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THE INSTITUTIONAL DETERMINANTS OF POLITICAL TRANSACTIONS

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Abstract*

Public policies are the outcome of the interaction among a variety of key political actors, each with its own preferences and incentives, who meet in different arenas and interact within the constraints of the institutions that frame their engagement. Therefore, to recognize the reasons behind the success or failure of any public policy it is necessary to understand the country's political institutions and the policymaking process they in turn help shape.

This document looks at a number of those key actors, institutions, and arenas, with the aim of examining the roles, incentives, and capabilities of each of the actors in the policymaking process, by drawing from an extensive literature in political science and political economy. Each of the actors is looked at individually but connected to the other actors by linking the impact of political institutions on their incentives to the features of the policymaking game.

Hopefully, this document will provide researchers with the tools necessary to embark in the fascinating analysis of policymaking processes not only for Latin American countries but also for other parts of the world.

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1. Introduction

Recent experience of countries in Latin America show that reforms with similar orientation and content can have very diverse results. At least part of the explanation is that policies are not implemented in a vacuum. On the contrary, they are drafted, approved and implemented within the context of a country's political institutions. These political institutions, as well as the policymaking processes they in turn help shape, can have a profound impact on the success or failure of any policy. In order to understand the process by which policies come into fruition, Tommasi and others (Spiller and Tommasi, 2003; IDB, 2005; Stein et al., 2007), building on a core of previous literature, have developed a framework to study the policymaking process (PMP).¹

Within the PMP framework, public policies are seen as the outcome of the interaction among a variety of political actors. These actors, each with its own preferences and incentives—and within the constraints of the rules that frame their engagement—meet in different arenas to define public policies. This document looks at a number of those key actors, institutions, and arenas, with the aim of examining the roles, incentives, and capabilities of each of the actors in the policymaking process.

This document, which draws from an extensive literature in political science and political economy, does not pretend to be a complete survey; rather, it highlights those institutions and actors that are important within the context of the PMP framework.² While the framework emphasizes the interaction among actors, this document examines them individually, for the most part. When possible, it links the role of political institutions to the features of the policymaking game (also called “features of cooperation”), trying to associate the incentives of the actors with the results of the game in which they participate.

In the PMP framework, the ability of actors to cooperate or engage in intertemporal transactions takes central stage as a determinant of the features of public policies. Understanding whether actors have more or fewer incentives to engage in intertemporal transactions is

¹ Related literature includes Haggard and McCubbins (2001), and Tsebelis (2002). There are also some excellent books on comparative politics of Latin America, focusing on specific institutional features in various countries. These include edited volumes such as Mainwaring and Scully (1995) on party systems, Mainwaring and Shugart (1997) on constitutional and partisan powers of the president, Carey and Shugart (1998) on executive decree authority, and Morgenstern (2002) on legislative politics.

important because it makes possible the inference of the characteristics of public policies. Basically, if actors have longer term horizons and interact repeatedly, there is a higher probability that they would be willing to accept policies that will mature in the future. On the contrary, if actors have short-term horizons, they interact infrequently and there are no enforcement or commitment mechanism for the brokered deals, there is a higher probability that they will only pursue policies with short-run (usually political) benefits.³

Each section of the document analyzes specific actors in the policymaking processes, as well as the political institutions shaping their roles and incentives. The order used follows the traditional layout of institutions presented in the constitution of a country. Usually, democratic constitutions assign the role of policymaking to three separate but related branches—the executive (and cabinet), the legislature, and the judiciary—establishing the prerogatives, functions, and scope of these institutions. Additionally, there is sometimes a vertical dimension of institutions (federalism) that regulates the relationships between the central and subnational governments. Finally, the document analyzes the role of other actors with formally ascribed roles in the policymaking process, such as political parties and the bureaucracy. At the end of the paper appear tables that correspond to preceding sections of the paper and provide information on the theoretical relationship between the political institution under study and the determinants of cooperation. Whenever possible, the direction of the relationship is also included. Additionally, the tables include some guidance on measures used by the literature for quantifying some of the relationships discussed in each section.⁴ These measures, along with their description and sources are presented in the Appendix.

As a first approximation to the contents of the document, Table 1 presents an overview of the main relationships between political institutions and the features of the game of political

² Other sources that should be considered for a complementary, more comprehensive, and substantial overview include Weaver and Rockman (1993); Mueller (1996a, 1996b, 2003); Carey (2000); Persson and Tabellini (2000, 2003); Haggard and McCubbins (2001); Payne et al. (2002); Tsebelis (2002); and IDB (2005).

³ More generally, drawing from intuitions from the theory of repeated games, cooperation is more likely if: the immediate benefits from deviating from cooperative behavior are small; there are good “aggregation technologies” so that the number of actors with direct impact on policymaking is small; these key actors have long horizons and they interact repeatedly; there are well-institutionalized arenas for political exchange; and there are credible enforcement technologies, such as an independent judiciary or a strong bureaucracy, to which certain public policies can be delegated.

⁴ For example, the literature has shown a direct relationship between the degree of proportionality of the electoral system and the degree of fragmentation of the legislature (Cox, 1997). Then, for the purpose of understanding which is the relevant number of actors in the legislature, researchers could use the effective number of players in the legislature (Table 3)

transactions that will be discussed throughout this document. The table shows the relevance of the design of the institutional framework of a country on the chances of attaining intertemporal cooperation. For example, given the political regime, particular combinations of the electoral system for the legislature and executive branch prerogatives generate different probabilities of cooperation. Of course, the first-tier political institutions that we survey in this document are not the sole determinants. Similar institutional configurations could lead to different policy outcomes due to the existence of second or third-tier institutional differences, such as the degree of discretion of the executive branch in the execution of the budget (IDB, 2005).

2. Executive Branch: Presidents and Cabinets

Countries can organize their executive branch along a “continuum” between two polar cases: presidential and parliamentary systems.⁵ The choice of political regime between presidential and parliamentary systems can have important consequences for policymaking because it has an influence on the number and stability of the agents in charge of policymaking, the arenas where exchanges take place, the type of political exchanges that can take place between the executive and the legislature, and some of the bargaining prerogatives of each of the actors.

Latin American countries have traditionally opted for presidential regimes, instead of the parliamentary systems that are more popular in Europe. Even though this study focuses on presidential systems, it is important to characterize both systems, insofar as this discussion helps introduce the literature and stylized facts on stability of governments and policies. In fact, some critics argue that some of the problems with policymaking in Latin America have their origin in the region’s choice of political regime.

The stylized facts indicate that parliamentary systems tend to be less stable than presidential systems because political government leaders tend to change more frequently. However, when changes occur in parliamentary systems, they are usually smooth and do not involve a complete reshuffling of the government; some of the policymakers remain in place, along with their policies. On the other hand, changes in presidential systems are more dramatic

⁵ Lijphart (1999) identifies three basic differences between presidential and parliamentary systems. First, the executive in a parliamentary system is responsible to the legislature and can be dismissed from office by a legislative vote of no confidence or censure. In a presidential system, the head of government is elected for a constitutionally prescribed period. Second, prime ministers are selected by the legislature, while presidents are popularly elected. Third, parliamentary systems have collective or collegial executives, whereas presidential systems have single-person, noncollegial executives.

because they entail either a democratic breakdown or a major reshuffle of the government. In that context, Linz (1990, 1994) has characterized presidential systems as “rigid” and parliamentary systems as “flexible.” In his work, flexibility is to be preferred to rigidity, especially because flexibility is risk-minimizing (for example, crises in parliamentary systems would be government crises, and not regime crises). Thus the rigidity of presidentialism, crystallized in situations where presidents lack a majority of seats in legislatures, was thought to be one of the main determinants of the breakdown of democratic regimes in Latin America (Linz, 1994). This argument regarding the relationship between minority governments and regime survival has been empirically tested by recent scholarship.

On the one hand, based on data for all presidential democracies that existed between 1946 and 1996, Cheibub and collaborators show that minority presidents, minority governments, and deadlock situations do not affect the survival of democracies (Cheibub, 2002; Cheibub and Limongi 2002; Cheibub, Przeworski, and Saiegh 2004). On the other hand, based on a much smaller sample of Latin American governments between 1978 and 2005, Chasquetti (2004) and IDB (2005) note that in this period, a number of minority governments (defined as situations where governments control less than 45 percent of legislative seats) suffered constitutional interruptions (situations where either the president or congress does not finish the terms for which they were elected). For this selected group of countries, IDB (2005) finds that minority governments (whether single party or coalitional) were five times more likely to suffer constitutional interruptions than governments with a majority or near majority of seats

Considering the fact that the modal type of party system in Latin America is a multiparty one, the ability of governments to form and maintain majority coalitions should be considered an important factor that may affect political stability (or the lack thereof) in the region. In the case of Ecuador, a country where presidents have a minority of the seats in the legislature (lately around 25 percent) and where coalitions tend to be unstable, no president has finished his four-year constitutional mandate since 1996.

Presidents

The regime type adopted in Latin America makes presidents key players in the policymaking game. Therefore, it is important to understand their incentives and the factors affecting presidential behavior. Even though their personal qualities, ideology, and historical and cultural

factors can shape the way presidents govern, the institutions that determine the way they are elected and their power to affect policy decisions tend to be at least as important in explaining their incentives and behavior. In some institutional contexts, presidents tend to be mostly interested in the public good and design their policies taking into account broad interests in society. In other institutional contexts, presidents have “mixed” incentives and are driven by personal and political goals that may interfere with the goal of serving the general public interest. While differences in incentives are explained mostly by electoral rules, the capacity to transform policies depends on the powers bestowed on the presidents, which are discussed next.

Presidential Powers

The powers of the president determine the strategic actions the president may take, and the type of transactions s/he may engage in with the legislature and his/her political allies and opponents. Presidential powers can be classified as either *constitutional powers* or *partisan powers* (Shugart and Carey, 1992; Mainwaring and Shugart, 1997).

Constitutional powers contribute to framing the relationship between the executive and the legislative. As the constitutional powers of the presidency increase, other things being equal, so does the president’s discretion to introduce changes to the status quo. Higher constitutional powers make it easier for the president to take decisive action whenever it is necessary (such as adapting economic policy to shocks), but they also make it easier to change policies for political convenience, leading to a potential volatility of policies (such as changing policies before an election for political gain and discarding the policies of the previous administration and “starting all over” after taking office). *Constitutional powers* can be divided into *legislative* and *nonlegislative powers*.

Legislative powers include the package veto, the partial (line item) veto, the power to issue decrees or declare a bill “urgent,”⁶ the exclusive initiative of legislation, budgetary powers, and the power to call a plebiscite or referendum. These powers can be further divided into *proactive* and *reactive*, according to whether the president can influence the adoption of policies that represent a change in the status quo or whether the president can stop or delay the implementation of policies that could modify the status quo (Carey and Shugart, 1998). If

⁶ Decree is the authority of the executive to establish law without prior consent of the assembly (Carey and Shugart, 1998). This may include executive policy initiatives that eventually require legislative ratification. Urgency bills are proposals issued by the president and become law unless the legislature acts to reject them within a specified period.

legislative presidential powers are important, policies will be closer to the preferences of the executive branch. For example, the president could obtain policies closer to his or her preferences by threatening to veto or actually vetoing the legislature, by issuing decrees and thus bypassing the legislature, and by using the prerogative to consult the citizenry through referendums to bypass the opposition of the legislature for those policies for which the president can ensure popular support (Mueller, 1996a, 1996b).⁷

The president's *nonlegislative powers* include the power to nominate, appoint, and dismiss government officials. If the president has sole discretion over the appointment of government officials, she can use those powers not only to pursue her agenda by appointing loyal members of the party, but also to cement coalitions whenever necessary by offering potential coalition partners positions in the government (e.g., ministries). Additionally, the president can use those prerogatives as a signaling (and commitment) mechanism for certain policies by appointing individuals whose preferences are widely known and respected (e.g., a conservative economist as central banker or a renowned religious leader for a human rights position).

If the rules provide the legislature with power over the appointment of government officials (e.g., in the United States, certain top government officials must be confirmed by the Senate), it may affect the relationship between the executive and legislative branches, because legislators could use those prerogatives as a bargaining mechanism with the executive over policies of interest.⁸ If the legislature has the prerogative of dismissing a government official from her post through a vote of censure, the power of the president may be weaker, since it provides a tool the legislature can use to undermine and harass the executive (Payne et al., 2002). Consequently, mechanisms such as the impeachment of the president and government officials become another institutional dimension relevant in the study of presidential powers and executive-legislative relations. Even though the possibility of removing the president from office may be regarded as an exceptional measure, the nature of the impeachment process could affect the degree of vulnerability of the president vis-à-vis Congress. If overly politicized, the

⁷ The relevance of the elements of direct democracy (referendum, popular initiative) has been highlighted as one of the resources at the disposal of the executive branch to pass certain policies when the legislature is opposed to them. The literature on popular initiative, based on the tradition of Romer and Rosenthal (1978, 1979, 1982), shows that the agenda-setter has good possibilities of having its policies supported by maximizing support through popular votes, given the preferences of the voters and the status quo (reversionary position).

