequently, it tended to rule according to the policy interests of pivotal players in the governing coalition. In the case of the Constitutional Tribunal (TC), a Court of last appeal created since 1997 in Ecuador, has not escaped political influence through the process of magistrates' nomination (Basabe 2008). The TC has a significant influence on the policymaking and reform processes as it has the power to revert all legislation produced by government institutions through considerations of constitutionality. An evaluation of rulings suggests that the TC shows a "selective activism" of its rulings to reflect a "bias towards the demands of specific political parties, social movements and interest groups" (Mejía Acosta et al 2008).^{xvii} Another example of selective activism is the incidence of TC rulings to revert presidential vetoes in matters of political importance. In April 2001, the TC declared unconstitutional a 2-point VAT increase (from 10

to 12%) pushed through congress by the Noboa administration. The bill had been imposed on congress through the use of the President's use of a partial veto. The frustrated legislators appealed the constitutionality of the presidents' action to the TC, where a plurality of judges akin to the main opposition party PSC, ruled against the president and the VAT was reverted to its status quo ante (Mejía Acosta et al 2008). Further empirical research has corroborated strong ideological affinities between the votes of TC magistrates and political parties represented in congress (Basabe 2008).

7. Coalition Making in Ecuador and Brazil

Taken from an institutional perspective alone, it would have been hard to predict that policymaking patterns in Brazil would lead to opposite policy outcomes from those observed in Ecuador after the mid nineties. Not only Brazilian governments were able to overcome the hyperinflation but achieved low inflation and maintained a disciplined macro economic outlook that led international rating agencies to grant Brazilian debt "investment" grade in 2008. In Ecuador by contrast, a sequence of global crises coupled with erratic monetary policies led to the adoption of a dollarized economy in 2000; the country's fiscal outlook remained dependent on volatile oil revenues, and government defaults on debt payments further affected investment ratings. If good policies are good politics, these two cases are prime examples. In Brazil, presidents enjoyed high approval ratings and achieved reelection, whereas in Ecuador, three consecutive presidents were ousted from office between 1997 and 2005. How to explain these drastic differences in policymaking performance? This section argues that the combination of available coalition currencies, the expanded time horizons of policymakers and the credibility of institutions to enforce agreements, enhanced the value of legislative coalitions and contributed to improved policy outcomes in Brazil but less so in Ecuador.

After the return to democratic rule in 1985, Brazilian governments have formed multiparty coalitions with varying degrees of fragmentation and ideological heterogeneity. Legislative support for the presidents' agenda was generally sustained through the exchange

cabinet positions (Amorim Neto et al. 2003), pork and patronage (Alston et al. 2008b). Figure 4 illustrates how Brazilian presidents were able to build reasonably stable post-electoral majority coalitions, despite having a minority of seats (of around 20%) in Congress. President Sarney for instance, formed a coalition with 93.5% of the seats in the Chamber of Deputies in 1986; President Cardoso maintained an equally high degree of support (for over 70% of seats) and even President Lula, who formed one of the “most fragmented presidential governments in the history of Latin America” with nine heterogeneous political parties, still managed to gather around 60% of legislative votes in 2005 (Amorim Neto 2007). A significant exception to this trend was the administration of President Collor (March 1990 to October 1992) whose own political party got about 5% of seats in the Chamber of Deputies and was able to attract the vote of less than 30% of the seats supporting his coalition.

[Figure 4 about here]

Like in Brazil, presidents in Ecuador systematically lacked single party majorities since the return to democracy, but they also had great difficulty in cementing congressional majorities.^{xviii} Figure 4 shows that in only two occasions the government party commanded a near majority status (with 44% of seats in 1979 and 42% of seats in 1988) but legislative support quickly evaporated in all cases, due to internal conflicts within the populist CFP party in 1979 and after the mid-term election defeat of the ID party in the 1990 mid-term elections. When governments did form partisan coalitions with the opposition, these were generally short lived and not publicly acknowledged (Sánchez 2008). The Sixto Durán Ballén Administration (1992-1996) is a case in point. His conservative government developed an agreement with the Social Christian party (PSC) to control 50% of seats in a 77-seat chamber. In exchange for legislative support, the partners gained some influence in the election of Supreme Court judges, as well as significant provincial allocations for PSC controlled districts. Despite the presidents’ small party, the conservative majority managed to approve significant financial, trade, banking and hydrocarbon reforms between 1992 and 1994. After the government’s party defeat in the midterm elections, the coalition began to disband and the

executive passed piecemeal reforms with the help of ad hoc agreements made with individual party defecting legislators.

