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# Hybrid Political Institutions and Governability: The Budgetary Process in Brazil

Carlos Pereira and Salomon Orellana

**Abstract:** In this paper we take a close look at some of the particular pathways by which majoritarian and consensual institutions affect governability. We demonstrate that the mix of majoritarian and consensual institutions found within a country can influence these pathways quite dramatically, such that they produce rather different consequences for governability, even when these pathways are relatively similar in nature. Particularly, we focus on the rules governing the relationship between the President and the Legislature, especially the appropriation of amendments proposed by legislators. In some presidential countries, the President possesses a partial veto (or a line-item veto), which allows him/her to approve or strike appropriations, which legislators introduce in amendments. Concentrating on the case of Brazil, we argue and demonstrate that whether or not the President can use this tool to sustain governing majorities (i.e., to increase governability) depends on the kind of amendment to the budget introduced by legislators. One kind, individual amendment, is linked to the majoritarian institution of a powerful presidency and therefore helps to increase governability. A second kind, collective amendment, is linked to consensual institutions and actually does not enhance legislative support for the Executive.

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## Introduction

In the literature on electoral institutions there is a line of thought asserting that electoral institutions are associated with tradeoffs.<sup>1</sup> A particularly important set of tradeoffs involves representativeness (representation of diverse interests in the political realm) versus effectiveness (governability). Consensual institutions are expected to enhance the representation of a society's diverse interests at some expense to effectiveness, while majoritarian institutions are expected to enhance governability and accountability at some expense to fairness of representation (Lijphart 1999; Powell 2000). It is also acknowledged that these two visions represent poles of a continuum, where virtually all-political systems can be viewed, not as pure specimens of either polar vision, but as hybrids combining consensual and majoritarian elements. This framework permits us to assume that purely decentralized (and therefore purely representative) systems are not viable, and that all countries therefore employ some majoritarian tool(s) to enhance governmental effectiveness.

In this paper, we take a closer look at some of the particular pathways by which majoritarian and consensual institutions affect governability. We explore how political institutions affect these pathways to centralize or decentralize power, and we look for evidence in a particularly apt case study: Brazil. On the one hand, Brazil possesses a complex mix of electoral institutions that allow for the representation of diverse interests, but that also are often blamed for encouraging levels of fragmentation and decentralization that can complicate the policy-making process (Ames 1995a, 1995b). On the other hand, Brazil possesses some "majoritarian" institutions (provisional decree, urgency petition, budgetary power) that centralize the agenda power and encourage national-level governability. We focus specifically on the Brazilian Executive's budgetary powers.

A key tool used by the Brazilian Executive is a line-item veto (or impoundment) that allows him/her to approve or strike appropriations for amendments to the budget that are proposed by members of Congress. Legislators are permitted to propose amendments in two ways: individually or collectively.<sup>2</sup> We argue and show, in this paper, that individual amendments represent a pathway by which the majoritarian features of the political

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1 We are grateful to Octavio Amorim Neto for his suggestions to apply Lijphart's pathways of democracy to the study of budgetary policies in Brazil. We also thank two anonymous reviewers for their suggestions.

2 There is a limit of 20 individual amendments per congressman and a ceiling of 3.5 million BRL. Similarly there is a limit of five collective amendments per standing committee; five per regional block; and ten per state block.

system (e.g., presidentialism) increase the capacity of the Executive to build and sustain majorities in Congress. However, we also demonstrate that collective amendments, while similar to individual amendments, represent a pathway by which the consensual features (e.g., open-list proportional representation) of the same political system decrease support for the Executive.

Several studies have empirically demonstrated that the President can and does make strategic use of the appropriation of *individual* budgetary amendments (Alston and Mueller 2006; Pereira and Mueller 2004). In this case, the President rewards and punishes individual legislators and thus increases support for his/her agenda. These budgetary powers, therefore, provide a centralizing tool by which Brazilian governments have been able to build and maintain relatively stable ruling majority coalitions. In this study, however, we take a close look at collective amendments, which to date have not received much attention in the literature. Collective amendments appear to be closely related to individual amendments; however, rather than individually proposing amendments to the budget, in this case legislators cooperate to collectively propose an amendment to the budget. Potentially, the President could also use the appropriation of collective amendments in order to obtain the support of legislators in Congress. As we argue below, however, collective amendments are linked to the consensual/decentralizing institutions of the Brazilian system and they possess their own internal consensual characteristics. It is possible, therefore, that collective amendments actually hinder the President's influence over party and individual legislators' behavior.

Because individual amendments have a specific legislator as the author of the amendment the Executive, who is in charge of the budget appropriation in Brazil, can strategically reward a faithful legislator by appropriating his/her individual amendment or can punish an unfaithful legislator (who did not vote according to the Executive's preferences in Congress) by impounding his/her amendment to the budget. The same strategic rationality is harder to be applied with collective amendments because the Executive faces difficulties to identify who was the author of the amendment since, by definition, it has a collective authorship. By impounding a collective amendment, the Executive would punish not only unfaithful or opposition legislators, but also important and faithful allies in Congress.