⁸ The dynamics and outcomes of the appointment game are shaped by the rules: who is the agenda setter, what is the number of voters needed to approve or reject a candidate, etc. (Shugart and Carey, 1992; Amorim Neto, 2002; Payne et al., 2002; IDB, 2005, Martínez Gallardo, 2005).

possibility of impeachment could also be a source of political as well as policy instability. Latin American constitutions provide three main ways to remove the president from office: congressional, judicial and mixed models of impeachment (Pérez, 2006). While in the congressional model the authorization and trial of the president take place in the assembly, in the judicial model the trial is conducted by the judiciary (the Supreme Court). Finally, mixed models of impeachment combine elements of the first two, depending on the nature of the offense.

Regardless of the model in use, a key constitutional provision is the decision threshold in use: that is, the legislative majorities required to proceed with an impeachment process. While some procedures are more restrictive (requiring supermajorities), others are more permissive (simple majorities). However, constitutional rules are not the whole story. In fact, these rules can only be assessed in interaction with the capacity of presidents to mobilize support among members of Congress (Pérez, 2006). This takes us into the realm of the partisan powers of presidents, a key variable whose importance goes far beyond the impeachment process, and to which we now turn.

Partisan powers relate to the degree of support for the president in congress. The standard measures are the size of the president's legislative contingent and the degree of party discipline (Mainwaring and Shugart, 1997). Dominant parties capable of ruling by themselves (in presidential systems, presidents and legislatures of the same party, especially if the party is a "centralized" one)⁹ have the easiest time securing legislative support for their programs. Coalition governments fare less well, and presidential systems in which the president and legislature are of different parties have the greatest difficulty (Haggard and Webb, 2000).

Sometimes, presidents can still govern in cases of minority government: they can circumvent potential opposition in the legislature by relying on the legitimacy provided by strong popular support. To a certain extent, the degree of support and legitimacy can be traced back to the electoral system that rules the election of presidents, the electoral system that rules the election of legislators, and the degree of concurrence of their elections.

⁹ Centralized parties are those where national politicians have tight control over the valuable resources needed to further legislative and political careers.

Electoral Rules

Presidents can be directly elected using plurality voting or runoff elections, or they can be indirectly elected, either through an electoral college or by legislative decision (usually as a “second round” mechanism, as in Bolivia). The **method of election** of the president is particularly relevant, as it affects the degree of popular support of the president and determines whether forming a coalition is necessary for obtaining the presidency. Electoral systems that ensure a high share of the vote for the winning candidate (particularly in the first round) tend to increase legitimacy and reduce the need for coalitions. As discussed in the next section, the electoral rules of the legislature also affect the extent to which coalitions are needed to govern by affecting the degree of fragmentation of congress—and thus the probability that the president could get a majority in congress. Having to rely on coalitions to govern usually creates restrictions for the president in the bargaining process, as the cases of Brazil, Chile, and Ecuador show (Stein et al., 2007).

In addition to the formulas that transform votes into seats, other institutional aspects of electoral rules are important, including the **concurrence of elections** and the **use of midterm elections**. When elections are concurrent for the two branches, the president’s party is likely to receive more votes, and fewer parties are likely to receive significant shares of the vote in legislative elections. This reduces fragmentation and increases the chance that the president can win strong legislative support (Jones, 1997; Shugart, 1995). Midterm elections, whether in systems with or without coterminous cycles, can contribute to difficulties in governing, mainly if opposition majorities result (Shugart, 1995). These elections can weaken the policymaking effectiveness of the executive by altering the balance of partisan power mid-way through the term, and by shifting congressional attention from the policy agenda to electoral strategizing and campaigning.

In addition to explaining the president’s relationship with the legislature, it is also relevant to explore the determinants of the president’s relationship with the party. One of those determinants is the **nomination procedure** of presidential candidates. Some of the systems increase the allegiance of presidents to the party, while other systems tend to favor the appearance of “extra-party” candidates (Morgenstern and Siavelis, 2004). For example, when the selection of presidential candidates is centralized (controlled by party elites) and high barriers for independent candidacies exist, it will be more likely for party insiders to become presidential

candidates.¹⁰ By contrast, decentralized recruitment and low barriers to independent candidacies may encourage the appearance of candidates known as freewheeling independents. These candidates have no long-term identification with a party and typically use parties as mere electoral vehicles to reach the presidency. As a consequence, elected presidents will be less constrained by party ties, but they may be unable to build legislative coalitions (Morgenstern and Siavelis, 2004). In this case, policies could become more unstable (because the policies pursued by the president are the president's own and do not follow a historic party stance) and less adaptable (because it will be harder—usually more costly—to respond to shocks).

The incentives behind some of the actions of the president may also be explained by the **tenure** of the presidency, given **term limits** and **reelection constraints**, because they explain their decision-making horizon. If presidents can serve consecutive terms and there is the possibility that presidents can be reelected, the policies pursued by the president will usually be influenced by the reelection campaign. If there is no possibility of reelection, the policies presidents will try to enact will be a mixture of trying to help the candidate of the party (mainly if former presidents tend to keep some role in party politics) and trying to influence the set of policies that the next president will have at his or her disposal (Carey, 2003).¹¹ Therefore, a candidate's potential post-tenure career path could be very important in defining the policies he or she pursues while in office.

Cabinets

The cabinet—even if it is not always an initiator of policies (which it is in many countries)—is usually a major player for the attainment of the government objectives because it is in charge of the actual implementation. Additionally, cabinets usually serve as a mechanism to cement coalitions. Given certain constitutional mandates that regulate the formation of the cabinet — which are usually determined by the type of political regime—the electoral system and the party system could have an impact on the number of ministers, the issues under their domain, the way in which they are appointed, their capacity for coordination, their responsibilities, and their political allegiance. More importantly, the electoral system and the party system could affect the duration of the ministers, their level of specialization and skills for the task at hand, and their

¹⁰ Party insiders are candidates who emerge from long-standing, institutionalized, and programmatic parties, and who have held positions in the party before becoming candidates.

mobility (Blondel, 1985). Among the characteristics of cabinets relevant for policymaking, two are the most salient: *the process of cabinet formation* and *the stability of cabinets* (Martínez Gallardo, 2005).

The process of cabinet formation affects the identity of the cabinet and the allegiance of its members to the president. The decisions on who to name to those (sometimes) key positions depend in part on the electoral system for the presidency. Electoral systems that ensure a majority for the president's party do not generate the need for the formation of coalitions and will usually result in compact cabinets (that is, cabinets made up entirely of members from the president's party).¹² On the other hand, when coalitions are needed, they can be cemented through positions in the cabinet, generating multiparty cabinets. The formation of the cabinet becomes more relevant the weaker the partisan powers of the president, or the more fragmented the party system. For example, in the case of Bolivia, there is a strong correlation among the number of ministries, the number of cabinet positions offered to coalition members, and the share of the votes obtained by the president in the general election (IDB, 2005).

In cases of government coalitions, the degree of cabinet coalescence (that is, the extent that cabinet posts reflect the distribution of seats held by the parties joining the executive in the legislature) may affect legislative voting behavior, and thus the ability of the president to pass his agenda. For example, Amorim Neto (2002) finds that cabinets in Brazil that display a high correspondence between cabinet portfolios and legislative seats held by the parties joining the executive foster coalition discipline, as they generate incentives for the parties to support executive initiatives in the legislature. While President Cardoso's cabinet maintained that correspondence, President Lula's cabinet was more partisan. According to Pereira and Power (2005), this is one of the reasons why his government had to cement the coalition through other means in congress.

Cabinet stability affects the stability and efficiency of policymaking, and thus of public policies.¹³ One source of cabinet instability is frequent changes in government. In Latin America, it is common for each incoming president to change not only the people in charge of

¹¹ Offering past presidents a position in the party could be a mechanism for aligning their incentives when leaving office with those of the party.

¹² A compact cabinet would have fewer conflicts over policy. For example, Bawn and Rosenbluth (2006) find that the fewer the number of parties in the government coalition, the lower are public expenditures.

¹³ For example, Amorim Neto and Borsani (2004) find that cabinet stability (low ministerial turnover) is conducive to fiscal policy stability: that is, the ability to control spending and attain fiscal balance.

the ministries but also the overall structure of government by creating new ministries, eliminating others, changing their names, functions, and scope, and the like.¹⁴ High cabinet instability ultimately leads to high policy instability, low accumulation of expertise, and thus low quality and less adaptable policies. When rotation is high, ministers have no time and incentives to accumulate expertise. These “negative” incentives usually trickle down to the lower levels of the bureaucracy.

Summary

The type of political regime, the degree of power of the president, and the method of election and selection can affect the number of agents with influence on policymaking, their stability (and discount rate factor), the availability of enforcement mechanisms, and the arenas where transactions take place. As the degree of power of the president increases, the government’s capacity to generate changes and new policies tends to increase as well. For example, in strong presidential systems, the president can try to force policies unilaterally through executive decrees in cases of a divided legislature. Alternatively, if she cannot circumvent passing its proposal through the legislature, the president may use her appointment prerogatives and other incentive mechanisms to cement coalitions in the legislature. As a rule of thumb, transactions generally take place in the legislature in weak presidential systems, while they take place in less formal environments in strong presidential systems.¹⁵ In Argentina, a country with a strong presidential system, most of the decisions are not taken through Congress but in other less institutionalized arenas, like short-term agreements between the president and the governors, reinforcing the volatility of policies and the distortionary mechanisms utilized to attempt to “insulate” policies given the low enforcement of intertemporal political compromises (Spiller and Tommasi, 2003). In Brazil, the president is able to pass her agenda through the legislature because she has at her disposal relatively cheap tokens of exchange: the discretionary execution of legislative budget amendments (Alston et al., 2006).

¹⁴ In Latin America, it is common to see “failed innovations”: ministries that are created and abolished a few years later (Blondel, 1982).

¹⁵ According to Mainwaring and Shugart (1997), presidential regimes in which the chief executive is endowed with limited legislative powers and in which the party system is compact generate stronger incentives for inter-branch cooperation than regimes that grant extensive legislative prerogatives to the president and feature a dispersed party system.

Table 2 summarizes some of the relationships presented in this section regarding executive branch political institutions and the features of cooperation, and some readily available related measures. For example, the tenure of executive branch officials, reelection constraints, and the existence of censure or impeachment mechanisms available to the legislature affect the time horizon of the chief executive *ex ante*. *Ex post*, actual reelection rates and measures of government stability help to explain the incentives of government officials while in office. Hence, they are another piece of evidence for understanding the policymaking process and the features of public policies.

2. Legislative Branch

Two roles have traditionally been conferred to the legislature: to legislate, and to restrain the executive branch. In terms of the framework of this study, the legislature, since its inception, has been considered an institution that would help reduce the volatility of policies and better represent the preferences of the populace. The legislature's effectiveness in doing so depends on the institutions of the executive just described and on the institutions of the legislature. Legislative institutions (broadly defined) can have important consequences for how policies are decided and implemented and the possibility of engaging in intertemporal cooperation. In terms of the approach followed in this document, those institutions could have an impact on the number of relevant political actors and their relative duration (and discount factor), tilt the results of the policymaking process in favor of some geographic or demographic minority, affect the "quality" of the representatives, and affect the arenas where decisions are made, among other possibilities. Among the legislative institutions that could affect the behavior of legislators, this discussion highlights two factors: *electoral rules*, the rules of access to the legislature, such as the electoral rules and party nomination procedures; and *legislative structure*, the rules that organize the workings of the legislature, such as whether the legislature is divided in two chambers, and the roles and prerogatives of committees.¹⁶

¹⁶ These two groups are interdependent because the rules and workings of congress tend to be an endogenous response to the impact of the electoral rules on party discipline and organization. The study of the inner workings of congress and its interactions with the executive and other actors is one of the main focuses in the country cases covered in the volume *Political Institutions, Policymaking, and Policy*.