The distinction between Brazil and Ecuador suggests that policymakers assigned different *value* to potential government coalitions. The coalition-based presidential system in Brazil offered multiple mechanisms to attract and secure the support of political parties around the Executive's policy agenda (Raile et al. forthcoming 2010). Rather than using its strong agenda-setting capabilities to impose policy change, Brazilian presidents led a conditional leadership of the lawmaking process through the exchange of multiple mechanisms that facilitates these mutual gains from the political trade. In turn, these incentives helped secure strong party discipline of allied parties (Figueiredo and Limongi 2007; Amorim Neto and Santos 2003; Pereira and Mueller 2004a). Legislative agreements remained stable for two reasons. First, it was in the coalition parties' interest to maintain continued access to government privileges (cabinet positions, lucrative jobs in the public bureaucracy and pork) in order to cultivate their own electoral allegiances in the next election. Secondly, the powerful executive prerogatives were frequently checked by oversight entities, including a highly independent Judiciary, State Governors, and independent Public Prosecutors.

By contrast, the formation of government coalitions with multiple legislative partners through the exchange of policy concessions and selective incentives has been usually perceived as a corrupt practice in Ecuador. In fact, the cooperation of political parties around government initiatives or *gobiernismo*, usually had a negative connotation and implied an electoral liability and parties and legislators made efforts to avoid or deny any form of government cooperation (Burbano de Lara and Rowland 1998). Why did the exchange of coalition currencies produce a backlash effect in Ecuador? Part of the explanation lies in the fact that for the most part of the democratic era (1979-1996), legislators and presidents could not seek legislative reelection, so political agreements were short-lived and unaccountable to voters. As a sub optimal strategy, parties assembled clandestine or *ghost* coalitions with the executive to benefit from political exchanges while maintaining a public discourse of

opposition (Mejía Acosta 2009). When legislators were given the possibility of seeking immediate reelection after 1998, many of the formal and informal currencies *that were critical to facilitate political exchanges* were abolished by constitutional reforms, paradoxically in the spirit of improving the conditions for democratic governance in the country. The other factor that contributed to the eroding value of coalitions was the lack of a third party or independent guardian of political agreements made between the executive and congress. The constitutional oversight bodies including the Judiciary branch often took sides in the frequent political disputes, thus creating a perverse system of checks and balances. As a result not only government alliances were not credible over time, but hindered the adoption of more ambitious policy reforms in Ecuador, like the ones advanced in Brazil.

Chart 1 illustrates the distribution of these institutional arrangements in Brazil and Ecuador and their impact of politicians' strategy and policy outcome. Whereas in Brazil we have incentives for policy stability and adaptability as a consequence of the institutionalization of cooperative games between executive and legislators, in Ecuador we find the perpetuation of informal and sometimes dysfunctional cooperation, which can lead to policy rigidity or to policy volatility. These apparently contradictory scenarios tend to happen on different policy issues. We argue that policy rigidity (*indecisiveness*) can occur when multiple policymakers cannot agree on a given policy change, thus policies remain unchanged even when there is need for adjustment; alternatively, policy volatility (*irresoluteness*) refers to the inability of newly adopted policies to stay in place when they are not immune from political whims or coalition realignments (Haggard and McCubbins 2001).

[Chart 1 about here]

Precisely, we see the re-democratized Brazil moving from a more ad hoc, mostly clientelistic and dysfunctional type of cooperation predominantly in the 80s towards a more "programmatically" and long-term type of exchanges in the 90s (Hagopian et al. 2009). Ecuador, on the other hand, has moved from the clandestine, clientelistic but functional ghost coalitions towards more dysfunctional and volatile coalitions that overthrow presidents. The distinction

between the types of coalitions in Ecuador and Brazil is the key issue for understanding different policy outcomes in these two countries.