Our main contribution, then, is to explore how collective amendments affect the Executive's relationship with the Legislature. Do these amendments represent another tool that the Executive can strategically use to influence the Legislature, or do they provide legislators with an advantage that weakens the Executive and thus decentralizes power? In the following section, we elaborate the theory for consensual and majoritarian hybrid systems. We then discuss why Brazil is a useful hybrid case for testing our theory, especially focus-

ing on the effects of the two kinds of amendments on legislators' support in Congress. Then we empirically test the effects of collective and individual amendments on legislative support for the Executive. Our empirical analysis shows that while individual budgetary amendments clearly help the Executive build and sustain majorities, the Executive faces more difficulties in making strategic use of collective amendments to gain legislative support and this reflects their connections to the consensual features of the Brazilian system.

## Theory: Hybrid Institutions (Effectiveness versus Representation)

When electoral institutions are evaluated an important consideration is the degree to which they balance representativeness and effectiveness. The assumption is generally that as one attribute increases the other must decrease. Consensual institutions (characterized by proportional representation, federalism, multipartism, independent judiciary, etc.) are expected to enhance the representation of a society's diverse interests at some expense to effectiveness, while majoritarian institutions (characterized by winner-take-all elections, centralized power of the Executive, one-party governments) are expected to enhance governability and accountability at some expense to the fairness of representation (Lijphart 1999; Norris 2004; Sartori 1994; Powell 2000).

Consensual institutions benefit small parties and their supporters, and thereby provide voters with greater electoral choice and representation. Consensual institutions also tend to produce legislatures that more faithfully reflect the diversity of interests found in a society. However, the concomitant increase in legislative fragmentation and coalition governments may also complicate decision-making. Majoritarian systems, on the other hand, seek clear winners and therefore tend to concentrate power in the hands of one party. This outcome is viewed as enhancing stability, accountability, governability, and effectiveness. Indeed, one-party governments tend to last longer than coalition governments (though, as Cheibub [2007] argues, most coalition governments are also reasonably stable). One-party governments also possess a higher level of decisiveness, which makes government more effective and makes it easier for voters to identify who is responsible for policy-making.

Yet, all systems can be considered hybrids of these two archetypes, and indeed, Lijphart's work documents that virtually every political system possesses a mix of majoritarian and consensual institutions (Lijphart 1999). We can therefore expect to find both consensual and majoritarian dynamics within individual systems, each generating important consequences for governability and representation. To a great extent, the functioning of democracy can be viewed as dependent on its mix of majoritarian and consensual

institutions. We assume that purely consensual regimes are ineffective and in fact do not exist. Virtually all countries employ some form of majoritarian tools. In many cases, for example, countries use moderate electoral thresholds (where parties are required to win a certain percentage of the national vote before they are granted seats) to reduce fractionalization and thus enhance governability. In other cases, presidentialism (via strong executives) is meant to enhance effectiveness. This has been, in fact, the dominant institutional combination in Latin America.<sup>3</sup>

In this paper, we take a more detailed look at some of the particular pathways by which majoritarian and consensual institutions affect governability. We demonstrate that the mix of majoritarian and consensual institutions can influence these pathways quite dramatically, such that they produce rather different consequences for governability, even when these pathways are relatively similar in nature. More specifically, we focus on the rules governing the relationship between the President and the Legislature, especially the appropriation of legislators' amendments. In some presidential countries, like Brazil and Colombia, the President possesses a partial veto (or a line-item veto), which allows him/her to approve or strike appropriations, which legislators introduce in amendments. Concentrating on the case of Brazil, we argue and demonstrate that whether or not the President can use this tool to sustain governing majorities (i.e., to increase governability) depends on the kind of amendment introduced by legislators. One kind, individual amendment, is linked to the majoritarian institution of a powerful presidency and therefore helps increase governability. A second kind, collective amendment, is linked to consensual institutions and actually decreases governability.

## Hybridism in Brazil

Brazil represents a particularly appropriate case for this study because it possesses a complex mix of consensual and majoritarian institutions. On the one hand, Brazil possesses electoral institutions that are often blamed for excessively decentralizing power and thus complicating the policy-making process (Ames 1995a, 2001; Mainwaring 1997; Ames 1995b). Brazil uses an open-list proportional representation (PR) system with virtually no national effective threshold. Open-list PR leads to party fragmentation and encourages voters to support candidates based on personal qualities and activities and this encourages individual legislators to cultivate direct relationships with local constitu-

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3 The U.S. is a good example of a mixed system in which several consensual features (presidentialism, federalism, bicameralism, independent judiciary, etc.) live together with majoritarian electoral rules.

encies rather than doing so through national parties. This also gives state parties (instead of national parties) influence in the selection of legislative candidates. Brazil also possesses a federal system with multiple veto points, or points at which legislation can bog down. These factors, it is argued, have helped make Brazil's party system among the most fragmented in the world. This combination of institutions is expected to contribute to the decentralization of power and to a reduction in governmental effectiveness.