Electoral Rules

As is the case with the executive branch, the method of election of representatives is a very important determinant of the number of relevant policymakers and the incentives of policymakers.¹⁷ One way the traditional literature has analyzed the impact of electoral rules on policymaking has been primarily through their impact on representativeness, effectiveness, and participation.¹⁸ An electoral system that fosters these features would basically ensure that a strong connection exists between citizens and representatives, that citizens' preferences are represented in the legislature according to their weight in society, and that legislators can work those preferences into policy effectively.

The first characteristic of the method of election is whether representatives to congress are directly elected, indirectly elected, or appointed. These options influence the number of relevant players. Because representatives have as one of their main objectives maximizing the returns on their political careers, they will usually try to satisfy those constituencies that provide them with the greatest benefit. This choice can differ according to the method of election. For example, if representatives are appointed by the executive branch, they are usually not potential veto players for executive branch initiatives; this reduces the number of relevant actors. If representatives are selected by subnational legislatures (indirect election), they could become highly relevant players when dealing with some issues, such as intergovernmental transfers; this increases the number of players, at least with regard to these issues.

In Latin America, indirect election and appointment have been gradually phased out in favor of direct election. While this reform alone could help to align the preferences of the representative with those of the citizenry, differences in the system used for the direct election of representatives play a role as well. The most common differences are those with respect to the

¹⁷ This discussion does not follow very strict criteria for classifying electoral systems. Using somewhat stricter criteria, Katz (1997) classifies electoral systems according to: translation of votes into seats (electoral formula and constituencies); nature of choice (object of choice, type and number of choices); access to the ballot box (suffrage, registration of voters, ease of voting); and control of candidacy (qualification and nomination, campaign activity, public subsidy).

¹⁸ An electoral system that is optimally representative is one in which political groups obtain legislative seats in nearly exact proportion to their share of the vote. An electoral system fosters effectiveness if it produces sufficient concentration of power in the legislature to make it possible for diverse societal preferences to be aggregated and resolved into acts of government (Payne et al., 2002). Finally, participation refers to how the form of voting affects the strength of the connection between the constituent and his or her representative. This is also called the agency dimension, and it could affect voter turnout (Grofman and Reynolds, 2001).

electoral formula, the *ballot structure*, and/or the *magnitude of electoral districts*.¹⁹ In some countries, each district is represented by a single legislator (single-member districts); in other countries, each district is represented by several legislators (multimember districts). In single-member districts, the seat is allocated to the candidate who had the largest number of votes (either in the first ballot or after a runoff election). In the case of multimember districts, candidates are usually part of a party list, and seats are allocated according to one of a variety of different formulas that relate the percentage of votes that the candidates or group of candidates received in the election to the percentage of seats. Ideally, the list of candidates that receive a given share of votes would receive the same share of seats. However, the electoral formula plus the district size (how many legislators are elected from each district) and the thresholds of representation (the minimum percentage of votes that a party must reach to win representation) could introduce a wedge between the share of votes and the share of seats, increasing the degree of disproportionality and thus affecting the degree of influence of different actors in society.²⁰

Electoral rules, particularly district magnitude, could also affect whether those who try to enter the legislature do so through an existing party or a new party (because of strategic voting).²¹ Effectively, the number of effective parties (and potential players) is usually higher as the system becomes more proportional. In Latin America, the effective number of parties is close to two in Chile (with a district size of two) and almost eight in Brazil, where the average district is close to twenty (IDB, 2005).²² The relationship between the number of parties and the number of

¹⁹ The *electoral formula* is the method by which vote totals are translated into claims upon seats. The main classes of electoral formula in democracies are plurality rule and proportional representation. The *ballot structure* consists of the number of votes each voter is entitled to cast; whether voters are allowed to abstain from using some of their votes, when they have more than one, or must cast them all; and whether voters can cumulate their votes or not. Finally, the *magnitude of the electoral district* refers to the number of seats to be filled by the voters of that district.

²⁰ The *disproportionality* for each party in a particular election is simply the difference between its vote share and its seat share. Disproportionality is usually larger in countries that use majority or plurality voting than in countries that use proportional representation systems. Among those that elect their legislators using proportionality, disproportionality would be larger the smaller the size of the district; the higher the threshold of representation; and if countries have presidential systems with concurrent elections.

²¹ *Strategic voting* refers to a type of behavior induced by certain electoral rules in which voters choose not to vote their first-order candidates, in order to prevent the least preferred candidates from winning (Shepsle and Bonchek, 1997).

²² The degree of fragmentation of a legislature is usually measured one of two ways: through Rae's fragmentation index (Rae, 1967), which indicates the probability that two randomly chosen legislators would belong to a different party; or through the effective number of parties (Laakso and Taagapera, 1979). The major advantage of the effective number of parties is that it can be visualized more easily than the Rae index (it approximates the equivalent number of parties of equal size for a given fractionalization).

relevant players in the legislature depends on the degree of allegiance of candidates to parties.²³ If party discipline is high, the number of effective political parties would proxy the number of agents with power over decision-making in the chamber. **Party discipline** is also affected by the electoral system because it shapes the incentives of those who must compete, particularly regarding their allegiance to the party bosses or to the constituency that elects them. Under a regime of multimember districts (large size districts) and proportional representation, party leaders have a higher number of “carrots and sticks” (particularly under closed lists); thus politicians respond to the party leadership’s platform to increase their chances of nomination (Gallagher, Laver, and Mair, 1992).²⁴ Under a regime of single-member districts and plurality rule (and to a lesser extent under proportional representation with small district size), politicians can usually act as political entrepreneurs who respond mostly to their local constituency to secure nomination and reelection.

In addition to the size of the district, in the case of multimember districts, another important consideration is whether legislators are elected from closed or open lists (*ballot structure*). The ballot structure has important implications, as it could affect electoral strategies, the degree of party discipline, and the link between voters and representatives (Carey and Shugart, 1995). Assuming that party labels are meaningful, closed list systems provide party leaders the greatest control over rank and file legislators, encouraging party discipline (Mainwaring and Shugart, 1997). As party leaders decide the order of the list, this may also weaken the nexus between legislators and voters.

By contrast, in open list systems, as candidates of the same party compete against one another, they face incentives to form *factions*: that is, organized groups within parties that compete for control of valued resources (Cox and McCubbins 2001). To sum up, while closed list system encourage party votes, in open list systems legislators face incentives to cultivate personal votes (Ames 1995b).²⁵

²³ One way to look at the incentives of candidates to conform to citizens or to their party is by looking at the degree of *particularism*: that is, the incentives to cultivate a personal or individual vote versus a party or collective vote (see Carey and Shugart, 1995; Gaviria et al., 2003; Johnson and Wallack, 2006).

²⁴ Rasch (1999) considers that holding equal other institutions, electoral systems have an impact on party discipline through three different channels: district magnitude, ballot, and decision rules or electoral formulas. Basically, parties represented in the legislature would be more disciplined if there is a large average number of seats per district, if the placement on party lists is centrally controlled or is controlled by the party branch of large regions, and if formulas are more proportional (there is a low threshold for election).

²⁵ A word of caution: the link between legislators and voters in open list systems should not be overestimated. In large multimember districts, as individual legislators are encouraged to focus on narrow constituencies, it is more

The overall degree of fractionalization of the legislature also depends on the incentives for **coalition formation and stability** generated by the electoral rules. Usually, coalitions will form in the pre-electoral stage in single-member districts, while coalitions will form in the post-electoral stage in multimember districts. However, there is much variation within the multimember district family, as some systems may encourage coalition formation at the pre-electoral stage as well. The binomial system used in Chile is a case in point.²⁶

The binomial system provides parties a strong incentive to coalesce at the district level, as doubling the rival's vote share gives the winning list all seats, or securing a second place and avoiding being doubled gives the list half the seats. Additionally, given that the costs of defection for a party (such as leaving the coalition) are high, the binomial system also fosters coalition stability (Aninat et al. 2006). The binomial system seems to be one of the main characteristics that explains some of the good features of public policy in Chile.

In contrast, multimember systems, where the thresholds of success are lower, make parties compete unilaterally, thus limiting their ability to form coalitions at the pre-electoral stage. The country evidence shows that the stability of coalitions varies across countries and across administrations; it depends at least in part on the extent to which there is a match between what the president is able to offer legislators to keep them within the coalition, and what legislators want. In the case of Ecuador, agreements are short-lived because legislators do not want to be associated with the president. In the case of Brazil, presidents use the distribution of projects with local benefits to gather political support (Stein et al., 2007).

Electoral rules also play a role in explaining the representation of ideologies and the polarization of the political system. Thus they also affect legislators' preferences. The electoral system can affect **representation** of ideologies, minority representation, and representation of local interests (*localism*), and whether politicians could compete successfully at the local or the national level (Grofman and Reynolds, 2001) through their impact on barriers to entry and representation biases. While some electoral systems favor the entry of small parties, others require a large presence in the electorate in order to win representation (high thresholds).

costly for voters to become informed about the contending candidates, and thus it may be more difficult to hold them accountable (Payne et al., 2002).

²⁶ The *binomial system* is a proportional representation system with district magnitude of 2 in all districts. Each of the lists receiving the two highest vote shares wins one of the two available seats per district— unless the most voted list outpaces its second place rival by a ratio of more than two to one, in which case both seats go to the most voted

Similarly, some electoral systems could overrepresent some parties and underrepresent others according to the distribution of their supporters across districts (Saiz and Geser, 1999; John and Saiz, 1999; Calvo and Murillo, 2004) and the degree of **malapportionment** (Samuels and Snyder, 2001; Ansolabehere, Snyder, and Ting, 2002). Malapportionment refers to an inequitable or unsuitable apportioning of representatives to a legislative body. The idea is that some districts could be electing more than an equal share of legislators according to the population of the district, violating the concept of one person one vote, or more specifically, the same number of representatives per voter. Even if malapportionment does not affect the number of relevant players, it could affect their identity, and hence, the results of the policy making process. Given the strong relationship between malapportionment and federalism, its effects are further analyzed in that section.

Additionally, electoral systems can affect the **polarization** of the political system (Sartori, 1976; Mainwaring and Scully, 1995). Electoral systems affect polarization through electoral formulas and district magnitudes. In single-member district (SMD) electoral systems, policies are hardly ideological and a successful politician responds to the preferences of the median voter in his or her geographic district. By contrast, in regimes of multimember districts and proportional representation, parties are more ideologically oriented than in two-party systems and political parties' preferred policies usually deviate from that of the median voter. A higher degree of polarization could imply the existence of more extreme positions in government, the legislature, or the political spectrum. In some instances, this could lead to greater instability in the political system and more drastic changes in policies (Haggard, 2000).

Some of the actions of legislators are explained by their expected duration, which affects the rate at which they discount the future (**discount rate**). Higher discount rates reduce the value of future benefits and reduce legislators' incentives to invest in their capabilities while in office. The duration is determined, among other factors, by term limits, reelection constraints, and the electoral system in place. The implications of the first two factors for duration are straightforward; the shorter the term and the harder it is to be reelected, the higher the discount rate. The electoral system affects duration through its impact on determining who has the power

list. In addition, coalitions are allowed only to the extent that they are national in scope (thus they are binding in every district in the country).

to reward or punish legislators, that is, who is the legislator's principal.²⁷ In single-member districts such as those in United States, it is the voters who are responsible for getting legislators reelected. Since seniority plays an important role in committee assignments, which in turn affect the ability of legislators to deliver benefits to their constituents, as a general rule voters have an incentive to reelect incumbent legislators. In contrast, in a country like Argentina where the direct connection between voters and legislators is weaker, governors and other provincial party leaders tend to be responsible for putting together party lists. They tend to be the "principals" of the legislators, and often have incentives to move legislators to other (often subnational) positions, which results in increased turnover in Congress.

Some partial data support this hypothesis. The high rate of reelection of members of the U.S. Congress is not that common in Latin America legislatures. In Argentina, the number of incumbents running for reelection is close to 25 percent, and the reelection rate is below 20 percent (Jones et al., 2002). In Chile, however, around three-quarters of incumbents have been renominated for the legislature within the same coalition, and three-fifths have won reelection (Carey, 2002a). In the mid-1980s, the percentage of representatives seeking reelection in Argentina was as low as 26 percent, compared to 99 percent in the United States. For the same elections, the percentage of representatives returning to office was 17 percent in Argentina (proportional representation, closed lists) and 83 percent in the United States (plurality). These percentages were 70 and 43 in Brazil (proportional representation, open list), and 76 and 59 in Chile, which has a binomial system, (Morgenstern, 2002; IDB, 2005).