By contrast, institutions have evolved in opposite direction in Ecuador. That is, rather than facilitating the gains from exchange between executive and legislators, the effective use of pork barreling was limited due to the existence of term limits; when pork barreling was restricted after 1995, policymaking became more difficult. In the absence of coalition currencies, policy reforms were painstakingly and slowly crafted in Ecuador through ad hoc or informal coalitions between presidents and legislators. Ironically, the perceived failure of governments to adopt much needed reforms was one of the contributing factors associated with the ousting of three presidents since 1997. Another important set of policy players in Ecuador were social movements. These groups, whether formally or informally institutionalized, played a critical role to influence policies, especially at the formulation stages. Indigenous groups for example played a major role in the ousting of two Presidents (Abdala Bucaram and Jamil Mahuad) and an indirect role in the ousting of the third one (Lucio Gutierrez) (Hochstetler 2006). Other groups include state workers, private sector unions, and urban movements, played a greater role after policy was approved through the political process and organized to delay or simply block implementation.

In Brazil social grassroots movements, especially labor groups like CUT and CGT, used to be quite strong during the transition to democracy and the early stage of the first civilian governments, but their role has become more institutionalized through their participation in several *Conselhos* (council) or participatory budgetary process at the local level or the federal environmental council (Alston et al. 2008a). The Landless Peasants Movement (MST), had the capacity to mobilize voters against the government through highly-publicized events such as farm occupations, marches, invasions of governmental offices, and roadblocks. In 1998 for example, the MST reached a peak of occupying more than 600 private farms. The increasing political pressures from the MST led to concrete government actions towards land reform (Alston et al. 2008a). The mobilization resulted in greater budgets for land reform, and an increased numbers of settled peasants. Despite this

active mobilization, the influence of the MST on the Brazilian policymaking was basically restricted to agrarian and land issues only, and unlike their Ecuadorian counterparts, social movements in Brazil found institutional channels to influence policy without disrupting the democratic order.

8. Conclusion

During the early nineties, the scholarly literature had repeatedly warned against the dangers of an “exaggerated presidentialism” in Latin America (Siavelis 2002), in reference to a series of alleged flaws in its constitutional design such as the proliferation of the effective number of parties, open list proportional representation systems, multiparty coalition governments and other institutional pathologies. These explanations of policy deadlock however, could not predict that a similar set of political institutions could produce different policy outcomes. Yet, Brazil and Ecuador show significant variation when it comes to assessing the quality of their public policies. According to a survey of country experts, public policies in Brazil are perceived to be more stable, adaptable, efficient, and better enforced than the ones in Ecuador. The survey data aggregated into an index of public policies in Latin America shows that Brazil ranks second and Ecuador is 16th among 18 countries (IADB 2006).

This paper addressed this puzzle by exploring how variations in the policymaking ability of presidents to enhance political cooperation, their capacity to build and managing legislative coalitions by the strategic use of valuable coalition currencies, differences in time-horizons of politicians and the ability to enforce transactions over time affect policy outcomes. The paper focused on three critical factors that offered policymakers cooperation incentives to form and sustain political coalitions over time. One variable is the availability of coalition currencies. In Brazil, presidents were able to provide conditional cooperation incentives to parties and legislators through the allocation of cabinet positions, and the distribution of pork barrel projects and other selective benefits. In Ecuador, such coalition currencies were gradually eliminated in the context of anti corruption reforms after 1995, thus

eradicating the few incentives available to cement political cooperation between presidents and legislators.

A second difference refers to the duration of coalition currencies. Brazilian legislators had greater incentives to become reliable coalition partners over time if they wanted to pursue political careers within and outside the legislature. Party leaders in turn, ensured relatively high levels of party discipline by controlling the individual access to selective benefits and influencing their career prospects. In Ecuador, legislators had short term horizons due to the presence of term limits between 1979 and 1996. The value of coalition payoffs eroded proportionally to the duration of legislative terms. Compared to 70% of Brazilian legislators who sought and obtained legislative reelection, only 30% of Ecuadorian legislators stayed in office after restrictions were banned in 1996.