Notwithstanding these tendencies for gridlock, researchers have found that Brazil has managed to cope with the decentralizing nature of its consensual institutions, largely by relying on the centralizing powers of its majoritarian institutions. Though presidential regimes, especially with multipartism (Mainwaring 1993), have been regarded as prone to institutional deadlock (e.g., Linz and Valenzuela 1994), it has been shown that in Brazil the constitutional powers of the President act to centralize power (Figueiredo and Limongi 2000; Shugart and Carey 1992; Alston and Mueller 2006; Amorim Neto, Cox, and McCubbins 2003; Pereira and Mueller 2004). These and other studies suggest that variables internal to the decision-making process (e.g., rules by which the Congress operates or the degree of cabinet proportionality) and the institutional legislative powers held by the President (decree and veto powers, the right to introduce new legislation, permission to request urgency time limits on certain bills, discretionary powers over budget appropriation, etc.) set the agenda of the Congress and influence the behavior of legislators in a way that promotes governability.

In this paper we are particularly concerned with one of the important links between Brazil's centralizing institutions and its decentralizing electoral rules: legislator amendments to the budget. In Brazil, the Executive first proposes the budget bill and legislators consequently have the opportunity to add amendments before returning the budget law to the Executive. The Executive possesses a line-item veto and thus can decide to leave in or strike appropriations for a given legislator's amendment. The main instruments used by the Executive for this purpose have been the "impoundment decrees" (*decretos de contingenciamento*), through which expenditures that have been approved in the budget law are suspended, integrally or partially, and made contingent on the evolution of the fiscal situation. As the year progresses the expenditures can be "un-impounded," but more frequently remain suspended to help achieve the primary surplus targets. Therefore, it is the Executive who is entitled to determine which amendment will really be appropriated, making the budget contingent on the amount of available resources in the national treasury.

The amendments proposed by legislators can take either of two forms. They can be proposed by individual legislators or they can be proposed by

groups of legislators. In Brazil, the rules regarding budget amendments have varied considerably over time. Prior to 1993 only individual legislators could propose unrestricted (with respect to the number and value) amendments to the Executive's annual budget bill. In 1993, a budget scandal erupted in Congress, and consequently, an important set of institutional changes were adopted. Perhaps most importantly, Resolution n°1 06/93-CN was introduced, allowing standing committees, regional blocks, and state blocks (*banca-das estaduais*) to collectively amend the budget bill.<sup>4</sup> For the annual budgets of 1994 and 1995 amendments were accepted from four sources: standing committees, political parties, state blocks, and individual legislators. Later, Resolution n°2 2/95-CN specified that political parties could no longer collectively amend the budget, but the resolution preserved the right of standing committees, regional blocks, state blocks, and individual legislators to continue amending the budget bill. It also established new rules for collective amendments, restricting the number that can be introduced to five per standing committee, five per regional block, and ten per state block.

This self-restriction by legislators, in the direction of reducing the capacity of individual legislators to amend the budget, can be interpreted as an attempt to rationalize and better coordinate the amendment process. By giving priority to collective amendments, they (especially legislators from the governing majority coalition) hoped to reduce the large number of disputes among legislators and thereby ensure approval of their proposals. In other words, in a crisis situation produced by the budget scandal the ability of legislators to continue amending the budget was under serious threat giving that individual amendments were seen as the major source of corruption that led to the scandal. Legislators thus were spurred to provide a clear self-disciplinary signal to their electorate while at the same time preserving their ability to keep amending the budget. The choice at that moment was “to lose their rings but preserve their fingers” in the budgetary process. It is true that legislators are currently more constrained by the resolutions with respect to their ability to individually amend the budget, but they may have also found a new way of safeguarding their ability to interfere in the budget process via these collective amendments.

We explain below that the distinction between individual and collective amendments produces important consequences for governability. On the

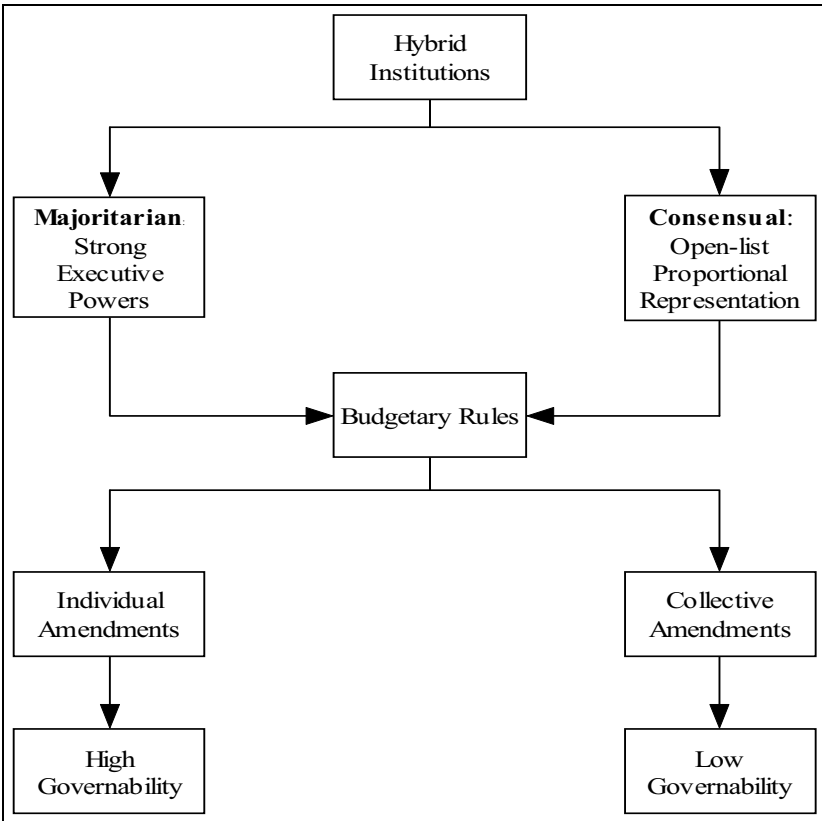
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4 This Resolution n° 1 also restricted the number of individual amendments for each legislator to 50. Resolution n°2 2/95-CN further reduced the number of amendments to 20. The preliminary budget report made by the General Budget Committee Reporter set a ceiling of 1.5 million BRL as the total amount of amendments per legislator. Recently, legislators decided to increase the value of this quota to 2.5 million BRL and this year they decided to increase this ceiling to 3.5 million BRL for each legislator.