A potential (albeit minor) institution that could also affect the reelection rate of legislators is the power to redraw district lines (**gerrymandering**), so as to change the balance of power and representation of parties, and hence, the ability of legislators to be reelected. If gerrymandering is common and there are few restrictions on how to redraw districts, even the most popular legislators could be ousted from power by redistricting by the opposition party. For example, in the United States, the single-member constituencies for the lower chamber are drawn (and redrawn) by the state legislatures to maintain a similar ratio of representation across constituencies and in order to take into account the representation of minorities. This redrawing

²⁷ The principal-agent problem is a particular description of a situation under game theory. There is a player called a principal, and one or more other players called agents with utility functions that are in some sense different from the principal's. The principal can act more effectively through the agents than directly, and must construct incentive schemes to get them to behave at least in part according to the principal's interests

gives state legislatures the ability to influence the results of upcoming elections. Even though there are certain procedures they have to follow (in order for the new constituencies to stand up in court), history provides very interesting examples of manipulation (Crain, 2003). There is no available evidence for the world at large, but the evidence for the United States indicates that when the Democrats controlled redistricting, they protected Democratic seats in the lower house of the legislature following redistricting, and the opposite held when Republicans controlled redistricting (Besley and Case, 2003). Consequently, gerrymandering could have an effect on the game of political transactions because it could affect the stability of legislators and their political allegiance.

As shown, the method of election, along with other complementary institutions, is relevant in this framework because it could have important implications for the number, characteristics, preferences, and stability of agents and groups that are in charge of policymaking.²⁸ Additionally, the electoral system could affect the pool of candidates willing to enter politics and the personal characteristics of individual legislators (such as their competence and honesty) because different electoral systems affect the incentives faced by individual legislators to extract rents or engage in corrupt activities (Caselli and Morelli 2004).²⁹ According to standard criteria by which legislatures are compared, Chile's congress is reestablishing itself as an unusually professional and technically competent legislature. The same cannot be said of other legislative bodies in the region, where professional capacity is not common and politicians rotate without accumulating any institutional knowledge (Carey, 2002; Saiegh, 2005; IDB, 2005)

Legislative Structure: Unicameralism and Bicameralism

One of the most important characteristics regarding the structure of legislatures is whether they have a single chamber or are divided into two different chambers. In Latin America, more than half the countries have bicameral legislatures (Llanos and Nolte, 2003; Sánchez, Nolte, and

²⁸ In addition to the electoral system, other determinants that could affect the personal characteristics (competence, honesty) of legislators are candidacy requirements, nomination procedures, term limits, and party organization. Additionally, gender and ethnic constraints could affect entry into politics.

²⁹ First, while in proportional representation (PR) systems incumbent party leaders monopolize control over rents, in plurality systems the locus of rents is more evenly divided between the party leadership and individual legislators. Second, the ability of voters and opposition parties to control rent extraction under both systems is different. As plurality rule produces districts with a smaller number of voters than proportional representation systems, collective action problems for voters and opposition groups in monitoring corrupt incumbents are less severe. Thus some authors argue that proportional representation systems are more susceptible to corruption relative to plurality systems (Kunicova and Rose-Ackerman 2002).

Llanos, 2005). Nonetheless, there is little agreement in the literature on the benefits of having a bicameral legislature. While political philosophers like Charles Montesquieu were in favor of the institution, others like Jeremy Bentham were not. Some of the advantages of having a bicameral legislature include the following: avoiding bad decisions made in haste;³⁰ avoiding actions that favor narrow interests (Buchanan and Tullock, 1962); reducing the likelihood of voting cycles (Mueller, 1996a); and representing different interests (Mueller, 1996b).³¹ Of course, the validity of these arguments depends on the implementation of the system. In some cases, bicameralism could make the government incapable of responding decisively to a crisis, could increase wasteful redistribution (either to a geographic or to a corporate constituency), or could excessively increase the cost of reaching a decision (Mueller, 1996b). In other cases, having a second chamber could provide the necessary balance of power. Because the strategies of the actors and the outcomes are affected by the presence or absence of a second chamber, the study of the policymaking process in countries with bicameral legislatures must focus not only on the bargaining of each one of the chambers separately, but on the interaction between chambers as well.

Two institutions related to the legislature determine each chamber's strength or weakness, its relevance, and the basis of its representation. The first important aspect is the **constitutional powers** of each chamber (such as the order of voting, rules to overturn/modify decisions, and each chamber's role in the confirmation/impeachment processes). Those powers determine the role of each chamber in the policymaking process, which one has the most power, and under which conditions both are relevant policy players. Constitutional powers could determine that in certain countries or policy areas both chambers are relevant, which would make it more difficult to pass new legislation. In other countries (or policy areas) one of the chambers could be "subservient" to the other and would not act as an additional veto player.

The second important feature is the **method of election**. While this document has already discussed the impact of this feature on the role of the legislature as a whole, here the emphasis is on the differential impact on a second chamber. On the one hand, the method of election could affect its political clout. For example, a second chamber that is not directly elected could lack the

³⁰ This was one of the reasons James Madison, John Jay, and Alexander Hamilton (1787) mentioned in *The Federalist Papers*.

³¹ Of course, this begs the question of which interests those may be.

democratic legitimacy, and thus the real political influence, that popular election confers.³² On the other hand, the electoral rules may affect whether having two chambers adds players and interests to the bargaining, which interests those are, and thus the type of negotiation that ensues.

The method of selecting the representatives to each chamber and the basis of representation (type of constituency) determine the degree of congruence between the upper and lower houses in bicameral legislatures. If there is congruence, and the party composition of one chamber mimics the composition of the other, it is often assumed that preferences of the chambers will be similar or identical. However, congruence (and similarity) should not be equated with identity of positions. Legislators in each chamber could be representing different constituencies, as some geographic entities could be overrepresented in one of the chambers. Moreover, chambers could have different decision-making rules. In addition, opinions may vary even within the party.

One factor that can explain the divergence of positions across chambers is the degree of the legislature's **malapportionment**. Usually, the second chamber is elected by methods designed so as to overrepresent certain minorities. The greatest degree of overrepresentation occurs when there is equality of state representation regardless of state population, as is usually the case in the upper chamber of federal governments.³³ A high degree of overrepresentation (malapportionment) usually produces two effects. First, state-level interests are favored in public policy, particularly on fiscal policy. Second, smaller states usually end up relatively better off. For example, the Brazilian and Argentinean congresses overrepresent the (mostly poor) less populated states, and this overrepresentation affects policy outcomes (Samuels, 2003; Gibson and Calvo, 2000).

Therefore, even under congruence, the analysis indicates that compared with unicameralism, bicameralism could increase the number of relevant players and thus make changes to the status quo more difficult (Tsebelis and Money, 1997). If changes occur, they happen through a process of both cooperation and conflict between the two chambers. The outcome of the bargaining between the chambers depends on the relative power of each house, which is a function of the constitutional powers and institutional rules (such as the chamber in

³² Currently in Latin America, there are no cases of indirect election. In Chile, until the constitutional reform of 2005, nine senators were appointed and one seat was reserved for former presidents.

³³ Numerous explanations for this arrangement have been offered: both normative explanations (in terms of equity) and positive explanations (such as who held the power at the moment of drafting the constitutions).

which bills are introduced, which chamber has the last word on disputes, and the number of possible iterations for considering a bill) and the impatience of each chamber to reach a deal. We now turn to those factors.

Legislative Organization: Committees and Agenda-Setting Power

In a context where the legislature has an impact on policymaking, analysis of the practices and regulations that rule legislative activities matters because these practices and regulations may alter the number of players and their allegiance. By distributing power and resources, voting rules, agenda-setting powers, rules for introducing bills, order of voting, presence or absence of roll call votes, and the relevance of committees and seniority all affect the actual number of agents that have influence over policy decisions, their incentives, the arenas in which they interact, and their discount rates. The legislature rules are usually endogenous because politicians—mainly party leaders—react to the deeper institutions commonly found in the constitutions, such as the electoral rules, by trying to shape the workings of the political institutions to their advantage (Shepsle and Weingast, 1987; Carey, 2006; Cox, 2006).

One important aspect of legislative organization is the rules that guide the process and structure of legislation. **Agenda-setting power** refers to any special ability given to legislators to determine which bills are considered on the floor and under what procedures.³⁴ Because legislative rights and resources are not evenly distributed among legislators, agenda-setting power affects the structure of the policymaking process and the weight of legislators in policy decisions (Cheibub and Limongi, 2002). Understanding agenda-setting power is thus fundamental to fully grasping the micro workings of legislatures.³⁵ First, it provides clues about the distribution of “power” in legislatures. Second, it offers insights on the way majority parties or coalitions control the flow of legislation and thus influence legislative outcomes (Cox and McCubbins, 2005).³⁶ For example, in some countries, the president of the chamber controls which bills will be considered in a legislative year. Those prerogatives increase his or her power,

³⁴ Agenda power is positive/negative when a legislator or party has the ability to ensure/prevent the consideration of bills on the floor.

³⁵ Cox and McCubbins (2005) explain the workings of the U.S. Congress by analyzing agenda-setting rules. For applications of the agenda power framework in other institutional settings, see Figueredo and Limongi (2000); Amorim Neto, Cox, and McCubbins (2003); and Jones and Hwang (2005). Tsebelis (2002) also analyzes agenda-setting in parliamentary systems.

³⁶ Agenda-setting rules can usually be found in a legislature’s formal procedures (“*reglamentos*”). Alemán (2006) provides a survey of the internal rules of procedure in Latin American legislatures.

which s/he can use to foster discipline of fellow party legislators and strike deals with the opposition.

The second aspect to analyze is the **role of committees**. Committee power depends on the rules governing the sequence of proposing, amending, and in some cases vetoing proposed bills in the legislative process. In most countries, committees are gatekeepers in their respective policy domains and repositories of policy expertise. In addition, they are the point of origin of policies, and they exercise disproportionate control over the agenda in their policy domains. Therefore, committees are sometimes powerful, and they are able to impose many of their policy preferences (Weingast and Marshall, 1988; Shepsle and Bonchek, 1997).

However, the extent of committee strength, the degree of specialization, and the technical capacities of committees vary widely and are shaped by a number of factors (Saiegh, 2005). First, committee rules determine the number and size of committees, thus affecting the supply of committee slots. If the number of committees per legislator is large, legislators are required to serve on several committees at the same time. As time and effort are limited resources, and legislators participate in more committees simultaneously, the level of specialization and the degree to which legislators accumulate policy expertise decreases (Jones et al., 2002). Second, the process of committee and leadership assignment also affects specialization. While a seniority system in which legislators serve particular sectoral constituencies in order to be reelected fosters specialization, a partisan distribution of committee and leadership assignments, where party leaders practice rotating legislators from one committee to the other, undermines specialization. A final factor shaping a committee system's technical capacities is the possession of resources, such as a competent committee staff (Saiegh, 2005).

In those cases where committees are important for legislative policymaking, if party leaders retain control of committee nominations,³⁷ they could use those nominations to ensure a higher degree of party discipline (Cox and McCubbins, 1994). Thus committees have gained importance in countries like the United States, where party leaders and party seniority determine access to committee membership (Shepsle and Weingast, 1987; Rasch, 1999). In the case of

³⁷ There are other ways in which party leaders can increase party discipline, such as the allocation of party funds for the electoral campaigns of individual legislators or party nomination procedures. Opposition status also fosters party discipline, despite the fact that the opposition's party leadership controls fewer resources and is thus more vulnerable. Additionally, when there is an opposition party that is willing to block most government initiatives, the discipline in the governing party tends to increase. Members of governing parties in presidential systems tend to feel

Colombia (before a recent reform), the party label was not a relevant indicator of allegiance and factionalization was very high. Even campaign financing would flow directly to the factions, out of the control of party leaders. In that context, the only tool party leaders had for retaining some power over the legislators was through the selection of legislators for committees (which are few and important).

Even though party leaders have usually tried to find ways to increase the importance of committees in order to increase their clout with the rank and file of their parties, in some countries they have chosen the opposite path to overcome problematic situations within their parties. For example, parties have chosen to create new positions and new offices within the parties and to increase the number of positions in the legislature, including increases in the number of committees. In Argentina, leaders use assignments to generate support, both within and among parties, and since reelection rates are low, the number of committee posts has grown to provide leaders more posts to offer to pliant legislators. The number of committees grew from 26 in the 1983–85 legislature to 39 in the 1993–95 legislature (Jones, 2002; Jones et al., 2002; Mustapic, 2002). All of this has tended to conspire against the role of committees as repositories of technical expertise and policymaking capabilities (Jones et al., 2006). In contrast, in Colombia, legislators can participate in only one committee for the entire four-year term. These features provide high incumbency rates and a high level of specialization.

