

Carlos Pereira
Sérgio Praça
Mariana Batista
Felix Lopes

Top Managers and Risk of Policy Expropriation in Multiparty Presidential Regimes

ALACIP Conference, Bogota, 25-27/09/2013

Why Delegate Powers to Partners?

Political Dilemma

□ Control (appointing trustable Junior Ministers)

versus

□ Flexibility (*Porteira Fechada*)

Coalition Management

In a coalition-based presidential system the executive has to face at least three interconnected tradeoffs:

1. Coalition size (**number of players**)
 - Small *versus* large
2. Coalition ideology (**preferences**)
 - Homogeneous *versus* heterogeneous
3. Participation of coalition members in cabinet (**weight**)
 - More proportional *versus* more monopolistic

Theory:

Ideological Distance

The greater the ideological distance between the president's party and the political party of the coalition partner, the more inclined the president will be to directly interfere in that particular ministry delegated to that distant partner

Number of Coalition Partners

The larger the number of partisan veto players in the coalition, the greater the difficulty for the president to coordinate the coalition team as a coherent government pursuing a particular agenda or acting in the same policy direction

Coalition Concentration

the more proportional or coalescent the government cabinet portfolio is, the smaller the need for the presidency to appoint a trustful junior minister to oversight the Minister.

Literature:

When should Politicians (Congress) Delegate to Bureaucrats?

- Organizational isomorphism (March & Olsen)
- Blame shifting (Fiorina)
- Credibility gains (Levi & Spiller; Mueller & Pereira)
- Informational gains (Krehbiel)
- Preservation of Congress's intertemporal preferences on the bureaucracy (McNollgast)
- Political risk and uncertainty (Moe, Horn, Rui de Figueiredo)
- Power parity among political coalitions (Geddes)
- Transaction cost politics (Epstein & O' Halloran; Huber & Shipan)
- Executive-legislative relations and presidential durability in power (Lewis; Melo, Pereira & Werneck)

Literature Bias:

- Most of the theoretical developments and empirical research have focused on US political institutions
 - Congress takes the initiative of delegating authorities to executive agencies.
- How about the logic of delegation in multiparty coalition-based separation of power systems where, unlike the US, executives are the agenda setters, hold legislative powers, and have great ability to build majority coalitions by controlling the legislative agenda and dispensing pork and patronage to coalition members?
- In Brazil, presidents and governors have the exclusive prerogative of initiating bills proposing the creation or closing of administrative agencies.

Recent Literature: (Delegation within Coalition Government):

Ways of controlling coalition Partners

- Committees Watchdog:
 - The president's party, *formateur*, controls committee appointments in order to minimize the risk of policy appropriation (Carroll and Cox 2012).
- Junior Ministers Watchdog:
 - The stakes are high, the differences between the parties are substantial, and when they lack other means of overseeing their partners (Thies 2001)
 - lack of external oversight controls, interparty dynamics, and the importance of portfolios influence (Lipsmeyer and Pierce 2011)
 - Under the risk of undesirable policies, presidents may manage his governing coalition in multiparty settings (Huber and Martinez-Gallardo 2008, and Martinez-Gallardo 2011)

Coalition Management

Party	Collor				Cardoso				Lula				Rousseff			
	Cabinet Posts	% Posts	Coalition Seats	% Seats	Cabinet Posts	% Posts	Coalition Seats	% Seats	Cabinet Posts	% Posts	Coalition Seats	% Seats	Cabinet Posts	% Posts	Coalition Seats	% Seats
PSDB					6	28.57	99	25.98								
PFL	2	20.00	91	37.14	4	19.05	105	27.56								
PMDB	1	10.00	130	53.06	2	9.52	83	21.78	2	5.71	78	24.53	6	16.21	79	24.23
PP					2	9.52	60	15.75					1	2.70	41	12.57
PPS					1	4.76	3	0.79	1	2.86	20	6.29				
PTB					1	4.76	31	8.14	1	2.86	51	16.04				
PT									21	60.00	91	28.62	17	45.94	88	26.99
PDT													1	2.70	28	8.58
PCdoB									2	5.71	9	2.83	1	2.70	15	4.60
PL/PR									1	2.86	43	13.52	1	2.70	41	12.57
PSB									1	2.86	20	6.29	2	5.40	34	10.42
PV									1	2.86	6	1.89				
PRN	1	10.00	24	9.80												
Ind.	6	60.00			5	23.81			5	14.29			8	21.62		
Totals	10	100	245	48.71	21	100	381	74.27	35	100	318	61.99	37	100	326	63.54

Research Strategy (1)

- 35 interviews with Ministers, Junior Ministers, and top bureaucrats
 - “the presidency would define policy priorities for the ministries and the junior ministers would keep coalition partners on track” (Clovis Carvalo, FHC’s Chief of Staff)
 - “If the Junior Minister is partisan, there is one-hundred percent chance of corruption” (Former Junior Minister at the Ministry of Justice, anonymous)
 - “minister Paulo Renato de Souza, of the PSDB, made it clear that I was to be his assistant and not be a policy formulator - unless he specifically asked for, which he did in policies such as ‘mudança do crédito educativo para a FIES’ and the ‘Bolsa Escola’” (Luciano Patrício, FHC’s Junior Minister of Education).
 - “There existed informal committees within the ministry to analyze specific policies that might be proposed as legislation. (Alencar Ferreira, Lula’s Minister of Labor).

Research Strategy (2)

- We built a unique dataset of 178 combinations of ministers and junior ministers from 1995 to 2010 (FHC and Lula).