one hand, we argue that individual amendments are linked to majoritarian institutions, especially presidential power, and thus they encourage governability. On the other hand, we argue that collective amendments are connected to consensual institutions and also possess their own consensual characteristics, and consequently they decrease governability. These relationships are summarized in Figure 1.

Figure 1: Hybrid Political Institutions



Source: Built by the authors.

Before proceeding to discuss the dynamics of individual and collective amendments, we note that our conceptualization of governability is based on a frequently considered notion: the ability of governments to make policy decisively (e.g., Coppedge 2001; Foweraker 1998; Mainwaring 1993). More specifically, we focus on the ability of executives to pull together legislative

majorities that will support their agendas. In the discussions that follow, we are concerned with whether or not Brazilian presidents can use individual and collective amendments to increase legislative support for their agendas.

## Individual Amendments

Individual amendments have received considerable attention in the literature. Several studies have shown that the execution of *individual* amendments has been used strategically by the Executive in exchange for legislative support (Alston and Mueller 2006; Alston et al. 2008 and 2009; Pereira and Mueller 2004). Because candidates in open-list electoral systems must compete against other candidates, including from their own party, pork-barreling becomes an important factor contributing to their chances of reelection (Pereira and Renno 2003). In exchange for pork, therefore, legislators are more likely to support the Executive's agenda, and in this way individual amendments help centralize political power and help maintain stable ruling majority coalitions.

Party leaders play a fundamental role in this process working as bridges linking the demands of individual legislators and the Executive's political agenda (Pereira and Mueller 2003: 739). They concentrate a lot of institutional prerogatives such as: appointing and substituting members of committees at any time; adding in or withdrawing proposals in the legislative agenda; deciding if a bill would have an urgency procedure; indicating the position of the party regarding a bill at the floor; and fundamentally, negotiating with the Executive the demands of the members of his/her party. This is why the political parties are so strong within the legislative arena in Brazil.

The above literature indicates that deputies that provided more support through their voting behavior in Congress have most of their individual amendments appropriated by the Executive. Also, those deputies that switched their votes in favor of the Executive's proposal were additionally rewarded and those that switched contrary to the Executive were punished. Thus, for the individual amendments, the Executive not only has the power to veto these amendments, but more importantly, the Executive can exercise extreme discretion in deciding whether or not to execute (appropriate) these amendments. These studies suggest, therefore, that individual budget amendments are important tools through which the Brazilian system achieves governability.

## Collective Amendments

Many of the amendments made to the Executive's budget proposal are not individual but are rather collective amendments, in which several legislators collaborate to add a claim to the budget. Despite the fact that the use of collective amendments has risen dramatically and that they represent larger expenditures than individual amendments (Samuels 2002), they have not been extensively studied. In this section we discuss collective amendments and maintain that they cannot be expected to function similarly to individual amendments. We argue that the nature of state amendments empowers legislators in relation to the Executive and therefore decentralizes power.

Because collective amendments have the direct support of more than one legislator, it is assumed that these kinds of amendments have a greater probability of approval (Figueiredo and Limongi 2007). Indeed, collective amendments represent approximately 67 percent of the total resources that have been allocated by Congress in recent years; twice as much as individual amendments (33 percent). According to data from the Joint Budget Committee of the Brazilian Congress, from 1997 to 2005 the amount of resources allocated as collective amendments was, on average, about 1.043 billion BRL per year (see Table 1).

Due to data constraints, we focus our discussion and analysis of collective amendments particularly to state block amendments.<sup>5</sup> Although Resolution n°2 stipulates up to ten collective amendments as the maximum number available to each state delegation, there is no rule establishing either a maximum or a minimum value. According to our data, state block amendments have broadly ranged from 4.3 million BRL to 751 million BRL. This tremendous variation suggests that the legislators' room for budgetary maneuvering and autonomy on collective amendments is extremely high.