A third source of variation relates to the enforcement of political exchanges. In Brazil, the presence of an independent judiciary to enforce and sanction policy agreements helped stabilize the cost of coalitions and raised the costs of defection. In Ecuador, the judiciary and TC were highly politicized, and the appointment of magistrates became part of the coalition bargaining itself, thus there were no impartial mechanisms to enforce cooperation or punish defections.

The combination of available coalition currencies, the expanded time horizons of policymakers and the credibility of institutions to enforce agreements, enhanced the value of legislative coalitions and contributed to improved policy outcomes in Brazil but less so in Ecuador. The two-country comparison has helped illustrate the presence of decisive variables explaining differences in policy outcomes in these two countries.

Through the comparison of two countries with similar institutional settings, the paper expands the contributions from existing institutional approaches and offers a clearer understanding of how coalition making dynamics work and change over time. Our analysis contributes to understanding how institutional aspects of the executive-legislative relations have an impact –or not- on the quality of policy outcomes. The cases of Brazil and Ecuador show that policymakers have a significant number of available strategies for negotiating

legislative support, and suggest that the nature of legislative bargains set the political conditions necessary to achieve good quality public policies.

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Figures

Chart 1: Policymaking in Multiparty Presidential Regimes

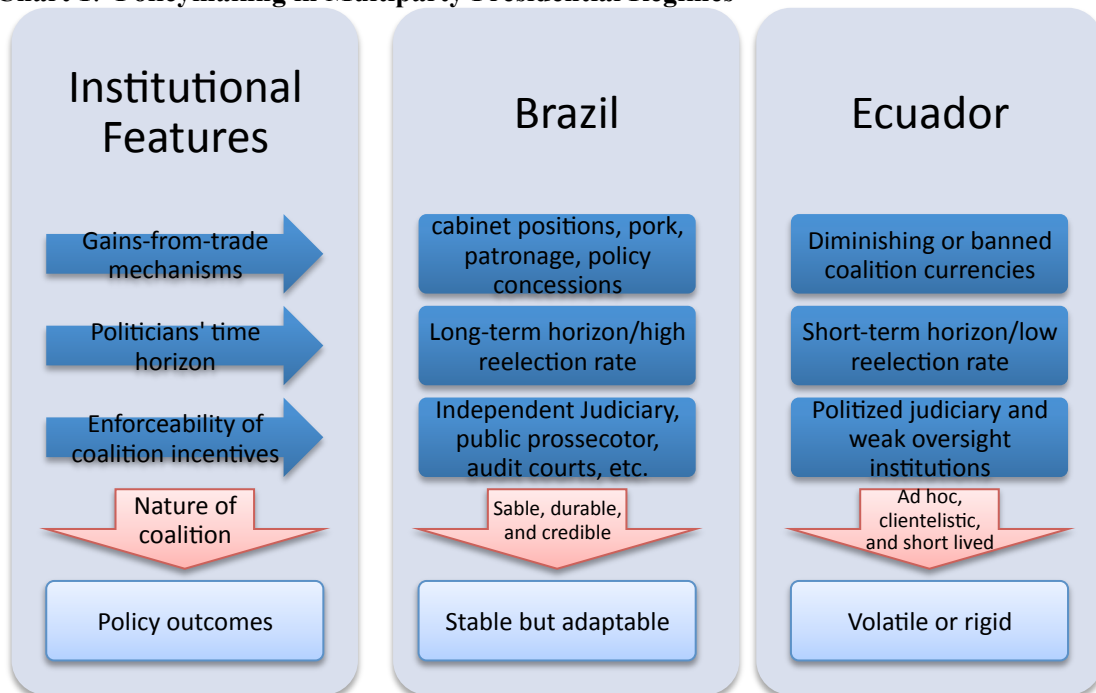
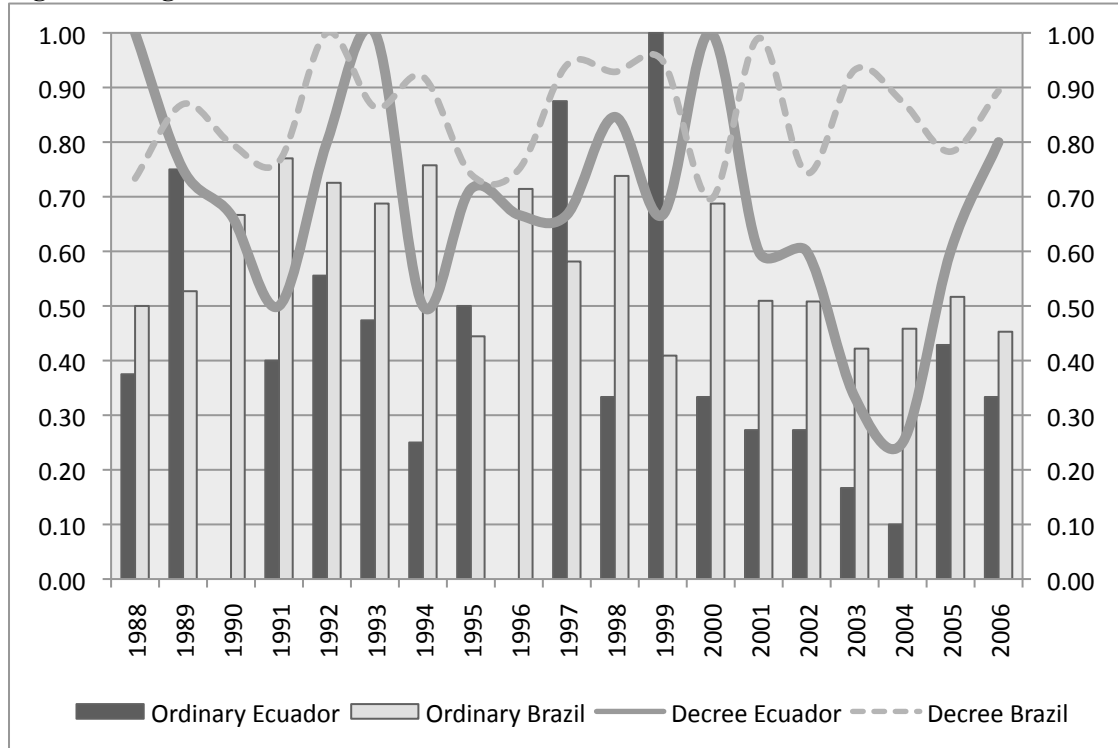
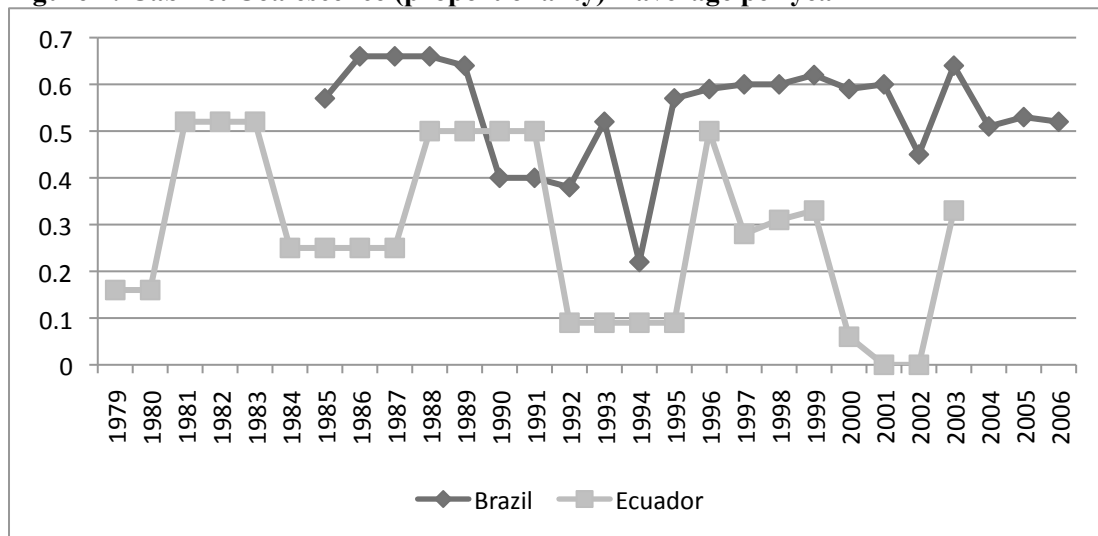