Dependent Variable

- President's Watchdog:
 - When the minister does not belong to the president's party, but the junior minister does; and when neither the minister nor the junior minister belong to the president's party, but the latter is not affiliated to any political party and can more easily serve as the president's agent within the cabinet.
 - 28 percent of the pairings

Key Independent Variables:

Core explanatory variables

- Ideological Distance = it means the ideological distance between the president's political party and the minister's political party according to Power and Zucco's index (2012);
- Coalition Size = it represents the average number of political parties that are part of the presidential coalition;
- Coalition Concentration = it indicates the degree of power concentration of ministerial positions in the president's party (*coalition formateur*); that is, the lack of proportionality between the number of ministries delegated to a party ally and its relative weight in Congress .

Control Variables:

- President's popularity
- Core = it is a dummy variable that indicates if the ministry occupies a core cabinet in the governing cabinet portfolio (Health, Education Social Security, Planning and Finance) due to their size, budget, and policy importance.
- Coalition Concentration = it indicates the degree of power concentration of ministerial positions in the president's party (*coalition formateur*); that is, the lack of proportionality between the number of ministries delegated to a party ally and its relative weight in Congress.
- Learn = it measures the number of previous cabinets a president experienced from that particular combination of minister and junior minister. With this variable we try to capture the process of learning how to manage multiparty coalition governments over time.
- Coalition distance = it indicates the ideological distance between the mean of the governing coalition from the president's party ideology.
- FHC1 and FHC2 = dummy variable for each of Cardoso's term in office;
- Lula1 and Lula2 = dummy variable for each of Lula's term in office

Political Determinants of Coalition Watchdogs:

	Model 1	Model 2	Model 3	Model 4
Key hypothesis				
Ideological Distance	0.892*** (0.159)			0.871*** (0.159)
Coalition Size		-0.017 (0.075)		-0.091 (0.089)
Coalition Concentration			-4.635** (1.819)	-4.316** (2.082)
Constant	-1.727*** (0.241)	-0.864* (0.489)	1.891 (1.117)	1.501 (1.453)
N	178	178	178	178
Nagelkerke R2	0.267	0.0	0.055	0.299
Hosmer & Lemeshov test	Chi-square=16.0 p-value= 0.01	Chi-square=14.3 p-value= 0.05	Chi-square=3.44 p-value= 0.18	Chi-square=11.3 p-value= 0.2

Political Determinants of Coalition Watchdogs:

	Model 5	Model 6	Model 7	Model 8
Key hypothesis				
Ideological Distance	0.842*** (0.159)	0.879*** (0.162)	0.850*** (0.158)	0.854*** (0.16)
Coalition Size	0.023 (0.119)	-0.113 (0.118)		
Coalition Concentration	-5.244** (2.256)	-4.41** (2.088)		
Controls				
President Popularity	-0.015 (0.011)			
Core		-0.4 (0.428)		-0.37 (0.423)
Learn		0.048 (0.131)		0.006 (0.098)
Coalition Distance			1.611** (0.706)	1.592** (0.711)
Constant	1.610*** (1.479)	1.689 (1.481)	-3.190*** (0.717)	-3.075*** (0.797)
N	178	178	178	178
Nagelkerke R2	0.312	0.306	0.302	0.307
Hosmer & Lemeshov test	Chi-square=23.0 p-value= 0.003	Chi-square=11.2 p-value= 0.19	Chi-square=14.7 p-value= 0.07	Chi-square=12.5 p-value= 0.115

Coalition Managing Style of FHF and Lula:

	FHC	Lula
	Mean	Mean
	(SD)	(SD)
Ideological Distance	0.67	0.69
	(1.08)	(1.17)
Coalition Size	4.09	8.25
	(0.68)	(0.92)
Coalition Concentration	0.62	0.63
	(0.11)	(0.08)
President Popularity	-2.21	34.29
	(17.43)	(16.86)
Coalition Distance	0.97	0.81
	(0.34)	(0.20)
Coalition Divergence	0.20	0.46
	(0.01)	(0.05)

Conclusion

- Presidents make use of junior ministers as watchdogs when ideological differences between coalition parties and president's party are substantial. More specifically, when the party of the minister is 1 point ideologically away from the president's party, in a 10-point ideology scale (either to the left or to the right of the ideological spectrum), the likelihood of appointing a watchdog increases more than 2.3 times.
- The size of the presidential coalition does not play a significant role in the probability of having a watchdog appointed by the president
 - The intuition behind this unexpected result might be that presidents who build governing coalitions with several political parties do not feel uncomfortable or threatened managing too many partisan veto players. This might suggest - and future research could well sort this out - that inviting many political parties does not necessarily entail having to deal with coordination that is too costly.
- Coalition concentration does affect the choice junior ministers as presidential watchdogs; however, in a different direction as we predicted. A president that decides to build a monopolist coalition, concentrating the majority of ministerial position to a particular party (usually the *formateur* president's party), does not seem follow the managerial strategy of appointing watchdogs to oversight coalition partners in other ministries.
 - This might indicate that the opportunity cost of watching over less important ministries may be too high or that the president would not want to upset underrepresented coalition partners. We do intend to pursue future work in order illuminate these potential hypothesis further.
- Cardoso and Lula made different choices regarding junior ministers either as watchdogs for coalition partners (mostly Cardoso) or as bureaucratic assistants for trustable ministers (mostly Lula).
 - This indicates that the “coalitional presidentialism” literature too often errs on the side of institutional design versus individual agency. Even under the same institutions setting and incentive-structure, presidents might make very different choices regarding government building and coalition management.