Theoretically, the Executive could face difficulties in using collective amendments strategically to reward and punish legislators, in the ways observed with individual amendments. To begin with, collective amendments encourage more shirking because they have no single author and consequently the Executive is not able to directly observe who can claim credit for collective amendments and the direct payoffs to individual legislators generated by them. At the same time, legislators are still able to claim credit for the benefits produced by collective amendments to their constituency network. By constituency network we mean not only voters, but also the set of local political players (such as mayors, local legislators, bureaucrats, etc.) who can observe

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5 We believe, however, that the same rationale is applicable to amendments from standing committees as well as to regional block amendments. Nevertheless, we suggest that this is a topic for future investigation.

much more clearly the effort of the national representative in bringing resources to the specific municipality via collective amendments. As long as the benefits obtained by the national representative feed players of these local political networks they will be motivated to politically support the national legislator, to gather more votes in the electorate as one way to pay back the legislator. Naturally, every legislator of a particular state would try to claim credit for appropriating collective amendments at the local level. However, we expect that the legislator most skilled in providing resources will be better positioned to obtain greater recognition in the local political market.

**Table 1: Distribution of Executed Individual and Collective Amendments (1997-2005)**

Year	Individual amendments	Collective Amendments	Total
1997	1,787,753	3,141,462	4,929,215
	36%	64%	
1888	2,048,455	2,356,145	4,404,601
	47%	53%	
1999	1,139,885,882	2,294,368,062	3,434,253,944
	33%	67%	
2000	1,614,599,474	3,231,151,906	4,845,751,381
	33%	67%	
2001	1,778,173,369	3,560,946,269	5,339,119,639
	33%	67%	
2002	22,828,050	47,338,726	70,166,776
	33%	67%	
2003	26,652,992	55,083,809	81,736,802
	33%	67%	
2004	44,582,204	90,052,710	134,634,915
	33%	67%	
2005	50,326,707	102,688,049	153,014,756
	33%	67%	
<b>Total</b>	4,680,884,889	9,387,127,143	14,068,012,032
	33%	67%	
<b>Average</b>	520,098,321	1,043,014,127	1,563,112,448

Source: Joint Budget Committee of the Brazilian Congress.

Legislators, especially from the smallest states, also have the flexibility to informally cooperate and combine some of the individual amendments in a manner that disguises them as collective ones. Such amendments are known as *rachadinhas*. According to Deputy Sergio Miranda (Partido Comunista do Brasil, Minas Gerais – PC do B-MG), “almost 40 percent of the collective amendments have been systematically used in the form of *rachadinhas* to benefit electoral strongholds of individual legislators.”<sup>6</sup> A similar complaint was offered by the previous President of the Joint Budget Committee and now the current Ministry of Finance, Deputy Paulo Bernardo (Partido dos Trabalhadores, Paraná – PT-PR), who said: “several legislators are using state block amendments as if they were individual ones in order to deliver resources to their electoral bailiwicks. I am certain this is a distortion of the original purpose of collective instruments.”<sup>7</sup> More recently, he pointed out “the state block amendments became large camouflaged individual amendments.”<sup>8</sup>

Another reason to suspect that collective amendments cannot be used by the Executive to attain political support is that they also apply what can be considered consensual decision-making rules that encourage cooperation among block members rather than with the Executive. Approval of state amendments to the budget law requires the support of at least two-thirds of the Senators and Deputies of each state delegation. That is, without the compliance of a super-majority of state legislators no state amendment can be approved. Bear in mind that we are talking about a very strong party fragmentation in which the Governors’ party rarely gets the majority of seats in State Assemblies though governors are able to build post-electoral majority coalitions. This is clearly a consensual requirement that encourages cooperation among legislators from different parties and ideological preferences. Since the size of the pie is large on state amendments, there is no incentive for a legislator to stay out of the state block and to sign the petition for a collective amendment. Which state amendments are included in the budget bill is determined in a meeting in which state delegation members also choose who will be the coordinator of the delegation. This is a key position since the coordinator will be in charge of demanding inclusion of the delegation’s amendments in the report of the Budgetary Joint Committee and will be in charge during the phase of budget execution. That is, as soon as the Executive decides to appropriate a state amendment, it is the state block coordinator who informs the Executive Branch how a wide-ranging amendment should be allocated. This means that as soon as the Executive opens the gate by determining the

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6 *Folha de São Paulo*, November 13, 2001.

7 *Correio Braziliense*, December 20, 2004.

8 *Valor*, January 14, 2005.

execution of the collective bill he/she loses control over which lucky legislator will get to claim credit for delivering the policy.

Another consensual peculiarity of state amendments is tied to the decentralized process of reporting budgetary bills in the Joint Budget Committee. The distribution of bills among committee members follows the rule of proportionality according to the number of seats each political party holds. That is, not only faithful members of the governing coalition have the prerogative of reporting a budget bill, but any member of the committee could do this. According to Deputy Paulo Bernardo, “it is not uncommon to see members of the budget committee pressing for a favorable report regarding a budget bill of the interest of the Executive because it incorporated legislators’ individual demands.”<sup>9</sup>

In the investigated period, about 80 percent of state amendments were concentrated in six governmental agencies: Department of Roads (about 20 percent), Secretary of Urban Development (around 20 percent), Ministry of National Integration (around 20 percent), National Health Fund (around 15 percent), and Ministry of Transportation (around 5 percent). The amendments typically took the form of umbrella amendments<sup>10</sup> in the areas of transportation, health, and urban infra-structure. There is no specific geographical target for these umbrella amendments, unlike the vast majority of individual amendments. This characteristic, along with the absence of an identifiable author, also makes it more difficult for the Executive to trace the interests involved and to identify which legislators would benefit from the appropriation of these collective amendments.