Figure 1: Legislative Success in Brazil and Ecuador



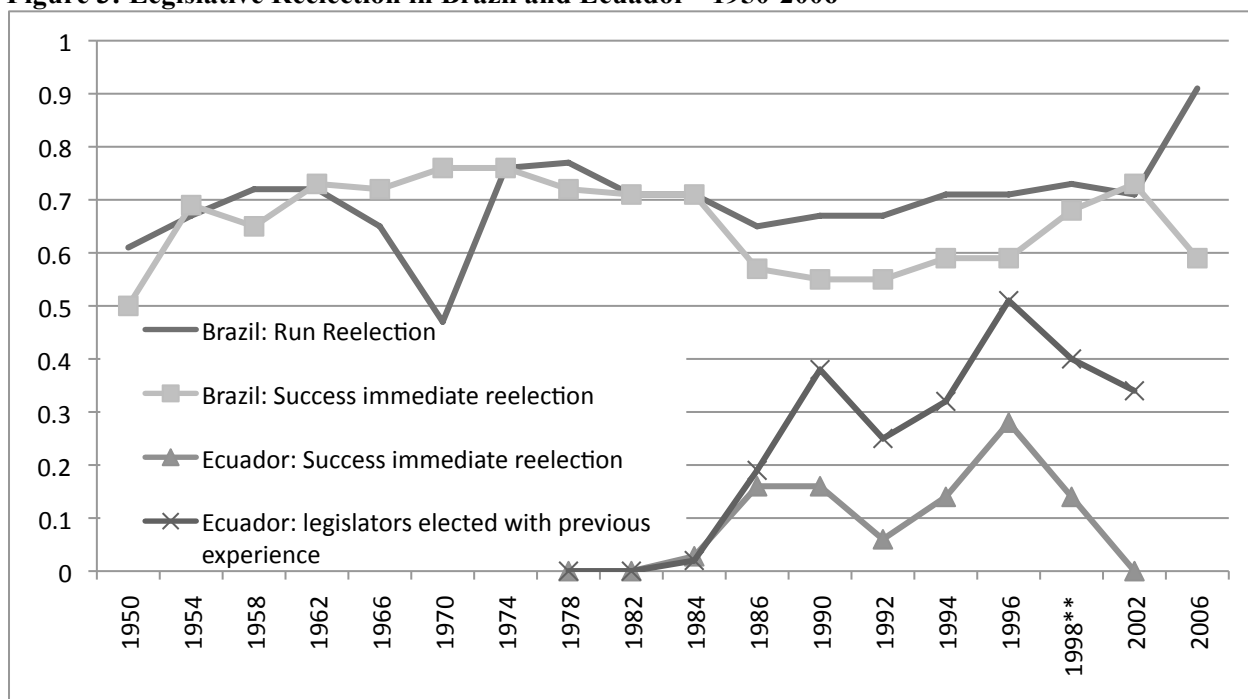
Source: Brazil, *Camara dos Deputados* (Chamber of Deputies). Ecuador, Congreso Nacional (National Congress).

Figure 2: Cabinet Coalescence (proportionality) – average per year



Source for Brazil and Ecuador: Amorim Neto (2007)