Party leaders are not the only ones who use committees to their advantage. Legislators usually choose to belong to those committees that would ensure the highest chance of reelection. Stratmann and Baur (2002) find empirical evidence of different behaviors across legislators for Germany, where half of the parliamentary seats are awarded from single-member constituencies and the other half through proportional voting. The legislators elected from single-member constituencies, regardless of individual expertise, tend to choose those legislative committees that deal with geographically based affairs, while the legislators elected by party lists tend to prefer those committees that deal with broad-based policies and transfers.

Finally, regarding the arenas where transactions take place, an important characteristic of Latin American legislative institutions is that much negotiation and bargaining occurs behind closed doors (Morgenstern, 2002). In most instances, presidents would prefer to shield

freer to vote against the executive on the assembly's floor than their counterparts in parliamentary systems. For details on party discipline in Europe, see Gallagher, Laver, and Mair (1992) and Sánchez de Dios (1999).

disagreements with the legislature, as well as the concessions made to the legislature (or to individual legislators), from the public eye. In other cases, when the president's proposal enjoys strong popular support, a president may prefer to override any legislative proposal by relying on public opinion and refusing to offer concessions.

The Role of the Legislature in the PMP and Congress' Capabilities

Recent studies have developed classifications or typologies of Latin American legislatures on the basis of variables and concepts like those emphasized above. By focusing on Argentina, Brazil, Chile, and Mexico, Cox and Morgenstern (2001, 2002) classify Latin America legislatures as reactive instead of proactive. This implies that while the legislatures rarely initiate legislation, they are often involved in negotiating over policy issues behind the scenes and vetoing or amending executive initiatives. Accordingly, Latin American legislatures are not necessarily powerless or unimportant, and presidents must anticipate what those legislatures may accept and modify their strategies accordingly. The support for the presidents in the legislature varies greatly in Latin America, making it more difficult to establish a pattern of relationship between the two branches over time. While support for the president usually oscillates around half of the members of the legislature in the United States, in Latin America the amplitude is larger.

IDB (2005), drawing on Saiegh (2005) and Stein and Tommasi (2005b), develops an index of the policymaking capabilities of congresses. The index attempts to capture the factors that shape the role of legislatures in the policymaking process by focusing on the capabilities of congress as an organization, as well as on some personal characteristics of legislators. The quantitative and subjective variables that make up the index include: the level of confidence of citizens and business in the performance of congress, the average years of legislator experience, the percentage of legislators with university education, their technical expertise, the average number of committee memberships per legislator, the strength of committees, and the extent to which congress is a desirable place for politicians to build a career. The evidence indicates that those countries with high levels of congressional capabilities tend to score high on the features of their public policies.

Table 3 summarizes the main relationships between political institutions and the determinants of cooperation at the legislative level. As presented in this section, higher fractionalization of the legislature will usually increase the number of actors involved in policy

decisions. Of course, this is not independent of the degree of party discipline, the role of committees and agenda setting, and the ability of the parties to cement coalitions. Similarly, the impact of having a second chamber depends greatly on the degree of congruence of preferences with the lower chamber and on the prerogatives of each one of the chambers. While under a certain configuration of institutions a second chamber may reduce the legislature's ability to enter long-term exchanges, in others it could provide the incentives (and enforcement mechanisms) that could help to reach cooperative outcomes.

As a final caveat, an important characteristic of Latin American legislative institutions is that the workings of legislatures are usually difficult to ascertain from objective data because much negotiation and bargaining occurs behind closed doors (Morgenstern, 2002). In most instances, presidents would prefer to shield disagreements with the legislature from the public eye, as well as concessions made to the legislatures. In other cases, when the president's proposal enjoys strong popular support, a president may prefer to override any legislative proposal by relying on public opinion and refusing to offer concessions. This is a very important characteristic of most legislatures in Latin America and one that should be examined by country-specific analysis.

The impact of congress on policymaking is not independent of the role of the judiciary. The evidence seems to indicate that congressional capabilities particularly affect policies in the case of judicial independence; otherwise, there would be no regular enforcement of the acts of congress.

4. Judiciary Branch

The role of the judiciary is framed by the choice of judicial system: that is, whether a country "chooses" to adopt civil law or common law. Common law is the body of customary law, based upon judicial decisions and embodied in reports of decided cases, that has been administered by the courts of England since the Middle Ages and has evolved into the type of legal system now found also in the United States and in most of the member states of the Commonwealth. Civil law, which has been adopted in much of Latin America, is a set of codes that sets forth general rules that are applied and interpreted taking into consideration the "spirit" of the code in an effort to apply to each case the solution that would have been desired by the legislator (Tullock, 1997).

This distinction is important, as it frames the relative importance of the judiciary branch vis-à-vis the other branches of government.

In terms of the framework of analysis of this study, the judiciary may play several policymaking roles.³⁸ It can be an **impartial referee**, as an enforcer of political transactions among different political actors; this can increase the durability and stability of policies. The judiciary can also be a **policy player**, shaping policies according to its preferences and/or society's, and sometimes providing a voice for marginalized or unorganized social sectors. The judiciary plays these roles through its reactive (veto) and proactive prerogatives. This distinction of the potential roles of the judiciary is important because it provides a more accurate depiction, moving beyond the analysis of its actions only as a veto player and highlighting its importance as enforcer of political transactions. These functions are not mutually exclusive, and some are closely connected.

The relevance of the judiciary as an actor in the PMP depends on the degree of judicial independence.³⁹ If the judiciary is independent, legislators and the executive must take into account the preferences of the judiciary when making policy. On the contrary, if the judiciary responds to one of the other branches of government, then its actions would merely mimic (and probably strengthen) the actions of that branch of government.

Among the characteristics of the judiciary that affect judicial independence, several stand out: the extent of budgetary autonomy; the level of transparency and the extent of the use of meritocratic criteria in the process for nominating and appointing judges; the stability of the tenure of judges; and the reach of judicial review powers. Effective judicial independence also depends upon the behavior of other actors, such as whether the president or political parties regularly interfere with the courts. This, in turn, depends upon these actors' incentives (Sousa, 2005).⁴⁰

Given judiciary independence, the judiciary, as an **impartial referee**, can play the role of enforcer of political transactions. This offers an additional layer of durability to politicians'

³⁸ The framework has been adapted from Sousa (2005).

³⁹ *Judicial independence* has four interrelated dimensions: *substantive independence*, or the power to make judicial decisions and exercise official duties subject to no other authority but the law; *personal independence*, or stability of tenure and freedom from intimidation or threats; *collective independence*, or judicial participation in the central administration of courts; and *internal independence*, or independence from judicial superiors and colleagues.

⁴⁰ A topic related to the independence and duration of the judiciary is the existence and stability of, and respect for, the constitution. Whether or not a country has a written constitution, consideration such as the size of the majorities

agreements by bounding them to their commitments. Thus, working mainly in reactive fashion, the judiciary can provide a “durability mechanism” that can increase the probability of reaching intertemporal agreements.⁴¹ In this framework, related to the work first discussed by Landes and Posner (1975), the presence of an independent court generates intertemporal enforcement of the political agreements undertaken today, increasing the benefits of implementing policy exchanges.⁴² In other words, an independent judiciary tends to resolve time inconsistency problems (that is, agreements made today have a higher discounted value because they are less likely to be changed in the future) because judges exhibit a pronounced tendency to resolve legal disputes and ambiguities in terms of the expressed intentions of the legislature that originally enacted the law. Therefore, an independent judiciary, even through vetoing new legislation, could be a facilitator of intertemporal agreements. In this context, a longer duration of judges could contribute to increasing the adaptability and stability of policies (Iaryczower, Spiller, and Tommasi, 2002).

As a **policy player**, the judiciary branch can act in a reactive way (as a veto player) or in a proactive manner, molding policies according to its preferences by “ruling from the bench” in common law countries, or in civil law countries by interpreting laws according to the constitution.⁴³ For example, in a context where the judiciary is independent and able to veto new legislation, if the legislature and the executive wish to move policies out of the status quo they would have to approve policies that are closer than the status quo to the preferences of the median judge (Shepsle and Bonchek, 1997). Additionally, judges (or constitutional courts, in the case of civil law countries) can introduce their preferences into policymaking by ruling on policies and new legislation if their preferences differ substantially from those of the other agents (Cox and McCubbins, 2001; Tsebelis, 2002).⁴⁴ In this role, the judiciary could contribute to

required for amendment and the type of judicial review would all contribute to determining the durability of rules—and in that sense, the importance of judiciary independence (Lijphart, 1999).

⁴¹ By entering the bargaining with veto power similar to the rest of the agents, it could also facilitate cooperation by enforcing the transactions that facilitate long-term agreements (Crain, 2001).

⁴² Crain and Tollison (1979) show that as judicial independence and/or the tenure of judges increases, there are fewer incentives to use other, stricter rules to prevent time inconsistency problems. (In game theory and economics, time inconsistency is a situation in a dynamic game where a player’s best plan for some future period will not be optimal when that future period arrives.) Stricter rules reduce the possibility of cooperation because they increase the number of veto players. Accordingly, an independent and durable judiciary would tend to facilitate political transactions.

⁴³ The judiciary can become a policy player by interpreting the statutes, not only in terms of what the legislature wrote at a particular time but also in light of the entire legal precedent.

⁴⁴ That is, if they are not “absorbed,” in terms of the definition by Tsebelis (2002).

making policies more public regarding and to ensuring that policies are more inclusive, if judges' preferences are aligned with those of the population at large.

The preferences and quality of the judges, which affect which interests they represent, are usually determined by the appointment procedure and the rules by which the judiciary is organized.⁴⁵ To predict their preferences and potential effects on the policymaking process, it is important to understand who judges are and what they want. Following the work of Posner (1994), some of the motivations for judges are popularity, prestige, and reputation: popularity among fellow judges; prestige in the legal and larger political community; and reputation in the academic legal world (for example, the desire not to be reversed by a higher court or the legislature). Therefore, in this context, the method of nomination and appointment (by the president, by the legislature, by both of them, by a judicial council, or by some other means) makes a difference.

Summarizing, while the judiciary can constitute an additional veto player, making it harder for the government to change policies, or respond to crises, an independent judiciary can also favor the development of political transactions and move policies toward their (or society's) bliss point.⁴⁶ On one hand, it can provide enforcement for the agreements reached by other actors. This can increase the durability of agreements and policies, and thus the present value of cooperation: in this case, increasing the adaptability and stability of policies.⁴⁷ On the other hand, by acting as a policy player, the judiciary can move policies toward increasing public regardness, if its incentives are right.

Table 4 presents a summary of the characteristics of the judiciary discussed in this section and some of the relevant measures that capture their importance for understanding the role of the judiciary in the PMP. For example, a meritocratic and autonomous judiciary (with ample review powers) will generally provide a higher enforcement of political deals, enabling transactions that would not take place otherwise.

⁴⁵ Tsebelis (2002) discusses appointment procedures and impact on the preferences of the courts. Other factors that shape the judiciary's independence are the degree of judicial budget autonomy, the terms and tenure of judges, and the extent of judicial review powers (Sousa, 2005).

⁴⁶ The bliss point is the point of maximum utility: the point that everyone wants to reach to maximize their utility according to their preferences.

⁴⁷ If there is no judicial independence and duration is low, actors would have to opt for other means to increase the durability of laws, such as introducing constitutional amendments and qualified majority rules. If this were the case, policies would tend to be more rigid.

5. Federalism and Subnational Authorities

The basis of federalism is a national polity with dual (or multiple) levels of government; each level exercises exclusive authority over constitutionally determined policy areas, but only one level of government—the central government—is internationally sovereign (Gibson, 2004). Federalism affects policymaking through the role that subnational authorities (governors) may play in the design and implementation of public policies and their interaction with national-level actors (presidents, legislators). For example, the introduction of subnational elections significantly changed political and party dynamics in Venezuela. The extent to which subnational authorities influence national policymaking depends on a number of institutional variables, to which the discussion now turns.

The first important institutional variable is the **method of selecting subnational authorities**. If governors are popularly elected, they play a more important role than if they are appointed by the central government. If governors can be reelected, they have incentives to cater to their constituency and pursue regional goals at the expense of national objectives (Monaldi, 2005).

Another important institutional variable is the existence of a **territorial chamber** in the national congress, as discussed in the section on bicameralism. Most federal countries allow for the representation of territories (states, provinces) in the national policymaking process through senates. These chambers tend to increase the power of subnational political actors, as they provide an additional veto point in the political system. This means that subnational interests need to be taken into account when national actors design and bargain over policies.