These are some reasons the current Lula da Silva administration has been generating clear signals that it intends to revamp the existing rules about state amendments. This position is reflected in recent comments made by the previous President of the Worker’s Party (PT), Deputy José Genoïno, in a nation-wide newspaper:

State block amendments are extremely valuable in terms of resources; however, they have no “Social Security Number” neither “Identification Number.” Thus we cannot identify the author. It is true that individual amendments are problematic, especially because they pulverize resources, sometimes in an inefficient way. Nevertheless, their value is small and, most importantly, they do have a “social security number,” which makes them easier to control. Before the Inquiry Parliamentary Committee – CPI, which investigated the budget scandal in 1992, the individual amendments were even more problematic since there was no ceiling in

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9 Personal interview with Deputy Paulo Bernardo in his office, Brasilia, June 24, 2005.

10 Similar to what Weingast and Shepsle (1995: 11) called an Omnibus amendment.

the value or limit in the number of amendments a legislator could craft. The Congress thought, at that time, that state block amendments would be an alternative. However, they turned out to be today as big a problem because individual deputies have exploited this opportunity to use collective amendments privately.<sup>11</sup>

Another indication of the Executive's extreme concern over collective amendments was the decision of the Lula da Silva administration to shut off the appropriation of 7.8 billion BRL worth of collective amendments that had been already authorized in the budget law of 2005. Moreover, the government behaved in a different manner with regard to individual amendments. Instead of impounding appropriations, as was the case for collective amendments, the government decided to appropriate 2 billion BRL for the individual amendments.<sup>12</sup> The Executive appears to have realized that unfaithful legislators both from his coalition and from opposition parties were exploiting this collective instrument to gain access to public resources without having to provide political support for the Executive's agenda.

While collective amendments may strengthen legislators relative to the Executive, their approval in the annual budget law does not necessarily guarantee that funds will be provided, since the appropriation of these amendments is a prerogative of the Executive. Only 78.29 percent of the collective amendments approved were appropriated in the period of analysis.

Because of these dynamics, we seek to test if a similar relationship to the one found for individual amendments (that we also tested here) can also be established between legislators' support for the presidential agenda and the appropriation of state block collective amendments. Our key contribution, therefore, is to empirically investigate whether legislators' use of state amendments can divert resources from the Executive without supporting the Executive's agenda. If it is the case, the execution of collective amendments raises important questions about government effectiveness. Do state amendments represent another carrot and stick that the Executive can use to influence the Legislature, or do the consensual characteristics of collective amendments actually encourage the decentralization of resources away from the Executive's control?

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11 *Valor*, February 18, 2005.

12 *Folha de São Paulo*, February 22, 2005.

## Data and Methods

To analyze the relationship between collective amendments and legislative support, we collected a monthly time series dataset that runs from January 1997 to December 2005. This amounts to 108 time points, spanning Fernando Henrique Cardoso's two administrations and the first three years of Luiz Inácio Lula da Silva's first term in office. The dataset includes two key variables: a variable representing the absolute monetary value of appropriations for *state amendments* and a variable representing the level of support provided by a state delegation for presidential preferences. We operationalize *legislative support* as the average of legislators from a particular state delegation in the Chamber of Deputies supporting the Executive's positions on legislative votes in a given month. This variable indicates the revealed preference of legislators in a state delegation regarding presidential preferences.

We also control for the influence of *individual amendments*, the *popularity of the President*, *cabinet coalescence* at the national level, and we add dummy variables representing each administration. Controlling for individual amendments allows us to compare how the effects of collective amendments differ from those of individual amendments. For presidential popularity, several studies have found that this factor is linked to higher legislative influence (Brace and Hinckley 1992; Ostrom Jr. and Simon 1985; Rivers and Rose 1985). These findings lead us to expect, therefore, that the value of appropriations will decline as the President's popularity increases because this will allow the President to reduce his/her reliance on budgetary powers. A very popular president would need to rely less often on monetary transfers to obtain legislative support. Cabinet coalescence measures the partisan distribution of ministerial portfolios. It increases as the proportionality between the parties' share of cabinet portfolios and their share of seats in the Legislature increases (Amorim Neto 2002). A higher degree of coalescence should mean that there is a more stable and satisfied coalition supporting the President. This suggests that coalition parties will have a greater influence on the presidential agenda and will therefore work harder to implement it. This should also decrease the President's reliance on appropriations of amendments. Raile, Pereira, and Power (forthcoming 2010) arrive at a similar conclusion, demonstrating empirically that pork and cabinet positions have interdependent effects and function as imperfect substitutes in purchasing legislative support.