Figure 3: Legislative Reelection in Brazil and Ecuador - 1950-2006

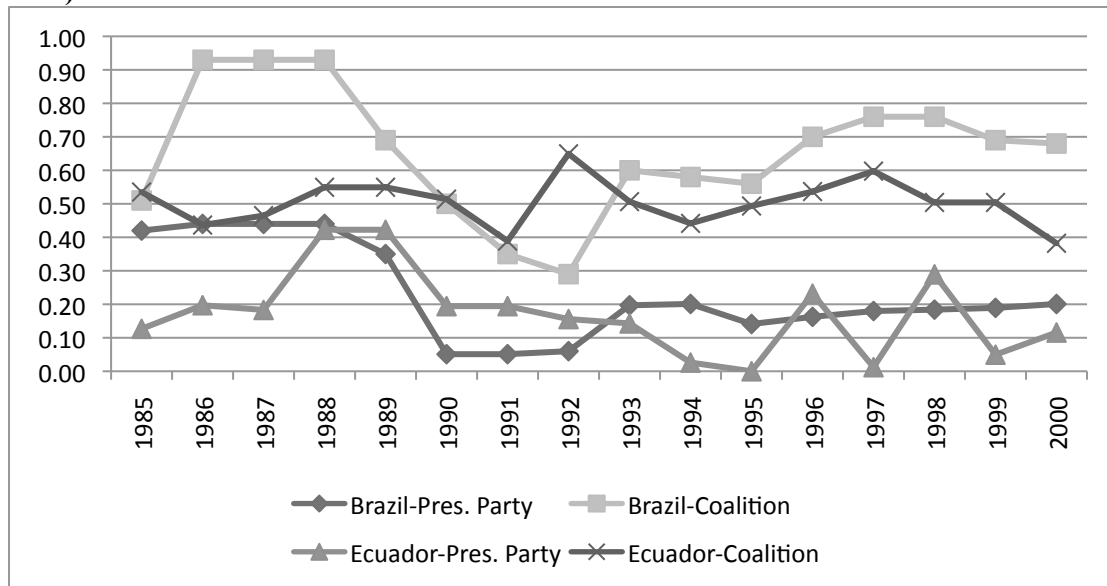


** Ecuador: Due to the reduction in size of the legislature, the adjusted rate is increased by a factor of 1.467.

Immediate reelection was allowed if legislators moved from being national to provincial and vice versa. While in Brazil immediate reelection was allowed to the same Chamber.

Source: Brazil, *Tribunal Superior Electoral* (Brazilian Electoral Court); Ecuador, *Tribunal Supremo Electoral* (Electoral Court) and National Congress.

Figure 4: Size of the President's Party and Government's Coalition in Congress (1985-2000)



Source: For Brazil the dataset is extracted from a dataset assembled by Amorim Neto (2006). The Ecuador data comes from the National Congress as coded in Mejía Acosta et al. (2008).

Endnotes

* This article can be considered part of a larger project on political institutions and policy outcomes in Latin America carried out by the Research Department of the Inter-American Development Bank – IADB. We are particularly grateful to Ernesto Stein for motivating us to develop this comparative assessment between Brazil and Ecuador. Previous versions of this article were presented at the 64th Midwest Political Science Meeting, Chicago, April 20-23, 2006 and at the American Political Science Association Meeting, August 31-September 03, 2006. We acknowledge comments and feedback by Sebastian Saiegh, Peter Houtzager, Eric Raile, and Shane Singh.

ⁱ The Constitutional Amendment No. 16 of June 4, 1997 allowed one consecutive reelection to all executive posts in Brazil. In addition to expanding politicians' time horizons, this reform also provided governance-enhancing role of re-election incentives not only for the president but also for governors and mayors.

ⁱⁱ Following widespread popular protest, a legislative resolution replaced President Lucio Gutiérrez from office in April 2005, after he had sacked members of the Supreme Court and the Constitutional Tribunal and replaced them with his own cronies.

ⁱⁱⁱ The State Capacities Index reports survey responses from over 150 experts across 18 countries in Latin America and the Caribbean (IPES 2006). Policy performance is ranked along a 1 to 4 point scale (with 4 being the highest quality). The data also takes into account existing indicators from the World Economic Forum's Global Competitiveness Report (GCR), and Weaver and Rockman's survey of State Capabilities (1993). For a complete description of the dimensions captured by this survey, see IPES 2006, Chapter 6 and Appendix.

^{iv} As Tsebelis (2002, 2) notes, in order to change policy, "a certain number of individual or collective actors have to agree." Therefore, departures from the status quo are less likely when these actors are numerous. Haggard and McCubbins (2001, 5) note that expanding the number of veto players will increase (or at least not decrease) the number of interests taking part in a decision. If this decision relates to a public policy outcome, it can be reasoned that more veto players will lead to a more stable policy.

^v Sometimes, external players such as the International Monetary Fund, the World Bank, or other international organizations may play the role of contract enforcers.

^{vi} Before 2001, the Brazilian Constitution allowed Presidents to reissue a decree indefinitely, but it has been shown that the expected effects of this amendment were largely innocuous (Pereira et al. 2008).