Another key factor is the overrepresentation of subnational units in the national legislature (malapportionment). **Malapportionment** strengthens the political power of the least populated states relative to the most populated units. Malapportionment is not a unique feature of territorial chambers. Several lower houses in federal systems show a certain degree of overrepresentation, even in population-based lower chambers.⁴⁸ As a consequence, overrepresented units may skew policies in their favor, and they typically receive higher resources per capita. This is the case in Argentina, which has the highest level of malapportionment in the upper chamber in Latin America and the third highest in the lower chamber (Samuels and Snyder, 2001).

⁴⁸ This is a result of the existence of lower and upper limits to the number of deputies that a certain region may have, among other factors.

The **method used for selecting candidates for the national legislature** is important because it shapes the incentives of representatives once in office—and more generally, their political careers. If the candidates' names and order are decided at the subnational level, the potential for regional party leaders to use their influence and resources to influence the election of legislators is high. In that case, the regional congressional delegation to the national legislature might vote more according to the governor's line than to the national party leader's or president's line, giving another tool to the regions for influencing national politics.

Moreover, when subnational authorities (such as governors) are important political players at the local level and parties are organized along territorial lines, national elections are heavily influenced by subnational-level politics, as governors may provide legislators and presidents with electoral coattails (Jones, 1997; Samuels, 2003). In cases where electoral districts coincide with territorial units (such as states and provinces), the degree of “partisan harmony” (the extent of support for the president throughout the territorial units) affects policymaking. For example, when national leaders lack support at the subnational level, “vertically” divided government, combined with the absence of sufficient resources to buy support, could complicate the approval of a president's agenda (Rodden and Wibbels, 2002). In Argentina, it contributes to creating a political system that tends to operate more on the basis of exchanges of provincial support of national policies for fiscal benefits to the provinces.

Finally, the link between federal and subnational politics is also fiscal. In particular, federal fiscal arrangements define tax and expenditure assignments between different levels of government, the design of intergovernmental transfers, and the borrowing autonomy of subnational units (Stein, 1999). In situations of high fiscal decentralization, subnational authorities control resources that render them powerful actors, even affecting policy outcomes at the national level.⁴⁹ In Brazil, in the early 1990s, governors would challenge the central government's fiscal sustainability to gain leverage in their negotiations (IDB, 2005).

Some of the links between federal political institutions and the features of the policy game are included in Table 5. For example, as mentioned above, higher fiscal prerogatives for

⁴⁹ For example, in many federal countries, while expenditure is decentralized, most revenues are collected at the center and then transferred to the subnational governments. This creates an incentive for subnational governments to overspend from the common pool of resources, enjoying the full benefits of overspending without internalizing its costs. If this tendency is not limited by the central government, the opportunistic behavior of subnational governments may result in dire economic consequences: excessive spending, fiscal deficits, debt crisis, and

the subnational authorities (measured in terms of the degree of fiscal decentralization and vertical fiscal imbalance), particularly when they can challenge fiscal discipline at the central level (measured in terms of the index of budgetary numerical restrictions for the subnational level), can increase the number of relevant policy players, and affect the ability to certain agreements (e.g., federal tax-sharing agreements) or generate inflexible policies (e.g., higher earmarks).

6. Political Parties and Party Systems

Political parties are organizations that seek influence in a state, often by attempting to occupy positions in government by “aggregating” interests in the society (Ware, 1996). They have also been regarded as instruments used by politicians to gain political office by reducing transaction costs (Aldrich, 1995). In terms of transactions with citizens, political parties reduce information costs by association with party labels and ideologies. In terms of transactions within the party system, political parties reduce the number of players in charge of transactions.

The role of political parties and party systems in the policymaking process is twofold. In some countries, political parties act directly in the policymaking process by contributing to the definition and articulation of policy programs and engaging effectively in public policy debates. In others, party system characteristics affect the policymaking process indirectly by influencing the workability of executive-legislative relations, the possibilities for coordination in congress, and the incentives of elected officials: that is, the extent to which they focus on adopting and implementing public policies consistent with a broader public good.

The characteristics identified in the literature, especially those that are most relevant for the focus of this document, include the degree of party system institutionalization, the programmatic character of parties and party systems, the degree of fragmentation, the level of party discipline, and the degree of party system nationalization, as well as the nature of campaign finance.

difficulties in macroeconomic management and fiscal adjustment at the national level (Wibbels, 2000; Rodden and Wibbels, 2002).

Party System Institutionalization

Party systems can be considered institutionalized when the patterns of interparty competition are relatively stable; parties have fairly stable and deep bases of societal support; parties and elections are viewed as legitimate and as the sole instruments for determining who governs; and party organizations are characterized by reasonable stable rules and structures (Mainwaring and Scully, 1995). In terms of the PMP framework, institutionalized party systems are likely to promote longer time horizons, greater policy consistency over time and a greater potential for intertemporal agreements, since commitments made by current party leaders are more likely to be respected in the future. In contrast, electoral competition in noninstitutionalized party systems is volatile, and linkages between parties and voters are weaker, which may result in noncooperative outcomes in the policymaking process, and a high degree of policy volatility.

Programmatic Character of Party Systems

Programmatic parties compete for and obtain support on the basis of their policy orientations and accomplishments, and parties distinguish themselves in terms of their policy proposals or ideological orientation. Programmatic parties are usually contrasted with *clientelistic parties*. The latter compete for and obtain support based on the distribution of selective material incentives to voters (such as public sector jobs, governmental contracts, cash, or meals) in networks of direct exchange and are judged by voters primarily on their ability to deliver these particularistic benefits (Kitschelt, 2000).

These characteristics affect the outcomes of the policymaking process in contrasting ways. On the one hand, if an institutionalized party system is also programmatic, then political parties are likely to favor more public regarding policies, since parties represent different policy options and voters can hold them accountable on that basis. On the other hand, clientelistic parties are mostly interested in maintaining their narrow bases of support and keeping their electoral machines running. Thus the usual outcome of exchanges between clientistic parties are private regarding policies.

Party System Fragmentation

The degree of fragmentation is usually captured through the number of parties that regularly obtain a significant share of the votes and/or seats in the legislature (Lijphart 1994). In terms of

the PMP framework, the level of fragmentation could influence the number of players in charge of policymaking. In presidential contexts, it limits the size of presidential legislative contingents and increases the number of partners with which the president must form coalitions. Higher fragmentation would be expected to complicate executive-legislative relations, increase the transaction costs of obtaining policy agreements, and limit policy adaptability.

As mentioned, party system fragmentation is a function of the electoral system: the proportional or majoritarian design of the system, the size of electoral districts, the nature of the formula for converting votes into seats, and the concurrence of presidential and legislative elections. However, electoral rules do not affect fragmentation in isolation. In fact, the number of parties is determined by the interaction of electoral systems, the number of salient social and economic cleavages, and the political history of each country (Cox and Amorim Neto, 1997).

Party Discipline

Party discipline corresponds to the extent that representatives of the same party vote in similar ways in the assembly (Rasch, 1999). As mentioned, party discipline is a key factor shaping the president's ability to pass his agenda, and it depends on several institutional configurations. For example, it is partly a result of the role party leaders play in nominating and influencing the reelection chances and future political careers of members of congress. However, factors other than candidate selection matter as well, including party leaders' roles in organizing the work of the legislature (such as appointing committee members and chairpersons, and agenda power).

Party System Nationalization

Another dimension of political party systems is their level of nationalization: that is, the extent to which parties are national in scope and receive similar levels of support throughout the country (Jones and Mainwaring, 2003). Nationalization matters for policymaking because it affects the number of players interacting in the PMP and executive-legislative relations, and thus the outer features of public policies.

When a party system is said to be nationalized, the executive (generally a nationally oriented political player) may be able to pass his or her agenda through the legislature more easily by negotiating with a few key national party leaders. The level of nationalization may also affect the quality of public policies. When the territorial distribution of a party's vote is relatively homogenous, politicians will be more likely to treat its constituent units in a similar fashion in

areas such as fiscal and social policy. Additionally, as national issues (such as macroeconomic stability) are central to the careers of both the executive and legislators, politicians have incentives to work for delivering national public goods, instead of focusing on delivering particularistic benefits. In contrast, in highly denationalized party systems, parties tend to favor their bases of support and may use different mechanisms (the budget process, discretionary handouts) to distribute resources asymmetrically.

Campaign Finance

Finally, it is important to consider the relevance of **campaign financing**. Particularly in the media, campaign financing is analyzed as the means for interest groups to influence and obtain favors from politicians. In that context, introducing restrictions to campaign financing seems straightforward. However, in the context of the framework it is important to consider what the role of campaign financing is and what the potential consequences of eliminating or restricting campaign financing might be. Campaign financing has a role as an instrument for political leaders to increase party discipline and as a mean of entry into politics; therefore, it could affect the number of players and their discount factor. First, in those systems where party leaders have no control over nomination and legislative organization does not provide them with tools to influence the party's legislators, having control of campaign financing could be an instrument for increasing discipline. Second, campaign funds could be the only way for some challengers to get into office when voters are not informed of the policy positions of the candidates. Incumbents usually have an advantage because of factors such as name recognition and seniority, and campaign spending restrictions may therefore protect the incumbents against new entrants (and hence, increase the duration of politicians). Consequently, campaign finance regulation could have an impact on the market for politicians on both the demand and supply sides, and thus, indirectly, it could affect government programs and policies.

Tables 6a and 6b summarize the impact of fragmentation, polarization, institutionalization, and nationalization on the determinants of cooperation, and the specific impact of the different components of electoral rules on the characteristics of party systems. For example, district magnitude affects fragmentation, which in turn affects the number of players. None of the partial relationships should be considered in isolation because each one of the characteristics of party systems complements the other.

7. Bureaucracies

Several characteristics of bureaucracies and public employment are important for policymaking because these characteristics can affect both the quality of implementation and the enforcement of political agreements (Zuwanic and Iacovello, 2005). Two characteristics in particular help explain different bureaucratic types: the degree of *autonomy* (the extent to which effective guarantees of professionalism in the civil service are in place and the degree to which civil servants are protected from arbitrariness and politization); and the *technical capacities* of bureaucracies (the degree to which the bureaucracy has salary compensation and evaluation systems). *Meritocratic bureaucracies* are characterized by high levels of autonomy and capacity. In contrast, *clientelistic bureaucracies* lack both attributes, and thus function mainly as a private source of employment managed by governing political parties. Between these two extremes, *administrative bureaucracies* enjoy autonomy but lack a high degree of capacity, while *parallel bureaucracies* are characterized by high degrees of capacity and low autonomy.

The advantages of meritocratic bureaucracies for policymaking are numerous. First, an organized civil service can help politicians fortify their commitment by delegating decision-making authority to autonomous institutions,⁵⁰ reducing the capacity to reverse their decisions in response to short-term considerations. Because the effectiveness of policies depends on the widespread belief that they will be sustained over time, meritocratic bureaucracies, characterized by independence and long tenure of public employees, are an important part of the set of political institutions conducive to policy outcomes. The evidence seems to indicate that better bureaucratic types are strongly associated with better policy features (IDB, 2005). Table 7 summarizes the impact of the capacity and autonomy of the bureaucracy on the determinants of cooperation.

All bureaucracies are not created equal. In fact, the extent to which bureaucracies enjoy certain characteristics depends on several factors. One important determinant of the organization of the civil service is the strategic interaction between other players in the policymaking process (such as legislatures and executives), their time horizons, the degree of interest alignment, and the distribution of the benefits of patronage (Geddes, 1991; Spiller and Urbiztondo, 1994). For example, if legislatures and executives differ in their time horizons (i.e., legislators last longer

⁵⁰ The analysis is somewhat similar to the rationale behind the literature on central bank independence and independent regulatory agencies.

than presidents) as well as in their political interests (i.e., divided government), then it is possible that legislators will try to diminish the ability of the president to appoint or remove bureaucrats discretionally in order to give public policies longer horizons. One way to do it could be by establishing civil service rules and public servant protection laws. The incentives of parties to adopt meritocratic or clientelistic civil services will also affect the organization of the bureaucracy. If the party system has one or a few large parties, and there is an asymmetrical distribution of the benefits of patronage, then a clientelistic bureaucracy is likely to be sustained over time. On the other hand, if the benefits of patronage among the larger parties are more evenly distributed, then parties have incentives to reform the civil service system, and reduce patronage (Geddes, 1991). In the case of Paraguay, public employment has been chosen as the token of exchange between the executive and the legislature, which has greatly undermined the capacity of the bureaucracy (Molinas et al., 2006).