Preliminary analysis of the data suggests that the dependent variable (legislative support) is affected by an AR(1) autoregressive process. Therefore, to address this problem we use two estimation techniques. First, we run an ordinary least squares (OLS) model in which we correct for the seasonal nature of the data by including dummy variables for the months of February to December. Second, we use a Prais-Winsten estimation method, which specifically



corrects for first-order autoregressive errors.<sup>13</sup> For both approaches, we use the logs of state amendments and individual amendments because we expect that the effects of these variables diminish at the margins.

In sum, we expect that if state amendments are strategically appropriated by the Executive (as in the case of individual amendments), the relationship between the appropriation of state amendments and legislator support for the Executive's preferences should be positive. That is, as the Executive increases the appropriation of state amendments the legislative support for presidential preferences by members in a state delegation should increase. On the other hand, based on institutional difficulties generated by the unique nature of collective amendments – such as reducing the identifiability of the author of the amendment – it is reasonable to expect that individual legislators have some room to maneuver and that they may therefore go against presidential preferences without fear of being punished. If this is the case, we should expect no relationship or even a negative relationship between state delegation support for presidential preferences and the appropriation of state amendments.

## Results

The results of the OLS regression, reported in Table 2, suggest that state amendments do in fact produce an effect contrary to individual amendments. For the standard OLS regression, the signs of the coefficients for these two explanatory variables are reversed. In line with past studies, individual amendments produce a positive and significant influence on legislative support at below the .01 level. State amendments, on the other hand, produce a negative and significant influence on legislative support at the .10 level. Substantively, a 100 percent increase in the value of individual amendments increases legislative support by approximately 3 percent, while a 10 percent increase in the value of state amendments decreases support by approximately 3 percent.<sup>14</sup> These effects are large enough to influence the outcome of close votes.

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13 For a discussion of these approaches see Wooldridge (2003: 404-405). Furthermore, we considered using a two-stage least squares model to control for potential endogeneity of the appropriation of individual and collective amendments, following Pereira and Mueller (2004) and Alston and Mueller (2006). However, we deemed a two-stage model impractical for a number of reasons. The time-series control in the empirical specification, which we feel is essential, complicates use of a two-stage model. In addition, the theoretical endogeneity between pork and legislative support is not as clear in the aggregate as it is at the individual level.

14 See Wooldridge (2003: 124-126) for an explanation on interpreting logged independent variables.

**Table 2: Determinants of Legislative Support (Governability)**

	<b>OLS Regression</b>	<b>Prais-Winsten Estimation</b>
<b>Variable</b>	<b>Coefficient</b>	<b>Coefficient</b>
State Amendments (logged)	-2.935* (1.656)	-3.166** (1.582)
Individual Amendments (logged)	3.200*** (0.851)	3.916*** (1.281)
Presidential Popularity	0.039 (0.127)	0.466* (0.251)
Cabinet Coalescence	0.279 (0.173)	-0.116 (0.804)
Cardoso (2nd)	-0.412 (5.730)	15.176 (12.363)
Lula da Silva	10.376** (4.693)	--
February	-5.383 (6.338)	
March	-11.497* (6.302)	
April	-12.027* (6.437)	
May	-2.056 (6.280)	
June	-9.569 (6.413)	
July	-12.123* (6.445)	
August	-2.977 (6.332)	
September	-1.515 (6.380)	
October	-2.159 (6.461)	
November	-3.757 (6.417)	
December	-7.996 (7.004)	
Constant	51.712*** (14.363)	63.047 (46.720)
R <sup>2</sup>	0.452	0.482

Note: Statistical significance denoted by \*; where \* equals p-value < 0.1, \*\* equals p-value < 0.05, and \*\*\* p-value < .001. Robust Standard Error in parenthesis

Source: Built by the authors.

These results were also confirmed by the Prais-Winsten estimation.<sup>15</sup> In this model, the effects of state amendments and individual amendments are both significant and again oriented in opposite directions. Once the AR(1) autoregressive process is accounted for, the effects of state amendments on legislative support are found to be significantly negative, while the effects of individual amendments are significantly positive. Substantively, the magnitude of the effects are similar to what we found in the standard OLS model; a 100 percent increase in the value of state amendments reduces legislative support by approximately 3 percent, while a 100 percent increase in the value of individual amendments increases legislative support by approximately 4 percent.<sup>16</sup>

It is interesting to note at this point that the results with respect to individual amendments contravene dissenting views about the role of individual amendments on legislators' behavior within Congress. For example, Figueiredo and Limongi claim that it is not possible to establish a causal relationship that votes are exchanged for the execution of individual amendments. This claim, which is essentially based on descriptive evidence of frequency distribution, suggests that "amendments can be executed without the expected voting behavior, and votes are cast in support of the government without the expected matching part – i.e., authorization of spending (2007: 3)." The authors also provide a simple logistic regression showing that, although the rate of execution of individual amendments is positively correlated with legislative support for the Executive's agenda, it is a model with less predictive capacity than a model with membership of government coalition alone. We have demonstrated, however, that using a time-series analysis and controlling for other factors that may influence legislators' voting behavior reveals that appropriation of individual amendments on the national budget positively increases legislative support in Congress.