^{vii} In Ecuador, a closed-list system was in place before 1998 and some relevant features of closed list PR were recovered after 2002, but such reforms have not made a significant impact on the degree of party fragmentation.

^{viii} Even though President Correa commanded a single party majority in the 2008 Constitutional Assembly, he could not maintain or carry this political advantage during the 2009 General election and Correa's party PAIS lost the majority status in the new legislature.

^{ix} A “batting average” approach would not reflect the bills that were not submitted to congress for strategic reasons, for example if the executive lacks sufficient legislative support and wants to avoid a humiliating defeat. Approval rates do not reflect the magnitude of legislation either, so presidents could accumulate legislative victories on unimportant bills while suffering defeats in fewer but important pieces of legislation. Finally, legislative approval rates do not reveal the depth of amendments made on the original proposals (Saiegh 2008).

^x We acknowledge that both approaches are complementary to understand legislative behavior. On the one hand, candidate selection rules offer incentives to cultivate a personal vote, but the agenda-setting powers of the president and party leaders provide incentives to support the governments’ agenda. Amorim Neto et al. (2003) present a similar interpretation: “we believe that Brazil’s legislative politics are neither consistently ‘atomistic’ (per Ames) nor consistently ‘parliamentary’ (per Figueiredo and Limongi). Instead, the pattern of governance in Brazil depends on the initial strategic choices made by the president” (pp. 588).

^{xi} Unlike his predecessor Fernando Henrique Cardoso (who built a relatively small, cohesive and proportional -five party- coalition), Lula invited nine ideologically diverse political parties to his coalition. In addition, he dramatically increased the number of cabinet portfolio, from 21 to 34, and used these new ministerial positions to reward factions of his own party (59% of portfolios were distributed to a party with 30% of the seats) in the Chamber of Deputies. This heterogeneous and disproportional composition of Lula’s coalition generated greater incentives for opposition parties to increase the price of their cooperation and raise the likelihood of defection for under-rewarded partners.

^{xii} Although several reforms were implemented during the Cardoso’s administration to reduce the number of discretionary government jobs (such as appointing civil servants by merit and examinations), the trend was reverted under Lula and it is estimated that there are currently over 120,000 discretionary jobs in the hands of the president.

^{xiii} The case of President Lula offers the most impressive illustration of the fiscal imperative. Lula, a former union leader and left leaning politician, pursued policies intended to attract, not alienate, national and international investors once he came into power.

^{xiv} According to Shugart and Carey (1992), presidential democracies in which legislators have a parochial focus of representation are electorally inefficient because voters are not offered highly identifiable choices on national policies. However, different from Shugart & Carey we argue that the purchasing of support for reforms is relatively cheap for the President, that is, the costs of reforms are low. This proposition is based on Amorim Neto and Santos (2003) who claim “there is partisanship in deputies’ legislative input. This result means that the “inefficient secret” underestimates the prospects for programmatic parties (especially in the opposition) to emerge within systems where the electoral and constitutional rules encourage particularism.” In addition, the proposition that negotiations between the executive and legislature is cheap is based on Pereira & Mueller (2004b) who argue

“it has been relatively cheap for the executive branch to keep its coalition united in Congress [...] the purchase of support is relatively cheap for the President as the total value of the amendments in any given year is only a very small part of the budget.” Alston & Mueller (2006) also demonstrate similar findings.

^{xv} Legislators must satisfy constituencies’ demands in order to have conditions to survive politically. Simultaneously, the legislators are compelled to follow their party leader indication and thus to gain access to political and financial benefits, so that they can use them, in turn, to satisfy constituencies’ demands in order to have electoral returns. That is exactly how the Brazilian electoral connection works. That is, legislators behave according to the executive’s preferences so as to have access to benefits that will increase their individual chance of surviving electorally.

^{xvi} This assumption does not imply that the Brazilian Judiciary functions well in other aspects. In other arenas, political players including the government itself, have benefited from slow judiciary responses to undertake unconstitutional action (usually related to revenue extraction or expenditure reduction) knowing that it will only be reverted by the judiciary in the distant future (Pineiro, 2000).

^{xvii} Mejia Acosta et al (2008) examined 117 demands presented to the Constitutional Tribunal from 1997 to 1999 and found that 26% were accepted, including several cases against the Executive.