The characteristics of bureaucracies are not always “chosen” by strategic political actors. In fact, historical legacies are important determinants of the attributes of civil services as well. For example, countries may inherit an autonomous and competent bureaucratic apparatus from colonial times, which remains in place long after independence, for path-dependent reasons. Such is the case of several countries that were former British colonies (e.g., India).

8. Other Institutions

This document has focused on the workings of traditional political institutions. However, other relevant institutional dimensions play a role in defining the incentives and behavior of political actors in the design and implementation of policies—particularly in Latin America. This section considers a few examples.

Countries’ history of the voting franchise along dimensions such as age, gender, literacy, and geography has a potential impact on the economic and political landscape. This legacy may be important in understanding the interaction of voters with political parties, and the workings of party systems, for example. In countries that lack a long-established democratic tradition, the link between voters and parties is weak, and party competition may be volatile. In such contexts, personalism (the personal draw of individual candidates because of their charisma, their background, or their status as a celebrity, for example) plays a much greater role in voting, increasing outsider candidates’ chances of reaching high executive posts.

An additional element is the role played by institutional interruptions—particularly by the extent and frequency of military governments. Recurrent institutional interruptions tend to reduce the stability of rules and conspire against the development of policymaking capabilities of key democratic political institutions such as legislatures or supreme courts. Regardless of the de jure institution of the country, frequent institutional changes reduce the time horizons of political players, who may only prioritize short-term political benefits when bargaining over policy. Thus it would be more difficult to sustain intertemporal cooperation in this context.

9. Conclusion

This document has presented a survey of the political science and political economy literature to highlight the institutions and actors that are important within the context of the policymaking process framework developed by Tommasi and others. As the introduction points out, several characteristics of the policymaking game determine the features of policies. These include the number of actors, their incentives, their discount factors, and the arenas where transactions take place. Every one of the institutions presented in this document has some impact on these characteristics.

In the case of the executive branch, the type of political regime, the extent of presidential powers, and the method of election and selection can affect the number of agents with influence on policymaking, their stability (and discount rate factor), the availability of enforcement mechanisms, and the arenas where transactions take place. As the power of the president increases, the government's capacity to generate changes and new policies tends to increase as well. While a weak executive must work its policies through the legislature, in strong presidential systems, the president can try to force policies unilaterally through executive decrees, and political transactions tend to occur in less formal environments.

The role of the legislature in the policymaking process is affected by the powers of the president but also by its own institutional framework; particularly, the rules of access to the legislature and the rules that organize the workings of the legislature. These institutions determine the number of relevant political actors and their relative duration by having some bearing on the number of political parties that can compete successfully for legislative seats, the term of the appointments, and the legislators' discipline to the party, their source of support and allegiance, and their incentives for specializing and building up their capabilities. These

characteristics of the political system help to explain the type of negotiations that take place in congress and whether congress can become a relevant arena for policymaking. .

The impact of congress on policymaking is not independent of the role of the judiciary. The judiciary can have a role as an impartial referee, enforcing the acts of the other branches, and can have its own role in the policymaking process as a policy player. While the judiciary has usually been regarded as an additional veto player, we should also stress its role as facilitator of intertemporal cooperation. By providing enforcement to the agreements achieved by other actors, it increases the durability of agreements and policies, and consequently, the present value of cooperation. Thus it could facilitate the adoption of stable and adaptable policies. The comparative analysis of country cases shows that independent judiciaries tend to favor those features of public policies.

The organization of government at the local level matters as well, because subnational-level politicians can also influence national policies. The main channel of influence is the capacity of subnational level politicians (local party bosses) to exercise control over national level politicians (governors' influence on national legislators, for example). The method of selecting those national level politicians is usually the main determinant: the degree of influence will be higher if national politicians are elected at the local level where local party bosses can influence the selection of candidates.

Across all the institutions surveyed, the role of political parties is essential in explaining the particular dynamics in each branch of government, and across branches. The degree of institutionalization and nationalization of political parties, their programmatic character, the fragmentation of the party system, and their internal discipline are all characteristics that affect the number of players, their incentives, the arenas where decisions are taken, and so forth. The particular characteristics of each party system interact differently in each institutional context, creating a very distinct policymaking process.

The PMP framework stresses the need for a systemic approach, one that emphasizes configurations of institutions and interactive effects. Yet in order to understand these interactions among multiple institutional dimensions, it is important to first understand each of them individually, focusing on the variety of rules in place in Latin America, and the way they affect the incentives of political actors and the way they play the game. For this reason, this document has focused on a number of distinct institutional dimensions of democratic systems and studied

them one at a time. Hopefully, this document will provide researchers with the tools necessary to embark on the fascinating analysis of country cases not only in Latin America but also in other parts of the world.

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Table 1. Political Institutions and their Potential Effects on the Determinants of Cooperation								
Determinants of cooperation	Political Institutions							
	Executive		Legislature		Judiciary	Federalism	Party Systems	Bureaucracies
	Presidents	Cabinets	Structure	Organization				
<i>Number of players</i>	Electoral rules	Nomination prerogatives Rules for cabinet censure and dismissal Electoral rules	Bicameralism Electoral rules	Committee system Agenda power	Judicial review Budget autonomy Appointment system	Electoral rules Bicameralism Party system Fiscal arrangements Malapportionment	Electoral rules	Civil service rules
<i>Time horizons</i>	Regime type Impeachment	Rules for cabinet censure & dismissal Electoral rules	Electoral rules Candidate selection	Committee system	Appointment system Terms / tenure	Electoral rules	Electoral rules	Civil service rules
<i>Intra-period payoff structure and timing and observability of moves</i>	Legislative and non-legislative powers	Nomination prerogatives Rules for cabinet censure & dismissal Electoral rules		Agenda power	Appointment system Terms / tenure Judicial review	Fiscal federalism Party system	Electoral rules	
<i>Enforcement Technologies</i>		Nomination prerogatives Rules for cabinet censure & dismissal Electoral rules			Appointment system Terms / tenure Judicial review Budget autonomy			Civil service rules
<i>Legislature as arena where political actors undertake exchanges</i>	Legislative and non-legislative powers		Electoral rules	Committee system	Appointment system Terms / tenure Judicial review	Fiscal federalism Party system Malapportionment	Electoral rules	

Table 2. Executive: Presidents and Cabinets

Determinants of cooperation	Political Institutions				Measures
	Regime type	Electoral rules	Constitutional powers	Cabinet	
Number of players		Concurrence of elections (-) Mid term elections (?)		Nomination prerogatives (-)	Presidential party's chamber contingent Index of political particularism Rice index of party unity Number of ministries in the cabinet Cabinet stability 1 and 2 Cabinet coalescence index Effective number of parties (cabinets)
Time horizons	Presidentialism (+)	Tenure (+) Reelection (+)	Impeachment (-)	Nomination prerogatives (-) Cabinet censure & dismissal (-)	Cabinet stability 1 and 2 Reelection rates Government stability Years in office Executive power change Major cabinet changes
Timing and observability of moves			Legislative powers (-) -decree -partial veto -exclusive initiative -budget -referenda/plebiscite Non legislative powers (-) -cabinet formation -cabinet dismissal -censure		Constitutional powers index Legislative production President's legislative success rate
Enforcement technologies				Nomination prerogatives Cabinet censure & dismissal	Cabinet stability 1 & 2
Legislature as arena	Presidentialism (-)		Legislative powers (-) -decree -partial veto -exclusive initiative -budget -referenda/plebiscite Non-legislative powers (-) -cabinet formation -cabinet dismissal -censure		See measures above for Time horizons and Timing and observability of moves

Table 3. Legislatures

Determinants of cooperation	Political Institutions		Political Institutions		
	Electoral rules	Measures	Structure	Organization	Measures
Number of players	Electoral formula: PR vs. Plurality District Magnitude: low M vs. high M Ballot structure: Open vs. Closed Threshold (u): Low vs. High Malapportionment If Party Discipline (PD), then: PR, high M (+) vs. Plurality, low M (-) If no PD, then PR (?) vs. Plurality (?) PR, closed (-) vs. PR, open (+) Low u (+), High u (-)	Effective number of legislative parties Index of disproportionality Average district magnitude Degree of particularism Rice index of party unity Degree of Malapportionment	Unicameralism (-) vs. Bicameralism: (+) Bicameralism Symmetrical (-) vs. Asymmetrical (+)	Committee System: # of committees, size of committees High (+) vs. Low (-) Agenda power Decentralized (+) vs. Centralized (-)	Degree of bicameral symmetry Ratio committee/size Committee specialization
Time horizons	Candidate selection: party leadership (-) vs. constituency (+) term limits: no (+) vs. yes (-)	Reelection rates (legislators) Average experience of legislators		Committee Allocation/Assignment Seniority (+) vs. Party (-) Committee System: # of committees, size of committees High (-) vs. Low (+)	Congress Capabilities Index
Timing and observability of moves	See Table "Presidents and Cabinet"				
Enforcement technologies					
Legislature as arena	Candidate selection: party leadership (-) vs. constituency (+) Term limits: no (+) vs. yes (-)	Reelection rates (legislators) Average experience of legislators		Committee Allocation/Assignment Seniority (+) vs. Party (-) Committee System: # of committees, size of committees High (-) vs. Low (+)	Congress Capabilities Index Ratio committee size Constitutional powers index Legislative production President's legislative success rate

Table 4. Judiciary

Determinants of cooperation	Characteristics of the Judiciary				Measures
	Budget autonomy	Appointment System	Terms and Tenure	Judicial Review powers	
Number of players	Low (-) vs. High (+)	Political (-) vs. Merit (+)		Low (-) vs. High (+)	Budget-ratio % Independence of the Judiciary index De facto judicial independence extent of review powers
Time horizons		Political (-) vs. Merit (+)	Lifetime (+) vs. short terms (-)		Tenure of supreme court justices Independence of the Judiciary index De facto judicial independence
Timing and observability of moves		Political (-) vs. Merit (+)	Lifetime (+) vs. short terms (-)	Low (-) vs. High (+)	Extent of review powers Independence of the Judiciary index De facto judicial independence
Enforcement technologies	Low (-) vs. High (+)	Political (-) vs. Merit (+)		Low (-) vs. High (+)	Tenure of supreme court justices Independence of the Judiciary index De facto judicial independence
Legislature as Arena					

Table 5. Federalism							
Determinants of cooperation	Political Institutions						Measures
	Method of election (governors)	electoral rules	Territorial Bicameralism	Malapportionment	Party System	Fiscal Arrangements	
Number of players	Appointment (-) vs. popular (+)		Yes (+) vs. No (-)	High (+) vs. Low (-)	Denationalization (+)	Subnational 1) tax authority (+) 2) expenditure decentralization (+) 3) borrowing autonomy (+) Intergovernmental transfers	Degree of Malapportionment Degree of Bicameral symmetry Share of governorships by political party Share of state governments controlled by the party of the president Degree of fiscal decentralization Degree of vertical fiscal imbalance Index of discretionality in the transfer system Index of sunational borrowing autonomy
Time horizons	Reelection (governors) no (-) vs. yes (+)	Candidate selection national vs. subnational				Subnational 1) tax authority 2) expenditure decentralization 3) borrowing autonomy intergovernmental transfers	Reelection rate (governors) Reelection rate (legislators) Degree of fiscal decentralization Degree of vertical fiscal imbalance Index of discretionality in the transfer system Index of sunational borrowing autonomy
Timing and observability of moves		Candidate selection national vs. subnational			Denationalization	Subnational 1) tax authority 2) expenditure decentralization 3) borrowing autonomy Intergovernmental transfers Degree of discretionality Bailouts (-)	Index of discretionality in the transfer system Index of sunational borrowing autonomy
Enforcement technologies							
Legislature as arena	Appointment vs. popular	Candidate selection national vs. subnational			Denationalization Malapportionment	subnational 1) tax authority (-) 2) expenditure decentralization (-) 3) borrowing autonomy (-) Intergovernmental transfers	Index of discretionality in the transfer system Index of subnational borrowing autonomy

Table 6A. Party Systems (I)

Determinants of cooperation	Political Institutions	Measures
	Electoral rules	
Number of players	Fragmentation (+) Party Discipline (-)	% seats of president's party % seats of largest opposition party % seats of government's party/parties % seats of largest parties Effective number of parties in government Parties in opposition Minority governments % of state governments controlled by the party of the president Effective number of parties Disproportionality Index Degree of particularism Rice Index of Party Unity
	Institutionalization (-)	Party Institutionalization Index
	Polarization (+)	Ideological self-placement of parties Programmatic Parties Index
	Nationalization (-)	Party System Nationalization Score
Time horizons	Institutionalization (+)	Party Institutionalization Index Average age of parties
Timing and observability of moves	Denationalization (-)	Party System Nationalization Score
Enforcement technologies		
Legislature as Arena	Institutionalization (+)	Party Institutionalization Index Party System Nationalization Score Reelection rates (legislators)