With respect to other explanatory variables the models produce some conflicting results. Presidential popularity is not significant in the standard OLS regression, but it is positive and significantly (at the .10 level) related to legislative support in the Prais-Winsten model. This result should be interpreted with caution because it appears influenced by the absence of the dummy for the Lula da Silva administration (dropped by Stata because of collinearity). Dropping the Lula da Silva variable in the standard OLS model did increase the size of the coefficient for presidential popularity, though it still did not become significant in that model. Cabinet coalescence was not

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15 We are grateful to an anonymous reviewer for this suggestion.

16 We also ran this model using robust standard errors and we found that the results for state amendments remain the same. For individual amendments, the significance level was reduced to a P-value of .09.

significant for either model. With respect to the administration dummies, the standard OLS regression suggests that the Lula da Silva administration was more successful than the Cardoso government in generating legislative support. Again, this result should be interpreted with caution because we were unable to obtain results for the Prais-Winsten model. Unfortunately, exploring the effects of this variable more closely will require the collection of more data across a greater number of administrations.

Ultimately, we want to emphasize that our results clearly show that individual and state amendments are not equivalent. Our results support the conclusions of past research on individual amendments – they positively increase support for the Executive. For state amendments, however, the evidence from both models (the standard OLS model and in the Prais-Winsten model) indicates that they cannot be used to increase legislative support; indeed, they significantly decrease support for the Executive.

## Conclusion

This study explored how hybrid electoral institutions can produce varying effects with respect to governability. Focusing on Brazil, we found that even a relatively small difference between particular institutions (i.e., individual versus state amendments) can lead to rather different outcomes. Our findings suggest that, at least for the time period we analyzed, state amendments do not work like individual amendments; they do not represent another tool, which the Executive can use to gain the Legislature's support for his/her agenda. The Executive does not receive support from legislators in return for state amendment appropriations.

On the contrary, our results suggest that state amendments provide legislators with advantages over the Executive. As noted in our theoretical discussion, collective amendments allow legislators to obscure their amendment input and because of their own internal consensual characteristics they encourage members of legislative blocks to cooperate with each other rather than with the Executive. Thus, to the extent that legislative support proxies for governmental effectiveness, we can conclude that greater use of collective amendments (relative to individual amendments) will have a negative effect on governability.

We are not suggesting that collective amendments are inherently negative institutions; indeed, future work may find, for example, that collective amendments may produce a more efficacious allocation of resources than individual amendments. But it is important to keep in mind that the institutional setting that emerged from the 1988 Constitution was a consequence of legislative's choice. The Legislature essentially decided to delegate a bulk

of the power to the Executive, including the power of unilaterally executing the budget. The underlying rationale for this was to prevent institutional instability and deadlock between Congress and the Executive, which was prevalent in the previous period of democratic rule (from 1946 to 1964). The majority of legislators learned from the 22 years of dictatorship that an institutionally weak president could not last without some sort of governing capacity to enforce his/her agenda. Legislators decided not to change the electoral rules – that is, not to reform the open-list PR system in the new constitution because it would create too much uncertainty with respect to the legislators' electoral survival – but they also opted to transfer institutional resources to the Executive to ensure governability.

The most important consequence of this institutional design was that all elected presidents since 1988 have been able to build reasonably stable post-electoral majority coalitions within Congress and have experienced relatively strong party discipline within the presidential governing coalition, along with a high level of governability. In fact, Brazil has not yet faced a truly divided government under the current set of political institutions. This is not coincidental, given the institutional powers and resources held and selectively distributed by the Executive. The combination of provisional decree, vetoes, urgency petitions, and budget dominance provides the Executive with an impressive set of instruments for imposing its own legislative priorities on the Congress's agenda.

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## **Hibridez Institucional e Governabilidade: O Processo Orçamentário no Brasil**

**Resumo:** Nesse artigo é dedicada especial atenção às trajetórias pelas quais instituições majoritárias e consensuais afetam governabilidade. É demonstrado que distintas combinações de instituições majoritárias e consensuais afetam diferentemente as estruturas de governabilidade de um determinado país, mesmo quando essas instituições têm naturezas similares. São analisadas as regras que regulam as relações entre o executivo e o legislativo, em especial a execução das emendas orçamentárias dos parlamentares. Em alguns regimes presidencialistas, o Presidente dispõe de veto parcial, o que lhe permite a aprovação ou bloqueio da execução de emendas introduzidas pelos legisladores. Através da análise do caso brasileiro, é argumentado que a habilidade do Presidente de se utilizar da execução de emendas como uma ferramenta de formação de maiorias depende da natureza da própria emenda: individual ou coletiva. É demonstrado que emendas individuais servem como uma ferramenta fundamental para construção de maiorias, o que propicia maior governabilidade. Por outro lado, emendas coletivas, por terem uma natureza consensual, não propiciam aumento de suporte legislativo em favor do executivo.

**Palavras chave:** Brasil, emendas coletivas, emendas individuais, relações executivo-legislativo, instituições políticas