Table 6B. Party Systems (II)

Characteristics	Electoral rules				
	Electoral formula	District magnitude	Ballot structure	Candidate selection	Timing
Fragmentation	Legislature: PR (+) vs. Plurality (-) Executive: Runoff (+) vs. Plurality (-)	High M (+) vs. Low M (-)	Open (+) vs. Closed (-)		Concurrent (-) vs. Non-concurrent (+) Mid-term (+)
Polarization	PR (+) vs. Plurality (-)	High M (+) vs. Low M (-)			
Institutionalization			Open (-) vs. Closed (+)	National party leaders (+) vs. Decentralized (-)	
Nationalization		Single National District (+) vs. Multimember (-)	Closed (+) vs. Open (-)	National party leaders (+) vs. Constituency (-)	Concurrent (+) vs. Non-concurrent (-)

Table 7. Bureaucracies

Determinants of cooperation	Characteristics of bureaucracies		Measures
	Capacity	Autonomy	
Number of players	Yes (+) vs. No (-)	Yes (+) vs. No (-)	Functional Capacity Index Bureaucratic Merit Index Bureaucratic Efficiency Index Index of Civil Service System Development
Time horizons	Yes (+) vs. No (-)	Yes (+) vs. No (-)	Bureaucratic Merit Index
Timing and observability of moves			
Enforcement technologies	Yes (+) vs. No (-)	Yes (+) vs. No (-)	Functional Capacity Index Bureaucratic Merit Index Bureaucratic Efficiency Index Index of Civil Service System Development

Appendix

Measure	Description	Table	Source
Presidential party's chamber contingent	% of seats held by the president's party in legislature	Executive	Jones (2005)
Index of political particularism	The degree to which individual politicians can further their careers by appealing to narrow geographic constituencies on the one hand, or party constituencies on the other. The index, ranging from 0 to 2, has 3 components: a) ballot, b) pool, c) vote, with higher values indicating higher degree of particularism	Executive/Legislature	Carey and Shugart (1995) Gaviria et al. (2003)
Rice index of party unity	Measures the level of discipline of a given party in a given legislative vote. The index ranges from 0, when a party is evenly split on any legislative vote, to 100, when all members of a party vote together. The formula is $R = \text{ayes-nays} / (\text{ayes} + \text{nays}) * 100$	Executive/Legislature	Carey (2002) Saiegh (2005)
Years in Office	How many years has the chief executive been in office?	Executive	Database of Political Institutions
Executive Finite Term in Office	Is there a finite term in office? (1 if yes, 0 if no) Is there a constitutional limit on the number of years the executive can serve before new elections must be called? Deviating from the convention, a 0 is recorded if a limit is not explicitly stated. This gets a 0 in the cases where the constitution with year limits is suspended or unenforced.	Executive	Database of Political Institutions
Size of cabinet	Refers to the number of ministers of "cabinet rank," excluding undersecretaries, parliamentary secretaries, ministerial alternates, etc.	Executive	Cross-national time-series database
Cabinet stability 1	Average number of different individuals that served in a given ministry in a given time period	Executive	Martinez Gallardo (2005)

Cabinet stability 2	The average time, in days, spent in office by all cabinet officers in a given year, divided by 365. The measure ranges between 0.003 (=1/365, a situation in which each minister lasts one day in office) to 1 (all ministers last the full year).	Executive	Amorim Neto and Borsani (2004)
Cabinet Coalescence index	The index measures the amount of deviation from proportionality between ministries and legislative seats held by the parties joining the executive when the cabinet is formed. The index formula is: $1 - \frac{1}{2} \sum (S_i - M_i)$, where M_i is the percentage of ministries that party i receives when the cabinet is appointed, and S_i is the percentage of seats commanded by the parties joining the cabinet when the cabinet is appointed. The index ranges between 0 and 1, with higher numbers indicating a higher degree of cabinet coalescence.	Executive	Amorim Neto (2002)
Constitutional powers index	The average of three variables: 1) proactive powers, 2) reactive powers, and 3) plebiscite powers of presidents. Index on a scale of 0-1, with higher numbers indicating greater constitutional powers	Executive	IDB (2005)
Proactive powers	These are powers that contribute to the president's ability to unilaterally change the status quo. They have two components: (1) decree and agenda-setting powers (whether the president has the power to directly make laws by issuing decrees) and (2) budgetary powers (whether the president has the power to prepare the budget with few interventions from the congress). Aggregate index on a scale of 0-1, with higher numbers representing greater powers of the president.	Executive	IDB (2005)

Reactive powers	These are powers that allow the president to oppose efforts by the legislature to change the status quo. They have three components: (1) package veto (power of the president to block the enactment of a law approved by the congress to which he objects); (2) partial veto (power of the president to veto particular provisions of an approved bill to which he objects); and (3) exclusive initiative (relates to cases in which the constitution gives the president the exclusive right to introduce legislation in specific policy areas). Aggregate index on a scale of 0–1, with higher numbers representing greater powers of the president.	Executive	IDB (2005)
Legislative production	I) Laws initiated by legislators as % of total laws approved II) Laws initiated by executive as % of total laws approved III) Bills approved as % of bills introduced (presidents vs. legislators) IV) Laws vetoed as % of laws approved by Congress V) Vetoes overridden as % of total vetoes VI) % of Laws vs. Decrees	Executive/Legislature	Saiegh (2005)
Presidents' legislative success rates	The number of executive proposals approved in the legislature, divided by the total number of proposals introduced by the executive in a given period	Executive/Legislature	Saiegh (2005)
Effective number of legislative parties	The index measures the number of parties obtaining seats in the legislature weighted by the proportion of seats they obtain. It is calculated by taking the inverse of the sum of the square of all parties' seat shares.	Legislature/Parties	Laakso and Taagepera (1979)
Least square index of disproportionality	The index captures the deviations between the vote and seat percentage obtained by each political party, contesting seats in a given election. The vote/seat differences for each party are squared and then added; this total is divided by 2; and then the square root of this value is taken. Higher values indicate higher disproportionality.	Legislature/Parties	Payne et al. (2002)

Degree of Malapportionment	A measure of inequality of representation, interpreted as the discrepancy between the shares of legislative seats and the shares of population held by electoral districts. The index is calculated by taking the absolute value of the difference between each district's seat and population shares, adding them, and then dividing by two. Higher values indicate higher levels of malapportionment.	Legislature/Federalism	Samuels and Snyder (2001)
Reelection rates (legislators)	Average percentage of legislators in the legislature that are reelected in the following legislature	Legislature	Saiegh (2005)
Average experience of legislators	Assessment of the average years of experience of legislators (E), calculated on the basis of the reelection rate of legislators (r) and the average length of the legislative term (D). Formula: $E = D/2 + r D$	Legislature	IDB (2005)
Degree of bicameral symmetry	The index captures the institutional prerogatives of bicameral legislatures. The index ranges from 0 to 4, with higher values indicating higher symmetry between the chambers.	Legislature	Llanos and Nolte (2003)
Ratio committee/size	Ratio of number of committees to size of legislature	Legislature	Saiegh (2005)
Committee specialization	Average number of committee memberships per legislator	Legislature	Saiegh (2005)
Congress Capability Index	This is an aggregate index calculated as the simple average of the following eight components: (1) confidence in congress, (2) effectiveness of lawmaking bodies, (3) average experience of legislators, (4) percentage of legislators with university education, (5) number of committee memberships per legislator, (6) committee strength, (7) whether congress is a good place to build a career, and (8) technical expertise of legislators. All components are rescaled to a scale of 1–3, such that the aggregate index is on a scale of 1–3, with higher levels indicating better congressional capabilities of legislators.	Legislature	IDB (2005)
Budget ratio %	The ratio of the public sector's budget dedicated to the justice sector	Judiciary	Sousa (2005)
Independence of the Judiciary Index	Measures the degree to which the judiciary is independent of the political influence of members of government, citizens, or firms.	Judiciary	IDB (2005)

De facto judicial independence	Simple average of eight components, each of which is coded between 0 and 1 or normalized to vary between 0 and 1: (1) Effective average term length of the members of the highest court; (2) Deviations between actual term length and that which would be expected given legal setting; (3) Have members of the highest court been removed before the end of their terms? (4) Number of times the number of judges has been changed since 1960; (5) Have incomes of judges at least remained constant since 1960? (6) Has the budget of the highest court at least remained constant in real terms since 1960? (7) How often have the relevant articles of the constitution (or the law on which the highest court is based) been changed since 1960? and (8) In how many cases has one of the other government branches remained inactive when its action was necessary for a decision of the highest court to become effective?	Judiciary	IDB (2005)
Tenure of supreme court judges	Average tenure (years) of supreme court judges for a given time period	Judiciary	Sousa (2005)
Degree of expenditure decentralization	The proportion of total government expenditures executed by subnational governments	Federalism	Stein (1999)
Degree of vertical fiscal imbalance	The ratio of intergovernmental transfers from the central government, including tax sharing, over total revenues (own plus transferred) of the subnational level.	Federalism	Stein (1999)
Index of discretionality in the system of intergovernmental transfers	The index measures the degree of discretion of the central level of government regarding the transfer of resources to subnational-level governments. The index results from the addition of the score obtained in two aspects: 1) Mechanisms to determine the amount of the transfers, 2) mechanisms to determine the distribution of the transfer among jurisdictions. The index varies within a range of 0 to 4, with higher levels indicating a higher degree of discretion.	Federalism	IDB (1997), Stein (1999)
Index of borrowing autonomy of state and local governments	The index measures the degree of borrowing autonomy of subnational-level governments. The index is built according to the following criteria: 1) ability to borrow, 2) authorization, 3) borrowing constraints, 4) limits on use of debt. The index varies between 0 and 4, with higher values indicating higher degree of borrowing autonomy.	Federalism	IDB (1997), Stein (1999)

Party Institutionalization Index	Following Mainwaring and Scully (1995), this is an aggregate index which is an average of four component measures: (1) the stability of inter-party competition, (2) the extensiveness of parties' roots in society, (3) the legitimacy of parties and elections, and (4) the strength of party organizations. Index on a scale of 0–100, with higher levels indicating more institutionalized party systems.	Party Systems	Mainwaring and Scully (1995) and IPES (2006)
Ideological self-placement of parties	Legislators from different parties are asked to place their parties on an ideological scale from 1 (Left) to 10 (Right).	Party Systems	Jones (2005)
Programmatic parties Index	This index measures the extent to which parties are programmatic. This in turn is derived from three components: (1) the level of programmatic politics among party supporters (electorate), (2) the level of programmatic politics among the party elite (legislators), and (3) the extent of electoral volatility in the country. The following equation is used to calculate the index from the components: Prog. Parties = (Prog. Electorate + Prog. Elite) – Electoral Volatility. The index is constructed on a scale of 0–8, with higher levels indicating more programmatic parties.	Party Systems	Jones (2005)
Party System Nationalization Score	Following Jones and Mainwaring (2003), the PSNS is calculated as the sum over all parties of 1 minus the Gini coefficient for the distribution of each party's vote (its party nationalization score [PNS]), multiplied by its share of the national valid vote.	Party Systems	Jones and Mainwaring (2003)
Functional Capacity Index	Measures the degree to which the bureaucracy has salary compensation systems and systems for evaluating the performance of public officials. Index on a scale of 0–100, with higher levels indicating systems with higher technical capacities and more incentives for performance.	Bureaucracies	IDB (2005)
Bureaucratic Merit Index	Measures the degree to which effective guarantees of professionalism in the civil service are in place and the degree to which civil servants are effectively protected from arbitrariness, politicization, and rent-seeking. Index on a scale of 0–100, with higher levels indicating more autonomous bureaucratic systems.	Bureaucracies	IDB (2005)

Bureaucratic Efficiency Index	Measures the degree to which the bureaucracy is efficient in assigning human capital, given a fiscal policy constraint. Index on a scale of 0–100, with higher levels indicating more efficient bureaucratic systems.	Bureaucracies	IDB (2005)
Index of Civil Service System Development	Average of three indicators of the bureaucracy: (1) the Bureaucratic Merit Index, (2) the Bureaucratic Functional Capacity Index, and (3) the Bureaucratic Efficiency Index. Index on a scale of 0–100, with higher levels indicating more developed civil service systems.	Bureaucracies	IDB (2005)